JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

SEPTEMBER 30, 2011 AND 2010

JOHNSON MEMORIAL MEDICAL CENTER

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Johnson Memorial Medical Center

We have audited the accompanying consolidated balance sheets of Johnson Memorial Medical Center (the Corporation) as of September 30, 2011 and 2010, and the related consolidated statements of operations, 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as 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 financial position of Johnson Memorial Medical Center as of September 30, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Corporation will continue as a going concern. As described in Note 1, the Corporation has experienced recurring losses from operations, debt covenant violations and had current liabilities that exceeded current assets by $540,209 as of September 30, 2011. In addition, the Corporation is negotiating the forbearance of payments not made to certain pre-petition creditors when they were due and certain creditors have filed a motion to convert the Corporation's bankruptcy case from Chapter 11 of the U.S. Bankruptcy Code to Chapter 7 of the U.S. Bankruptcy Code. These conditions raise substantial doubt about the Corporation's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Marcum LLP

Hartford, CT
February 27, 2012

MARCUMGROUP
MEMBER

Marcum LLP ▪ City Place II ▪ 185 Asylum Street ▪ 17th Floor ▪ Hartford, CT 06103 ▪ Phone 860.549.8500 / 877.231.5351 ▪ Fax 860.549.8501 ▪ marcumllp.com

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2011 AND 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 1,242,367	$ 5,859,237
Patient trust funds	59,178	67,038
Patients accounts receivable, net of allowances for uncollectible accounts of $3,042,000 in 2011 and $3,152,000 in 2010	10,228,199	10,835,917
Other receivables	1,281,797	327,957
Inventories	1,216,495	1,154,583
Prepaid expenses and other current assets	1,443,399	1,806,990
Total Current Assets	15,471,435	20,051,722
Assets Whose Use is Limited		
Beneficial interests in perpetual trusts	3,165,722	3,283,243
Restricted cash and board designated investments	517,407	962,670
Investments permanently restricted by donor	1,011,327	1,024,386
Total Assets Whose Use is Limited	4,694,456	5,270,299
Other Assets		
Property, plant and equipment, net	35,985,858	39,488,024
Investment in joint ventures and other assets	2,863,785	2,876,109
Investments, other	1,100	15,434
Deferred financing costs, net	675,502	866,127
Total Other Assets	39,526,245	43,245,694
	$ 59,692,136	$ 68,567,715

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS (CONTINUED)

SEPTEMBER 30, 2011 AND 2010

	2011	2010
Liabilities and Net Assets		
Current Liabilities		
Trade accounts payable and accrued expenses	$ 4,221,678	$ 6,978,741
Accrued payroll and related costs	2,694,192	4,253,297
Current portion of payments due under plan of reorganization	1,351,416	2,701,681
Patient trust funds	59,178	67,038
Senior debt under revolving line of credit	4,651,186	4,000,000
Current portion of mortgage payable	933,311	650,608
Current portion of subordinated debt	94,035	495,286
Current portion of capital lease obligations	193,657	255,573
Estimated amounts due to third-party reimbursement agencies	1,559,803	1,323,239
Other current liabilities	253,188	211,535
Total Current Liabilities	16,011,644	20,936,998
Long-Term Liabilities		
Payments due under plan of reorganization - less current portion	6,358,322	7,039,223
Mortgage payable - less current portion	29,637,852	15,921,250
Construction loan - less current portion	--	14,891,882
Subordinated debt - less current portion	333,115	427,229
Self-insurance liabilities	1,575,812	1,533,516
Other liabilities	327,743	325,008
Obligations under capital lease - less current portion	41,864	260,116
Total Long-Term Liabilities	38,274,708	40,398,224
Total Liabilities	54,286,352	61,335,222
Net Assets		
Unrestricted	873,482	2,894,449
Temporarily restricted	352,758	40,979
Permanently restricted	4,179,544	4,297,065
Total Net Assets	5,405,784	7,232,493
	$ 59,692,136	$ 68,567,715

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Operating Revenue		
Net patient service revenue	$ 88,797,294	$ 89,148,038
Grant income and other contributions	305,615	656,335
Consulting revenue	--	295,221
Other revenue	596,936	519,036
Net assets released from restriction	63,054	36,485
Total Operating Revenue	89,762,899	90,655,115
Expenses		
Salaries	46,308,939	47,121,431
Employee benefits	9,658,911	12,107,097
Provision for uncollectible accounts	2,836,552	3,604,330
Professional fees and outsourced staffing	4,142,332	5,212,367
Depreciation and amortization	4,470,435	4,439,184
Purchased services	4,347,672	4,247,810
Supplies, drugs and patient care	8,817,803	9,310,163
Leases and service contracts	2,996,943	2,679,356
Occupancy costs	2,905,803	2,928,537
Insurance	1,335,602	1,190,520
Other expenses	3,161,745	3,564,204
Interest	2,007,104	898,164
Total Expenses	92,989,841	97,303,163
Loss from Operations	(3,226,942)	(6,648,048)
Nonoperating Revenue (Loss)		
Investment income	131,697	174,881
Equity (loss) earnings in joint ventures	(12,760)	315,629
	118,937	490,510
Changes in Net Unrealized (Losses) Gains on Investments	(7,640)	14,570
Loss Before Reorganization Items	(3,115,645)	(6,142,968)
Reorganization Items		
Professional fees	--	(2,803,054)
Gain on discharge of debt	1,094,678	36,139,999
	1,094,678	33,336,945
(Deficiency) Excess of Revenues over Expenses	$ (2,020,967)	$ 27,193,977

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Unrestricted Net Assets		
(Deficiency) excess of revenue over expenses	$ (2,020,967)	$ 27,193,977
Changes in additional minimum pension liability	--	(2,045,592)
Change in Unrestricted Net Assets	(2,020,967)	25,148,385
Temporarily Restricted Net Assets		
Grants and other contributions	378,271	16,700
Changes in net unrealized (losses) gains on investments	(3,625)	8,191
Income and realized gains (losses) on investments	187	(2,878)
Net assets released from restirctions	(63,054)	(36,485)
Change in Temporarily Restricted Net Assets	311,779	(14,472)
Permanently Restricted Net Assets		
(Decrease) increase in fair value of beneficial interest in perpetual trusts	(117,521)	118,696
Change in Net Assets	(1,826,709)	25,252,609
Net Assets (Deficit) - Beginning	7,232,493	(18,020,116)
Net Assets - End	$ 5,405,784	$ 7,232,493

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities and Reorganization Items		
Change in net assets	$ (1,826,709)	$ 25,252,609
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on debt extinguishment	(1,094,678)	(36,139,999)
Depreciation and amortization	4,470,435	4,439,184
Accretion of asset retirement obligation	18,693	18,288
Provision for uncollectible accounts	2,836,552	3,604,330
Loss on disposal of assets	22,147	46,667
Change in additional pension liability	--	2,045,592
Equity losses (earnings) in joint ventures	12,760	(315,629)
Net realized (gains) losses on investments	(656)	53,480
Change in net unrealized gains on investments	128,786	(226,664)
Changes in assets and liabilities:		
Patient accounts receivable	(2,228,834)	(3,469,280)
Other receivables	(953,840)	306,630
Prepaid expenses and other current assets	363,591	368,256
Inventories	(61,912)	12,804
Restricted cash and board designated investments	445,263	12,524
Accounts payable and accrued expenses	(3,689,124)	2,826,211
Accrued payroll and related costs	(1,559,105)	(236,707)
Estimated amounts due to third-party reimbursement agencies	236,564	(87,811)
Self-insurance liabilities	42,296	(503,445)
Other liabilities	44,388	1,603,385
Net Cash Used in Operating Activities and Reorganization Items	(2,793,383)	(389,575)
Cash Flows From Investing Activities		
Capital expenditures	(823,347)	(2,417,451)
Purchases of investments	--	(30,000)
Proceeds from sales of investments	16,784	902,683
Net Cash Used in Investing Activities	(806,563)	(1,544,768)

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash Flows From Financing Activities		
Principal payments on mortgage and subordinated debt	$ (1,387,942)	$ (522,500)
Proceeds from debt	651,186	4,000,000
Financing fees paid	--	(530,200)
Principal payments on capital lease obligations	(280,168)	(153,386)
Net Cash (Used in) Provided by Financing Activities	(1,016,924)	2,793,914
Net Change in Cash and Cash Equivalents	(4,616,870)	859,571
Cash and Cash Equivalents - Beginning	5,859,237	4,999,666
Cash and Cash Equivalents - Ending	$ 1,242,367	$ 5,859,237
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 1,367,520	$ 989,688
Cash paid for professional fees in connection with reorganization	$ (1,389,384)	$ (1,525,132)
Cash (used in) received from operating activities	(1,403,999)	1,135,557
	$ (2,793,383)	$ (389,575)

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

ORGANIZATION

Johnson Memorial Medical Center (the Corporation or JMMC) is a not-for-profit, non-stock holding company located in Stafford Springs, Connecticut. The Corporation through its subsidiaries provides health care services to residents throughout the Hartford and Tolland Connecticut counties. The Corporation's non-profit subsidiaries include Johnson Memorial Hospital (the Hospital or JMH), The Johnson Evergreen Corporation (Evergreen or EHCC), Johnson Health Care, Inc. (Health Care or JHC), and Home & Community Health Services, Inc. (HCHS). Johnson Medical Specialists, P.C. (JMS) is a professional corporation that is controlled by the Corporation. The Hospital has controlling interests in Johnson Development Fund, Inc. (Development) and its for-profit subsidiary WellCare, Inc. and Johnson Professional Associates, P.C. (JPA). The above entities are collectively referred to as the Organization in this consolidated presentation.

The Organization's major accounting policies are as summarized below and in Note 2.

EMERGENCE FROM BANKRUPTCY

As a result of the severe financial operating deficits, management determined it would be unable to pay its obligations in the normal course of business during fiscal year 2009 or service its debt in a timely fashion. On November 4, 2008, the Hospital, the Corporation and Evergreen, filed voluntary petitions for relief under Chapter 11 (Chapter 11 Proceedings) of the U.S. Bankruptcy Code (Bankruptcy Code) in the U.S. Bankruptcy Court for District of Connecticut, Hartford Division (Bankruptcy Court). This generally delayed payments of liabilities incurred prior to filing those petitions while the Corporation, the Hospital and Evergreen developed a joint plan of reorganization that was satisfactory to their creditors, and allowed these entities to continue as going concerns.

On August 11, 2010, the Bankruptcy Court confirmed the plan of reorganization which was subject to the satisfaction of a number of conditions precedent. One of the conditions was that the Hospital, the Corporation, and Evergreen (collectively the Debtors) were required to obtain a line of credit of at least $6 million. On September 30, 2010, the plan of reorganization became effective when the Debtors received financing under an $8 million line of credit and all other material conditions precedent to the plan becoming binding was resolved. The Bankruptcy Court issued a final decree on December 29, 2010.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

The Organization prepared its financial statements in accordance with the guidance in FASB ASC Topic 852, *Reorganizations*, during the period from November 4, 2008 through September 30, 2010. Revenue, expenses, realized gains and losses, and provisions for losses directly related to the Chapter 11 Proceedings were recorded in Reorganization Items which do not constitute an element of operating loss due to their nature and due to the requirement of ASC 852 that they be reported separately.

There was no change in control as the Organization's Board of Directors immediately prior to the confirmation of the plan retained control upon emergence from the Chapter 11 proceedings. Therefore, the Organization did not adopt fresh-start reporting.

As of September 30, 2011 and 2010, liabilities compromised by the confirmed plan have been recorded at the present values of amounts to be paid, determined at the interest rate of 6.75%. The discharge of liabilities has been reported as a $36,139,999 gain on the discharge of debt in the 2010 statement of operations.

During the year ended September 30, 2011, management of the Organization determined that the Hospital would not be eligible to receive electronic medical record stimulus funding. As of September 30, 2010, the Hospital recorded a liability of $1,094,678 related to an estimate of the stimulus funding that would be payable to its creditors under the plan of reorganization. During the year ended September 30, 2011, the Hospital recorded a change in estimate to eliminate this liability which is reflected as a gain on discharge of debt in the 2011 consolidated statement of operations.

The Debtors' confirmed plan provided for the following:

Secured Debt – The Hospital's $12,843,750 ($12,501,250 at September 30, 2011) secured debt with a bank (secured by a first mortgage lien on land and buildings located in Stafford Springs, Connecticut and a blanket lien on all furniture, fixtures, and equipment) was reinstated as such maturity existed before any default, and is payable in quarterly installments of $85,625 through January 1, 2048. The Hospital will also remain obligated as guarantor of the Corporation's and Evergreen's secured debt in the amounts of $3,240,000 and $14,829,913, respectively, as of September 30, 2011.

Evergreen's $15,199,990 ($14,829,913 at September 30, 2011) of secured debt with a bank (secured by a second mortgage lien on land and buildings located in Stafford Springs, Connecticut and a blanket lien on all furniture, fixtures, and equipment) was reinstated as such maturity existed before any default, and is payable in quarterly installments of $95,946 through September 1, 2047.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

The Corporation's $3,420,000 ($3,240,000 at September 30, 2011) of secured debt with a bank (secured by a lien on land and buildings located in Enfield, Connecticut and a blanket lien on all furniture, fixtures, and equipment) was reinstated as such maturity existed before any default, and is payable in monthly installments of $15,000 through September 30, 2014 at which time the outstanding principal balance plus accrued interest thereon shall be due and payable.

Other Secured Debt – The Hospital's $2,870,658 loan to finance information technology equipment was restructured to be paid in 60 monthly installments of $10,000, including interest, plus $414,474 from a restricted investment account. The carrying value of this compromised debt was $427,150 and $922,515 as of September 30, 2011 and 2010, respectively.

Priority and Administrative Claims – All priority and administrative claims will be paid as allowed by the Court.

Trade and Other Miscellaneous Claims - The holders of approximately $11 million of trade and other miscellaneous claims are entitled to receive $815,982 on the effective date, $283,525 on the first anniversary of the effective date, $541,275 on the second anniversary of the effective date and $1,056,775 on the each of the third, fourth, and fifth anniversaries of the effective date. The distribution could increase if the Hospital receives electronic medical record stimulus funding or if there is a change in control.

The holders of approximately $210,000 of convenience claims are entitled to receive 50% of their allowed claim. Unexpired leases and contracts not rejected by the Debtors are paid according to their original or negotiated terms.

As of September 30, 2011, the Debtors are pursuing a forbearance of the payment to the creditors for the claims that were due on the first anniversary of the effective date of the plan of reorganization.

Pension Benefit Guaranty Corporation (PBGC) Claims - The PBGC is entitled to receive $730,402 on the effective date, $266,475 on the first anniversary of the effective date, $508,725 on the second anniversary of the effective date and $993,225 on each of the third, fourth, and fifth anniversaries of the effective date. The distribution could increase if the Hospital receives electronic medical record stimulus funding, if there is a change in control, or if the Debtors receive litigation claim proceeds related to claims, rights or causes of action arising under Chapter 5 of the Bankruptcy Code.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

The effects of the plan of reorganization on the Organization's balance sheet as of September 30, 2010 were as follows:

	Pre-Confirmation	Debt Discharge	Reorganized Balance Sheet
Assets	$ 68,598,447	$ (30,732)	$ 68,567,715
Liabilities	97,505,953	(36,170,731)	61,335,222
Net Assets (Deficit)	(28,907,506)	36,139,999	7,232,493

The Hospital failed to make the initial payment of $730,402 to the PBGC during the year ended September 30, 2011. In addition there was $71,014 of unsecured claims that were not paid. The Hospital has not made these payments as of September 30, 2011 and is currently pursuing a forbearance of these payments with the creditors. The Hospital and Evergreen are also pursuing a forbearance of the payments totaling $550,000 that were due on the first anniversary of the effective date of the plan of reorganization.

On January 11, 2012, certain creditors filed a motion to convert the Debtors' bankruptcy case from Chapter 11 of the Bankruptcy Code to Chapter 7 of the Bankruptcy Code.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Reference is made to Note 3 regarding net patient service revenue recognition.

GOING CONCERN

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. For the year ended September 30, 2011, the Organization experienced a loss of $3,115,645 before reorganization items and had current liabilities that exceeded current assets by $540,209. In addition, the Corporation is negotiating the forbearance of payments not made to the PBGC and certain pre-petition creditors when they were due under the plan of reorganization and certain creditors have filed a motion to convert the Corporation's bankruptcy case from Chapter 11 of the U.S. Bankruptcy Code to Chapter 7 of the U.S. Bankruptcy Code. As stated in Note 11, JMMC, JMH, EHCC, HCHS, JHC, Development, WellCare, Inc., JPA and JMS entered into a credit agreement that requires certain financial and non financial covenants be maintained.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

These covenants, which require that the Debtors achieve levels of EBITDA in excess of their current performance levels, were violated in 2011. Those conditions raise substantial doubt about the Corporation's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

It is the plan of management to ensure that the Corporation continues as a going concern. In January 2012, management of the Corporation announced its intention to enter into an affiliation agreement with Saint Francis Care that management expects will provide resources to Johnson Memorial Medical Center and its subsidiaries to help ensure that the Organization continues as a going concern. The Corporation and Saint Francis Care have signed a letter of intent, however, the affiliation agreement has not been finalized.

The Corporation's continuation as a going concern is ultimately dependent upon its future financial performance, which will be affected by general economic, competitive and other factors, many of which are beyond the Corporation's control. There can be no assurance that the Corporation's plans to ensure continuation as a going concern will be successful.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Johnson Memorial Medical Center, Johnson Memorial Hospital, The Johnson Evergreen Corporation, Home & Community Health Services, Johnson Health Care, Inc., Johnson Professional Associates, P.C., Johnson Medical Specialists, P.C., and Johnson Development Fund, Inc.

Johnson Professional Associates, P.C. and Development are entities in which the Hospital has a controlling financial interest. All inter-company accounts have been eliminated in consolidation.

ASC 810-25, *Consolidations*, requires a not-for-profit entity, among other things, to consolidate into its financial statements the financial results of another not-for-profit in which it has a controlling financial interest and to make certain disclosures. Reference is made to Note 2.

ASC 810-15 requires a for profit entity to be consolidated if an organization has the power through voting or similar rights to direct the economic activities of the entity.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Organization are maintained in the following net asset categories:

Unrestricted – Unrestricted net assets represent available resources which can be used for general operations of the Organization. Included in unrestricted net assets are assets set aside by the Board of Directors.

Temporarily Restricted – The Organization reports gifts of cash and other assets as 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 to unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. At September 30, 2011 and 2010, the Organization had temporarily restricted net assets of $352,758 and $40,979, respectively.

Permanently Restricted – Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that income earned thereon is available for operations or a specific purpose. At September 30, 2011 and 2010 the Organization had temporarily restricted net assets of $4,179,544 and $4,297,065, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectible accounts receivable for services to patients and contractual allowances related to accounts receivable and liabilities, including estimated net settlements with third-party reimbursement agencies and professional liabilities, and disclosure of contingent assets and contingent liabilities at the date of the financial statements. Estimates also affect the amounts of revenues and expenses reported during the 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

REGULATORY MATTERS

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

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 net assets 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 to unrestricted net assets.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with remaining maturities of three months or less at date of purchase to be cash equivalents. Cash and cash equivalents are held at a limited number of financial institutions and at times, the amounts on deposit exceed insured limits.

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Hospital is the beneficiary of several trust funds. Although the principal balances in the trust funds are permanently restricted, the income earned (including realized gains and losses, interest and dividends) on the trust funds is unrestricted. Unrealized gains and losses on investments included in the Organization's beneficial interests in perpetual trusts are recorded as changes in permanently restricted net assets. The 2011 unrealized losses from the trust funds were $117,521 and the 2010 unrealized gains from the trust fund were $118,696 and are included in changes in permanently restricted net assets.

INVESTMENTS PERMANENTLY RESTRICTED BY DONOR

Investments permanently restricted by donor (other than beneficial interests in perpetual trusts) represent the funds held to support the permanently restricted endowment funds and earnings thereon. Investments in securities with readily determinable fair values are measured at fair value in the balance sheets. Fair value is determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the (deficiency) excess of revenue over expenses unless restricted by the donor or law. Unrealized gains and losses on investments are also included in the (deficiency) excess of revenue over expenses unless the gain or loss is restricted by donor or law.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

Unrealized gains and losses on investments related to certain permanently restricted net assets (excluding beneficial interests in perpetual trusts) and certain temporarily restricted net assets are included in temporarily restricted net assets under State law which allows the Board of Directors to appropriate as much of the net appreciation of investments as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Reference is made to Note 8.

ACCOUNTS RECEIVABLE

Patient accounts receivable result from the health care services provided by the Corporation's subsidiaries. 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 3 for additional information relative to net patient service revenue recognition and third-party payer programs.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) and unrealized gains and losses are included in the (deficiency) excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments on the Organization's beneficial interests in perpetual trusts are recorded as changes in permanently restricted net assets.

INVESTMENT IN JOINT VENTURES

The Hospital has two joint ventures that it accounts for using the equity method. The change in the Hospital's share in the equity of these joint ventures is recorded as a component of non-operating revenues (losses) in the consolidated statements of operations.

INVENTORIES

Inventories of drugs and supplies are stated at the lower of cost or market, determined using the first in first out method.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. The Organization provides for depreciation of property, plant and equipment and amortization of assets recorded under capital leases using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Lives
Buildings and improvements	5 – 40 years
Land improvements	5 – 20 years
Equipment	3 – 20 years

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for renewals and betterments are capitalized.

Financial Accounting Standards Board ASC 410-20, *Accounting for Asset Retirement Obligations,* provides guidance on accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. ASC 410-20 provides clarifying guidance on conditional asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be uncertain. ASC 410-20's guidance requires such conditional asset retirement obligations to be estimated and recognized. Application of these pronouncements affects the Hospital with respect to required future asbestos remediation.

Conditional asset retirement obligations of $307,910 and $289,217 as of September 30, 2011 and 2010, respectively, were recorded in other liabilities on the balance sheets. These retirement obligations have been discounted at a rate of 6.75%. The undiscounted amounts of the obligations were $346,000 at September 30, 2011 and 2010. There were no retirement obligations incurred or settled during 2011 or 2010. Reference is made to Note 16 regarding other environmental exposures.

IMPAIRMENT OF LONG-LIVED ASSETS

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses in 2011 or 2010.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

RISKS AND UNCERTAINTIES

The Hospital and HCHS invest in a variety of investment securities which are exposed to various risks, such as interest rate risk, financial market risk and credit risk. Due to the level of risk associated with investment securities, coupled with the current economic events, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

NON-OPERATING REVENUE (LOSSES)

Activities, other than in connection with providing health care services, are considered to be non-operating. Non-operating revenue (losses) consist primarily of income on invested funds, gains and losses on sales of securities and the changes in the Organization's share of equity of the joint ventures accounted for under the equity method.

DEFERRED FINANCING COSTS

Deferred financing costs, which were incurred in connection with the debt, are being amortized over the term of the related debt.

EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES

The statements of operations and changes in net assets include the excess (deficiency) of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from the excess (deficiency) of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and pension liability adjustments.

INCOME TAXES

The Corporation, the Hospital, Evergreen, HCHS, Health Care, and Development are generally exempt from income taxes under Internal Revenue Code, Section 501(a), as organizations described in Section 501(c)(3).

The Organization accounts for uncertainty in income tax positions in the consolidated financial statements by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

Management has analyzed the tax positions taken and has concluded that as of September 30, 2011, there are no uncertain tax positions taken or expected to be taken in that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation and its Subsidiaries are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes that these organizations are no longer subject to income tax examinations prior to 2008.

ESTIMATED MEDICAL MALPRACTICE AND WORKERS' COMPENSATION COSTS

The provision for estimated medical malpractice and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

ADVERTISING

The Organization expenses advertising costs as incurred. Advertising expenses for the years ended September 30, 2011 and 2010 were $154,129 and $129,395, respectively.

RECOGNITION OF GRANT REVENUE

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities. Entitlement to cost reimbursement grants is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance based grants is conditioned on the attainment of specific performance.

CHARITY CARE

The Organization provides care to patients who meet certain criteria under its charity care policy without charge, or at amounts less than its established rates. They do not pursue collection of amounts determined to be charity care and these amounts are not reported as net patient service revenues. During the fiscal years ended September 30, 2011 and 2010, the charges foregone related to charity care were $491,100 and $323,775, respectively.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

ADOPTION OF NEW ACCOUNTING STANDARDS

In January 2010, the Financial Accounting Standards Board (FASB) issued ASU No. 2010-06, *Fair Value Measurements and Disclosures*, (ASU No. 2010-06) which amended ASC Topic 820, *Fair Value Measurements and Disclosures*, (ASC Topic 820) by requiring disclosure of significant transfers between Levels 1 and 2 and transfers into and out of Level 3 of the fair value hierarchy and the reasons for those transfers.

In addition, ASU No. 2010-06 amends the reconciliation of the beginning and ending balances of Level 3 recurring fair value measurements to present information about purchases, sales, issuances and settlements on a gross basis rather than as a net number. Finally, ASU No. 2010-06 requires fair value disclosures for each class of assets and liabilities and changes the guidance for organizations disclosure about pension and postretirement plan assets to require that they be made for classes of assets instead of major categories.

ASU No 2010-06 was effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. The Organization adopted the required provisions of ASU No. 2010-06 on October 1, 2010. The adoption of ASU No. 2010-06 did not have a material impact on the Organization's financial statements.

SUBSEQUENT EVENTS

The Organization evaluates the impact of subsequent events, 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 or for disclosure in the notes to the consolidated financial statements. The Organization evaluated events occurring subsequent to September 30, 2011 through February 27, 2012, the date on which the accompanying financial statements were available to be issued. During this period, the following subsequent events have occurred.

On January 11, 2012, certain creditors filed a motion to convert the Debtors' bankruptcy case from Chapter 11 of the Bankruptcy Code to Chapter 7 of the Bankruptcy Code.

On January 23, 2012, management of the Corporation signed a letter of intent to enter into an affiliation agreement with Saint Francis Care. Under the proposed terms of this agreement, the Organization and Saint Francis Care will continue to operate separately licensed institutions with separate boards of directors. The affiliation agreement has not been finalized by the parties.

NOTE 2 – CONSOLIDATED ENTITIES

Johnson Memorial Hospital is an acute care hospital located in Stafford Springs, Connecticut. The Hospital is licensed for 92 beds and provides a broad range of inpatient and outpatient services primarily throughout Hartford and Tolland Connecticut counties. Admitting physicians are primarily practitioners in the same geographic area. The Hospital has a controlling interest in JPA and Development.

JPA is a medical practice that is controlled by the Hospital. Although the Hospital does not have direct ownership interests in JPA, the Hospital has a controlling voting interest in the Board of JPA, thus enabling the Hospital to control the economic activities of JPA. Also, the Hospital provides funding to JPA to fund its operating losses.

Johnson Memorial Hospital Development Fund, Inc. is a not-for-profit organization that raises funds for the Hospital and other affiliates in which the Hospital has a controlling financial interest by virtue of control of its board of directors and the fact that substantially all of Development's assets are for the use of the Hospital.

Johnson Evergreen Corporation is a subsidiary of the Corporation. Evergreen is currently licensed as a 180-bed not-for-profit, skilled nursing facility located in Stafford Springs, CT.

Home & Community Health Services, Inc. is a subsidiary of the Corporation. HCHS is a tax-exempt, non-stock corporation, which provides and administers a comprehensive, multi-disciplinary, home health care and hospice program primarily to residents in North Central Connecticut.

JMS is a medical practice that is controlled by the Corporation. Although the Corporation does not have direct ownership interests in JMS, the Corporation has a controlling voting interest in the Board of JMS, thus enabling the Corporation to control the economic activities of JMS. The Corporation is in the process of dissolving JMS as it no longer rendered medical services in 2011. During 2011, the medical services formerly provided by JMS were provided by the Hospital.

Johnson Health Care Inc. (dba Johnson Occupational Medicine Center) is an occupational medicine practice controlled by JMMC. The facility is located in Enfield, CT to treat patients injured on the job and performs other health care services related to the workplace including physical exams, drug screenings, rehabilitation, ergonomic evaluations, medical surveillance exams and travel immunizations. All services are designed to meet the needs of business and corporate clients.

NOTE 3 – NET REVENUE FROM SERVICES TO PATIENTS AND CHARITY CARE

The following table summarizes net revenue from services to patients during the years ended September 30, 2011 and 2010:

	2011	2010
Gross patient service revenue	$ 191,420,507	$ 194,467,507
Contractual and other allowances	(102,132,113)	(104,995,694)
Free care	(491,100)	(323,775)
Net patient service revenue	$ 88,797,294	$ 89,148,038

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

The following table represents the percentages of net revenue received from payers during the years ended September 30, 2011 and 2010:

	2011	2010
Medicare	39%	36%
Medicaid	16%	14%
Third Parties	32%	36%
Other	13%	14%

Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Organization.

The significant concentrations of net accounts receivable for services to patients by payer at September 30, 2011 and 2010 follow:

	2011	2010
Medicare	29%	28%
Medicaid	17%	16%
Third Parties	35%	37%
Other	19%	19%

NOTE 3 – NET REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. 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. The Organization believes that it is in compliance with all applicable laws and regulations. Cost reports for the Hospital, which serve as a basis for final settlement with government payers, have been settled by final settlement through 2006 for Medicare and 1993 for Medicaid. Other years remain open for settlement.

The health care subsidiaries of the Corporation have agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service payments for certain covered services based upon discounted fee schedules.

The Organization 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 organization. Essentially, these policies define charity services as those services for which no payment is possible. In assessing a patient's inability to pay, the Organization utilizes the generally recognized poverty income levels for the State, but also includes certain cases where incurred charges are significant when compared to incomes. These charges are not included in net patient service revenues for financial reporting purposes.

NOTE 4 - REGULATORY ENVIRONMENT

The health care industry is subject to numerous laws and regulations of federal, state and local government. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

NOTE 5 - DEFERRED FINANCING COSTS

Deferred financing costs represent costs that were incurred in connection with the issuance of the Organization's debt are being amortized over the term of the related debt.

NOTE 6 – ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited, which include beneficial interests in perpetual trusts, cash restricted for payment of workers' compensation claims, cash collateral related to the financing of the Hospital's information systems project to be repaid under the plan of reorganization (as of September 30, 2010) and permanently restricted investments by donors are set forth in the following table. Investments are stated at fair value.

September 30, 2011:	Cost	Fair Value
Cash	$ 1,538,157	$ 1,538,157
Money market funds	13,070	13,070
Mutual funds - equity	246,538	258,850
Mutual funds - fixed	151,020	149,728
Collective funds - equity	64,443	84,457
Bonds	873,664	969,426
Equities		
U.S. large cap	1,070,874	1,086,711
U.S. mid cap	384,883	369,163
U.S.small cap	62,686	50,196
International developed	197,341	169,415
Emerging markets	--	--
Real estate	4,687	5,283
	$ 4,607,363	$ 4,694,456

September 30, 2010:	Cost	Fair Value
Cash	$ 1,985,755	$ 1,985,755
Money market funds	12,135	12,135
Mutual funds - equity	260,051	295,260
Mutual funds - fixed	133,165	140,673
Collective funds	64,916	90,279
Bonds	786,604	890,181
Equities		
U.S. large cap	935,262	1,060,411
U.S. mid cap	476,865	546,602
U.S.small cap	56,511	50,812
International developed	192,434	187,842
Emerging markets	3,035	5,037
Real estate	4,687	5,312
	$ 4,911,420	$ 5,270,299

NOTE 6 – ASSETS WHOSE USE IS LIMITED (CONTINUED)

Investment income and gains (losses) on investments for the years ended September 30 are below.

	2011	2010
Income (Losses)		
Interest income	$ 169,086	$ 182,864
Realized gains (losses) on sales of securities	2,103	(2,428)
	171,189	180,436
Less - investment management fees	(39,305)	(8,433)
Net investment gains	$ 131,884	$ 172,003

NOTE 7 – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, based upon whether the inputs used to determine their fair values are observable or unobservable utilizing a three-level fair value hierarchy that prioritizes the inputs used to measure assets and liabilities at fair value. Level inputs are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable for the asset or liability.

The fair values of Level 1 securities were determined through quoted market prices, while fair values of Level 2 securities were determined primarily through prices obtained from third party pricing sources, where quoted market prices for such securities were not available. The fair values of Level 3 securities were determined primarily through information obtained from the relevant counterparties for such investments, as information on which these securities' fair values are based is generally not readily available in the market.

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes fair value measurements, by level, at September 30, 2011 and 2010, for all assets and liabilities which are measured at fair value on a recurring basis in the financial statements:

	Level 1	Level 2	Level 3	Total
September 30, 2011				
Beneficial interests in perpetual trusts:				
Cash	$ 177,163	$ --	$ --	$ 177,163
Money market funds	10,419	--	--	10,419
Mutual funds - equity	147,632	--	--	147,632
Mutual funds - fixed	95,857	--	--	95,857
Collective funds - equity	--	--	47,842	47,842
Collective funds - fixed	--	--	36,615	36,615
Investment grade taxable bonds	872,421	--	--	872,421
Global high yield bonds	97,005	--	--	97,005
Equities				
U.S. large cap	1,086,711	--	--	1,086,711
U.S. mid cap	369,163	--	--	369,163
U.S.small cap	50,196	--	--	50,196
International developed	169,415	--	--	169,415
Real estate	5,283	--	--	5,283
Total Beneficial interests in perpetual trusts	3,081,265	--	84,457	3,165,722
Restricted cash and board designated investments	517,407	--	--	517,407
Investments permanently restricted by donor	1,011,327	--	--	1,011,327
	$ 4,609,999	$ --	$ 84,457	$ 4,694,456

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
September 30, 2010				
Beneficial interests in perpetual trusts:				
Cash	$ 179,498	$ --	$ --	$ 179,498
Money market funds	8,926	--	--	8,926
Mutual funds - equity	167,201	--	--	167,201
Mutual funds - fixed	91,142	--	--	91,142
Collective funds - equity	--	--	55,088	55,088
Collective funds - fixed	--	--	35,191	35,191
Investment grade taxable bonds	788,495	--	--	788,495
Global high yield bonds	101,686	--	--	101,686
Equities	--	--	--	
U.S. large cap	1,060,411	--	--	1,060,411
U.S. mid cap	546,602	--	--	546,602
U.S.small cap	50,812	--	--	50,812
International developed	187,842	--	--	187,842
Emerging markets	5,037	--	--	5,037
Real estate	5,312	--	--	5,312
Total beneficial interests in perpetual trusts	3,192,964	--	90,279	3,283,243
Restricted cash and board designated investments	962,670	--	--	962,670
Investments permanently restricted by donor	1,024,386	--	--	1,024,386
	$ 5,180,020	$ --	$ 90,279	$ 5,270,299

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The changes in fair value of assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Beneficial interest in perpetual trusts
Balance at October 1, 2009	$ 185,511
Change in fair value	(95,232)
Balance at September 30, 2010	90,279
Change in fair value	(5,822)
Balance at September 30, 2011	$ 84,457

NOTE 8 – RESTRICTED ENDOWMENTS

The Organization's endowments consist of donor-restricted endowment funds and beneficial interests in perpetual trusts. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

The Organization's Board of Directors has interpreted the Connecticut 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. This does not apply to beneficial interests in perpetual trusts where the fair value of the investments is the basis for the amount recorded as permanently restricted net assets.

As a result of the interpretation of UPMIFA, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable, (c) accumulations to the permanent endowment made in accordance with the related gift's donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets based on the donors' stipulations and those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for expenditures as proscribed by UPMIFA.

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making determinations 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

RETURN OBJECTIVES AND RISK PARAMETERS

For the permanently restricted endowment funds, the bank, acting in its capacity as trustee, determines and directs the investment policy and asset allocation. For the unrestricted endowment funds, the Organization's Board of Directors has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Organization expects these endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO THE SPENDING POLICY

The Organization has a policy of evaluating the spending decisions for each endowment fund based upon the intentions of the donors and specific contractual agreements. In determining the annual amount to be spent, the Organization considers the long-term expected return on its endowment. The spending policy is designed to limit spending to the expected long-term real rate of return. The annual distribution from the endowment funds is expected to be contained within a range of the trusts' market value that is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF SEPTEMBER 30, 2011 AND 2010:

September 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (20,886)	$ 18,391	$ 1,013,822	$ 1,011,327
Beneficial interest in perpetual trusts	--	--	3,165,722	3,165,722
	$ (20,886)	$ 18,391	$ 4,179,544	$ 4,177,049

September 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (13,715)	$ 24,279	$ 1,013,822	$ 1,024,386
Beneficial interest in perpetual trusts	--	--	3,283,243	3,283,243
	$ (13,715)	$ 24,279	$ 4,297,065	$ 4,307,629

CHANGES IN ENDOWMENT NET ASSET FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2011				
Endowment net assets, beginning	$ (13,715)	$ 24,279	$ 4,297,065	$ 4,307,629
Investment return:				
Investment income	121,346	187	--	121,533
Net unrealized losses	(7,640)	(3,625)	(117,521)	(128,786)
Total investment return	113,706	(3,438)	(117,521)	(7,253)
Appropriation of endowment assets for expenditure	(120,877)	(2,450)	--	(123,327)
Endowment net assets, ending	$ (20,886)	$ 18,391	$ 4,179,544	$ 4,177,049

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
September 30, 2010				
Endowment net assets, beginning	$ (25,141)	$ 20,966	$ 4,178,369	$ 4,174,194
Investment return:				
Investment income (loss)	135,016	(2,878)	--	132,138
Net unrealized gains	14,570	8,191	118,696	141,457
Total investment return	149,586	5,313	118,696	273,595
Appropriation of endowment assets for expenditure	(138,160)	(2,000)	--	(140,160)
Endowment net assets, ending	$ (13,715)	$ 24,279	$ 4,297,065	$ 4,307,629

NOTE 9 – TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30 are as follows:

	2011	2010
Grant proceeds subject to use restrictions	$ 321,617	$ --
Other receivables subject to time restrictions	12,750	16,700
Indigent, elderly womens care	10,277	11,646
Scholarships	8,114	12,633
	$ 352,758	$ 40,979

Included in the 2011 temporarily restricted net assets of $321,617 above are the unexpended proceeds of a $350,000 grant received from Northeast Regional Radiation Oncology Network, Inc. (NRRON) to be used for the construction of a new infusion center in Enfield, Connecticut. The Hospital has a 25% interest in NRRON ($2,819,068 and $2,852,242 as of September 30, 2011 and 2010, respectively) that is included in investments in joint ventures on the consolidated balance sheets. In addition, JMMC leases space to NRRON under the terms of an operating lease and recognized rental income of $248,886 and $274,420 for the years ended September 30, 2011 and 2010, respectively.

NOTE 9 – TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets as of September 30 are restricted in perpetuity, the income from which is expendable to support the following:

	2011	2010
Health care services and operations	$ 4,116,655	$ 4,234,176
Elderly assistance	40,261	40,261
Scholarships	22,628	22,628
	$ 4,179,544	$ 4,297,065

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

The components of cost and the related accumulated depreciation comprising property, plant and equipment (exclusive of capital leases see Note 10) as of September 30, 2011 and 2010 are as follows:

	2011	2010
Land	$ 406,997	$ 406,997
Land improvements	3,753,110	3,753,110
Building and improvements	48,157,768	48,070,650
Fixed and movable equipment	36,772,749	36,180,218
	89,090,624	88,410,975
Less accumulated depreciation	(53,104,766)	(48,922,951)
	$ 35,985,858	$ 39,488,024

Depreciation expense for property, plant and equipment amounted to $4,279,809 and $4,411,417 for the years ended September 30, 2011 and 2010, respectively. Included within depreciation and amortization on the statements of operations is amortization for capital leased assets of $117,167 and $126,475 for the years ended September 30, 2011 and 2010, respectively (see Note 12).

NOTE 11 – DEBT

On August 1, 2006, the Hospital entered into a $13,700,000 commercial construction mortgage loan with a bank. The loan was used to finance the expansion and renovation of the emergency department, three nursing units, the psychiatric unit, and two medical and surgical units, and to refinance the Hospital's existing loans (collectively, the Project). In December 2007, the loan was converted to a term loan, which is guaranteed by the United States Department of Agriculture (USDA) through the USDA Rural Development Community Facilities Program. The term loan calls for equal quarterly principal payments of $85,625 over 40 years and will mature on January 1, 2048. Fifty percent of the loan bears interest at the bank's five year cost of borrowing plus 1.50% and fifty percent of the loan bears interest at the three month LIBOR plus 1.25%. The interest rates in effect at September 30, 2011 were 6.63% and 1.49575%, respectively.

As of September 30, 2011 there was a balance of $12,501,250 due on the Hospital's mortgage.

The Hospital and JMMC are required to meet certain financial covenants under the mortgage on a combined basis. On September 27, 2010, the mortgage was modified and the bank waived all defaults that occurred prior to that date. The quarterly debt service coverage ratio requirement was also modified. The Hospital and JMMC did not comply with this covenant for the quarter ended December 31, 2010. On March 30, 2011, the bank waived this default and also waived compliance with this covenant for the quarter ending March 31, 2011.

In 2006, the Hospital entered into a loan to finance certain information systems equipment at an interest rate of 5.5%. The Hospital failed to make payments in accordance with the loan terms. The Hospital's loan to refinance information equipment was restructured to be paid in 60 monthly installments of $10,000, including interest, plus $414,474 from a restricted investment account. The present value of the settlement value of this loan was $427,150 and $922,515 at September 30, 2011 and 2010, respectively.

On August 28, 2007, Evergreen entered into a $15,200,000 Loan Agreement (the Agreement) with a bank which is evidenced by a promissory note in the amount of $14,200,000 and a second note of $1,000,000. The $1,000,000 note is collateralized by a mortgage deed and security agreement from Evergreen. The $14,200,000 note is collateralized by a mortgage deed and security agreement from Evergreen and was converted from a construction loan to term loan effective November 30, 2010.

Upon conversion to a term loan, fifty percent of the outstanding principal balance of the $14,200,000 note will accrue interest at the variable rate equal to three month LIBOR plus 1.20% (1.57% at September 30, 2011).

NOTE 11 – DEBT (CONTINUED)

The remaining fifty percent of the principal will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%) through November 30, 2020 at which time the fixed rate will be adjusted for another ten year period based on the aforementioned methodology.

Principal is payable in quarterly payments in the amount of $95,946 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon shall be due and payable. Interest is payable on a quarterly basis.

The fixed rate portion of the loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid. No prepayment fees will be required for prepayments made after November 30, 2020.

The $1,000,000 loan will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%) through November 30, 2020 at which time the fixed rate will be adjusted for another ten year period based on the aforementioned methodology. Principal is payable quarterly in the amount of $6,757 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon shall be due and payable. Interest is also payable on a quarterly basis. This loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid. No prepayment fees will be required for prepayments made after November 30, 2020.

As of September 30, 2011, there was a balance of $14,829,913 due on Evergreen's loans.

Evergreen is required to meet certain financial covenants under the Agreement. On September 27, 2010, the Agreement was modified and the bank waived all defaults that occurred prior to that date. The quarterly debt service coverage ratio requirement was also modified. Evergreen did not comply with this covenant for the quarter ended December 31, 2010. On March 30, 2011, the bank waived this default and also waived compliance with this covenant for the quarter ending March 31, 2011.

In August 2004, JMMC entered into a mortgage loan with a bank in the amount of $4,500,000 for the purpose of refinancing certain mortgage loans. The loan bears interest at a variable rate based on LIBOR plus 1.50% (1.74% at September 30, 2011). Principal is payable in monthly installments of $15,000 through September 20, 2014 at which time the outstanding principal balance plus accrued interest thereon shall be due and payable. The balance of the JMMC mortgage loan was $3,240,000 at September 30, 2011.

NOTE 11 – DEBT (CONTINUED)

Future minimum payments by year and in the aggregate for the aforementioned loans were as follows at September 30, 2011:

2012	$ 1,027,346
2013	1,033,896
2014	1,040,897
2015	1,048,310
2016	943,256
Thereafter	25,904,608
	$ 30,998,313

In September 2010, the Corporation, the Hospital, Evergreen, HCHS, JHC, Development, WellCare, Inc., JPA and JMS (the Borrowers) entered into a Revolving Loan and Security Agreement (senior debt under revolving line of credit) with a lender for an amount not to exceed the lesser of $8 million or the maximum borrowing base (85% of the book value of all eligible receivables). All amounts outstanding bear interest at the greater of the 3 month LIBOR rate plus 4.25% or 5.75% payable monthly in arrears and the line of credit expires on September 27, 2013. The Organization has granted the lender a security interest in accounts receivable.

As of September 30, 2011, there were outstanding borrowings of $4,651,186 under the Loan and Security Agreement and $894,838 was available for future borrowings.

The Borrowers are subject to a number of covenants and restrictions under the Revolving Loan and Security Agreement. These include the following affirmative and negative covenants: provision of monthly, quarterly and annual financial information, adequate insurance coverage, notice of certain events and changes, change in ownership or management, restrictions on indebtedness and lease agreements, sale of assets, protection of collateral and financial covenants prepared on a consolidated basis for the Borrowers including cash flow and debt service coverage ratio requirements.

During 2011, the Borrowers failed to comply with various covenants under the Revolving Loan & Security Agreement. This resulted in the lender imposing an interest penalty of 4% beginning January 2011. This penalty will stay in place until which time the Borrowers are in compliance with all the financial covenants. As a result of these covenant violations, the lender has the ability to demand repayment from the Borrowers.

NOTE 12 – LEASE OBLIGATIONS

CAPITAL LEASES

The Organization has entered into non-cancelable capital lease obligations for certain equipment. The cost of the assets is being amortized over the useful lives of the assets or the shorter of the respective lease term or useful life if the asset does not transfer to the Organization at the end of the lease term and is summarized as of September 30, 2011 and 2010 are as follows:

	2011	2010
Medical and other equipment	$ 913,266	$ 913,266
Less, accumulated amortization	(258,127)	(166,755)
	$ 655,139	$ 746,511

Future minimum lease payments under the capital leases, together with the present value of future minimum lease payments, as of September 30, 2011 are as follows:

2012	$ 230,760
2013	42,836
Total future minimum lease payments	273,596
Less, amounts representing interest	38,075
Present value of future minimum lease payments	235,521
Less, current portion	193,657
	$ 41,864

OPERATING LEASES

HCHS leases office space from an unaffiliated party in Enfield, Connecticut under a sub-lease agreement. The sub-lease commenced on January 13, 2006 and expired on September 30, 2011. The monthly rent is $7,134 per month under the sub-lease agreement and does not change for the term of the lease. The monthly rent includes utilities. The rent expense under this lease was $85,608 for the years ended September 30, 2011 and 2010. The lease has been extended on a month to month basis going forward at a monthly rent of $7,134.

NOTE 12 – LEASE OBLIGATIONS (CONTINUED)

OPERATING LEASES

The Organization leases various computer equipment, medical equipment and office space under operating leases, which expire at various dates through 2016. Rent expense under the operating leases was $2,076,712 in 2011 and $1,855,244 in 2010, respectively. These leases have various terms and conditions.

Minimum future rental commitments on these non-cancelable operating leases with initial or remaining terms of more than one year as of September 30, 2011 are as follows:

2012	$ 685,360
2013	257,902
2014	49,287
2015	42,094
	$ 1,034,643

NOTE 13 – EMPLOYEE BENEFIT PLANS

The Hospital had a defined benefit pension plan covering certain employees. The benefits were based on years of service and the employees' compensation during the last five years of employment.

Effective December 31, 2005 (December 31, 2006 for bargaining unit employees), the defined benefit pension plan was frozen, limiting participants to employees that had obtained the age of 54 and 15 years of service as of that date. Effective August 1, 2008, the Hospital ceased benefit accruals for all participants who had not previously ceased to accrue benefits. The Hospital made no contributions to the defined benefit plan in 2010 or 2011.

The remaining employees were eligible to participate in the Hospital's defined contribution plan, which was established in 2006, whereby the Hospital matched up to 4% of employee contributions subject to IRS limitations. The total expenses incurred by the Hospital for contributions made to the defined contribution plan were $454,629 and $685,215 for the years ended September 30, 2011 and 2010, respectively. As of January 1, 2011, management suspended the matching of employee contributions for non-union employees.

NOTE 13 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Pursuant to the plan of reorganization, the Pension Benefit Guaranty Corporation (PBGC) has assumed control of the defined benefit plan effective September 1, 2011.

As of September 30, 2010, the Hospital recorded a liability to the PBGC of $4,636,427 representing the present value of the settlement of the PBGC's bankruptcy claim. This liability, along with accrued plan termination premiums of $360,687, was included in payment due under plan of reorganization in the 2010 balance sheet. Reference is made to Note 1.

Following is a summary of the benefit plan's funded status at September 30, 2010:

Change in benefit obligation	
Benefit obligation - October 1, 2009	$ 44,643,811
Service cost	99,380
Interest cost	2,523,954
Actuarial loss	2,672,665
Benefits paid	(1,381,420)
Benefit obligation - September 30, 2010	$ 48,558,390
Change in plan assets	
Fair value of plan assets - October 1, 2009	$ 21,654,387
Actual return on plan assets	1,955,370
Benefits paid	(1,381,420)
Administrative expenses	(278,047)
Fair value of plan assets - September 30, 2010	$ 21,950,290
Funded status (deficit)	$ (26,608,100)
Accrued pension liability	$ --

NOTE 13 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Components of 2010 net periodic pension cost	
Service cost	$ 416,630
Interest cost	2,523,954
Expected return on plan assets	(2,478,948)
Prior service cost	1,964
Amortization of net loss	1,106,282
Recognition due to settlement or curtailment	3,202
Net periodic benefit cost for the year ended September 30, 2010	$ 1,573,084

Changes in benefit obligations recognized in unrestricted net assets during 2010 included:

Current year actuarial losses	$ (3,157,040)
Amortization of prior service cost	5,166
Amortization of net loss	1,106,282
	$ (2,045,592)

ASSUMPTIONS

The weighted-average assumptions used to determine benefit obligations at September 30, 2010 were as follows:

Discount rate	5.25%
Rate of compensation increase	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the year ended September 30, 2010 were as follows:

Discount rate	5.75%
Expected return on assets	8.75%
Rate of compensation increase	3.50%

NOTE 13 – EMPLOYEE BENEFIT PLANS (CONTINUED)

EXPECTED RETURN ON PLAN ASSETS

To develop the expected rate of return on assets assumptions, the Hospital considered the historical returns and the future expectations of returns for each asset class, as well as target asset allocations of the pension portfolio. This resulted in the selection of the 8.75% rate of return.

INVESTMENT POLICY

The Plan's weighted-average asset allocation at September 30, 2010 by asset category were as follows:

Asset Category	Actual Plan Assets
Equities	60%
Debt securities - fixed income	9%
Insurance contracts (cash management)	8%
Real estate	23%

The Investment Committee of the Board of Directors (the Committee) was responsible for employee benefit program policies with respect to plan assets and the retention of qualified managers, consultants and trustee/custodians. The investment objective of the Committee is to maximize total return after inflation within the limits of prudent risk taking by diversifying across asset classes and multiple managers. The Committee has established an asset allocation policy that sets a target and range for each asset class as shown in the table above.

Evergreen has a defined contribution plan whereby all employees who have satisfied certain eligibility requirements are eligible to participate. Annually, Evergreen may contribute a defined amount of employees' salaries to this plan. The total expenses incurred by Evergreen for contributions made to this plan were $21,684 in 2011 and $101,773 in 2010. Effective January 1, 2011, Evergreen suspended the matching of employee contributions.

HCHS has a defined contribution pension plan covering substantially all employees who have satisfied certain eligibility requirements. Pension expense, which is 2.5% of eligible salaries, amounted to $14,445 and $47,798 for the years ended September 30, 2011 and 2010, respectively. As of January 1, 2011, management suspended the matching of employee contributions.

NOTE 14 – SELF-INSURANCE CLAIMS

There have been medical malpractice and workers' compensation claims that have been asserted against the Organization. In addition, there are known incidents that have occurred through September 30, 2011 that may result in the assertion of claims. Management of the Organization has accrued its best estimate of these contingent losses. Other claims may be asserted arising from services provided to patients or workers' compensation incidents in the past. Management of the Organization has provided reserves for these contingent liabilities.

NOTE 15 – PROFESSIONAL, GENERAL LIABILITY AND WORKERS' COMPENSATION INSURANCE

For claims incurred through August 31, 2009, the Organization was self-insured for professional liability and general liability claims, under a claims made plan, which covered the Organization's entire health system. The Organization has an excess umbrella claims made policy for claims in excess of the Organization's self-insured limits. The Organization's independent actuary estimated the expected costs to settle such claims. Accrued losses have been discounted at 3%.

The Organization has accrued self-insurance liabilities of $1,332,322 and $1,402,103 for the estimated costs of settlements for its professional liability and general liability insurance risks as of September 30, 2011 and 2010, respectively. For claims incurred after August 31, 2009, the Organization was covered under commercial claims made policies with no deductible and coverage of $1,000,000 per claim and an annual aggregate of $3,000,000 for all of the entities covered under the policy.

The Organization was also self-insured for workers compensation claims through March 16, 2009 at which time it obtained commercial insurance. The Organization has accrued $485,855 and $529,835 of self-insured liabilities as of September 30, 2011 and 2010, respectively, for workers' compensation cases. The Organization's workers' compensation policy has no deductible and policy limits of $1,000,000 per case with no aggregate limit for claims incurred after March 16, 2009.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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

The Organization also has the following environmental exposures:

The Connecticut Department of Public Health (DPH) issued an order that requires the Hospital to monitor drinking water that comes from its well field, report the results and submit plans for review and approval by DPH to upgrade the drinking water supply system to reduce the level of uranium found in the well water. The Hospital and DPH have agreed on plans and specifications for the Hospital to construct improvements to the well system and report to DPH on or before July 1, 2012 that the work has been completed. Management estimates that the costs to enhance the well system will be approximately $350,000. Construction on a building to house the filtering systems and piping has begun and the project is expected to be completed by February 2012.

The Connecticut Department of Environmental Protection (DEP) issued a consent order (Sewer Order) which requires the Hospital to perform repairs or replacements to the aging wastewater treatment system at the Hospital. The Sewer Order requires a short-term and a long-term solution. The short-term work has been completed in accordance with the Sewer Order and the Hospital has been reporting to the DEP on the status of the short-term solution. Under the long-term solution, the Hospital had until March 30, 2011 to submit to the DEP for review and approval a schedule for: (i) the investigation of and remedial action alternatives to abate any pollution at the site arising from the operation of the on-site sewage treatment system or (ii) the construction of sanitary sewers to connect the Hospital to the Stafford Water Pollution Control Facility. The schedule shall provide for completion of the actions not later than December 31, 2014. Negotiations are currently underway with the Town of Stafford for a sewer and use agreement. Once completed the Town may assist the Hospital on the installation of the sewer line by obtaining grants and bonding the project. Construction is expected to begin in the Spring of 2012.

The DEP filed a civil suit in 2007 in which the DEP sought civil penalties and temporary and permanent injunctions prohibiting the Hospital from violating the hazardous waste management regulations, preventing the Hospital from maintaining a discharge to the waters of the state and violating its air permit. Five of the six counts arose from allegations relating to the use of an underground storage tank for the storage of x-ray developer fixer and the release of the developer fixer from the tank. Use of that tank ended in April 2004 and the tank was removed. Part of the injunctive relief sought is an order requiring the investigation and remediation of the release of x-ray development fixer. The sixth count alleged that the Hospital violated its general air permit by submitting its annual compliance certification for 2005 ten months late.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Hospital has recorded a conditional retirement obligation related to the costs of an environmental investigation, but has not recorded a liability for any potential costs to remediate the site due to the fact that such costs, if any, cannot be reasonably estimated until the investigation is performed. The Hospital previously remediated the site when the tank was originally removed.

NOTE 17 – CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, investments and accounts receivable.

The Organization places its cash deposits with high credit-quality institutions, which, at times, may exceed the Federal Deposit Insurance Corporation limits of $250,000 per bank. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 18 – FUNCTIONAL EXPENSES

The Organization provides patient care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	2011	2010
Patient care services	$ 76,251,670	$ 76,480,256
General and adminitrative (including bad debt expense, depreciation and amortization, interest and operations)	16,738,171	20,822,907
Reorganization items	--	2,803,054
	$ 92,989,841	$ 100,106,217

**INDEPENDENT AUDITORS' REPORT
ON OTHER FINANCIAL INFORMATION**

Board of Directors
Johnson Memorial Medical Center

Our report on our audits of the basic consolidated financial statements of Johnson Memorial Medical Center as of and for the years ended September 30, 2011 and 2010 appears on page 1. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The following consolidating information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Marcum LLP

Hartford, CT
February 27, 2012

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2011

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Assets								
Current Assets								
Cash and cash equivalents	$ 122,904	$ 913,716	$ 300	$ 400	$ 57,195	$ 147,852	$ --	$ 1,242,367
Patient trust funds	--	--	59,178	--	--	--	--	59,178
Patients accounts receivable, net of allowances for uncollectible accounts	--	7,544,439	1,882,964	729,393	--	71,403	--	10,228,199
Other receivables	26,328	1,226,587	--	28,882	--	--	--	1,281,797
Inventories	--	1,216,495	--	--	--	--	--	1,216,495
Prepaid expenses and other current assets	45,498	977,701	195,147	212,108	--	12,945	--	1,443,399
Total Current Assets	194,730	11,878,938	2,137,589	970,783	57,195	232,200	--	15,471,435
Assets Whose Use is Limited								
Beneficial interests in perpetual trusts	--	3,165,722	--	--	--	--	--	3,165,722
Restricted cash and board designated investments	--	517,407	--	--	--	--	--	517,407
Investments permanently restricted by donor	--	843,587	--	167,740	--	--	--	1,011,327
Total Assets Whose Use is Limited	--	4,526,716	--	167,740	--	--	--	4,694,456
Other Assets								
Property, plant and equipment, net	4,516,379	21,489,519	9,939,551	40,409	--	--	--	35,985,858
Investment in joint ventures and other assets	--	2,856,651	--	7,134	--	--	--	2,863,785
Investment deficit in affiliated corporations	(3,119,194)	--	--	--	--	--	3,119,194	--
Investments, other	1,100	--	--	--	--	--	--	1,100
Due from affiliated corporations	1,077,223	--	404,445	340,419	--	30	(1,822,117)	--
Deferred financing costs, net	--	540,827	134,675	--	--	--	--	675,502
Total Other Assets	2,475,508	24,886,997	10,478,671	387,962	--	30	1,297,077	39,526,245
	$ 2,670,238	$ 41,292,651	$ 12,616,260	$ 1,526,485	$ 57,195	$ 232,230	$ 1,297,077	$ 59,692,136

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2011

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Trade accounts payable and accrued expenses	$ 91,602	$ 2,676,050	$ 962,398	$ 498,011	$ (19,529)	$ 13,146	$ --	$ 4,221,678
Accrued payroll and related costs	--	1,911,006	542,816	218,017	--	22,353	--	2,694,192
Current payments due under plan of reorganization	--	1,323,916	27,500	--	--	--	--	1,351,416
Patient trust funds	--	--	59,178	--	--	--	--	59,178
Senior debt under line of credit	--	4,651,186	--	--	--	--	--	4,651,186
Current portion of mortgage payable	180,000	342,500	410,811	--	--	--	--	933,311
Current portion of subordinated debt	--	94,035	--	--	--	--	--	94,035
Current portion of capital lease obligations	--	180,261	13,396		--	--	--	193,657
Estimated amounts due to third-party reimbursement agencies	--	1,266,304	199,502	93,997	--	--	--	1,559,803
Due to affiliated corporations	--	--	66,295	123,083	--	312	(189,690)	--
Other current liabilities	--	--	--	253,188	--	--	--	253,188
Total Current Liabilities	271,602	12,445,258	2,281,896	1,186,296	(19,529)	35,811	(189,690)	16,011,644
Long-Term Obligations								
Due to affiliate corporations	--	2,065,421	--	--	--	--	(2,065,421)	--
Payments due under plan of reorganization - less current portion	--	6,132,010	226,312	--	--	--	--	6,358,322
Mortgage payable - less current portion	3,060,000	12,158,750	14,419,102	--	--	--	--	29,637,852
Subordinated debt - less current portion	--	333,115	--	--	--	--	--	333,115
Self-insurance liabilities	--	1,575,812	--	--	--	--	--	1,575,812
Other liabilities	19,833	307,910	--	--	--	--	--	327,743
Obligations under capital lease - less current portion	--	29,810	12,054	--	--	--	--	41,864
Total Long-Term Obligations	3,079,833	22,602,828	14,657,468	--	--	--	(2,065,421)	38,274,708
Total Liabilities	3,351,435	35,048,086	16,939,364	1,186,296	(19,529)	35,811	(2,255,111)	54,286,352

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2011

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Net Assets (Deficit)								
Unrestricted	$ (681,197)	$ 1,913,639	$ (4,323,104)	$ 138,813	$ 76,724	$ 196,419	$ 3,552,188	$ 873,482
Temporarily restricted	--	321,617	--	31,141	--	--	--	352,758
Permanently restricted	--	4,009,309	--	170,235	--	--	--	4,179,544
Total Net Assets (Deficit)	(681,197)	6,244,565	(4,323,104)	340,189	76,724	196,419	3,552,188	5,405,784
	$ 2,670,238	$ 41,292,651	$ 12,616,260	$ 1,526,485	$ 57,195	$ 232,230	$ 1,297,077	$ 59,692,136

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2010

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Assets								
Current Assets								
Cash and cash equivalents	$ 27,142	$ 4,402,038	$ 882,909	$ 244,480	$ 180,393	$ 122,275	$ --	$ 5,859,237
Patient trust funds	--	--	67,038	--	--	--	--	67,038
Patients accounts receivable, net of allowances for uncollectible accounts	--	8,527,327	1,538,665	699,799	--	70,126	--	10,835,917
Other receivables	--	307,732	--	20,225	--	--	--	327,957
Inventories	--	1,154,583	--	--	--	--	--	1,154,583
Prepaid expenses and other current assets	19,326	1,328,530	266,893	177,270	--	14,971	--	1,806,990
Total Current Assets	46,468	15,720,210	2,755,505	1,141,774	180,393	207,372	--	20,051,722
Assets Whose Use is Limited								
Beneficial interests in perpetual trusts	--	3,283,243	--	--	--	--	--	3,283,243
Restricted cash and board designated investments	--	962,670	--	--	--	--	--	962,670
Investments permanently restricted by donor	--	843,587	--	180,799	--	--	--	1,024,386
Total Assets Whose Use is Limited	--	5,089,500	--	180,799	--	--	--	5,270,299
Other Assets								
Property, plant and equipment, net	4,865,635	23,774,781	10,773,210	74,398	--	--	--	39,488,024
Investment in joint ventures and other assets	--	2,868,975	--	7,134	--	--	--	2,876,109
Investment deficit in affiliated corporations	(3,119,194)	--	--	--	--	--	3,119,194	--
Investments, other	15,434	--	--	--	--	--	--	15,434
Due from affiliated corporations	792,270	--	--	--	2,505	--	(794,775)	--
Deferred financing costs, net	2,770	724,807	138,550	--	--	--	--	866,127
Total Other Assets	2,556,915	27,368,563	10,911,760	81,532	2,505	--	2,324,419	43,245,694
	$ 2,603,383	$ 48,178,273	$ 13,667,265	$ 1,404,105	$ 182,898	$ 207,372	$ 2,324,419	$ 68,567,715

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2010

Liabilities and Net Assets (Deficit)	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Liabilities Not Subject to Compromise								
Current Liabilities								
Trade accounts payable and accrued expenses	$ 19,969	$ 5,592,207	$ 867,329	$ 513,803	$ (64,003)	$ 49,436	$ --	$ 6,978,741
Accrued payroll and related costs	--	3,323,608	528,485	373,567	--	27,637	--	4,253,297
Current payments due under plan of reorganization	--	2,278,917	422,764	--	--	--	--	2,701,681
Patient trust funds	--	--	67,038	--	--	--	--	67,038
Senior debt under line of credit	--	4,000,000	--	--	--	--	--	4,000,000
Current portion of mortgage payable	--	342,500	308,108	--	--	--	--	650,608
Current portion of subordinated debt	--	495,286	--	--	--	--	--	495,286
Current portion of capital lease obligations	--	243,253	12,320	--	--	--	--	255,573
Estimated amounts due to third-party reimbursement agencies	--	1,071,475	193,164	58,600	--	--	--	1,323,239
Due to affiliated corporations	--	--	381,807	298,675	168,570	1,526	(850,578)	--
Other current liabilities	--	--	--	211,535	--	--	--	211,535
Total Current Liabilities	19,969	17,347,246	2,781,015	1,456,180	104,567	78,599	(850,578)	20,936,998
Long-Term Obligations								
Due to affiliate corporations	--	377,191	--	--	--	--	(377,191)	--
Payments due under plan of reorganization - less current portion	--	6,836,222	203,001	--	--	--	--	7,039,223
Mortgage payable - less current portion	3,420,000	12,501,250	--	--	--	--	--	15,921,250
Construction loan - less current portion	--	--	14,891,882	--	--	--	--	14,891,882
Subordinated debt - less current portion	--	427,229	--	--	--	--	--	427,229

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2010

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Long-Term Obligations (continued)								
Self-insurance liabilities	$ --	$ 1,533,516	$ --	$ --	$ --	$ --	$ --	$ 1,533,516
Other liabilities	35,791	289,217	--	--	--	--	--	325,008
Obligations under capital lease - less current portion	--	234,658	25,458	--	--	--	--	260,116
Total Long-Term Obligations	3,455,791	22,199,283	15,120,341	--	--	--	(377,191)	40,398,224
Total Liabilities	3,475,760	39,546,529	17,901,356	1,456,180	104,567	78,599	(1,227,769)	61,335,222
Net Assets (Deficit)								
Unrestricted	(872,377)	4,504,914	(4,234,091)	(263,289)	78,331	128,773	3,552,188	2,894,449
Temporarily restricted	--	--	--	40,979	--	--	--	40,979
Permanently restricted	--	4,126,830	--	170,235	--	--	--	4,297,065
Total Net Assets (Deficit)	(872,377)	8,631,744	(4,234,091)	(52,075)	78,331	128,773	3,552,188	7,232,493
	$ 2,603,383	$ 48,178,273	$ 13,667,265	$ 1,404,105	$ 182,898	$ 207,372	$ 2,324,419	$ 68,567,715

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Operating Revenues								
Net patient service revenues	$ --	$ 64,894,301	$ 17,547,582	$ 5,782,255	$ 1,085	$ 572,071	$ --	$ 88,797,294
Grant income and other contributions	29,980	26,764	--	234,276	--	14,595	--	305,615
Other revenue	1,198,847	--	132,802	--	--	--	(734,713)	596,936
Net assets released from restriction	--	33,994	--	29,060	--	--	--	63,054
Total Operating Revenues	1,228,827	64,955,059	17,680,384	6,045,591	1,085	586,666	(734,713)	89,762,899
Expenses								
Salaries	--	31,673,801	9,534,604	3,685,052	--	284,315	1,131,167	46,308,939
Employee benefits	--	6,499,243	2,207,593	902,740	(1,040)	50,375	--	9,658,911
Provision for uncollectible accounts	574	2,740,344	26,785	70,387	(1,000)	(538)	--	2,836,552
Professional fees and outsourced staffing	286,400	3,452,240	257,918	80,600	--	65,174	--	4,142,332
Depreciation and amortization	344,931	3,253,980	837,535	33,989	--	--	--	4,470,435
Purchased services	7,291	4,267,888	82,470	--	2,366	(12,343)	--	4,347,672
Supplies, drugs and patient care	--	7,044,386	1,452,343	268,918	--	52,156	--	8,817,803
Leases and service contracts	--	2,541,102	13,127	425,276	--	17,438	--	2,996,943
Occupancy costs	197,823	2,784,065	521,456	85,608	--	51,564	(734,713)	2,905,803
Insurance	5,856	1,267,235	20,556	46,497	--	(4,542)	--	1,335,602
Other expenses	136,389	1,747,182	2,347,037	44,517	2,366	15,421	(1,131,167)	3,161,745
Interest	58,383	1,480,694	467,973	54	--	--	--	2,007,104
Total Expenses	1,037,647	68,752,160	17,769,397	5,643,638	2,692	519,020	(734,713)	92,989,841
Income (Loss) from Operations	191,180	(3,797,101)	(89,013)	401,953	(1,607)	67,646	--	(3,226,942)

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Nonoperating Revenues (Losses)								
Investment income	$ --	$ 123,908	$ --	$ 7,789	$ --	$ --	$ --	$ 131,697
Equity loss in joint ventures	--	(12,760)	--	--	--	--	--	(12,760)
	--	111,148	--	7,789	--	--	--	118,937
Changes in Net Unrealized Losses on Investments	--	--	--	(7,640)	--	--	--	(7,640)
Loss Before Reorganization Items	191,180	(3,685,953)	(89,013)	402,102	(1,607)	67,646	--	(3,115,645)
Reorganization Items								
Gain on discharge of debt	--	1,094,678	--	--	--	--	--	1,094,678
	--	1,094,678	--	--	--	--	--	1,094,678
Excess (Deficiency) of Revenues over Expenses	$ 191,180	$ (2,591,275)	$ (89,013)	$ 402,102	$ (1,607)	$ 67,646	$ -	$ (2,020,967)

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Operating Revenues								
Net patient service revenues	$ --	$ 65,622,834	$ 16,970,734	$ 5,684,699	$ 275,807	$ 593,964	$ --	$ 89,148,038
Grant income and other contributions	--	277,399	--	364,343	--	14,593	--	656,335
Consulting revenue	--	--	--	--	295,221	--	--	295,221
Other revenue	1,120,082	--	36,052	--	14,745	--	(651,843)	519,036
Net assets released from restriction	--	--	--	36,485	--	--	--	36,485
Total Operating Revenues	1,120,082	65,900,233	17,006,786	6,085,527	585,773	608,557	(651,843)	90,655,115
Expenses								
Salaries	--	31,607,192	9,524,875	3,856,853	321,087	284,436	1,526,988	47,121,431
Employee benefits	--	8,853,187	2,096,127	1,050,072	58,436	49,275	--	12,107,097
Provision for uncollectible accounts	199,540	3,080,348	122,957	17,207	111,850	72,428	--	3,604,330
Professional fees and outsourced staffing	20,000	4,808,014	257,941	65,197	--	61,215	--	5,212,367
Depreciation and amortization	358,561	3,180,665	851,271	43,183	1,035	4,469	--	4,439,184
Purchased services	6,677	4,010,121	--	--	217,598	13,414	--	4,247,810
Supplies, drugs and patient care	--	7,504,844	1,493,113	265,722	--	46,484	--	9,310,163
Leases and service contracts	--	2,311,247	13,331	304,464	33,999	16,315	--	2,679,356
Occupancy costs	172,532	2,687,710	554,903	85,608	30,140	49,487	(651,843)	2,928,537
Insurance	4,130	1,013,279	53,241	38,272	84,029	(2,431)	--	1,190,520
Other expenses	126,152	2,181,028	2,706,673	73,524	(9,614)	13,429	(1,526,988)	3,564,204
Interest	63,615	592,676	226,180	14,745	(888)	1,836	--	898,164
Total Expenses	951,207	71,830,311	17,900,612	5,814,847	847,672	610,357	(651,843)	97,303,163
Income (Loss) from Operations	168,875	(5,930,078)	(893,826)	270,680	(261,899)	(1,800)	--	(6,648,048)

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	JMMC	Hospital	EHCC	HCHS	JMS	JHC	Elimination	Total
Nonoperating Revenues (Losses)								
Investment income	$ 39,715	$ 134,413	$ --	$ 753	$ --	$ --	$ --	$ 174,881
Equity earnings in joint ventures	--	315,629	--	--	--	--	--	315,629
	39,715	450,042	--	753	--	--	--	490,510
Changes in Net Unrealized Gains on Investments	--	--	--	14,570	--	--	--	14,570
Income (Loss) Before Reorganization Items	208,590	(5,480,036)	(893,826)	286,003	(261,899)	(1,800)	--	(6,142,968)
Reorganization Items								
Professional fees	(558,334)	(1,596,330)	(648,390)	--	--	--	--	(2,803,054)
Gain on discharge of debt	988,043	34,613,501	538,455	--	--	--	--	36,139,999
	429,709	33,017,171	(109,935)	--	--	--	--	33,336,945
Excess (Deficiency) of Revenues over Expenses	$ 638,299	$ 27,537,135	$ (1,003,761)	$ 286,003	$ (261,899)	$ (1,800)	$ --	$ 27,193,977