Audited Consolidated Financial Statements and Other Financial Information

CCMC Corporation and Subsidiaries
Years Ended September 30, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

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Audited Consolidated Financial Statements and Other Financial Information

Years Ended September 30, 2011 and 2010

Contents

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

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

Report of Independent Auditors

Board of Directors
CCMC Corporation

We have audited the accompanying consolidated balance sheets of CCMC Corporation and Subsidiaries (the Corporation) as of September 30, 2011 and 2010, 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 Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of The Children's Fund of Connecticut, Inc., a wholly owned subsidiary, whose statements reflect total assets of $29,130,818 and $32,107,112 as of September 30, 2011 and 2010, respectively, and total revenues of $5,004,631 and $4,612,609, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for The Children's Fund of Connecticut, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CCMC Corporation and Subsidiaries at September 30, 2011 and 2010, 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.

Ernst & Young LLP

January 27, 2012

CCMC Corporation and Subsidiaries

Consolidated Balance Sheets

	September 30 2011	September 30 2010
Assets		
Current assets:		
Cash and cash equivalents	**$ 5,041,855**	$ 5,638,104
Short-term investments	**9,572,313**	11,027,121
Funds held by trustee under revenue bond agreement	**1,710,681**	10,424,098
Accounts receivable, less allowance of approximately $6,644,000 in 2011 and $7,831,000 in 2010	**29,437,428**	23,910,497
Inventories	**600,832**	618,412
Other current assets	**7,434,585**	6,423,789
Total current assets	**53,797,694**	58,042,021
Assets whose use is limited:		
Investments	**89,910,212**	93,335,551
Funds held in trust by others	**67,820,517**	70,154,812
	157,730,729	163,490,363
Property, plant and equipment:		
Leaseholds improvements	**1,782,862**	1,782,862
Buildings	**114,990,645**	113,254,487
Furniture and equipment	**61,196,847**	55,538,456
Construction in progress	**11,139,708**	2,272,562
	189,110,062	172,848,367
Less accumulated depreciation	**(88,058,750)**	(78,194,916)
	101,051,312	94,653,451
Other assets:		
Bond issuance costs	**681,696**	1,459,360
Ground lease	**2,445,974**	2,475,266
Pledges receivables, long term	**693,271**	1,029,433
Other	**23,897,319**	17,851,034
	27,718,260	22,815,093
Total assets	**$ 340,297,995**	$ 339,000,928

	September 30	
	2011	**2010**
Liabilities and net assets		
Current liabilities:		
Current portion of bonds payable	**$ 1,050,000**	$ 2,375,000
Current portion of notes payable	**2,164,028**	4,246,490
Accounts payable and accrued liabilities	**26,979,962**	27,297,994
Accrued wages	**12,644,976**	12,574,021
Due to third parties	**2,465,943**	1,654,459
Accrued interest payable and other current liabilities	**478,089**	623,163
Total current liabilities	**45,782,998**	48,771,127
Bonds payable, less current portion	**40,530,000**	30,531,457
Notes payable, less current portion	**1,959,918**	9,171,356
Accrued pension liability	**18,776,699**	15,664,920
Other long term liabilities	**21,091,435**	20,453,010
Total liabilities	**128,141,050**	124,591,870
Net assets:		
Unrestricted	**106,736,848**	109,366,904
Temporarily restricted	**21,270,999**	19,020,035
Permanently restricted	**84,149,098**	86,022,119
Total net assets	**212,156,945**	214,409,058
Total liabilities and net assets	**$ 340,297,995**	$ 339,000,928

See accompanying notes.

CCMC Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2011	**2010**
Revenues:		
Net patient service revenue	**$ 244,512,368**	$ 223,198,671
Provision for bad debt	**(2,365,830)**	(4,031,541)
Net patient service revenue less provision for bad debt	**242,146,538**	219,167,130
Other revenues	**19,925,228**	18,402,062
Contributions and donations, net	**3,454,348**	7,233,069
Investment income, net	**11,451,790**	14,123,287
Net assets released from restrictions	**14,198,761**	12,554,321
	291,176,665	271,479,869
Expenses:		
Salaries and wages	**141,566,031**	134,723,998
Benefits	**36,836,581**	33,095,115
Supplies and miscellaneous	**91,070,575**	85,190,363
Bad debts (non-patient)	**101,818**	–
Interest	**1,231,424**	1,396,384
Depreciation and amortization	**11,168,772**	10,396,136
Loss on extinguishment of debt	**2,576,263**	–
	284,551,464	264,801,996
Excess of revenues over expenses	**6,625,201**	6,677,873

Continued on next page.

CCMC Corporation and

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

	Year Ended September 30	
	2011	**2010**
Unrestricted net assets:		
Excess of revenues over expenses	**$ 6,625,201**	$ 6,677,873
Unrealized (loss) gain on investments	**(5,671,744)**	5,450,490
Change in funded status of pension and post-retirement plans	**(4,399,884)**	(2,058,550)
Transfer to temporarily restricted net assets	**(250,002)**	–
Net assets released from restrictions for capital	**1,066,373**	351,001
(Decrease) increase in unrestricted net assets	**(2,630,056)**	10,420,813
Temporarily restricted net assets:		
Unrealized (loss) gain on investments	**(275,798)**	376,679
Income from investments	**225,220**	100,091
Net assets released from restrictions for operations	**(14,065,378)**	(12,554,321)
Net assets released from restrictions for capital	**(1,066,373)**	(351,001)
Transfer from temporarily restricted net assets	**250,002**	–
Bequests, gifts and grants	**17,183,291**	15,136,202
Increase in temporarily restricted net assets	**2,250,964**	2,707,650
Permanently restricted net assets:		
Bequests, gifts and grants	**461,274**	1,157,062
Assets released from restrictions by trustees	**(133,384)**	–
Change in funds held in trust by others	**(2,200,911)**	15,516,264
(Decrease) increase in permanently restricted net assets	**(1,873,021)**	16,673,326
(Decrease) increase in net assets	**(2,252,113)**	29,801,789
Net assets at beginning of year	**214,409,058**	184,607,269
Net assets at end of year	**$ 212,156,945**	$ 214,409,058

See accompanying notes.

CCMC Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2011	**2010**
Operating activities		
(Decrease) increase in net assets	**$ (2,252,113)**	$ 29,801,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash items:		
Provision for bad debt	**2,365,830**	4,379,254
Provision for depreciation and amortization	**11,168,772**	10,396,136
Change in funds held in trust by others	**2,334,295**	(15,516,264)
Unrealized loss (gain) on investments	**5,947,542**	(5,827,170)
Change in funded status of pension and post-retirement plans	**4,399,884**	2,058,550
Other changes in net assets:		
Restricted contributions and investment income	**(17,644,565)**	(16,293,261)
Changes in operating assets and liabilities:		
Accounts receivable	**(7,556,599)**	(2,688,692)
Inventories	**17,580**	(33,273)
Other current assets	**(1,010,796)**	1,513,915
Accounts payable and accrued liabilities	**(318,032)**	5,160,922
Accrued wages and interest payable	**(319,338)**	(679,104)
Due to third parties	**811,484**	1,203,274
Accrued pension liability	**(1,288,105)**	(901,264)
Other long term liabilities	**638,425**	606,066
Net cash (used) provided by operating activities	**(2,705,736)**	13,180,878
Investing activities		
Purchases of property, plant and equipment, net	**(16,850,914)**	(6,738,490)
Increase in other assets	**(6,658,838)**	(11,357,480)
Increase in investments, net	**(1,067,395)**	(7,804,374)
Decrease (increase) in funds held by trustee under revenue bond	**8,713,417**	(5,239,060)
Net cash used in investing activities	**(15,863,730)**	(31,139,404)
Financing activities		
Restricted contributions and investment income	**17,644,565**	16,293,261
Principal payment on bonds and notes payable	**(41,251,348)**	(5,777,048)
Proceeds from new debt issued	**41,580,000**	8,243,450
Net cash provided by financing activities	**17,973,217**	18,759,663
(Decrease) increase in cash and cash equivalents	**(596,249)**	801,137
Cash and cash equivalents at beginning of year	**5,638,104**	4,836,967
Cash and cash equivalents at end of year	**$ 5,041,855**	$ 5,638,104

See accompanying notes.

1. Significant Accounting Policies and Organization

CCMC Corporation (the Corporation) was incorporated on June 1, 1985 as a not-for-profit organization under the Non-Stock Corporation Act of the State of Connecticut. The Corporation is organized for the purpose of benefiting, carrying out the purposes of, and upholding, promoting and furthering the welfare, programs and activities of its subsidiary Connecticut Children's Medical Center (the Medical Center). The Medical Center is the sole member of Connecticut Children's Specialty Group, Inc. (CCSG) and The Children's Fund of Connecticut, Inc. (the Children's Fund). The Corporation is also the sole member of Connecticut Children's Medical Center Foundation, Inc. (the Foundation) and CCMC Affiliates, Inc. CCMC Ventures, Inc. (presently inactive) will conduct the related for-profit activities of the Corporation, its sole shareholder.

Regulatory Matters

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (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. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market funds and certificates of deposit. Restricted cash has been restricted by the donor to a specific time frame or purpose.

1. Significant Accounting Policies and Organization (continued)

Investments

Investments, including funds held by trustee under revenue bond agreements are measured at fair value at the balance sheet dates. Investment income includes realized gains and losses on investments, interest and dividends and is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. The cost of securities sold is based on the specific identification method. Unrealized gains and losses on investments are excluded from excess of revenues over expenses unless the loss is considered to be other than temporary. Other than temporary losses are included in investment income which is a component of excess of revenues over expenses. Based on recently improving market conditions, as well as the Corporation's ability and intent to hold impaired assets to recovery, no other than temporary losses were recorded.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Funds Held in Trust by Others

The Medical Center has an irrevocable right to receive income earned on certain trust assets established for its benefit. Distributions received by the Medical Center are unrestricted and are included in investment income. The Medical Center's interest in the fair value of the trust assets is included in assets whose use is limited. Changes in the market value of beneficial trust assets are reported as increases or decreases to permanently restricted net assets.

Bond Issuance Costs

Bond issuance costs incurred to refinance outstanding debt are being amortized using the straight line method. The difference between straight-line method and effective interest method is immaterial.

Property, Plant and Equipment

Property, plant and equipment are recorded on the basis of cost. The Corporation 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.

1. Organization and Accounting Policies (continued)

Pension Plan

The Medical Center has a noncontributory pension plan in effect covering all eligible employees. The Medical Center's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974.

Contributions and Donor Restricted Gifts

For financial statement purposes, the Corporation distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions, but which are met within the same reporting period, are reported as unrestricted support. 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 statements of operations 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.

Interest Rate Swap Agreements

The Medical Center utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. The Medical Center is exposed to credit loss in the event of non-performance by the counterparties to its interest rate swap agreements. The Medical Center is also exposed to the risk that the swap receipts may not offset its variable rate debt service. To the extent these variable interest swap receipts do not equal variable interest payments on the bonds, there will be a net loss or net benefit to the Medical Center.

1. Organization and Accounting Policies (continued)

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those where use by the Corporation has been limited by donors to a specific time frame or purpose. Temporarily restricted net assets consist primarily of contributions restricted for certain health care and children's services, program support, medical education and research. Permanently restricted net assets, which are primarily assets held in trusts by others and endowment gifts, have been restricted by donors and are to be maintained in perpetuity.

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 $60,000,000 in the aggregate. There are no deductibles. A portion of the primary coverage is reinsured by the carrier with CHS Insurance Limited a captive insurance company in which the Medical Center has a 26% ownership interest. The investment in CHS Insurance Limited is included in other assets in the consolidated balance sheets.

Excess of Revenues over Expenses

The statement of operations includes excess of revenues over expenses as the performance indicator. 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, permanent transfers of assets to and from affiliates, net assets released from restrictions for capital expenditures and changes in the funded status of the pension and post-retirement plans.

Advertising

The Corporation's policy is to expense advertising costs as incurred. Total advertising expense was $845,694 and $1,091,458 at September 30, 2011 and 2010, respectively.

1. Organization and Accounting Policies (continued)

Income Taxes

The Corporation and its subsidiaries, with the exception of CCMC Ventures, Inc., are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. CCMC Ventures, Inc. has no federal tax liability because it has been inactive since its incorporation.

Subsequent Events

The Corporation 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, 2011, the Corporation evaluated subsequent events through January 27, 2012, which is the date the financial statements were issued. No events occurred that require disclosure or adjustment to the consolidated financial statements except for those in Note 17.

New Accounting Standards

Recently Issued Accounting Standards

In January 2010, the FASB 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 fiscal year 2012, the guidance in ASU 2010-06 became effective for reporting periods beginning after December 15, 2009. The adoption of the provisions of ASU 2010-06 did not impact the Corporation's consolidated financial statements.

1. Organization and Accounting Policies (continued)

In January 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-07, *Not-for-Profit Entities: Mergers and Acquisitions*, (ASU 2010-07), which establishes accounting and disclosure requirements for how a not-for-profit entity determines whether a combination is a merger or an acquisition, how to account for each, and the required disclosures. In addition, ASU 2010-07 included amendments to FASB's Accounting Standards Codification (the Codification, or ASC) Topic 350, *Intangibles – Goodwill and Other*, (ASC Topic 350), and Topic 810, *Consolidation*, (ASC Topic 810) to make both applicable to not-for-profit entities. ASC Topic 350 clarifies the accounting for goodwill and indefinite-lived identifiable intangible assets recognized in a not-for-profit entity's acquisition of a business or nonprofit activity. Such assets are not amortized and are tested for impairment at least annually. The Corporation adopted the guidance relative to ASU 2010-07 as of October 1, 2010, which had no material impact on the Corporation's consolidated financial statements

In August 2010, the FASB issued Accounting Standards Codification ("ASC") 954-605, *Measuring Charity Care for Disclosure*. ASC 954-605 requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. ASC 954-605 also requires separate disclosure of the amount of any cash reimbursements received for providing charity care. ASC 954-605 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Corporation is evaluating the effect of ASC 954-605 on its consolidated financial statements.

In August 2010, the FASB also issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*. Under ASU 2010-24, anticipated insurance recoveries and estimated liabilities for medical malpractice claims or similar contingent liabilities will be presented separately on the balance sheet. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Corporation is evaluating the effect of ASU 2010-24 on its consolidated financial statements.

1. Organization and Accounting Policies (continued)

In July 2011, FASB issued new guidance, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*. The guidance requires certain health care entities to present the bad debt expense associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than as an operating expense. The guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2011, with early adoption permitted. The Corporation has chosen to adopt those provisions this fiscal year, which had no material impact on the Corporation's consolidated financial statements aside from the required changes in presentation.

Reclassification

Certain 2010 amounts have been reclassified to conform with the 2011 presentation.

2. Net Revenues from Services to Patients and Charity Care

The Medical Center provides health care services primarily to residents of the region. Revenues from the Medicaid program accounted for approximately 40% of the Medical Center's net patient service revenues for the year ended September 30, 2011 and 41% for the year ended September 30, 2010. Laws and regulations governing the 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 have been made, 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 Medicaid program. Changes in the Medicaid program and the reduction of funding levels could have an adverse affect on the Medical Center.

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

The following table summarizes net revenues from services to patients:

	Year Ended September 30	
	2011	2010
Total gross revenues from patients	**$ 522,099,003**	$ 448,026,177
Less total contractual allowances	**268,953,872**	215,758,711
Less charity care and other allowances	**8,632,763**	9,068,795
Total allowances	**277,586,635**	224,827,506
Net patient service revenue	**244,512,368**	223,198,671
Provision for bad debts	**2,365,830**	4,031,541
Net patient service revenue less provision for bad debt	**$ 242,146,538**	$ 219,167,130

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from certain payors are different from established billing rates of the Medical Center, and the difference is accounted for as allowances. The Medical Center records its provision for bad debt based upon a review of all of its outstanding receivables. Write-offs of receivable balances are related to its population of underinsured patients. An underinsured patient is one that has commercial insurance which leaves a significant portion of the Medical Center's reimbursement to be paid by the patient, either through large deductibles or co-pay requirements. Self-pay patients are rare in the pediatric environment, as Medicaid is readily available to children. Self-pay net revenue approximated $500,000 in the fiscal year.

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services rendered. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Provisions for estimated third-party payor settlements and adjustments are estimated in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The Medical Center has agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Medical Center receives per diem and fee-for-service payments for certain covered services based upon discounted fee schedules.

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

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, those 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.

3. Contributions Receivable

Contributions receivable, shown in other receivables, include the following unconditional promises to give:

	September 30	
	2011	**2010**
Contributions receivable in one year or less	**$ 3,315,277**	$ 3,631,538
Contributions receivable in one to five years	**693,271**	1,029,433
Less discount and provision for bad debts	**(267,756)**	(196,096)
Net pledges receivable	**$ 3,740,792**	$ 4,464,875

The discount recognizes the estimated uncollectible portion of the contributions receivable and the discount of contributions receivable to net present value.

4. Concentrations of Credit Risk

The Corporation's financial instruments that are exposed to concentrations of credit risk primarily consist of cash and cash equivalents, short-term investments and patient accounts receivable.

The Corporation's cash and cash equivalent are placed with high credit quality financial institutions. The Corporation's investment policy limits its exposure to concentrations of credit risk. In the normal course of business, the Corporation maintains cash balances in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limit. Cash balances exceeded FDIC limits by approximately $5.1 million and $4.9 million at September 30, 2011 and 2010, respectively.

4. Concentrations of Credit Risk (continued)

The Medical Center provides health care services and grants credit without collateral to its patients, most of whom are Connecticut residents and are insured under third-party payor agreements. An estimated allowance for doubtful accounts as well as contractual allowances is maintained at levels considered adequate to reduce the account balances to net realizable value. The mix of receivables from patients and third-party payors at September 30, 2011 and 2010, was as follows:

	2011	2010
Medicaid	**6%**	8%
Medicaid Managed Care	**39**	39
Commercial/Managed Care – Contracted	**44**	38
Commercial/Managed – Non-Contracted	**2**	3
Patients and other	**9**	12
	100%	100%

5. Investments

The composition of investments is set forth in the following table. Investments are stated at fair value:

	September 30			
	2011		2010	
	Cost	Market	Cost	Market
Short-term investment	**$ 9,597,566**	**$ 9,597,566**	$ 11,057,212	$ 11,057,212
Marketable equity securities	**294,259**	**324,694**	933,349	1,050,514
Fixed income securities	**159,948**	**169,908**	238,115	253,451
Equity mutual funds	**47,628,145**	**44,697,177**	48,592,496	48,642,781
Fixed income mutual funds	**24,770,569**	**25,570,483**	25,810,014	28,534,534
Multi-strategy mutual funds	**20,047,544**	**18,751,745**	14,855,338	14,494,006
Other	**305,237**	**370,952**	249,351	330,174
	$ 102,803,268	**$ 99,482,525**	$ 101,735,873	$ 104,362,672

Investments consisted of mutual funds and individual securities that comprised approximately 61% equity securities and 39% fixed income investments at September 30, 2011, and 63% equity securities and 37% fixed income investments at September 30, 2010.

5. Investments (continued)

The following table summarizes the unrealized losses on investments held at September 30, 2011:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Marketable equity securities	**$ 70,208**	**$ 22,244**	**$ 18,278**	**$ 10,552**	**$ 88,486**	**$ 32,796**
Fixed income securities	**12,568**	**374**	**–**	**–**	**12,568**	**374**
Institutional managed equity funds	**4,031,378**	**1,046,818**	**1,119,911**	**274,328**	**5,151,289**	**1,321,146**
Mutual funds and other securities	**14,779,914**	**531,744**	**35,656,701**	**3,908,225**	**50,436,615**	**4,439,969**
Total investments	**$ 18,894,068**	**$ 1,601,180**	**$ 36,794,890**	**$ 4,193,105**	**$ 50,688,958**	**$ 5,794,285**

The following table summarizes the unrealized losses on investments held at September 30, 2010:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Marketable equity securities	$ 45,585	$ 6,046	$ 31,128	$ 6,308	$ 76,713	$ 12,354
Mutual funds and other securities	4,667,237	807,738	32,653,345	3,227,622	37,320,582	4,035,360
Total investments	$ 4,712,822	$ 813,784	$ 32,684,473	$ 3,233,930	$ 37,397,295	$ 4,047,714

Management continually reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of advisors and the length of time and extent to which the market value has been less than cost along with the Corporation's intent and ability to hold the investments. During the years ended September 30, 2011 and 2010, the Corporation has not recorded any other-than-temporary declines in the fair value of investments, as the Corporation has the ability and intent to hold the securities to recovery.

5. Investments (continued)

Investment returns for the years ended September 30, 2011 and 2010 are as follows:

	2011	2010
Interest and dividend income	**$ 2,845,220**	$ 2,446,812
Realized gain	**1,988,921**	418,150
Gain on CHS Insurance Limited	**6,653,659**	10,212,038
Net swap activity	**(2,196,842)**	(1,365,313)
Trusted income	**2,624,198**	2,647,011
Temporarily restricted income	**(225,220)**	(100,091)
Investment fees	**(238,146)**	(135,320)
	$11,451,790	$14,123,287

6. Restricted Net Assets

Endowments

The Corporation's endowment consists of approximately seven individual donor-restricted funds established for a variety of purposes which are held and controlled by the Foundation. As required by GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions. At September 30, 2011 and 2010, the Corporation had approximately $17,602,539 and $16,552,294 in endowments held at the Foundation, respectively.

Interpretation of Relevant Law

The Corporation's Board and senior management has interpreted the Uniform Prudent Management of Institutional Funds Act (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 Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted

6. Restricted Net Assets (continued)

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 for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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 organization 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 organization.

(7) The investment policies of the organization.

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 UPMIFA requires the Foundation 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, 2011. Deficiencies at September 30, 2011 and 2010 were immaterial.

Return Objectives and Risk Parameters

The Foundation 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 the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results that equal or exceed relevant benchmarks. The Foundation expects its endowment funds, over time, to provide an average rate of return of at least 5 percent annually. Actual returns in any given year may vary from this amount.

6. Restricted Net Assets (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation strategy that places a greater emphasis on equity-based investments to achieve its long-term return objectives within the guidelines of its investment policy and prudent risk constraints.

Endowment Net Asset Composition by Type of Fund

All endowment net assets are donor-restricted endowment funds.

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2011

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning balance	**$ 684,987**	**$ 15,867,307**	**$ 16,552,294**
Contributions	**–**	**461,274**	**461,274**
Investment return	**442,531**	**–**	**442,531**
Net appreciation (realized and unrealized)	**338,168**	**–**	**338,168**
Appropriation of endowment assets for expenditure	**(191,728)**	**–**	**(191,728)**
Endowment net assets, ending balance	**$ 1,273,958**	**$ 16,328,581**	**$ 17,602,539**

Changes in Endowment Net Assets for the Fiscal Year Ended September 30, 2010

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning balance	$ 449,760	$ 14,710,245	$ 15,160,005
Contributions	–	1,157,062	1,157,062
Investment return	412,738	–	412,738
Net appreciation (realized and unrealized)	–	–	–
Appropriation of endowment assets for expenditure	(177,511)	–	(177,511)
Endowment net assets, ending balance	$ 684,987	$ 15,867,307	$ 16,552,294

6. Restricted Net Assets (continued)

Income from endowment funds is considered temporarily restricted until it meets the original donor's time or purpose restriction of the donation. These funds are commingled with other temporarily restricted contributions for the same purposes (see tables below for discussion of purposes restrictions) and invested until such time that the funds are utilized. The Medical Center's spending policy is that any expenditure associated with the endowment is appropriated based on the donor's intention.

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of September 30, 2011 and 2010:

	2011	**2010**
Equipment purchases	**2%**	3%
Education	**7**	6
Other health care services	**91**	91
	100%	100%

Permanently Restricted

Permanently restricted net assets at September 30 are restricted to:

	2011	**2010**
Health care and children's services	**81%**	82%
Other health care services	**14**	13
Education	**5**	5
	100%	100%

7. Pension Plan

Effective January 1, 1993, the State of Connecticut mandated that individuals hired by the Medical Center were no longer eligible to participate in the State of Connecticut pension plan (State Plan). Employees who were participants in the State plan as of December 31, 1992 can remain participants in the State Plan so long as they continue to remain employed by the Medical Center.

Effective January 1, 1994, the Medical Center adopted a defined benefit pension plan covering substantially all of its employees. Benefits for employees who are participants in the State plan are reduced to reflect vested benefits provided under the State Plan.

Effective January 1, 1999, the Medical Center converted its pension plan to a Cash Balance Retirement Plan (the Plan). Plan benefits are based on years of service and the employee's compensation. Contributions to the Plan are intended to provide for benefits attributed to services rendered to date and benefits expected to be earned in the future. Future benefits are earned and credited by participant based on a percentage of compensation (ranging from 2.5% to 12.5%) associated with years of service. Plan participants earn a return based on an interest rate established annually at the beginning of the pay year. Plan participants vest in their benefits after three years of service.

On February 26, 2009, the Board of Directors of the Medical Center adopted a resolution to freeze the Plan effective May 1, 2009.

Included in unrestricted net assets at September 30, 2011 and 2010 are unrecognized actuarial losses of $25,964,020 and $21,965,854, respectively. The actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending September 30, 2012 is $1,655,222.

7. Pension Plan (continued)

The following table presents a reconciliation of the beginning and ending balances of the Plans' projected benefit obligation and the fair value of plan assets, as well as the funded status of the plan and accrued pension expense included in the consolidated balance sheets:

	Year Ended September 30	
	2011	**2010**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 72,044,652**	$ 66,212,816
Interest cost	**3,318,337**	3,494,299
Actuarial loss, including the effects of any assumption changes	**2,064,570**	4,860,027
Benefits paid	**(2,295,871)**	(2,522,490)
Benefit obligation at end of year	**$ 75,131,688**	$ 72,044,652
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 56,379,732**	$ 51,705,182
Contributions	**1,516,000**	2,125,000
Actual return on plan assets	**755,128**	5,072,040
Benefits paid	**(2,295,871)**	(2,522,490)
Fair value of plan assets at end of year	**$ 56,354,989**	$ 56,379,732
Funded status of the plan	**$ (18,776,699)**	$ (15,664,920)

7. Pension Plan (continued)

The weighted-average assumptions used to develop the projected benefit obligation as of September 30:

	2011	**2010**
Measurement date	**September 30**	September 30
Discount rate	**4.60%**	4.85%
Rate of compensation	**N/A**	N/A
Cash balance interest credit	**5.50**	5.50
Return on plan assets	6.75	6.75

	2011	**2010**
Components of net periodic benefit costs		
Interest cost	**$ 3,318,337**	$ 3,494,299
Expected return on plan assets	**(3,858,278)**	(4,072,545)
Net amortization:		
Net actuarial loss	**1,169,554**	472,014
Net periodic cost (benefit)	**$ 629,613**	$ (106,232)

The weighted-average assumptions used to determine net periodic benefit costs are as follows for September 30, 2011 and 2010:

	2011	**2010**
Discount rate	**4.85%**	5.50%
Cash balance interest credit	**5.50**	5.50
Expected long-term rate of return on plan assets	**6.75**	8.00
Rate of compensation	**N/A**	N/A

The expected long-term rate of return on plan assets was developed through analysis of historical market returns, current market conditions and the fund’s past experience. Estimates of future market returns by asset category are lower than actual long-term historical returns in order to reflect current market conditions.

The accumulated benefit obligation at September 30, 2011 and 2010 was $75,131,688 and $72,044,652, respectively.

7. Pension Plan (continued)

Plan Assets

The Medical Center's Retirement Plan assets are managed by outside investment managers. The Medical Center's investment strategy with respect to pension assets is to maximize return while protecting principal. The investment manager will have the flexibility to adjust the asset allocation and move funds to the asset class that offers the most opportunity. The Medical Center's investment objective for plan assets over a full market cycle time period is to generate a return in excess of the passive portfolio benchmark for each asset class.

The asset allocation for the Plan at September 30, 2011 and 2010, by asset category, are as follows:

	Percentage of Plan Assets at Year-End	
Asset Category	**2011**	**2010**
Domestic Equities	**32%**	33%
International Equities	**16**	14
Debt securities	**51**	50
Other	**1**	3
Total	**100%**	100%

The fair values of Connecticut Children's pension plan assets at September 30, 2011, by asset category are as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	**$ 66,231**	**$ –**	**$ –**	**$ 66,231**
Money market mutual funds [a]	**144,284**	**–**	**–**	**144,284**
Fixed income securities				
U.S. Government bonds [b]	**836,213**	**–**	**–**	**836,213**
Municipal bonds [c]	**578,747**	**–**	**–**	**578,747**
Corporate bonds [d]	**5,595,661**	**–**	**–**	**5,595,661**
Foreign bonds [e]	**374,895**	**–**	**–**	**374,895**
Fixed income mutual funds [f]	**44,457**	**15,254,335**	**–**	**15,298,792**
Equity mutual funds [g]	**24,725,060**	**–**	**–**	**24,725,060**
Multi-asset balanced mutual funds [h]	**4,442,062**	**4,293,044**	**–**	**8,735,106**
Total	**$ 36,807,610**	**$ 19,547,379**	**$ –**	**$ 56,354,989**

7. Pension Plan (continued)

The fair values of Connecticut Children's pension plan assets at September 30, 2010, by asset category are as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 31,395	$ –	$ –	$ 31,395
Money market mutual funds [a]	974,487	–	–	974,487
Fixed income securities				
U.S. Government bonds [b]	808,294	–	–	808,294
Municipal bonds [c]	499,959	–	–	499,959
Corporate bonds [d]	4,970,885	–	–	4,970,885
Foreign bonds [e]	299,018	–	–	299,018
Fixed income mutual funds [f]	843,371	15,935,373	–	16,778,744
Equity mutual funds [g]	25,211,611	–	–	25,211,611
Multi-asset balanced mutual funds [h]	3,572,729	3,232,610	–	6,805,339
Total	$ 37,211,749	$ 19,167,983	$ –	$ 56,379,732

(a) Includes investments in mutual funds that invest primarily in short-term debt securities including U.S. Treasury bills, commercial paper and certificates of deposits.

(b) Includes investments in publicly traded U.S. Government and U.S. Agency bonds.

(c) Includes investments in publicly traded municipal bonds offered by U.S. states and cities.

(d) Includes investments in publicly offered and traded domestic corporate bonds, including both unsecured and asset backed securities.

(e) Includes investments in publicly offered and traded unsecured foreign corporate bonds.

(f) Investment in a fixed income mutual fund that maintains a diverse portfolio of short-term high quality bonds, actively managed across the mortgage backed security, U.S. Treasury, corporate and international fixed income sectors.

(g) Includes investments in domestic and international equity mutual funds and exchange traded funds.

(h) Investments in mutual funds that allocate assets among both fixed and equity investments, as well as other forms of investments with the intent of providing returns while diversifying assets and spreading risk over multiple asset classes.

7. Pension Plan (continued)

The Medical Center expects to contribute $2,277,000 to its pension plan in 2011.

The following benefit payments are expected to be paid:

	Pension Benefits
Fiscal year:	
2012	$ 8,619,028
2013	13,711,913
2014	3,172,223
2015	3,691,089
2016	2,863,707
Years 2017 – 2021	20,879,473

8. Postretirement Benefit Plan

The Medical Center sponsors the Connecticut Children's Medical Center Postretirement Welfare Plan (the "PRW Plan"), an unfunded plan which provides postretirement medical benefits to retired employees who meet the specific criteria identified in the PRW plan document. The Medical Center shares the coverage obligation for transferred employees with Hartford Hospital. The Medical Center's contribution toward cost of medical coverage varies by years of pension credited service at retirement, ranging from 25% for employees with 10 years of credited service to 100% for those employees with 25 plus years of credited service. The Medical Center's maximum fixed dollar commitment is $2,280 per year per retiree.

Included in unrestricted net assets at September 30, 2011 and 2010, respectively are $984,094 and $1,385,812 of net unrecognized actuarial gains that have not yet been recognized in net periodic benefit cost. The actuarial gain included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ended September 30, 2012 is $43,181.

8. Postretirement Benefit Plan (continued)

The following table presents a reconciliation of the beginning and ending balances of the Plans' projected benefit obligation and the fair value of plan assets, as well as the funded status of the plan and accrued postretirement obligation included in the consolidated balance sheets:

	Year Ended September 30	
	2011	**2010**
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 4,923,050**	$ 5,630,141
Service cost	**279,616**	342,470
Interest cost	**269,407**	334,257
Actuarial loss (gain), including the effects of any assumption changes	**308,486**	(1,329,968)
Benefits paid	**(27,934)**	(53,850)
Benefit obligation at end of year	**$ 5,752,625**	$ 4,923,050
Change in plan assets		
Fair value of plan assets at beginning of year	**$ –**	$ –
Contributions	**27,934**	53,850
Benefits paid	**(27,934)**	(53,850)
Fair value of plan assets at end of year	**$ –**	$ –
Accrued postretirement obligation included in other long-term liabilities	**$ (5,752,625)**	$ (4,923,050)

The weighted-average assumptions used to develop the postretirement benefit obligation as of September 30:

	2011	**2010**
Measurement date	**September 30**	September 30
Discount rate	**4.90%**	5.20%
Healthcare cost trend rate:		
Current year	**8.50**	9.00
Ultimate	**5.00**	5.00
Number of years to reach ultimate	**7**	8

8. Postretirement Benefit Plan (continued)

	2011	2010
Components of net periodic benefit costs		
Service cost	**$ 279,616**	$ 342,470
Interest cost	**269,407**	334,257
Net amortization:		
Net actuarial loss	**(93,232)**	–
Net periodic benefit costs	**$ 455,791**	$ 676,727

The weighted-average assumptions used to determine net periodic benefit costs are as follows for September 30:

	2011	2010
Discount rate	**5.20%**	5.50%
Health care cost trend rate:		
Initial rate	**9.00**	8.00
Ultimate rate	**5.00**	5.00
Years to ultimate	**8**	6

A one percent point change in assumed health care cost trend rates would have the following effect on the postretirement benefit plan:

	One-percentage Point Increase	One-percentage Point Decrease
Effect on postretirement benefit obligation	321,484	(279,226)
Effect on total of service and interest cost	34,764	(30,268)

The Medical Center expects to contribute $64,897 to its postretirement benefit plan in 2012.

8. Postretirement Benefit Plan (continued)

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

	Postretirement Benefits
Fiscal year:	
2012	$ 64,897
2013	118,181
2014	160,255
2015	202,856
2016	244,241
Years 2017 – 2021	2,026,500

9. Bonds Payable

A summary of long-term debt is as follows (in thousands):

	September 30	
	2011	**2010**
Hospital revenue bonds financed with the State of Connecticut Health and Educational Facilities Authority ("CHEFA"):		
Series D (4.13% effective interest rate)	**$ 41,580**	$ –
Series B (5.00% effective fixed interest rate)	**–**	9,075
Series C (3.70% effective interest rate)	**–**	23,700
	41,580	32,775
Add premium	**–**	131
Less current portion	**(1,050)**	(2,375)
	$ 40,530	$ 30,531

In May 2004, the Medical Center and the Foundation (the Obligated Group) refinanced their existing Series A State of Connecticut Health and Educational Facilities Authority ("CHEFA") bonds with fixed interest rate bonds (Series B Bonds) with a principal amount of $21,285,000 and with variable interest rate bonds (Series C Bonds) with a principle amount of $23,700,000, net of original issue premium of $131,457 at September 30, 2010. The bonds were set to mature

9. Bonds Payable (continued)

in varying amounts through 2021, with interest rates varying from 4.00% to 5.00%. The fair value of the Series B Bonds and Series C Bonds was $32,988,989 at September 30, 2010. The Series B and Series C Bonds were refunded during the year by the issuance of the Series D Bonds. The carrying value of the Series D bonds approximates fair value.

The Series C bonds are auction rate securities, in the event that the weekly auctions fail to clear, the interest rate associated with these securities defaults to a formula, as described in the bond documents. The formula used to calculate the interest rate for the auctions that fail is a percentage of one month-LIBOR based on the current ratings of the Series C Bonds, which ranges from 125% to 275% in the event any rating falls below investment grade. During 2011 and 2010, the Obligated Group's auctions failed to clear, resulting in incremental interest rates ranging from 0.47% to 0.66% in 2011 and 0.57% to 0.89% in 2010.

In June of 2011, the Obligated Group issued hospital revenue bonds (Series D Bonds) with a principal amount of $41,580,000, issued at par and directly placed with one investor. The investor has committed to holding the bonds for a ten year period, at the end of which, the investor may put the bonds back to the Medical Center or extend their holding period at their discretion. The bonds mature in varying amounts through 2032, with interest rates based on 65% of LIBOR plus a spread of 1.52%, ranging from 1.64% to 1.66% in the current year.

The Agreement and Indenture provide, among other things, that the Bonds and any additional bonds will be payable from payments to be made by the Obligated Group and that it will be obligated to make such payments so long as the Bonds and any additional bonds are outstanding. The underlying collateral of the Indenture is an interest in revenues of the Medical Center and a mortgage on the facilities, ground lease, easements and other certain leases that comprise the overall hospital premises owned by the Medical Center.

Under the terms of the Indenture, the Obligated Group is required to meet certain covenants including a days cash on hand, debt to capitalization and a debt service coverage ratio requirement. At September 30, 2011 and 2010, the Medical Center was in compliance with the covenants.

The Obligated Group is required to make monthly interest and semi-annual principal repayments of the Bonds for the Series D Bonds. The next principal payment due for the Series D bonds is due on January 1, 2012. Interest paid for 2011 and 2010 was $642,885 and $724,283, respectively.

9. Bonds Payable (continued)

Principal payments for the next five years under the CHEFA obligations are as follows:

Years Ended September 30:		
2012	$	1,050
2013		1,215
2014		1,280
2015		1,350
2016		1,415
Aggregate thereafter		35,270
	$	41,580

The outstanding principal balance of Series B revenue bonds, approximately $9.1 million at September 30, 2011, was defeased and retired from the accompanying balance sheet in 2011. Funds in an amount necessary to satisfy the obligation were placed in an irrevocable trust.

In November 2005, the Medical Center entered into an interest rate swap agreement (the 2005 swap) effectively converting $23,700,000 of its variable-rate debt (Series C) to a fixed-rate basis of 3.704% through June, 2018. The fair value of the swap (a liability of $2,271,626 and $2,721,995 at September 30, 2011 and 2010, respectively) is reported in other long term liabilities. The increase (decline) in value of $450,369 and ($534,053) is reported as a component of income from investments in the years ended September 30, 2011 and 2010, respectively. The swap, while serving as an economic hedge, does not qualify for hedge accounting.

Upon the refunding of the Series C debt, the Medical Center applied the 2005 swap against the newly issued Series D debt, and entered into a new swap agreement (the “2011 swap”), which along with the existing swap, effectively converts all of its outstanding Series D debt to a fixed-rate basis. The interest rate on the new swap is 4.6138%. The fair value of the 2011 swap (a liability of $1,641,066 as of September 30, 2011) is reported in other long term liabilities. The decline in value of $1,641,066 is reported as a component of income from investments in the year ended September 30, 2011. The swap, while serving as an economic hedge, does not qualify for hedge accounting.

9. Bonds Payable (continued)

The 2011 swap has an embedded option that gives the Medical Center the right to terminate the 2011 swap beginning July 1, 2016 and on the first business day of each month thereafter. If the option is exercised by the Medical Center, the transaction will terminate and neither party will owe a termination payment amount. There is no exercise premium.

The following table summarizes the Hospital's interest rate swap agreements (in thousands):

Swap Type	Expiration Date	Medical Center Receives	Medical Center Pays	Notional Amount at September 30 2011	2010
Series C – Fixed to Floating	July 1, 2018	70% of LIBOR	3.704%	**$ 21,325**	$ 23,700
Series D – Fixed to Floating	July 1, 2032	65% LIBOR + 1.52%	4.6138%	**18,929**	–
				$ 40,254	$ 23,700

The total notional amount differs from the amount outstanding on the debt as a result of the different amounts that the Medical Center receives. The notional amount of the 2011 swap is modified to adjust for the differing percentage of LIBOR received under the 2005 swap.

10. Notes Payable

Notes payable at September 30, 2011 and 2010 consists of the following:

	2011	2010
Notes payable to a healthcare financing company payable in monthly installments of $28,846 through October 2011, at 5.77% interest. Secured by certain equipment.	**$ 28,708**	$ 362,666
Notes payable to a healthcare equipment manufacturing company in monthly installments of $18,392 through December 2015, at 4.15% interest. Secured by certain equipment.	**858,094**	–
Notes payable to a bank in monthly installments of $86,105 through October 2012 at 6.52% interest. Secured by certain equipment.	**–**	1,652,591
Notes payable to a bank in bi-annual installments of $947,956 through October 2012 at 4.09% interest. Secured by certain equipment.	**2,732,006**	4,393,776
Notes payable to a bank in monthly installments of $82,317 through April 2017 at 4.11% interest. Secured by certain equipment	**–**	5,689,042
Notes payable to a facilities management company payable in monthly installments of $18,319 in principal and interest at 8% through July 2013. Unsecured.	**–**	677,818
Note payable to landlord for leasehold improvements payable in monthly installments of $1,431 through August 2019 at 6%. Unsecured.	**107,992**	118,343
Note payable to a hospital association payable in monthly installments of $6,529, interest free.	**326,450**	391,740
Other notes	**70,696**	131,870
	4,054,816	13,417,846
Less current portion	**2,164,028**	4,246,490
	$ 1,959,918	$ 9,171,356

The carrying value of the notes payable approximates fair value.

10. Notes Payable (continued)

Interest paid on the notes was $494,759 and $535,978 for September 30, 2011 and 2010, respectively.

Principal payments on the notes for the next five years are as follows:

2012	$ 2,164,028
2013	1,229,870
2014	296,372
2015	305,834
2016	82,006
Aggregate thereafter	45,836
	$ 4,054,816

11. Contingencies

There have been malpractice claims that fall within the Medical Center's malpractice insurance which have been asserted against the Medical Center. In addition, there are known incidents that have occurred through September 30, 2011 that may result in the assertion of claims. Refer to Note 1.

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 and CCSG, in consultation with its actuary, records as a liability an estimate of incurred but not reported claims. Such liability, discounted at 2.49%, totaled $5,726,000 and $5,216,000 at September 30, 2011 and 2010, respectively.

The Medical Center, in consultation with its actuary, records as a liability an estimate of workers compensation claims. Such liability, discounted at 3.00%, totaled $1,927,000 and $1,759,000 at September 30, 2011 and 2010, respectively.

12. Commitments

Ground Lease

The Medical Center has a ground lease with Hartford Hospital to lease the site on which the Medical Center stands. The lease term is ninety-nine years beginning November 1, 1993 with an optional extension for an additional ninety-nine-year term.

The Ground Lease was recorded as a prepaid asset in the original amount of $2,900,000 and is amortized over the term of the lease. The net asset is recorded as $2,445,974 and $2,475,266 as of September 30 2011 and 2010, respectively. The lease includes certain covenants which restrict, among other things, the Medical Center's ability to be a party to mergers.

Parking Agreement

The Medical Center entered into a Parking Agreement with the Hartford Hospital Real Estate Corporation ("HHREC") for the use of 450 parking spaces on the Hartford Hospital campus. The agreement continues in full force and effect until the earlier of a written termination of the agreement by the Medical Center and HHREC or the termination of the ground lease.

13. Operating Leases

Rental and lease expense amounted to $7,450,295 and $6,743,376 for the years ended September 30, 2011 and 2010, respectively.

The minimum lease commitments under all noncancelable operating leases with initial or remaining terms of more than one year are as follows:

Fiscal years ending September 30:	
2012	$ 8,616,631
2013	8,222,224
2014	8,561,767
2015	8,579,207
2016	7,364,921
	$ 41,344,750

14. Functional Expenses

The Medical Center provides health care services to residents within its geographic location including pediatric care, and outpatient surgery. The Foundation performs fundraising services to provide support to the Medical Center and its other related 501(c)(3) companies. Expenses related to providing these services are as follows:

	Year Ended September 30	
	2011	**2010**
Health care services	**$ 237,081,698**	$ 225,343,023
Fundraising	**2,623,800**	2,672,009
General and administrative	**44,845,966**	40,818,505
	$ 284,551,464	$ 268,833,537

15. Fair Value of Financial Instruments

As defined in ASC 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described 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 is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

16. Fair Value of Financial Instruments (continued)

Financial assets and liabilities carried at fair value as of September 30, 2011 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	$ 5,041,855	$ –	$ –	$ 5,041,855
Money market mutual funds [(a)]	9,597,566	–	–	9,597,566
Fixed income securities [(b)]	169,908	–	–	169,908
Domestic fixed	19,084,559	–	–	19,084,559
International fixed	1,462,167	–	–	1,462,167
Marketable equity securities [(c)]	324,694	–	–	324,694
Domestic equity	19,105,519	–	–	19,105,519
International equity	1,614,551	–	–	1,614,551
Mutual Funds:				
Domestic	3,615,485	–	–	3,615,485
International	3,087,088	–	–	3,087,088
Equity:				
Domestic growth [(d)]	16,734,798	–	–	16,734,798
Domestic value [(d)]	9,137,913	15,618	–	9,153,531
International [(d)]	11,982,415	–	–	11,982,415
Real estate, small cap and other [(d)]	452,363	–	–	452,363
Mid cap blend [(d)]	4,020,536	–	–	4,020,536
International equity common trust fund		2,368,313	–	2,368,313
Domestic equity common trust fund		6,982,032	–	6,982,032
Fixed income:				
International	378,251	–	–	378,251
Domestic	2,033,785	–	–	2,033,785
Intermediate term [(d)]	19,368,353	–	–	19,368,353
Global [(d)]	1,451,760	–	–	1,451,760
Short term & other fixed [(d)]	102,765	3,373,795	–	3,476,560
Inflation protected [(d)]	1,273,810	–	–	1,273,810
Multi-strategy funds [(e)]	12,484,569	6,267,177	–	18,751,746
Common Trust Fund [(f)]	–	2,724,485	–	2,724,485
Domestic fixed Common Trust Fund		4,831,926	–	4,831,926
Funds held by trustee under revenue bond agreement [(g)]	1,710,681	–	–	1,710,681
Fund of funds	611,586	–	–	611,586
Real estate investments	427,246	–	–	427,246
Foundation held funds and miscellaneous other investments	2,218,009	–	–	2,218,009
Total	$147,492,232	$ 26,563,346	$ –	$174,055,578
Liabilities				
Interest rate swap agreement [(i)]	$ –	$ 3,912,692	$ –	$ 3,912,692

16. Fair Value 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	$ 5,638,104	$ –	$ –	$ 5,638,104
Money market mutual funds [(a)]	11,057,212	–	–	11,057,212
Fixed income securities [(b)]	253,451	–	–	253,451
Domestic fixed	19,741,425	–	–	19,741,425
International fixed	1,512,493	–	–	1,512,493
Marketable equity securities [(c)]	1,050,514	–	–	1,050,514
Domestic equity	19,763,106	–	–	19,763,106
International equity	1,670,122	–	–	1,670,122
Mutual Funds:				
Domestic	3,739,925	–	–	3,739,925
International	3,193,342	–	–	3,193,342
Equity:				
Domestic growth [(d)]	15,606,080	–	–	15,606,080
Domestic value [(d)]	13,099,568	19,845	–	13,119,413
International [(d)]	10,653,013	–	–	10,653,013
Real estate, small cap and other [(d)]	360,671	–	–	360,671
Mid cap blend [(d)]	5,349,460	–	–	5,349,460
International equity common trust fund	–	2,449,827	–	2,449,827
Domestic equity common trust fund	–	7,222,345	–	7,222,345
Fixed income:				
International	391,270	–	–	391,270
Domestic	2,103,785	–	–	2,103,785
Long term [(d)]	15,015	–	–	15,015
Intermediate term [(d)]	24,997,221	–	–	24,997,221
Global [(d)]	1,482,914	–	–	1,482,914
Short term & other fixed [(d)]	1,396,171	–	–	1,396,171
Inflation protected [(d)]	643,213	–	–	643,213
Multi-strategy funds [(e)]	9,053,869	5,440,147	–	14,494,006
Common Trust Fund [(f)]	–	3,884,318	–	3,884,318
Domestic fixed Common Trust Fund		4,998,235	–	4,998,235
Funds held by trustee under revenue bond agreement [(g)]	10,424,098	–	–	10,424,098
Fund of funds	632,636	–	–	632,636
Real estate investments	441,951	–	–	441,951
Foundation held funds and miscellaneous other investments	2,249,350	–	–	2,249,350
Total	$166,564,979	$ 24,014,717	$ –	$190,579,686

16. Fair Value of Financial Instruments (continued)

	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap agreement [i]	$ –	$ 2,721,995	$ –	$ 2,721,995

(a) Includes investments in mutual funds that invest primarily in short-term debt securities including U.S. Treasury bills, commercial paper and certificates of deposits.
(b) Includes investments in publicly traded fixed income invests, which may include government, municipal or corporate bonds of varied duration.
(c) Includes investments in publicly traded stock of domestic corporations.
(d) Includes investments in domestic and international equity mutual funds and exchange traded funds. Investments are broken out into the underlying funds' asset type and investment goals.
(e) Investments in mutual funds that allocate assets among both fixed and equity investments, as well as other forms of investments with the intent of providing returns while diversifying assets and spreading risk over multiple asset classes.
(f) The common trust fund seeks to gain exposure to large cap U.S. companies by replicating the S&P 500 Tobacco Free Index, which excludes any company for which tobacco is one of its top five revenue producing industries. There are no liquidity restrictions as the redemption frequency and notice period is daily.
(g) These funds reflect proceeds from borrowings that are held in trust for the Medical Center's use. Funds are generally invested in money market mutual funds and may be drawn on by the Medical Center to purchase capital assets.
(h) These funds reflect the value of the Medical Center's interest in funds held in trust for the Medical Center's benefit. The Medical Center receives statements and records its portion of the trusts' statement value.
(i) The value of the Medical Center's swaps is determined by examining the present value of the future cash flows among other factors. The Medical Center utilizes an independent third party to calculate the value of the swaps based on all of the relevant factors.

The following is a description of the Medical Center's valuation methodologies for assets measured at fair value:

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers and brokers. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Medical Center 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 estimate of fair value at the reporting date.

The amounts reported in the table above exclude assets invested in the Medical Center's defined benefit pension plan (Note 7).

17. Subsequent Event

On October 18, 2011 the Medical Center entered into a new financing arrangement for $11.2 million. The proceeds will be used to fund the implementation of an electronic medical record system. Interest on the loan is at a rate of 2.91%. Monthly payments of approximately $147,000 will be paid over eighty four months. This did not impact the September 30, 2011 financial statements.

Other Financial Information

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

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

Report of Independent Auditors on Other Financial Information

Board of Directors
CCMC Corporation and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating details appearing in conjunction with the consolidated financial statements are presented for purposes of additional analysis and is not a required part of the consolidated financial statements of the Corporation. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. We did not audit the financial statements of The Children's Fund of Connecticut, Inc., a wholly owned subsidiary, whose statements reflect total assets of $29,130,818 and $32,107,112 as of September 30, 2011 and 2010, respectively, and total revenues of $5,004,631 and $4,612,609, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for The Children's Fund of Connecticut, Inc., is based solely on the report of the other auditors.

Ernst & Young LLP

January 27, 2012

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets

September 30, 2011

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 4,688,831	$ 179,379	$ 137,264	$ 36,381			$ 5,041,855
Short-term investments		9,572,313					9,572,313
Funds held by trustee under revenue bond agreement	1,710,681						1,710,681
Accounts receivable, less allowance of approximately $6,644,000	26,304,731	1,970,789	1,161,908				29,437,428
Due from affiliated entities	2,268,115	2,658,923	862,243	500		$ (5,789,781)	–
Inventories	600,832						600,832
Other current assets	7,174,720	239,981	19,884				7,434,585
Total current assets	42,747,910	14,621,385	2,181,299	36,881	–	(5,789,781)	53,797,694
Assets whose use is limited:							
Investments	27,352,655	62,557,557					89,910,212
Funds held in trust by others	67,820,517						67,820,517
Investment in Foundation	75,658,862					(75,658,862)	–
	170,832,034	62,557,557	–	–	–	(75,658,862)	157,730,729
Property, plant and equipment:							
Leasehold improvements			1,782,862				1,782,862
Buildings	114,990,645						114,990,645
Furniture and equipment	59,579,096	824,022	793,729				61,196,847
Construction in progress	10,912,602		227,106				11,139,708
	185,482,343	824,022	2,803,697	–	–	–	189,110,062
Less accumulated depreciation	(85,992,089)	(415,760)	(1,650,901)				(88,058,750)
	99,490,254	408,262	1,152,796	–	–	–	101,051,312
Other assets:							
Bond issuance costs	681,696						681,696
Ground lease	2,445,974						2,445,974
Pledges receivable, long term		693,271					693,271
Other	23,897,319			1,000		(1,000)	23,897,319
	27,024,989	693,271	–	1,000	–	(1,000)	27,718,260
Total assets	$ 340,095,187	$ 78,280,475	$ 3,334,095	$ 37,881	$ –	$ (81,449,643)	$ 340,297,995

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets (continued)

September 30, 2011

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Liabilities and net assets							
Current liabilities:							
Current portion of bonds payable	$ 1,050,000						$ 1,050,000
Current portion of notes payable	2,164,028						2,164,028
Accounts payable and accrued liabilities	26,934,488	$ 20,343	$ 25,132				26,979,962
Accrued wages	12,195,131	113,517	336,328				12,644,976
Due to third parties	2,465,943						2,465,943
Accrued interest payable and other current liabilities	478,089						478,089
Due to affiliated entities	3,086,844	2,437,297		$ 247,564	$ 18,075	$ (5,789,780)	–
Total current liabilities	48,374,523	2,571,157	361,460	247,564	18,075	(5,789,780)	45,782,998
Bonds payable, less current portion	40,530,000						40,530,000
Notes payable, less current portion	1,959,918						1,959,918
Accrued pension liability	18,776,699						18,776,699
Other long term liabilities	21,040,979	50,456					21,091,435
Total liabilities	130,682,119	2,621,613	361,460	247,564	18,075	(5,789,780)	128,141,050
Net assets:							
Unrestricted	104,023,361		2,942,245	(209,683)	(18,075)	(1,000)	106,736,848
Temporarily restricted	21,240,609	59,330,281	30,390			(59,330,281)	21,270,999
Permanently restricted	84,149,098	16,328,581				(16,328,581)	84,149,098
Total net assets	209,413,068	75,658,862	2,972,635	(209,683)	(18,075)	(75,659,862)	212,156,945
Total net assets and liabilities	$ 340,095,187	$ 78,280,475	$ 3,334,095	$ 37,881	$ –	$ (81,449,642)	$ 340,297,995

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets

September 30, 2010

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ 4,761,684	$ 551,334	$ 287,686	$ 37,400			$ 5,638,104
Short-term investments		11,027,121					11,027,121
Funds held by trustee under revenue bond agreement	10,424,098						10,424,098
Accounts receivable, less allowance of approximately $7,831,000	21,201,681	1,652,512	1,056,304				23,910,497
Due from affiliated entities	3,731,723	414,684	772,428	500		$ (4,919,335)	–
Inventories	618,412						618,412
Other current assets	6,146,871	240,420	36,498				6,423,789
Total current assets	46,884,469	13,886,071	2,152,916	37,900	–	(4,919,335)	58,042,021
Assets whose use is limited:							
Investments	29,175,015	64,160,536					93,335,551
Funds held in trust by others	70,154,812						70,154,812
Investment in Foundation	75,558,434					(75,558,434)	–
	174,888,261	64,160,536	–	–	–	(75,558,434)	163,490,363
Property, plant and equipment:							
Leasehold improvements			1,782,862				1,782,862
Buildings	113,254,487						113,254,487
Furniture and equipment	53,942,438	824,022	771,996				55,538,456
Construction in progress	2,272,562						2,272,562
	169,469,487	824,022	2,554,858	–	–	–	172,848,367
Less accumulated depreciation	(76,296,443)	(380,813)	(1,517,660)				(78,194,916)
	93,173,044	443,209	1,037,198	–	–	–	94,653,451
Other assets:							
Bond issuance costs	1,459,360						1,459,360
Ground lease	2,475,266						2,475,266
Pledges receivable, long term		1,029,433					1,029,433
Other	17,851,034			1,000		(1,000)	17,851,034
	21,785,660	1,029,433	–	1,000	–	(1,000)	22,815,093
Total assets	$ 336,731,434	$ 79,519,249	$ 3,190,114	$ 38,900	$ –	$ (80,478,769)	$ 339,000,928

CCMC Corporation and Subsidiaries

Consolidating Balance Sheets (continued)

September 30, 2010

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Liabilities and net assets							
Current liabilities:							
Current portion of bonds payable	$ 2,375,000						$ 2,375,000
Current portion of notes payable	4,246,490						4,246,490
Accounts payable and accrued liabilities	27,245,932	$ 24,765	$ 27,297				27,297,994
Accrued wages	11,929,850	193,149	451,022				12,574,021
Due to third parties	1,654,459						1,654,459
Accrued interest payable and other current liabilities	623,163						623,163
Due to affiliated entities	1,026,261	3,681,264		$ 193,985	$ 17,825	$ (4,919,335)	–
Total current liabilities	49,101,155	3,899,178	478,319	193,985	17,825	(4,919,335)	48,771,127
Bonds payable, less current portion	30,531,457						30,531,457
Notes payable, less current portion	9,171,356						9,171,356
Accrued pension liability	15,664,920						15,664,920
Other long term liabilities	20,391,373	61,637					20,453,010
Total liabilities	124,860,261	3,960,815	478,319	193,985	17,825	(4,919,335)	124,591,870
Net assets:							
Unrestricted	106,859,691		2,681,123	(155,085)	(17,825)	(1,000)	109,366,904
Temporarily restricted	18,989,363	59,691,127	30,672			(59,691,127)	19,020,035
Permanently restricted	86,022,119	15,867,307				(15,867,307)	86,022,119
Total net assets	211,871,173	75,558,434	2,711,795	(155,085)	(17,825)	(75,559,434)	214,409,058
Total net assets and liabilities	$ 336,731,434	$ 79,519,249	$ 3,190,114	$ 38,900	$ –	$ (80,478,769)	$ 339,000,928

CCMC Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

For the Year Ended September 30, 2011

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Revenues:							
Net patient service revenue	$ 244,512,368						$ 244,512,368
Provision for bad debt	(2,365,830)						(2,365,830)
Net patient service revenue less provision for bad debts	242,146,538						242,146,538
Other revenues	11,414,552		$ 8,510,676				19,925,228
Contributions and donations, net		$ 3,454,348					3,454,348
Investment income	8,912,942	2,538,848					11,451,790
Net assets released from restrictions	14,188,497		10,264				14,198,761
	276,662,529	5,993,196	8,520,940	–	–	–	291,176,665
Expenses:							
Salaries and wages	133,935,648	1,735,748	5,852,197	$ 42,438			141,566,031
Benefits	34,659,527	492,349	1,672,558	12,147			36,836,581
Supplies and miscellaneous	89,535,493	931,425	603,394	13	$ 250		91,070,575
Bad debts (non-patient)	101,818						101,818
Interest	1,231,424						1,231,424
Depreciation and amortization	11,000,584	34,947	133,241				11,168,772
Loss on retirment of debt	2,576,263						2,576,263
	273,040,757	3,194,469	8,261,390	54,598	250	–	284,551,464
Operating income (loss)	3,621,772	2,798,727	259,550	(54,598)	(250)	–	6,625,201
Change in equity interest in net assets of the Foundation	2,798,727					$ (2,798,727)	–
(Deficiency) excess of revenues over expenses	6,420,499	2,798,727	259,550	(54,598)	(250)	(2,798,727)	6,625,201

Continued on next page.

CCMC Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

For the Year Ended September 30, 2011

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Unrestricted net assets:							
(Deficiency) excess of revenues over expenses	6,420,499	2,798,727	259,550	(54,598)	(250)	(2,798,727)	6,625,201
Net unrealized loss on investments	(2,562,749)	(3,108,995)					(5,671,744)
Change in funded status of pension and post-retirement plans	(4,399,884)						(4,399,884)
Transfer to temp restricted funds	(250,000)						(250,000)
Net assets released from restrictions for purchase of equipment	1,064,801		1,572				1,066,373
Change in equity interest in the net asset of the Foundation	(3,108,995)					3,108,995	–
Change in market value of swap	–						–
Transfers to affiliates							–
Decrease in unrestricted net assets	(2,836,328)	(310,268)	261,122	(54,598)	(250)	310,268	(2,630,054)
Temporarily restricted net assets:							
Net unrealized losses on investments		(275,798)					(275,798)
Income from investments		225,220					225,220
Transfer from (to) affiliates	5,728,363	(5,732,704)	4,341				–
Net assets released from restrictions for operations	(14,055,113)		(10,265)				(14,065,378)
Net assets released from restrictions for capital	(1,064,801)		(1,572)				(1,066,373)
Change in equity interest in the net asset of the Foundation	(50,578)					50,578	–
Transfer from unrestricted funds	250,000						250,000
Bequests, gift, and grants	11,443,373	5,732,704	7,214				17,183,291
Increase (decrease) in temporarily restricted net assets	2,251,244	(50,578)	(282)	–	–	50,578	2,250,962
Permanently restricted net assets:							
Bequests, gifts, and grants		461,274					461,274
Change in equity interest in the net asset of the Foundation	461,274					(461,274)	–
Assets released from restrictions by trustees	(133,384)						(133,384)
Change in funds held by others	(2,200,911)						(2,200,911)
Decrease in permanently restricted net assets	(1,873,021)	461,274	–	–	–	(461,274)	(1,873,021)
Net assets at beginning of year	211,871,173	75,558,434	2,711,795	(155,085)	(17,825)	(75,559,434)	214,409,058
Net assets at end of year	$ 209,413,068	$ 75,658,862	$ 2,972,635	$ (209,683)	$ (18,075)	$ (75,659,862)	$ 212,156,945

CCMC Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

For the Year Ended September 30, 2010

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Revenues:							
Net patient service revenue	$ 223,198,671						$ 223,198,671
Provision for bad debt	(4,031,541)						(4,031,541)
Net patient service revenue less provision for bad debts	$ 219,167,130						$ 219,167,130
Other revenues	10,039,658		$ 8,362,404				18,402,062
Contributions and donations, net		$ 7,233,069					7,233,069
Investment income	13,077,450	1,045,837					14,123,287
Net assets released from restrictions	12,539,812		14,509				12,554,321
	254,824,050	8,278,906	8,376,913	–	–	–	271,479,869
Expenses:							
Salaries and wages	126,865,396	1,843,931	5,968,313	$ 46,358			134,723,998
Benefits	31,018,031	488,734	1,576,063	12,287			33,095,115
Supplies and miscellaneous	83,762,464	857,920	569,729		$ 250		85,190,363
Bad debts	-						-
Interest	1,396,384						1,396,384
Depreciation and amortization	10,219,855	35,651	140,630				10,396,136
	253,262,130	3,226,236	8,254,735	58,645	250	–	264,801,996
Operating income (loss)	1,561,920	5,052,670	122,178	(58,645)	(250)	–	6,677,873
Change in equity interest in net assets of the Foundation	5,052,670					$ (5,052,670)	–
(Deficiency) excess of revenues over expenses	6,614,590	5,052,670	122,178	(58,645)	(250)	(5,052,670)	6,677,873

Continued on next page.

CCMC Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

For the Year Ended September 30, 2010

	Hospital & Subsidiaries	Foundation	Affiliates	Corporation	Ventures	Eliminations	Consolidated
Unrestricted net assets:							
(Deficiency) excess of revenues over expenses	6,614,590	5,052,670	122,178	(58,645)	(250)	(5,052,670)	6,677,873
Net unrealized loss on investments	1,514,585	3,935,905					5,450,490
Change in funded status of pension and post-retirement plans	(2,058,550)						(2,058,550)
Adoption of new accounting principle							–
Net assets released from restrictions for purchase of equipment	351,001						351,001
Change in equity interest in the net asset of the Foundation	3,935,905					(3,935,905)	–
Transfers to affiliates							–
Decrease in unrestricted net assets	10,357,531	8,988,575	122,178	(58,645)	(250)	(8,988,575)	10,420,813
Temporarily restricted net assets:							
Net unrealized losses on investments		376,679					376,679
Income from investments		100,091					100,091
Transfer from (to) affiliates	4,244,404	(4,248,532)	4,128				–
Net assets released from restrictions for operations	(12,539,812)		(14,509)				(12,554,321)
Net assets released from restrictions for capital	(351,001)						(351,001)
Change in equity interest in the net asset of the Foundation	476,770					(476,770)	–
Bequests, gift, and grants	10,878,263	4,248,532	9,406				15,136,201
Increase (decrease) in temporarily restricted net assets	2,708,624	476,770	(975)	–	–	(476,770)	2,707,649
Permanently restricted net assets:							
Bequests, gifts, and grants		1,157,062					1,157,062
Change in equity interest in the net asset of the Foundation	1,157,062					(1,157,062)	–
Change in funds held by others	15,516,264						15,516,264
Decrease in permanently restricted net assets	16,673,326	1,157,062	–	–	–	(1,157,062)	16,673,326
Net assets at beginning of year	182,131,692	64,936,027	2,590,592	(96,440)	(17,575)	(64,937,027)	184,607,269
Net assets at end of year	$ 211,871,173	$ 75,558,434	$ 2,711,795	$ (155,085)	$ (17,825)	$ (75,559,434)	$ 214,409,058