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Audited Consolidated Financial Statements and Other Financial Information

MidState Medical Center and Subsidiaries
Years Ended September 30, 2010 and 2009
With Report of Independent Auditors

MidState Medical Center and Subsidiaries

Audited Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2010 and 2009

Contents

Audited Consolidated Financial Statements

Other Financial Information

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Report of Independent Auditors

Board of Directors
MidState Medical Center

We have audited the accompanying consolidated balance sheets of MidState Medical Center and subsidiaries (collectively referred to as the Medical Center) 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 Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Medical Center'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 Medical Center'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 the Medical Center 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 accounting principles generally accepted in the United States.

As described in Note 1 to the consolidated financial statements, the Medical Center restated its financial statements as of and for the year ended September 30, 2009 to correct the accounting for certain funds held in trust as of September 30, 2008.

Ernst + Young LLP

January 14, 2011

MidState Medical Center and Subsidiaries

Consolidated Balance Sheets

	September 30 2010	September 30 2009 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	**$ 29,570,490**	$ 42,246,786
Accounts receivable, less allowances of approximately $8,156,000 in 2010 and $7,687,000 in 2009	**27,340,758**	22,801,140
Grants and other receivables	**1,080,542**	808,367
Inventories	**1,599,146**	1,420,160
Prepaid expenses	**1,203,732**	1,094,329
Current portion of pledges receivable	**177,464**	390,184
Funds designated for debt service	**1,168,505**	1,168,505
Total current assets	**62,140,637**	69,929,471
Assets whose use is limited:		
Board-designated investments	**11,182,066**	10,222,190
Donor restricted investments	**1,764,745**	1,653,978
Pledges receivable, long-term	**278,277**	165,433
Funds held in trust by others	**12,195,310**	12,035,862
	25,420,398	24,077,463
Escrow funds for long-term debt	**–**	10,167,560
Other assets	**19,832,691**	8,550,946
Property, plant and equipment, net	**134,794,376**	118,350,066
	$ 242,188,102	$ 231,075,506

	September 30 2010	2009 (Restated)
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 6,768,069**	$ 7,622,856
Current portion of long term debt	**2,335,000**	2,390,000
Current portion of other liabilities	**10,442,247**	6,956,870
Salaries, wages, and amounts withheld from employee compensation	**8,445,266**	9,288,643
Estimated third-party payor settlements	**942,231**	885,467
Other accrued expenses	**519,192**	496,121
Accrued interest payable	**526,657**	558,330
Total current liabilities	**29,978,662**	28,198,287
Accrued pension liability	**52,087,773**	50,672,436
Other liabilities	**2,465,969**	3,897,266
Long-term debt, less portion classified as current liability	**80,580,000**	82,915,000
Net assets:		
Unrestricted	**62,140,641**	50,950,947
Temporarily restricted	**1,962,184**	1,630,516
Permanently restricted	**12,972,873**	12,811,054
	77,075,698	65,392,517
	$ 242,188,102	$ 231,075,506

See accompanying notes.

MidState Medical Center and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30 2010	2009 (Restated)
Unrestricted revenues, gains, and other support:		
Net patient service revenue	**$ 182,022,152**	$ 172,470,335
Other operating revenue	**31,517,973**	18,473,460
Net assets released from restrictions	**199,314**	247,839
	213,739,439	191,191,634
Operating expenses:		
Salaries	**70,494,313**	65,452,831
Employee benefits	**21,760,310**	17,450,768
Supplies and other	**86,685,888**	80,995,517
Provision for uncollectible accounts	**10,965,542**	9,717,615
Depreciation and amortization	**11,405,092**	9,179,180
Interest	**2,221,191**	2,456,574
	203,532,336	185,252,485
Income from continuing operations	**10,207,103**	5,939,149
Loss on discontinued operations	–	(1,011,403)
Non-operating income:		
Income from investments, gifts and bequests, net	**1,253,344**	703,133
Change in fair value of interest rate swaps	**(1,387,309)**	(1,697,922)
Other	–	182,344
	(133,965)	(812,445)
Excess of revenues over expenses before change in unrealized gains and losses on investments	**10,073,138**	4,115,301
Change in unrealized gains and losses on investments	**668,077**	579,781
Excess of revenues over expenses	**10,741,215**	4,695,082

Continued on next page.

MidState Medical Center and Subsidiaries

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

	Year Ended September 30	
	2010	**2009**
		(Restated)
Unrestricted net assets:		
Excess of revenues over expenses (continued)	**$ 10,741,215**	$ 4,695,082
Net assets released from restrictions for purchase of property and equipment	**504,477**	485,647
Change in funded status of pension plan	**(53,627)**	(24,454,480)
Transfer from temporarily restricted net assets	–	1,407,063
Transfer (to) from permanently restricted net assets	**(2,371)**	409,272
Increase (decrease) in unrestricted net assets	**11,189,694**	(17,457,416)
Temporarily restricted net assets:		
Change in unrealized gains and losses on investments	**108,396**	95,471
Income (loss) from investments	**376**	(2,295)
Income from special purpose funds	**90,933**	98,409
Net assets released from restrictions for purchase of property and equipment	**(504,477)**	(485,647)
Net assets released from restrictions for operations	**(199,314)**	(247,839)
Bequests, gifts and grants	**600,011**	545,767
Pledge contributions	**235,743**	286,932
Transfer to unrestricted net assets	–	(1,407,063)
Increase (decrease) in temporarily restricted net assets	**331,668**	(1,116,265)
Permanently restricted net assets:		
Transfer from (to) unrestricted net assets	**2,371**	(409,272)
Transfer to other entity	–	(515,956)
Change in unrealized gains and losses on funds held in trust by others	**159,448**	(643,574)
Increase (decrease) in permanently restricted net assets	**161,819**	(1,568,802)
Increase (decrease) in net assets	**11,683,181**	(20,142,483)
Net assets at beginning of year, as originally reported	**65,392,517**	77,163,135
Adjustment *(Note 1)*	–	8,371,865
Net assets at beginning of year, as restated	**65,392,517**	85,535,000
Net assets at end of year	**$ 77,075,698**	$ 65,392,517

See accompanying notes.

MidState Medical Center and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30 2010	2009 (Restated)
Cash flows from operating activities and other income		
Change in net assets	**$ 11,683,181**	$ (20,142,483)
Adjustments to reconcile change in net assets to net cash provided by operating activities and other income:		
Noncash items:		
Depreciation and amortization	**11,405,092**	9,179,180
Change in unrealized gains and losses on investments	**(776,473)**	(675,252)
Change in fair value of interest rate swaps	**(1,387,309)**	(1,697,922)
Change in funded status of pension plan	**53,627**	24,454,480
Change in unrealized gains and losses on funds held in trust by others and other investments	**(159,448)**	643,574
Provision for uncollectible accounts	**10,965,542**	9,717,615
Transfer to other entity		515,956
Other changes in net assets:		
Restricted contributions and investment income	**(927,063)**	(928,813)
Changes in operating assets and liabilities, net *(Note 12)*	**(13,926,936)**	11,226,024
Net cash provided by operating activities and other income	**16,930,213**	32,292,359
Cash flows from investing activities		
Purchases of property, plant and equipment, net	**(27,849,402)**	(34,581,719)
(Increase) decrease in investments, net	**(294,170)**	590,778
Net cash used in investing activities	**(28,143,572)**	(33,990,941)
Cash flows from financing activities		
Principal payments on long-term debt	**(2,390,000)**	(2,460,000)
Restricted contributions and investment income	**927,063**	928,813
Net cash used in financing activities	**(1,462,937)**	(1,531,187)
Decrease in cash and cash equivalents	**(12,676,296)**	(3,229,769)
Cash and cash equivalents at beginning of year	**42,246,786**	45,476,555
Cash and cash equivalents at end of year	**$ 29,570,490**	$ 42,246,786

See accompanying notes.

1. Significant Accounting Policies

The accounting policies that affect significant elements of the MidState Medical Center and its subsidiaries (collectively referred to as the Medical Center) financial statements are summarized below.

Organization

The Medical Center is a nonprofit organization incorporated under the General Statutes of the State of Connecticut. Hartford Health Care Corporation (HHCC) is the sole member of the Medical Center. The Board of HHCC elects the Board of Directors and officers of the Medical Center who manage its property and affairs.

Effective July 1, 1996, MidState VNA and Hospice, Inc. (the Association) became a wholly owned subsidiary of the Medical Center. The Association was dissolved on July 31, 2009 and certain assets and liabilities of the Association were transferred to the Medical Center at September 30, 2009. The transaction was accounted for as a transfer of equity. The Medical Center has recorded a loss from discontinued operations of $1,011,403 for the year ended September 30, 2009. The Association had a June 30 year-end and provided nursing and other needed home health care services to individuals in the greater Meriden area. All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

In fiscal year 1999, the Medical Center acquired an 80% interest in Meriden Imaging Center (the Center) and began consolidating its financial statements. All material intercompany accounts have been eliminated in the accompanying consolidated financial statements.

Effective February 14, 2006, MidState MSO, LLC (a wholly-owned subsidiary of the Medical Center) was created to provide management services and support for medical practices.

Reclassifications

Certain reclassifications have been made to the year ended September 30, 2009 balances previously reported in the balance sheets and statements of operations and changes in net assets in order to conform with the year ended September 30, 2010 presentation.

1. Significant Accounting Policies (continued)

Restatement of 2009 Financial Statements

During fiscal 2010, the Medical Center determined that existing interests in certain perpetual trusts had not been recognized in its financial statements at September 30, 2008 as required by accounting principles generally accepted in the United States (GAAP). These funds held in trust were recorded in the Medical Center's 2010 financial statements and certain amounts reported as of and for the year ended September 30, 2009 have been restated in the accompanying consolidated financial statements to correct these errors. The cumulative effect of this restatement as of October 1, 2008 is an increase in permanently restricted net assets of $8,371,865. The effect of the restatement on the 2009 financial statements is summarized in the table below:

	As Previously Reported	As Restated
Consolidated Balance Sheets:		
Total net assets - October 1, 2008	$ 77,163,135	$ 85,535,000
Funds held in trust by others - September 30, 2009	4,011,143	12,035,862
Permanently restricted net assets - September 30, 2009	4,786,335	12,811,054
Consolidated Statements of Changes in Net Assets:		
Change in fair value of unrealized gains and losses on funds held in trust by others - permanently restricted net assets - September 30, 2009	(296,428)	(643,574)

Use of Estimates

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

Investments

The Medical Center's investment portfolio is classified as trading, with unrealized gains and losses included in the excess 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 these investments are determined by the investment manager. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Assets temporarily restricted (by donor) are recorded at fair value at the date of donation, which is then considered cost. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) 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.

Patient Accounts Receivable

Patient accounts receivable result from the health care services provided by the Medical Center. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

The amount of the allowance for uncollectible 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.

Inventories

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

Interest Rate Swap Agreements

The Medical Center utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. The Medical Center does not hold or issue derivative financial instruments for trading purposes. The Medical Center is exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements.

Interest rate swap agreements are reported at fair value. Changes in fair value are recognized in the performance indicator in the statements of operations and changes in net assets.

1. Significant Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Medical Center in perpetuity. The Medical Center 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 trusts is unrestricted 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. Pledges receivable at September 30, 2010 and 2009 are comprised primarily of amounts contributed for the construction of the emergency department.

Pledges receivable to be received after one year are discounted to net present value. Pledges are recognized 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 for contributions of long-lived assets.

Income Taxes

The Medical Center is a not-for-profit corporation 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. The Center is an S Corporation, a pass-through entity not subject to federal income taxes. MidState MSO is a single member limited liability company treated as part of its sole member for federal tax purposes.

1. Significant Accounting Policies (continued)

Fair Values

The carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair value of the financial instruments are disclosed in their respective notes or in Note 4.

Cash and Cash Equivalents

Cash and cash equivalents include cash and certificates of deposit. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Medical Center's policy to monitor the financial strength of these institutions.

Property, Plant and Equipment

Property, plant and equipment are stated on the basis of cost. The Medical Center 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.

Medical Malpractice 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 Medical Center has a 25% ownership interest. The Medical Center's ownership is accounted for under the equity method in the accompanying statements of operations and changes in net assets. The investment in CHS Insurance Limited is included in other assets in the accompanying consolidated balance sheets.

Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from the excess of revenues over expenses, include changes in the funded status of the pension plan and contributions of long-lived assets.

1. Significant Accounting Policies (continued)

Deferred Financing Costs and Bond Discount

Deferred financing costs and bond discounts associated with long-term debt for capital projects are amortized over the term of the debt.

Nonoperating Income

Nonoperating income primarily consists of income on invested funds, gifts and bequests, and changes in fair value of swap agreements.

Pension Plans

The Medical Center maintains a defined benefit pension plan (Note 8), and a defined contribution plan was established for all new employees. Pension expense for the defined contribution plan was $2,808,772 and $2,185,163 for the years ended September 30, 2010 and 2009, respectively.

Subsequent Events

The Medical Center 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 Medical Center evaluated subsequent events through January 14, 2011, which is the date the financial statements were issued. No events occurred that require disclosure or adjustment to the consolidated financial statements.

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 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 Medical Center's consolidated financial statements for the year ended September 30, 2010.

1. Significant Accounting Policies (continued)

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.

2. Revenue from Services to Patients, Charity Care and Accounts Receivable

Revenues from the Medicare and Medicaid programs accounted for approximately 35% and 9%, and 36% and 8%, respectively, of the Medical Center's net patient service revenue for the years ended September 30, 2010 and 2009, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Medical Center 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. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Medical Center.

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

The following table summarizes net revenue from services to patients:

	Year Ended September 30	
	2010	**2009**
Gross revenues from patients:		
Inpatients	**$ 181,180,626**	$ 171,870,736
Outpatients	**193,690,236**	175,756,315
	374,870,862	347,627,051
Deductions:		
Allowances	**189,210,727**	171,786,129
Charity care	**3,637,983**	3,370,587
	192,848,710	175,156,716
Net patient service revenue	**$ 182,022,152**	$ 172,470,335

The significant concentrations of accounts receivable for services to patients include 35% from Medicare, 16% from Medicaid, 28% from commercial insurance carriers and 21% from others at September 30, 2010 (36%, 14%, 28% and 22%, respectively, at September 30, 2009).

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center 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, and 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. The Medical Center recorded net changes in estimates of approximately $1.7 million related to better than previously estimated third party payor settlements at September 30, 2009.

The Medical Center 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 Medical Center-specific data. Such amounts are included in the accompanying balance sheets.

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

The Medical Center 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 Medical Center for certain covered services based upon discounted fee schedules.

The Medical Center 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 Medical Center. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Medical Center 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. These charges are not included in net patient service revenue for financial reporting purposes.

3. Investments

Cost and fair value of the investments are as follows:

	September 30			
	2010		2009	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash and cash equivalents	**$ 3,018**	**$ 3,018**	$ 4,938	$ 4,938
Marketable equity securities	**4,406,762**	**5,721,352**	3,934,984	4,877,551
Other marketable securities	**6,607,062**	**7,222,441**	6,782,750	6,993,679
	$ 11,016,842	**$ 12,946,811**	$ 10,722,672	$ 11,876,168

The Medical Center is the income beneficiary of funds held in trust by others. The market value of the trusts for the Medical Center were $12,195,310 and $12,035,862 at September 30, 2010 and 2009, respectively.

3. Investments (continued)

The composition and presentation of unrestricted investment income and gains from investments, which are included in nonoperating income in the statements of operations and changes in net assets, are as follows:

	Year Ended September 30	
	2010	**2009**
Interest and dividend income	**$ 261,107**	$ 576,316
Realized gain (loss) on investments	**65,106**	(518,095)
	$ 326,213	$ 58,221

4. 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. 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 as follows:

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 are 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 for the fair value measurement. In determining fair value, the Medical Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. In addition, the Medical Center considers counterparty credit risk in its assessment of fair value.

4. 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	$ 29,570,490	$ –	$ –	$ 29,570,490
Assets limited as to use:				
Cash and cash equivalents	3,018	–	–	3,018
Marketable equity securities	5,451,352	270,000	–	5,721,352
Other marketable securities	7,222,441	–	–	7,222,441
Funds held in trust by others		12,195,310	–	12,195,310
Funds designated for debt service	1,168,505	–	–	1,168,505
Pension plan assets:				
Cash and cash equivalents	704,024	–	–	704,024
Equity mutual funds	30,409,076	–	–	30,409,076
Fixed income mutual funds	6,715,609	–	–	6,715,609
Common collective funds	–	56,678,902	–	56,678,902
Liabilities				
Interest rate swap agreements	–	5,823,740	–	5,823,740

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	$ 42,246,786	$ –	$ –	$ 42,246,786
Assets limited as to use:				
Cash and cash equivalents	4,938	–	–	4,938
Marketable equity securities	4,607,551	270,000	–	4,877,551
Other marketable securities	6,993,679	–	–	6,993,679
Funds held in trust by others	–	12,035,862	–	12,035,862
Funds designated for debt service	1,168,505	–	–	1,168,505
Escrow funds for long-term debt	10,167,560	–	–	10,167,560
Liabilities				
Interest rate swap agreements	–	4,625,870	–	4,625,870

4. Fair Values of Financial Instruments (continued)

The following is a description of the Medical Center's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 assets is based upon quoted market prices while fair value for Level 2 assets were determined primarily through prices obtained from third party pricing sources, as quoted market prices for such securities are not readily available. Fair value for Level 2 liabilities is based upon a market approach that uses prices and other relevant information generated by market transactions involving identical or comparable liabilities.

5. Net Assets

Temporarily restricted net assets are primarily available for the purchase of equipment and for health care services. Permanently restricted net assets included permanently restricted gifts and funds held in trust.

The Medical Center's endowment consists of approximately 100 individuals funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Medical Center 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 Medical Center 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 Medical Center considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1) The duration and preservation of the fund
2) The purposes of the Medical Center 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 Medical Center
7) The investment policies of the Medical Center

5. Net Assets (continued)

The Medical Center 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. The Medical Center's spending policy is that investment income and realized gains and losses associated with the endowments are appropriated for spending every year, and unrealized gains and losses are reinvested back into the endowment as accumulated earnings. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

Endowment net asset composition by type of fund as of September 30, 2010, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 987,182	$ 777,563	$ 1,764,745
Board-designated endowment funds	$ 11,182,066	–	–	11,182,066
	$ 11,182,066	$ 987,182	$ 777,563	$ 12,946,811

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 10,222,190	$ 878,786	$ 775,192	$ 11,876,168
Net asset reclassifications	(2,371)	–	2,371	–
Endowment net assets after reclassification	10,219,819	878,786	777,563	11,876,168
Investment return:				
Investment income	351,188	–	–	351,188
Net appreciation (realized and unrealized)	729,074	108,396	–	837,470
Total investment return	1,080,262	108,396	–	1,188,658
Appropriation of endowment assets for expenditure	(118,015)	–	–	(118,015)
Endowment net assets at end of year	$ 11,182,066	$ 987,182	$ 777,563	$ 12,946,811

5. Net Assets (continued)

Endowment net asset composition by type of fund as of September 30, 2009, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 878,786	$ 775,192	$ 1,653,978
Board-designated endowment funds	$ 10,222,190	–	–	10,222,190
	$ 10,222,190	$ 878,786	$ 775,192	$ 11,876,168

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 8,563,882	$ 2,190,378	$ 1,037,434	$ 11,791,694
Net asset reclassifications	1,669,305	(1,407,063)	(262,242)	–
Endowment net assets after reclassification	10,233,187	783,315	775,192	11,791,694
Investment return:				
Investment income	352,806	–	–	352,806
Net depreciation (realized and unrealized)	(247,951)	95,471	–	(152,480)
Total investment return	104,855	95,471	–	200,326
Appropriation of endowment assets for expenditure	(115,852)	–	–	(115,852)
Endowment net assets at end of year	$ 10,222,190	$ 878,786	$ 775,192	$ 11,876,168

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 Medical Center 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 were 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.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30 2010	September 30 2009
Land and land improvements	**$ 9,516,529**	$ 7,690,573
Buildings and building improvements	**114,240,836**	77,584,058
Equipment	**110,639,255**	94,379,392
Construction in process (estimated cost to complete for 2010 is approximately $5,621,358)	**1,372,133**	30,689,886
	235,768,753	210,343,909
Accumulated depreciation	**(100,974,377)**	(91,993,843)
	$ 134,794,376	$ 118,350,066

7. Pledges Receivable

Pledges receivable, included in the accompanying balance sheets, are expected to be received as follows:

	September 30 2010	September 30 2009
Due within one year	**$ 199,466**	$ 417,500
Due in one to five years	**314,106**	177,885
	513,572	595,385
Less allowance and discount	**(57,831)**	(39,768)
Net pledge receivable	**$ 455,741**	$ 555,617

The discount reduces the pledge receivables to net present value. The allowance recognizes the estimated uncollectible portion of the pledges.

8. Pension Plan

The Medical Center has a defined benefit pension plan, covering substantially all of its employees and executives, and a noncontributory, supplemental defined-benefit retirement plan for certain executive employees (collectively, the pension plans). The benefits are based on years of service and the employees' compensation during the last five years of employment. The Medical Center makes contributions in amounts sufficient to fund the Plan's current service cost and to fund the past service costs plus interest thereon over a period of approximately 30 years. An accrued pension liability is included in the accompanying balance sheets related to the pension plans. The Medical Center also has a nonqualified pension plan covering substantially all of its employees and executives.

The following table sets forth the Plan's funded status and amounts recognized in the Medical Center's consolidated balance sheets:

	September 30 2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 135,397,266**	$ 105,496,832
Service cost	**3,359,189**	2,754,047
Interest cost	**7,945,224**	7,461,369
Net benefits payments and transfers	**(4,161,885)**	(3,404,200)
Liability losses	**535,724**	2,130,433
Assumption changes	**3,519,866**	20,958,785
Benefit obligation at end of year	**$ 146,595,384**	$ 135,397,266
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 84,724,830**	$ 77,307,051
Actual return on plan assets	**9,144,666**	6,021,979
Employer contribution	**4,800,000**	4,800,000
Net benefit payments and transfers	**(4,161,885)**	(3,404,200)
Fair value of plan assets at end of year	**94,507,611**	84,724,830
Funded status of the plan	**$ (52,087,773)**	$ (50,672,436)
Components of net periodic benefit cost		
Service cost	**$ 3,359,189**	$ 2,754,047
Interest cost	**7,945,224**	7,461,369
Expected return on plan assets	**(7,783,685)**	(7,868,471)
Net amortization and deferral	**2,640,982**	423,548
Benefit cost	**$ 6,161,710**	$ 2,770,493

8. Pension Plan (continued)

The accumulated benefit obligation for the pension plans was $133,640,577 and $119,586,477 at September 30, 2010 and 2009, respectively.

To develop the expected long-term rate of return on plan assets assumption, the Medical Center considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Included in unrestricted net assets at September 30, 2010 and 2009, respectively, are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized prior service credit of $1,054,035 and $1,155,482 and unrecognized actuarial loss of $55,130,842 and $55,180,474. The prior service credit and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending September 30, 2011 and 2010, respectively, are $3,174,433 and $2,618,597, respectively.

Plan Assets

The Plan's investment objectives are to achieve long-term growth in excess of long-term inflation and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets over a long-term time horizon. In order to minimize the risk, the Plan aims to minimize the variability in yearly returns. The Plan also aims to diversify its holding among sectors, industries, and companies. No more than 5% of the plan's portfolio (excluding U.S. government securities and cash) may be held in an individual company's stocks or bonds.

As discussed in Note 1, the Medical Center 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 4), the Medical Center follows a three-level hierarchy to categorize assets measured at fair value. In accordance with this hierarchy, as of September 30, 2010, 40% and 60% of the Medical Center's Plan's assets which are measured at fair value on a recurring basis were categorized as Level 1 and Level 2 investments, respectively. Assets invested in the defined benefit cash balance plan are carried at fair value.

8. Pension Plan (continued)

The Medical Center's pension plan weighted-average allocations at September 30, 2010 and 2009, by asset category are as follows:

Asset Category	Target Allocation	2010	2009
Equity securities	70%	**69%**	69%
Debt securities	30	**30**	30
Cash	0	**1**	1

Contributions

The Medical Center estimates fiscal year 2011 plan contributions of $4,800,000.

Estimated Future Benefit Payments

Benefit payments are expected to be paid as follows:

Fiscal Year	Pension Benefits
2011	$ 4,383,073
2012	5,030,911
2013	5,656,796
2014	6,294,716
2015	9,852,761
Years 2016 – 2020	45,047,621

Assumptions

The weighted-average assumptions used to determine projected benefit obligations are as follows:

	September 30 2010	2009
Discount rate	5.45%	5.8%
Rate of increase in compensation	3.50	4.0

8. Pension Plan (continued)

The weighted-average assumptions used to determine net periodic benefit cost are as follows:

	September 30	
	2010	**2009**
Discount rate	**5.8%**	7.0%
Expected return on plan assets	**8.0**	8.5
Rate of increase in compensation	**4.0**	4.0

The Medical Center has a defined contribution plan for all new employees. The defined benefit plan is frozen to all new members effective in fiscal year 2006.

9. Long-Term Debt

Details of long-term debt are as follows:

	September 30	
	2010	**2009**
Medical Center revenue bonds financed with the State of Connecticut Health and Educational Facilities Authority:		
Series A, B, A-1, and B-1	**$ 82,915,000**	$ 85,305,000
Less current portion	**2,335,000**	2,390,000
	$ 80,580,000	$ 82,915,000

The Medical Center issued Series A revenue bonds totaling $69,785,000, consisting of $43,010,000 of serial bonds and $26,775,000 of term bonds, to finance the Medical Center's construction of a new hospital. The Series A revenue bonds bear interest at rates ranging from 4.10% to 6.25%. Principal amounts related to the serial bonds mature annually each July 1 through 2016 and the term bonds mature on July 1, 2026. During 2000, an additional $500,000 in Series B bonds were issued in conjunction with a related entity. The fair value of the bonds was approximately $87,180,000 at September 30, 2010.

9. Long-Term Debt (continued)

During 2002, an additional $13,935,000 in Series A-1 bonds were issued to fund an expansion of the Medical Center. The Series A-1 bonds are variable rate demand bonds secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires May 1, 2012. Under the $13,935,000 bond indenture, the Medical Center has one balloon principal payment of $13,935,000 due on July 1, 2031. As of September 30, 2010 and 2009, the variable interest rate approximated .25% and 0.7%, respectively.

Under the terms of the revenue bond indentures, the Medical Center is required to maintain certain deposits with a trustee. The terms provide for the establishment of various funds, a pledge of gross receipts, as defined, restrictions on incurrence of certain indebtedness, and financial covenants.

During 2006, the Medical Center entered into a synthetic refinancing of its existing Series A Fixed Rate Bonds (Fixed Rate Bonds), whereby the Medical Center called the Fixed Rate Bonds on July 1, 2006 from the current bondholders through a tender offer paying a call premium of 103. Bonds that were not tendered, totaling $6,046,000, were redeemed at a premium of 102. The Medical Center simultaneously resold the Fixed Rate Bonds to an unrelated third-party financial institution. The Medical Center entered into a Total Return Distribution Agreement with the financial institution whereby the Medical Center receives the fixed rate, ranging from 5.1% to 5.5%, and pays a variable rate equal to the BMA Index plus 26.5 basis points. This agreement had an effective date of July 1, 2006 and includes a total return payment at termination equal to any gain, paid by the financial institution, or loss, paid by the Medical Center, in the value of the Fixed Rate Bonds. The Total Return Distribution Agreement has termination dates based on the serial maturity dates of the Fixed Rate Bonds.

The Total Return Distribution Agreement was amended on April 13, 2010. Based upon the amendment, the agreement will be terminated on May 15, 2011. In addition, the Medical Center is required to post collateral for the fair value of the agreement that exceeds $5.0 million.

In connection with the synthetic refinancing, the Medical Center also entered in to an interest rate swap agreement (LIBOR Swap), effective July 1, 2006, whereby the Medical Center receives a variable rate equal to 67% of one month LIBOR and pays a fixed rate of 3.777%. This agreement terminates July 1, 2026.

9. Long-Term Debt (continued)

The fair market value of the swap agreements were $5,823,740 and $4,625,870 at September 30, 2010 and 2009, respectively, and are recorded in the current portion of other liabilities in the accompanying balance sheets. Although the Total Return Distribution Agreement and LIBOR Swap represent economic hedges of the interest rate on the bonds, they do not qualify for hedge accounting. The changes in the fair market value of these agreements are reported in the accompanying statements of operations and changes in net assets as a component of income from investments along with the net cash receipts on the swap agreements.

During 2008, an additional $30,000,000 in Series B-1 bonds were issued to fund an expansion of the Medical Center. The Series B-1 bonds are variable rate demand bonds secured by an irrevocable direct pay letter of credit issued by Bank of America. The letter of credit expires June 18, 2012. Under the $30,000,000 bond indenture, the Medical Center has one balloon principal payment of $30,000,000 due on July 1, 2038. As of September 30, 2010 and 2009, the variable interest rate approximated .25% and 0.3%, respectively.

Scheduled principal repayments are as follows:

	Series A, B, A-1, B-1
2011	$ 2,335,000
2012	2,335,000
2013	1,695,000
2014	2,635,000
2015	2,760,000
Thereafter	71,155,000
	$ 82,915,000

Interest paid during 2010 and 2009 was $2,252,864 and $2,484,958, respectively.

Escrow funds maintained for the Series A-1 bonds consist of cash and cash equivalents in 2009.

10. Commitments and Contingencies

There have been medical malpractice claims that fall within the Medical Center's medical malpractice insurance coverage which have been asserted against the Medical Center. In addition, there are known incidents that have occurred through September 30, 2010 that may result in the assertion of claims.

10. Commitments and Contingencies (continued)

The Medical Center is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Medical Center's financial position.

The Medical Center has noncancelable operating leases, primarily for offsite properties. Rental expense for operating leases was $2,298,667 and $853,559 at September 30, 2010 and 2009, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 30, 2010 are:

2011	$ 2,315,951
2012	2,338,384
2013	2,215,567
2014	2,165,130
2015	2,078,186
Thereafter	17,113,335
Total minimum lease payments	$ 28,226,553

11. Functional Expenses

The Medical Center provides general 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	**$ 140,437,312**	$ 129,676,740
Support services	**63,095,024**	55,575,745
	$ 203,532,336	$ 185,252,485

12. Supplemental Cash Flow Information

The changes in assets and liabilities are as follows:

	Year Ended September 30	
	2010	2009
Increase in accounts receivable	$ (15,505,160)	$ (10,715,127)
Increase in grants and other receivables	(272,175)	(271,289)
Decrease (increase) in pledges receivable	99,876	(24,556)
Increase in inventories and prepaid expenses	(288,389)	(290,549)
Increase in other assets	(11,281,745)	(806,334)
Decrease in escrow funds for long-term debt	10,167,560	19,300,253
(Decrease) increase in accounts payable	(854,787)	1,547,295
Increase in estimated third-party payor settlements	56,764	393,137
(Decrease) increase in salaries, wages and amounts withheld from employee compensation	(843,377)	749,740
Decrease in accrued interest payable	(31,673)	(28,384)
Increase in other accrued expenses	23,071	11,410
Increase in current portion of other liabilities	4,872,686	3,381,467
Decrease in accrued pension liability and other liabilities	(69,587)	(1,857,890)
Decrease in deferred revenue	–	(163,149)
	$ (13,926,936)	$ 11,226,024

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Report of Independent Auditors on Other Financial Information

Board of Directors
MidState Medical Center and Subsidiaries

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

Ernst + Young LLP

January 14, 2011

MidState Medical Center and Subsidiaries

Consolidating Balance Sheet

September 30, 2010

	MidState Medical Center	Meriden Imaging Center, Inc.	MidState MSO, LLC	Total	Eliminating Entries	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	$ 28,181,027	$ 1,317,896	$ 71,567	$ 29,570,490		$ 29,570,490
Accounts receivable, less allowances	23,291,912	955,443	3,093,403	27,340,758		27,340,758
Grants and other receivables	1,080,542			1,080,542		1,080,542
Inventories	1,599,146			1,599,146		1,599,146
Prepaid expenses	1,138,539	56,818	8,375	1,203,732		1,203,732
Current portion of pledges receivable	177,464			177,464		177,464
Funds designated for debt service	1,168,505			1,168,505		1,168,505
Total current assets	56,637,135	2,330,157	3,173,345	62,140,637		62,140,637
Assets whose use is limited:						
Board-designated investments	11,182,066			11,182,066		11,182,066
Donor restricted investments	1,764,745			1,764,745		1,764,745
Pledges receivable, long-term	278,277			278,277		278,277
Funds held in trust by others	12,195,310			12,195,310		12,195,310
	25,420,398			25,420,398		25,420,398
Other assets	21,708,793	8,155	700,000	22,416,948	$ (2,584,257)	19,832,691
Property, plant and equipment, net	133,971,383	560,653	262,340	134,794,376		134,794,376
	$ 237,737,709	$ 2,898,965	$ 4,135,685	$ 244,772,359	$ (2,584,257)	$ 242,188,102

MidState Medical Center and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2010

	MidState Medical Center	Meriden Imaging Center, Inc.	MidState MSO, LLC	Total	Eliminating Entries	Consolidated
Liabilities and net assets						
Current liabilities:						
Accounts payable	$ 6,538,611	$ 229,086	$ 372	$ 6,768,069		$ 6,768,069
Current portion of long-term debt	2,335,000			2,335,000		2,335,000
Current portion of other liabilities	10,442,247			10,442,247		10,442,247
Salaries, wages and amounts withheld from employee compensation	8,443,767		1,499	8,445,266		8,445,266
Estimated third-party payor settlements	942,231			942,231		942,231
Other accrued expenses	95,919	347,521	75,752	519,192		519,192
Accrued interest payable	526,657			526,657		526,657
Total current liabilities	29,324,432	576,607	77,623	29,978,662		29,978,662
Accrued pension liability	52,087,773			52,087,773		52,087,773
Other liabilities	2,001,497			2,001,497	$ 464,472	2,465,969
Long-term debt, less portion classified as current liability	80,580,000			80,580,000		80,580,000
Net assets:						
Unrestricted	58,808,950	2,322,358	4,058,062	65,189,370	(3,048,729)	62,140,641
Temporarily restricted	1,962,184			1,962,184		1,962,184
Permanently restricted	12,972,873			12,972,873		12,972,873
	73,744,007	2,322,358	4,058,062	80,124,427	(3,048,729)	77,075,698
	$ 237,737,709	$ 2,898,965	$ 4,135,685	$ 244,772,359	$ (2,584,257)	$ 242,188,102

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MidState Medical Center and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2010

	MidState Medical Center	Meriden Imaging Center, Inc.	MidState MSO, LLC	Total	Eliminating Entries	Consolidated
Gross revenue from patients	$ 374,870,862			$ 374,870,862	$	$ 374,870,862
Deductions:						
Allowances	189,210,727			189,210,727		189,210,727
Charity care	3,637,983			3,637,983		3,637,983
Net patient service revenue	182,022,152			182,022,152		182,022,152
Other operating revenue	18,496,119	$ 8,980,501	$ 4,016,789	31,493,409	24,564	31,517,973
Net assets released from restrictions	199,314			199,314		199,314
	200,717,585	8,980,501	4,016,789	213,714,875	24,564	213,739,439
Operating expenses:						
Salaries	69,225,416		1,268,897	70,494,313		70,494,313
Employee benefits	21,359,834		400,476	21,760,310		21,760,310
Supplies and other	75,927,684	8,737,105	2,021,099	86,685,888		86,685,888
Provision for uncollectible accounts	10,465,542		500,000	10,965,542		10,965,542
Depreciation and amortization	10,982,105	366,205	56,782	11,405,092		11,405,092
Interest	2,221,191			2,221,191		2,221,191
	190,181,772	9,103,310	4,247,254	203,532,336		203,532,336
Income (loss) from continuing operations	10,535,813	(122,809)	(230,465)	10,182,539	24,564	10,207,103
Income from investments, gifts and bequests, net	1,253,344			1,253,344		1,253,344
Change in fair value of interest rate swaps	(1,387,309)			(1,387,309)		(1,387,309)
	(133,965)			(133,965)		(133,965)
Excess of revenues over expenses before change in unrealized gains and losses on investments	10,401,848	(122,809)	(230,465)	10,048,574	24,564	10,073,138
Change in unrealized gains and losses on investments	668,077			668,077		668,077
Excess (deficiency) of revenues over expenses	$ 11,069,925	$ (122,809)	$ (230,465)	$ 10,716,651	$ 24,564	$ 10,741,215

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