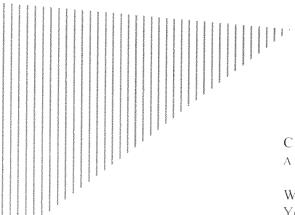
Danbury Hospital 12-024AR Report 1 Page 1 of 45



CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Western Connecticut Health Network, Inc. and Subsidiaries Years Ended September 30. 2012 and 2011 with Report of Independent Auditors

First & Young LEP



Consolidated Financial Statements and Supplementary Information

Years Ended September 30, 2012 and 2011

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Ernst & Young LLP Goodwin Square 225 Assium Street Hariford, CT 06103-1500

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

Report of Independent Auditors

The Board of Directors
Western Connecticut Health Network, Inc.

We have audited the accompanying consolidated balance sheets of Western Connecticut Health Network, Inc. and Subsidiaries (the Network) as of September 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Western Connecticut Health Network Insurance Co., Ltd. (the Company), a subsidiary of The Danbury Hospital, which statements reflect total assets of 7% as of September 30, 2012 and 2011, and total revenues of 2% for the years then ended of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Company, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Network's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Western Connecticut Health Network, Inc. and Subsidiaries at September 30, 2012 and 2011, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernot + Young LLP

January 25, 2013

Consolidated Balance Sheets

	September 30	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 74,083,960	\$ 56,787,869
Current portion of assets limited as to use	2,100,896	2.780,279
Current portion of pledges receivable	3,008,962	1,768,111
Accounts receivable, less allowance for uncollectible accounts of approximately \$19,119,000 in 2012 and		
\$17.544,000 in 2011	79,495,132	74,395,713
Inventories	11,357,589	12,213,567
Prepaid expenses and other	17,443,644	16,364,779
Total current assets	187,490,183	164,310,318
Investments	185,848,424	159,792,485
Assets limited as to use:		
Funds restricted by donor	48,645,413	49,659,312
Board designated funds	8,639,352	7,461,876
Beneficial interest in trusts held by others	7,262,631	6,439,298
Construction funds	100,552,317	125,248,424
Investments in WCHNIC	59,508,868	50,837,322
Total noncurrent assets limited as to use	224,608,581	239,646,232
Other assets	14,361,331	13,551,622
Property, plant, and equipment:		
Land and land improvements	11,920,666	10,476,804
Buildings and building improvements	347,385,812	325,821,610
Equipment and other	304,269,720	291,542,729
Construction in progress (estimated cost to complete at		
September 30, 2012: \$122,195,000)	39,399,365	27,578,848
	702,975,563	655,419,991
Less accumulated depreciation	417,555,078	388,704,091
	285,420,485	266,715,900
Pledges receivable, less current portion	8,803,496	6,462,823
Bond issuance costs, net	4,628,949	5,779,765
Total assets	\$ 911,161,449	\$ 856,259,145

	September 30		
	2012	2011	
Liabilities and net assets			
Current liabilities:			
Accounts payable	\$ 28,342,969	\$ 32,026,942	
Payroll-related accruals	33,802,144	22,931,036	
Due to third-party payors	12,492,073	15,337,343	
Interest payable	1,624,480	1,803,683	
Other accrued expenses	4,582,166	6,050,960	
Current portion of long-term debt and capital lease			
obligations	2,050,090	3,024,773	
Total current liabilities	82,893,922	81,174,737	
Self-insurance liabilities	42,317,667	39,197,898	
Accrued pension liabilities and other	191,481,514	133,967,350	
Long-term debt and capital lease obligations, less current			
portion	250,593,765	253,514,718	
Net assets:			
Unrestricted	277,089,185	286,369,831	
Temporarily restricted	33,826,104	30,149,404	
Permanently restricted	32,959,292	31,885,207	
Total net assets	343,874,581	348,404,442	

Total liabilities and net assets	\$ 911,161,449 \$ 856,259,145

Western Connecticut Health Network, Inc. and Subsidiaries Consolidated Statements of Operations and Changes in Net Assets

Year Ended September 30 2012 2011 Unrestricted revenues: Net patient service revenue \$736,921,369 \$720,525,178 Provision for bad debt (see Note 1) 24,771,952 26,465.527 Net patient service revenue less provision for bad debt 712,149,417 694,059,651 Net assets released from restriction 3,324,588 3,167,079 Other operating revenue 26,582,697 14,009,110 742,056,702 711,235,840 Expenses: Salaries, benefits and fees 462,975,344 459,799,796 Supplies and other 204,378,809 199,184,231 Insurance 11,680,311 8,742,635 Depreciation and amortization 39,029,252 36.236,656 Interest 4,322,562 5,333,933 709.297,251 722,386,278 Operating income before pension curtailment charge 19,670,424 1,938.589 Pension curtailment charge (1,306,064)(10,337,542)Operating income (loss) 18,364,360 (8,398,953)Income tax expense 501,000 1.000 Nonoperating gains (losses): Contributions 1,936,206 3,166,972 Investment income, net 2,445,895 9,355,429 Change in unrealized gains and losses on investments 22,674,214 (3,715.643)Operating expenses of the New Milford Hospital Foundation. Inc. and Western Connecticut Health Network Foundation, Inc. (2,407,222)(3,213,974)24,649,093 5,592,784

Continued on next page.

Excess (deficiency) of revenues over expenses

(2.807,169)

42,512,453

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

Excess (deficiency) of revenues over expenses (continued)		Year Ended 2012	September 30 2011
Change in fair value of interest rate swap — 156,640 Net assets released from restrictions for property, plant and equipment 4,723,875 5,618,089 Transfer from temporarily restricted net assets 2,431,853 3,301,137 Change in pension funding obligation (57,585,651) 44,064,249 Transfer to other entity — (10,213,352) Acquisition of non-controlling interest in joint venture (1,176,149) — Other (187,027) 1,362,496 (Decrease) increase in unrestricted net assets (9,280,646) 41,482,090 Temporarily restricted net assets: 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets (2,567,198) (3,703,746)	Unrestricted net assets:		
Change in fair value of interest rate swap — 156,640 Net assets released from restrictions for property, plant and equipment 4,723,875 5,618,089 Transfer from temporarily restricted net assets 2,431,853 3,301,137 Change in pension funding obligation (57,585,651) 44,064,249 Transfer to other entity — (10,213,352) Acquisition of non-controlling interest in joint venture (1,176,149) — Other (187,027) 1,362,496 (Decrease) increase in unrestricted net assets (9,280,646) 41,482,090 Temporarily restricted net assets: 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets (2,567,198) (3,703,746)	Excess (deficiency) of revenues over expenses (continued)	42,512,453	(2,807,169)
Net assets released from restrictions for property, plant and equipment 4,723,875 5,618,089 Transfer from temporarily restricted net assets 2,431,853 3,301,137 Change in pension funding obligation (57,585,651) 44,064,249 Transfer to other entity - (10,213,352) Acquisition of non-controlling interest in joint venture (1,176,149) - Other (187,027) 1,362,496 (Decrease) increase in unrestricted net assets (9,280,646) 41,482,090 (Decrease) increase in unrestricted net assets (9,280,646) 41,482,090 (Decrease) increase decrease (1,176,149) - (187,027) (1,176,149) - (187,027) (1,176,149) - (187,027) (1,176,149) - (187,027) (1,176,149) - (187,027) (1,176,149) (1,176,149) - (1,176,149) (1,176,149)		, ,	
Transfer from temporarily restricted net assets 2,431,853 3,301,137 Change in pension funding obligation (57,585,651) 44,064,249 Transfer to other entity - (10,213,352) Acquisition of non-controlling interest in joint venture (1,176,149) - Other (187,027) 1.362,496 (Decrease) increase in unrestricted net assets (9,280,646) 41.482,090 Temporarily restricted net assets: Contributions 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets (2,567,198) (3,703,746) Increase (decrease) in beneficial interest in trusts held by others 115,407 47,145 Transfer from temporarily restricted net assets <td< td=""><td>Net assets released from restrictions for property, plant and</td><td></td><td></td></td<>	Net assets released from restrictions for property, plant and		
Change in pension funding obligation (57,585,651) 44,064,249 Transfer to other entity — (10,213,352) Acquisition of non-controlling interest in joint venture (1,176,149) — Other (187,027) 1.362,496 (Decrease) increase in unrestricted net assets (9,280,646) 41.482,090 Temporarily restricted net assets: Contributions 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402,609 Increase (decrease) in permanently restricted net assets 1,074,085 (11,968)	equipment	4,723,875	5,618,089
Change in pension funding obligation (57,585,651) 44,064,249 Transfer to other entity – (10,213,352) Acquisition of non-controlling interest in joint venture (1,176,149) – Other (187,027) 1,362,496 (Decrease) increase in unrestricted net assets (9,280,646) 41,482,090 Temporarily restricted net assets: Contributions 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets (2,567,198) (3,703,746) Permanently restricted net assets: Increase (decrease) in beneficial interest in trusts held by others 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets<	Transfer from temporarily restricted net assets	2,431,853	3,301,137
Transfer to other entity Acquisition of non-controlling interest in joint venture Other — (1,176,149) (187,027) — 1.362,496 Other (Decrease) increase in unrestricted net assets (9,280,646) 41.482,090 Temporarily restricted net assets: Contributions 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets (2,567,198) (3,703,746) Permanently restricted net assets: 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402,609 Increase (decrease) in permanently restricted net assets 1,074,085 (11,968) Obecrease) increase in net assets 44,529,861 38,023,778	Change in pension funding obligation	(57,585,651)	
Acquisition of non-controlling interest in joint venture Other (1,176,149) (187,027) 1.362,496 Obecrease) increase in unrestricted net assets (9,280,646) 41.482.090 Temporarily restricted net assets: Contributions 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402,609 Increase (decrease) in permanently restricted net assets 1,074,085 (11,968) Obecrease) increase in net assets 4,529,861 38,023,778	Transfer to other entity	nindrater	
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Contributions 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets 3,676,700 (3.446,344) Permanently restricted net assets: 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402,609 Increase (decrease) in permanently restricted net assets 1,074,085 (11,968) (Decrease) increase in net assets (4,529,861) 38.023,778 Net assets at beginning of year 348,404,442 310,380,664	(Decrease) increase in unrestricted net assets	(9,280,646)	41,482,090
Contributions 7,922,288 7,333,773 Investment income, net 1,362,975 4,305,181 Change in unrealized gains and losses on investments 5,007,098 (2,596,384) Net assets released from restriction (3,324,588) (3,167,079) Net assets released from restrictions for property, plant and equipment (4,723,875) (5,618,089) Transfer to unrestricted and permanently restricted net assets (2,567,198) (3,703,746) Increase (decrease) in temporarily restricted net assets 3,676,700 (3.446,344) Permanently restricted net assets: 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402,609 Increase (decrease) in permanently restricted net assets 1,074,085 (11,968) (Decrease) increase in net assets (4,529,861) 38.023,778 Net assets at beginning of year 348,404,442 310,380,664			
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Change in unrealized gains and losses on investments Net assets released from restriction Net assets released from restrictions for property, plant and equipment Transfer to unrestricted and permanently restricted net assets Increase (decrease) in temporarily restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently res		7,922,288	7,333,773
Net assets released from restriction Net assets released from restrictions for property, plant and equipment Transfer to unrestricted and permanently restricted net assets Increase (decrease) in temporarily restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease		1,362,975	4,305,181
Net assets released from restrictions for property, plant and equipment Transfer to unrestricted and permanently restricted net assets Increase (decrease) in temporarily restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease) in decrease in net assets Increase (decrease) in permanently restricted net assets Increase (decrease) in decrease in net assets Increase (decrease) in decrease in net assets Increase (decrease) in decrease in net assets	Change in unrealized gains and losses on investments	5,007,098	(2,596,384)
Net assets released from restrictions for property, plant and equipment Transfer to unrestricted and permanently restricted net assets Increase (decrease) in temporarily restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently re	Net assets released from restriction	(3,324,588)	. ,
ransfer to unrestricted and permanently restricted net assets Increase (decrease) in temporarily restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decr	Net assets released from restrictions for property, plant and		,
Transfer to unrestricted and permanently restricted net assets Increase (decrease) in temporarily restricted net assets Permanently restricted net assets: Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease) in permanently restricted net		(4,723,875)	(5.618.089)
Increase (decrease) in temporarily restricted net assets Permanently restricted net assets: Increase (decrease) in beneficial interest in trusts held by others Contributions Transfer from temporarily restricted net assets Increase (decrease) in permanently restricted net assets Increase (decrease) increase in net assets Incr	Transfer to unrestricted and permanently restricted net assets		
Increase (decrease) in beneficial interest in trusts held by others 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402.609 Increase (decrease) in permanently restricted net assets 1,074,085 (11.968) (Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310,380,664			
Increase (decrease) in beneficial interest in trusts held by others 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402.609 Increase (decrease) in permanently restricted net assets 1,074,085 (11.968) (Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310,380,664			, ,
others 823,333 (461,722) Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402.609 Increase (decrease) in permanently restricted net assets 1,074,085 (11.968) (Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310,380,664	Permanently restricted net assets:		
Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402.609 Increase (decrease) in permanently restricted net assets 1,074,085 (11.968) (Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310,380,664	Increase (decrease) in beneficial interest in trusts held by		
Contributions 115,407 47,145 Transfer from temporarily restricted net assets 135,345 402.609 Increase (decrease) in permanently restricted net assets 1,074,085 (11.968) (Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310,380,664	others	823,333	(461.722)
Increase (decrease) in permanently restricted net assets (Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310,380,664	Contributions	115,407	47,145
Increase (decrease) in permanently restricted net assets (Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310,380,664	Transfer from temporarily restricted net assets		
(Decrease) increase in net assets (4,529,861) 38.023.778 Net assets at beginning of year 348,404,442 310.380,664	Increase (decrease) in permanently restricted net assets		

	Net assets at beginning of year	348,404,442	310,380,664
	Net assets at end of year	\$343,874,581	

See accompanying notes.

Consolidated Statements of Cash Flows

	Year Ended September 30 2012 2011	
Operating activities and other income		
(Decrease) increase in net assets	S (4,529,861)	\$ 38,023,778
Adjustments to reconcile (decrease) increase in net assets to		
net cash provided by operating activities and other		
income:		
Depreciation and amortization	39,029,252	36,236,656
Change in unrealized gains and losses on investments	(27,681,312)	6,312,027
Change in pension funding obligation	57,585,651	(44,064,249)
Change in other	187,027	(1,362,496)
Restricted contributions and investment income	(9,400,670)	(11,686,099)
Change in beneficial interest in trusts held by others	(823,333)	461,722
Provision for bad debt	24,771,952	26,465,527
Changes in operating assets and liabilities (see Note 12)	(28,743,341)	(8,275,809)
Net cash provided by operating activities and other income	50,395,365	42,111,057
Investing activities Additions to property, plant, and equipment, net	(57,733,837)	(71,526,718)
Decrease (increase) in investments, net and assets limited	(, , ·)	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
as to use	17,978,713	(94,212,508)
Net cash used in investing activities	(39,755,124)	(165,739,226)
Financing activities		
Change in bond issuance costs	1,150,816	(2,662,379)
Proceeds from long-term debt	39,880,000	175,105,000
Payments of long-term debt	(43,775,636)	(48,362,909)
Restricted contributions and investment income	9,400,670	11,686,099
Net cash provided by financing activities	6,655,850	135,765,811
Net increase in cash and cash equivalents	17,296,091	12,137,642
Cash and cash equivalents at beginning of year	56,787,869	44,650,227
Cash and cash equivalents at end of year	\$ 74,083,960	\$ 56,787,869
*	J /4,003,700	JU,/0/,009

See accompanying notes.

Notes to Consolidated Financial Statements

September 30, 2012

1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

Western Connecticut Health Network, Inc. (the Network) was established under the statutes of the State of Connecticut and is the parent company of the following subsidiaries: The Danbury Hospital (Danbury Hospital); Western Connecticut Health Network Foundation, Inc. (WCHNF); Western Connecticut Health Network Affiliates, Inc. (WCHNA); Business System, Inc. (BSI); Western Connecticut Home Care, Inc. (WCHC); Regional Hospice of Western Connecticut (Hospice); the Foundation for Community Health Care (Foundation); The New Milford Hospital Inc. and Subsidiaries (New Milford Hospital) and Western Connecticut Medical Group, P.C. (WCMG).

The Network owns 100% of the capital stock of BSI. Western Connecticut Health Network, Inc. is the sole corporate member of Danbury Hospital, WCHNF, New Milford Hospital, WCHNA, and WCHC. As of December 1, 2010, the affiliation with Hospice was terminated.

The Network owned 100% of Ridgefield Surgical Center (RSC), a free-standing ambulatory surgical center located in Ridgefield, Connecticut, as of September 30, 2010. The operations of RSC became a department of Danbury Hospital in April 2011.

The Foundation is a corporation under the Nonstock Corporation Act of the State of Connecticut and requires contributions by the physician members. The Network is required to make contributions that match those made by the physician members. As of this date, no physicians have made contributions and the Foundation is currently inactive.

Danbury Hospital is a voluntary, nonprofit association incorporated under the General Statutes of the State of Connecticut, and is a wholly owned subsidiary of the Network. The Board of Danbury Hospital is appointed by the Network. The financial statements of Danbury Hospital include its wholly owned subsidiary, Western Connecticut Health Network Insurance Co., Ltd. (WCHNIC).

New Milford Hospital is a voluntary, not-for-profit, non-stock corporation established under the General Statutes of the State of Connecticut and is the sole corporate member of its subsidiaries. New Milford Hospital Foundation, Inc. and New Milford Visiting Nurse Association, Inc. (the VNA). During 2011, the affiliation with the VNA was terminated.

Effective October 28, 2009. New Milford Hospital formed a strategic partnership with Radcorp of New Milford, LLC. The partnership, New Milford MRI JV, LLC, offers MRI services located at New Milford Hospital. New Milford Hospital owned a 51% share of New Milford MRI JV, LLC with the remaining 49% owned by Radcorp of New Milford, LLC. In 2012.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

New Milford Hospital purchased Radcorp of New Milford, LLC's ownership share and New Milford MRI JV, LLC became a department of New Milford Hospital. Prior to the acquisition of the remaining ownership interest, the partnership's capital accounts were in a deficit position.

WCMG is established under the general statutes of the State of Connecticut and provides physician services to patients primarily from Western Connecticut and Southeastern New York. WCMG also provides physician support to various Network affiliates.

The consolidated financial statements include the accounts of Western Connecticut Health Network, Inc., Danbury Hospital, WCHNF, New Milford Hospital, WCHNA, BSI, WCHC, WCMG, and Foundation. All material intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related footnotes. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Regulatory Matters

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at date of purchase other than amounts held in the investment portfolio and assets limited as to use. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Network's policy to monitor the financial strength of these institutions.

Investments

The Network's investment portfolio reported in the accompanying consolidated balance sheets is designated as trading, with realized and unrealized gains and losses included in the excess (deficiency) of revenues over expenses.

1. Summary of Significant Accounting Policies (continued)

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based upon quoted market prices, on the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess (deficiency) of revenues over expenses unless the income or loss is restricted by donor or by law.

Alternative investments (nontraditional, not-readily-marketable assets), some of which are structured such that the Network holds limited partnership interests, are reported based upon net asset value and derived from the application of the equity method of accounting. Individual investment holdings within the alternative investments may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of these investments and, therefore, the Network's holdings, may be determined by the investment manager or general partner, and for "fund of funds" investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. The Network accounts for these investments using the equity method of accounting, except for investments held by the defined benefit pension plan, and reports its share of the increase or decrease in the funds value as investment gain or loss. Alternative investments held by the defined benefit pension plan are held at fair value as estimated in an unquoted market. The financial statements of the investees are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Network's annual consolidated financial statement reporting.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time frame or purpose. Temporarily restricted net assets primarily consist of contributions restricted for certain healthcare services. Permanently restricted net assets, which are primarily endowment gifts and assets held in trusts by others, have been restricted by donors, and are to be maintained in perpetuity.

Contributions

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

1. Summary of Significant Accounting Policies (continued)

Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions, but which are met within the same reporting period, are reported as unrestricted support. Contributions, for which donors have imposed restrictions which limit the use of the donated assets, are reported as temporarily restricted net assets if the restrictions are not met in the same reporting period. When such donor imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as permanently restricted net assets.

Patient Accounts Receivable

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

The Network's estimation of the allowance for uncollectible accounts is based primarily upon the type and age of the patient accounts receivable and the effectiveness of the Network's collection efforts. The Network's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, the Hospital reviews its accounts receivable balances and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- · Historical write-off and collection experience using a hindsight or look-back approach;
- Revenue and volume trends by payor, particularly the self-pay components:
- Changes in the aging and payor mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients;
- Cash collections as a percentage of net patient revenue less the provision for bad debt;
 and
- Trending of days revenue in accounts receivable

1. Summary of Significant Accounting Policies (continued)

The Network regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

The Network's primary concentration of credit risk is patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies and private patients. The Network manages the receivables by regularly reviewing its patient accounts and contracts, and by providing appropriate allowances for uncollectible amounts. Significant concentrations of gross patient accounts receivable include 42% and 11%, and 43% and 10%, for Medicare and Medicaid, respectively, at September 30, 2012 and 2011, respectively.

Assets Limited as to Use

Assets limited as to use represent investments with donor restrictions: assets set aside by the Board of Directors for the purpose of providing for future improvement, expansion and replacement of plant and equipment; assets held by trustees under indenture agreements related to financing activities with the State of Connecticut Health and Educational Facilities Authority (CHEFA); assets held in trusts by others in accordance with donor restrictions; cash designated for the Supplemental Executive Retirement Plans; and donated land held for sale; and investments held by WCHNIC. Board designated funds represent unrestricted funds set aside for specific purposes. Assets limited as to use are reported at fair value based upon quoted market prices. The portion of amounts required for funding current liabilities is included in current assets.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The Network provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives.

Conditional asset retirement obligations amounted to \$396,262 and \$464,904 as of September 30, 2012 and 2011, respectively. These obligations are recorded in other long-term liabilities in the accompanying consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2012 and 2011, retirement obligations incurred and settled were minimal.

Notes to Consolidated Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Bond Issuance Costs

Discounts and deferred costs related to the issuance of bonds are amortized over the period the obligation is outstanding, using the bonds outstanding method. Accumulated amortization of discounts and deferred costs were \$1,569,849 and \$1,347,238 at September 30, 2012 and 2011, respectively.

Inventories

Danbury Hospital uses the first in, first out method, in the valuation of its inventory. Inventories, used in general operations of New Milford Hospital, are stated at average cost.

Nonoperating Gains (Losses)

Activities, other than in connection with providing health care services, are considered to be nonoperating. Nonoperating gains (losses) primarily consist of contributions, income on invested funds, realized and unrealized gains and losses on investments, and the operating expenses of the WCHNF and the New Milford Hospital Foundation.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess (deficiency) of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenues over expenses, include permanent transfers of assets for other than goods and services, contributions of long-lived assets, changes in pension funding obligation, changes in the fair value of interest rate swap, transfer to another entity in connection with the disaffiliation of the New Milford Hospital VNA and Hospice in fiscal year 2011, and the acquisition of non-controlling interest in joint venture in fiscal year 2012.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported within income from operations.

Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and current liabilities as of September 30, 2012 and 2011 approximate fair value based on current market conditions. The fair values of the Network's financial instruments are disclosed in the respective notes and/or in Note 4.

1. Summary of Significant Accounting Policies (continued)

Investments include certificates of deposit with original maturities in excess of three months.

Income Taxes

The Network comprises not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Network is also exempt from state and local taxes. WCHNIC. a subsidiary of Danbury Hospital, is a foreign corporation exempt from US taxation and is not subject to taxes under the Cayman Islands tax concessions law.

At September 30, 2012, the Network has losses from unrelated business activities of approximately \$39,784,000 which began expiring in 2009. A deferred tax asset for these losses of approximately \$15,914,000 is offset by a corresponding valuation allowance of the same amount due to the uncertainty of utilizing the deferred tax asset in future periods. The Network also has a net operating loss carryforward of approximately \$454,000 related to BSI and a 2012 tax liability of approximately \$500,000 for federal and state taxes.

Adoption of New Accounting Standards

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-23, *Measuring Charity Care for Disclosure*. The new guidance requires that the level of charity care provided be presented based on the direct and indirect costs of the charity services provided. Separate disclosure of the amount of any cash reimbursements received for providing charity care must also be disclosed. The new disclosure requirements became effective for the Network on October 1, 2011 and are included in the accompanying consolidated financial statements for all periods presented (see Note 2).

In July 2011, the FASB issued ASU No. 2011-07. Presentation and Disclosure of Patient Service Revenue Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. The new guidance requires the Network to change the presentation of its statement of operations by reclassifying the provision for bad debt associated with patient service revenue (net of contractual allowances and discounts) from an operating expense to a deduction from patient service revenue. Additionally, the Network is required to provide enhanced disclosures about its policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for uncollectible accounts. The new guidance was adopted by the Network as of and for the year ended September 30, 2012 and retrospectively applied the presentation requirements for the year ended September 30, 2011.

1. Summary of Significant Accounting Policies (continued)

In August 2010, the FASB issued ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Recoveries*, which provides clarification to companies in the health care industry on the accounting for professional liability and similar insurance. ASU 2010-24 states that insurance liabilities should not be presented net of insurance recoveries and that an insurance receivable should be recognized on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts. ASU 2010-24 is effective for fiscal years beginning after December 15, 2010 and was adopted by the Network during 2012. The adoption of this standard increased other assets by \$475,000 and accrued pension liabilities and other by \$475,000 in the consolidated balance sheet as of September 30, 2012 as compared to September 30, 2011.

Reclassifications

Certain reclassifications have been made to the year ended September 30, 2011 balances previously reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets in order to conform with the year ended September 30, 2012 presentation.

2. Net Patient Service Revenue and Charity Care

The following table summarizes net patient service revenue:

	Year Ended September 30			tember 30
	which down and app	2012		2011
Gross patient service revenue	\$	1,649,794,278	\$	1,620,897,693
Deductions:				
Allowances		895,739,602		884,704,840
Charity care (at charges)		17,133,307		15.667,675
		912,872,909		900,372,515
Net patient service revenue		736,921,369		720,525,178
Provision for bad debt		24,771,952		26,465,527
Net patient service revenue less provision	***************************************	M		
for bad debt	\$	712,149,417	\$	694,059.651

2. Net Patient Service Revenue and Charity Care (continued)

During 2012 and 2011, approximately 37% of net patient service revenue was received under the Medicare and Medicaid programs. 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 Network believes it is in compliance with all applicable laws and regulations. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Network.

The Network has agreements with third-party payors that provide for payments at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service, discounted charges and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. During 2012 and 2011, the Network recorded increases in net patient service revenue of approximately \$8,375,000 and \$2,300,000, respectively, related to changes in previously estimated third-party payor settlements.

The Network has established estimates based on information presently available, of amounts due to or from Medicare, Medicaid and third-party payors for adjustments to current and prior year payment rates, based on industry-wide and Network specific data. Such amounts are included in the accompanying consolidated balance sheets.

Patient service revenue, net of contractual allowances and before the provision for bad debts, recognized in the period from major payor sources for the year ended September 30, 2012, is as follows:

Third-party payors
Self-pay patients

\$ 708,178,306 45,876,370 \$ 754,054,676

2. Net Patient Service Revenue and Charity Care (continued)

It is the policy of the Network to provide necessary care to all persons seeking treatment without discrimination on the grounds of age. race, creed, national origin, or any other grounds unrelated to an individual's need for the service or the availability of the needed service at the Network. A patient is classified as a charity care patient by reference to established policies of the Network. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Network utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to a responsible party's income. These charges are not included in net patient service revenues for financial reporting purposes.

The estimated cost of charity care provided was approximately \$7,962,000 and \$7,029,000 for the years ended September 30, 2012 and 2011, respectively. The estimated cost of charity care is based on the ratio of cost to charges, as determined by Network specific data.

3. Investments and Assets Limited as to Use

The composition of investments and assets limited as to use is set forth in the following table:

	September 30		
	2012	2011	
Cash and cash equivalents	\$ 103,851,929	\$ 131,767,669	
Common collective funds	104,698,546	86,113.308	
Fixed income securities	57,471,300	51,993,062	
Mutual funds	109,736,400	105.355,048	
Commodities	1,076,854	533,890	
Alternative investments (at equity method)	27,260,241	18.816,721	
	\$ 404,095,270	\$ 394,579,698	

Also included within assets limited as to use is \$1,200,000 of land held for sale as of September 30, 2012 and 2011 and trusts held by others of \$7,262,631 and \$6,439,298 as of September 30, 2012 and 2011, respectively.

Notes to Consolidated Financial Statements (continued)

3. Investments and Assets Limited as to Use (continued)

Investment income included in non-operating gains (losses) for the year ended September 30, 2012 and 2011 consists of:

2012

	2012	2011
Interest and dividend income Realized gains and losses, net and equity	\$ 2,482,343	\$ 5.401.831
income on alternative investments	(36,448)	3,953,598
	\$ 2,445,895	\$ 9,355,429

4. Fair Values of Financial Instruments

For assets and liabilities required to be measured at fair value, the Network measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Network's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The Network follows a valuation hierarchy that is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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

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

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

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

4. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value in the accompanying consolidated balance sheets, excluding assets invested in the Network's defined benefit pension plan, are classified in the table below in one of the three categories described above:

	-			September .	30, 20	112		
		Level 1		Level 2	L	evel 3		Total
Cash and cash equivalents	S	74,083,960	\$	enemo.	s	elleren.	\$	74,083,960
Investments and assets limited as to use:								
Cash and cash equivalents Mutual funds:		103,851,929		winners				103,851,929
Fixed income		109,736,400		-		Notes		109,736,400
Common collective funds:								
Domestic equity		didana.		71,269,667		Martin		71,269,667
International equity		****		30,705,225		-		30,705,225
Other				2,723,654				2,723,654
Securities:								
Fixed income		40,496,405		16,974,895		research		57,471,300
Real estate/commodities				1,076,854		window		1,076,854
Beneficial interest in trusts held by others:								
Cash and cash equivalents		337,967		_		online.		337,967
Mutual funds:								,
Domestic equity		964,503		androse		electric.		964,503
International equity		399,466				money		399,466
Fixed income		882,911				***		882,911
Common collective funds:								
Domestic equity		MARK		1,824,408				1,824,408
International equity		orientals.		668,411				668,411
Fixed income				948,416		-		948,416
Corporate and foreign bonds		****		10,019				10,019
Real estate/commodities		-physical		626,718		-0000		626,718
Other		mahu		599,812		-		599.812
	S	330,753,541	S	127,428,079	S		S	458,181,620

4. Fair Values of Financial Instruments (continued)

		September	30, 2011	
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 56,787,869	\$	s –	\$ 56,787,869
Investments and assets limited as to use:				
Cash and cash equivalents	131,767,974	****		131,767,974
Mutual funds:	-00-	11000	******	
Fixed income	105,355,048	dominal of		105,355,048
Common collective funds:				,
Domestic equity		57,538,708	******	57,538,708
International equity	or action	19,429,089	*****	19,429,089
Other		9,145,511		9,145,511
Securities:				,
Fixed income	27,264,022	24,729,040	*****	51,993,062
Real estate/commodities		533,890	_	533,890
Beneficial interest in trusts held by others:				
Cash and cash equivalents Mutual funds:	129,233	*****	maco	129,233
Domestic equity	2.436,708	and the second		2,436,708
International equity	846,776			846.776
Fixed income	1,914,353	Name .	antonic	1.914.353
Other	295,190	Worker.	****	295,190
Common collective funds:				*
Domestic equity	Manur	331,012	******	331,012
International equity		115,745	energy.	115,745
Fixed income		202,723	J-	202,723
Real estate/commodities		141,297	-	141,297
Other		26,260	rhanj	26,260
	\$ 326,797,173	\$ 112,193,275	\$ -	\$ 438,990,448

The amounts reported in the tables above do not include alternative investments totaling \$27,260,241 and \$18,816,721 as of September 30, 2012 and 2011, respectively, that are accounted for under the equity method of accounting.

The above tables do not include \$1,200,000 of land held for sale as of September 30, 2012 and 2011, respectively, included within the current portion of assets limited as to use.

4. Fair Values of Financial Instruments (continued)

Financial assets carried at fair value included in the defined benefit pension plans are classified in the table below in one of the three categories described above:

		Septembe	r 30, 2012	
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents Mutual funds:	\$1,147,463	s –	s –	S 1,147,463
Domestic equity	21,149,836	alonging	anna	21,149,836
International equity	2,710,892	**************************************	***************************************	2,710,892
Fixed income	149,169,151			149,169,151
Other	2,713,995	- Annual	******	2,713,995
Common collective funds: Domestic equity International equity Alternative investments	- - - \$176,891,337	160,036,331 40,913,821 - \$ 200,950,152	52,676,206 \$ 52,676,206	160,036,331 40,913,821 52,676,206 \$ 430,517,695
			3 - 2 - 2	
		September	· 30, 2011	
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents Mutual funds:	\$4,008,665	\$ -	\$ -	\$ 4,008,665
•	\$4,008,665 12,600,394	\$ -	\$ - -	\$ 4.008,665 12,600,394
Mutual funds:		\$ - -	\$ - - -	,
Mutual funds: Domestic equity	12,600,394	\$ - - -	Acces	12,600,394
Mutual funds: Domestic equity Fixed income International equity Other	12,600,394 145,650,859	\$ - - - -	Acces	12,600,394 145,650,859
Mutual funds: Domestic equity Fixed income International equity Other Common collective funds:	12,600,394 145,650,859 1,995,582	\$ -	Acces	12,600,394 145,650,859 1,995,582
Mutual funds: Domestic equity Fixed income International equity Other Common collective funds: Domestic equity	12,600,394 145,650,859 1,995,582	\$ - - - - 110,465,006	Acces	12,600,394 145,650,859 1,995,582
Mutual funds: Domestic equity Fixed income International equity Other Common collective funds: Domestic equity International equity	12,600,394 145,650,859 1,995,582		Acces	12,600,394 145,650,859 1,995,582 2,085,655
Mutual funds: Domestic equity Fixed income International equity Other Common collective funds: Domestic equity	12,600,394 145,650,859 1,995,582	110.465,006	Acces	12,600,394 145,650,859 1,995,582 2,085,655 110,465,006

Notes to Consolidated Financial Statements (continued)

4. Fair Values of Financial Instruments (continued)

Fair value for Level 1 assets is based upon quoted market prices. Fair value for Level 2 assets is based upon model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants. dealers and brokers. Level 3 assets consist of alternative investments held by the defined benefit plans, the valuation for which is described in Note 1. Many of the investments classified in Levels 2 and 3 in the above tables consist of shares or units in investment funds, as opposed to direct interests in the funds' underlying holdings, which may be marketable. As the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Network's interest therein, its classification in Level 2 or 3 is based on the Network's ability to redeem its interest at or near the measurement date. If the interest can be redeemed in the near term, the investment is classified in Level 2. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Network believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For the year ended September 30, 2012, the changes in the fair value of assets measured using significant unobservable inputs (Level 3) comprised the following:

Beginning balance at October 1, 2011	\$ 27,947,917
Change in unrealized gains and losses	1.271,312
Realized gains	-
Purchases	23,456,977
Sales	
Ending balance at September 30, 2012	\$ 52,676,206

For the year ended September 30, 2011, the changes in the fair value of assets measured using significant unobservable inputs (Level 3) were comprised of the following:

Beginning balance at October 1, 2010	\$ 27.989,880
Change in unrealized gains and losses	1.988.325
Realized gains	99.652
Purchases	13,000,000
Sales	(15, 129, 940)
Ending balance at September 30, 2011	\$ 27.947.917

Notes to Consolidated Financial Statements (continued)

5. Pledges Receivable

Pledges receivable include the following unconditional promises to give:

		September 30	
	*******	2012	2011
Due within one year	\$	3,142,311	\$ 2,100,559
Due within one to five years		9,626,656	7,506,255
Due within greater than five years		133,375	214,386
		12,902,342	9,821,200
Allowance and discount for uncollectible pledges		(1,089,884)	(1,590,266)
Present value of pledges receivable	\$	11,812,458	\$ 8,230,934

The allowance recognizes the estimated uncollectible portion of pledges and the discount of pledges to net present value. Pledges are discounted using an average rate of 3% as of September 30, 2012 and 2011.

6. Long-Term Debt and Credit Facility

Long-term debt consisted of the following:

	September 30		
		2012	2011
Danbury Hospital revenue bonds financed with CHEFA:			
Series G	S		\$ 39,700,000
Series H	J	39,615,000	41,560,000
Network revenue bonds financed with CHEFA:			
Series K		29,610,000	31,325,000
Series L		96,000,000	96,000,000
Series M		46,030,000	46.030.000
Series N		39,880,000	
New Milford Hospital term loans		466,426	607,285
New Milford Hospital capital lease obligations		1,042,429	1,317,206
		252,643,855	256,539,491
Less current portion		2,050,090	3,024,773
	\$ 3	250,593,765	\$253,514,718

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt and Credit Facility (continued)

The following is a summary of the combined aggregate amount of maturities and sinking fund requirements of the aforementioned obligations at September 30, 2012 according to their long-term amortization schedule:

2013	\$ 2,050,090
2014	3,401,009
2015	5,415,495
2016	5,487,261
2017	5,700,000
Thereafter	230,590,000
	\$ 252,643,855

The fair value of the revenue bonds, as determined by the Network's investment advisor using a discount cash flow analysis, was approximately \$263,780,000 and \$248,699,000 at September 30, 2012 and 2011, respectively. The carrying value of all remaining long-term debt approximates fair value. The Network paid interest of \$8,373,470 and \$4,970,685 in 2012 and 2011, respectively. The Network has capitalized interest of approximately \$3,746,000 and \$863.000 in 2012 and 2011, respectively. Debt service funds held under bond indenture agreements for Series G Bonds, Series H Bonds and Series N Bonds were \$900,896 and \$1.273,013 at September 30, 2012 and 2011, respectively.

The Series G revenue bonds (Series G Bonds) were scheduled to mature from 2012 through 2029 at an average coupon rate of 5.63%. The proceeds of the Series G Bonds were used to construct a new Cancer Center and reimburse the Network for equipment purchases made during fiscal year 1999. The scheduled payment of principal and interest on the Series G Bonds was guaranteed by an insurance policy issued by a commercial insurer. In November 2011, the Series G Bonds were refunded by Western Connecticut Health Network Issue, Series N CHEFA revenue bonds (Series N Bonds).

The Series H revenue bonds (Series H Bonds) mature from 2030 through 2036 at an average coupon rate of 4.425%. The proceeds of the Series H Bonds were used for the construction, renovation and equipping of an outpatient diagnostic building with approximately 28,000 square feet of medical office space, a 381-space parking garage, a 264-space surface parking lot and to fund capitalized interest. The scheduled payment of principal and interest on the Series H Bonds when due is guaranteed by an insurance policy issued by a commercial insurer.

6. Long-Term Debt and Credit Facility (continued)

Under the terms of the Series H Bonds financing arrangements between Danbury Hospital and the Western Connecticut Health Network Foundation. Inc. (the Obligated Group) and CHEFA, the proceeds of the revenue bonds were loaned to Danbury Hospital. Danbury Hospital is obligated to provide amounts sufficient to pay the principal and interest due on the Series H Bonds. The Master Indentures and Supplemental Master Indentures provide for the potential establishment and maintenance of a Debt Service Reserve Fund and a pledge of gross receipts, as defined. The Master Indentures also establish a debt service coverage ratio requirement and restricts the incurrence of certain indebtedness by the Obligated Group. No violations of financial covenants existed as of September 30, 2012 and 2011.

In 2011, the Network issued three series of bonds. The Obligated Group was expanded to also include Western Connecticut Health Network, Inc., New Milford Hospital, New Milford Hospital Foundation, Inc. and Western Connecticut Medical Group, P.C. All proceeds from the bonds were used to finance Danbury Hospital capital projects. All members of the Obligated Group are jointly and severally liable under the Master Indenture to make all payments required with respect to obligations under the Master Indenture. The bonds are reflected as intercompany debt in the schedule above and include:

The Series K revenue bonds (Series K Bonds) were issued in the amount of \$33,035,000. The Series K Bonds bear interest at the bank purchase rate (1.446% and 1.972% at September 30, 2012 and 2011, respectively) and mature serially from September 30, 2011 to September 30, 2036.

The Series M revenue bonds (Series M Bonds) were issued in the aggregate principle of \$46,030,000, with interest payable initially on January 1, 2012 and semiannually on each January 1 and July 1 thereafter. The Series M Bonds bear interest at rates ranging from 5,000% to 5,375% and are scheduled to mature from July 1, 2031 to July 1, 2041. The Series M Bonds are also subject to annual sinking fund installments commencing in 2024 through scheduled maturity. The Series L Revenue Bonds (Series L Bonds) of \$96,000,000 were issued concurrently with Series M Bonds and are subject to annual sinking fund installments commencing July 1, 2015 and continuing through final maturity on July 1, 2041. The Series L Bonds bear interest at the bank purchase rate (1.355% and 1.348% at September 30, 2012 and 2011, respectively). The proceeds of the Series L Bonds and Series M Bonds are being used for funding the planning, design, acquisition, construction, equipping and furnishing of Danbury Hospital's new patient tower, expansion of a parking garage, capital improvements and to fund capitalized interest.

Notes to Consolidated Financial Statements (continued)

6. Long-Term Debt and Credit Facility (continued)

In 2012, Western Connecticut Health Network, Inc. issued Series N Bonds in the amount of \$39.880,000 and bear interest at rates between 3% and 5%. The Series N Bonds mature serially from July 1, 2014 to July 1, 2029. The proceeds of the Series N Bonds were used to refund Danbury Hospital's Series G Bonds.

On June 11, 2010, New Milford Hospital entered into a leasing agreement with First Litchfield Leasing Corporation to lease a 64-slice CT Scanner in the amount of \$1,008,023. Lease payments of \$56,993 are due quarterly beginning July 1, 2010 through April 1, 2015, at which point New Milford Hospital has the option to purchase the machine for \$1. The equipment lease agreement bears interest at 1.33%. The outstanding balance of the capital lease obligation was \$579.539 and \$820,498 as of September 30, 2012 and 2011, respectively.

On October 7, 2010, New Milford Hospital entered into a leasing agreement with First Litchfield Leasing Corporation to lease a medical linear accelerator in the amount of \$722.405. Lease payments of \$40,845 are due quarterly beginning November 1, 2010 through August 1, 2015, at which point New Milford Hospital has the option to purchase the machine for \$1. The equipment lease agreement bears interest at 1.33% quarterly. The outstanding balance of the capital lease obligation was \$450,173 and \$479,893 as of September 30, 2012 and 2011, respectively.

On June 9, 2010, New Milford MRI JV, LLC entered into a loan agreement with Siemens Financial Services, Inc. in the amount of \$700,000 to help finance the construction and legal costs associated with the joint venture MRI project. Principal and interest are paid monthly in the amount of \$13,092 beginning in October 2010 through October 2015. The loan agreement bears interest at 4.63%. The outstanding balance as of September 30, 2012 and 2011 was \$439,239 and \$572,631, respectively. Substantially, all assets owned by New Milford Hospital are pledged as collateral for the term loans.

7. Commitments and Contingencies

Malpractice claims have been asserted against the Network by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In addition, the Network is a party to various lawsuits incidental to its business. Management believes that the claims and lawsuits will not have a material adverse effect on the Network's financial position.

The Network has entered into several lease agreements for real estate and equipment. Certain of these leases have renewal options for periods up to five years and escalation clauses. Rent is payable in equal monthly installments. Rent expense was \$14.614,302 and \$11.867.542 for the years ended September 30, 2012 and 2011, respectively.

7. Commitments and Contingencies (continued)

The future minimum lease payments for the years ending September 30 are as follows:

2013	\$ 15,105,340
2014	12,456,186
2015	11,359,488
2016	10,627,945
2017	10,392,437
Thereafter	28,000,897
	\$ 87,942,293

8. Pension Plans

The Network has two defined benefit pension plans, for which plan benefits are based on years of service and the employee's compensation (collectively referred to as the Plans). Effective May 26, 2011, the Board of Directors adopted a resolution to freeze the Network's retirement plan (the Network Plan) for non-union employees effective December 31, 2011 with certain employees continuing to accrue benefits based on age and vesting. Effective September 7, 2012, the Board of Directors adopted a second resolution to freeze benefits for all of those that had been continuing to accrue. As a result of these resolutions, the Plan liabilities were re-measured for all employees and non-union employees as of September 30, 2012 and 2011, respectively. All outstanding prior service cost related to these employees totaling \$1,306,064 and \$10,337,542 for the years ended September 30, 2012 and 2011, respectively, were expensed as of the date of the re-measurement. The curtailment charges are included in the consolidated statement of operations and changes in net assets. The New Milford Hospital retirement plan was frozen effective January 31, 2010.

Contributions to the Plans' are intended to provide for benefits attributed to services rendered to date. The Network makes contributions in amounts sufficient to meet the required benefits to be paid to the Plans' participants as they become due as required by the Employee Retirement Income Security Act of 1974.

The Network established defined contribution pension plans for all eligible employees after freezing the Plans'. Pension expense related to the defined contribution plans for the years ended September 30, 2012 and 2011 was \$9,346,756 and \$1.777,328, respectively.

The Network also maintains noncontributory, supplemental defined-benefit retirement plans (Supplemental Plans) for certain executive employees. As of September 30, 2012 and 2011, the projected benefit obligation for the Supplemental Plans amounted to \$2,057,976 and \$1,115,988,

Notes to Consolidated Financial Statements (continued)

8. Pension Plans (continued)

respectively, which was included in accrued pension liabilities and other in the accompanying consolidated balance sheets. The expenses incurred related to the Supplemental Plans amounted to \$1.154.096 and \$671.711 for the years ended September 30, 2012 and 2011, respectively. Effective October 1, 2009, the New Milford Hospital Supplemental Plan was frozen. Provisions have been made to "grandfather" those participants in the plan that are sixty years old and have at least ten years of service.

Included in unrestricted net assets at September 30, 2012 and 2011, are the following amounts that have not yet been recognized in net periodic pension cost: Unrecognized actuarial loss of \$203.177,545 and \$145,591,894, respectively. The actuarial loss included in unrestricted net assets at September 30, 2012 and expected to be recognized in net periodic pension cost during the year ending September 30, 2013 is \$5,847,217.

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

	September 30		
	2012	2011	
Change in benefit obligation			
Benefit obligation at beginning of year	\$ (460,152,661)	\$ (470,711,462)	
Service cost	(9,231,340)	(16,813,970)	
Assumption changes	(12,459,379)	64.119	
Interest cost	(25,752,057)	(26,762,028)	
Benefits paid	12,999,925	11,613.929	
Curtailment	14,244,269	31,748,565	
Actuarial (loss) gain	(112,216,729)	10,708,186	
Benefit obligation at end of year	(592,567,972)	(460,152,661)	
Change in plan assets			
Fair value of plan assets at beginning of year	353,934,882	335.635.988	
Contributions	27,300,905	24,873.882	
Actual return on plan assets	62,281,833	5.038,941	
Benefits paid	(12,999,925)	(11.613,929)	
Fair value of plan assets at end of year	430,517,695	353,934,882	
Underfunded status of the plans	\$ (162,050,277)	\$ (106,217,779)	

Notes to Consolidated Financial Statements (continued)

8. Pension Plans (continued)

	Year Ended September 30			
		2012	-	2011
Components of net periodic benefit cost				
Service cost	S	9,231,340	\$	16,813,970
Interest cost		25,752,057		26,762,028
Expected return on plan assets		(28,785,560)		(27,190,423)
Net amortization and deferral		16,029,912		10,546,672
Recognized net loss		1,544,439		1,444,829
Curtailment costs		1,306,064		10,337,542
Prior service cost		469,500		1,365,818
Benefit cost	\$	25,547,752	\$	40,080,436

The assumptions used to develop net periodic benefit cost and the projected benefit obligation for the Plans are as follows:

	September 30		
	2012	2011	
Discount rate used for net periodic benefit cost	5.56-5.58%	5.55%	
Discount rate used for projected benefit obligation	4.12-4.23%	5.56 - 5.58%	
Expected long-term rate of return on plan assets	8.00%	8.00%	
Average rate of increase in compensation	3.00%	3.00 - 3.50%	

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

The accumulated benefit obligation for the Plans at September 30, 2012 and 2011 was \$590,724,718 and \$446,972,234, respectively.

Plan Assets

The Plans' investment objectives are to achieve long-term growth in excess of long-term inflation and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets over a long-term time horizon. In order to minimize the risk, the Plans aim to minimize the variability in yearly returns. The Plans also aim to diversify holdings among sectors, industries, and companies. The target allocations for the Network Plan assets are 50% in equities, 35% in fixed income securities and 15% in alternative investments. The assets of the New Milford Hospital's plan are all held in mutual funds.

8. Pension Plans (continued)

The weighted average asset allocations for the Plans' assets by category are as follows:

	Septem	iber 30
Asset Category	2012	2011
Equity securities	52%	51%
Debt securities	35	39
Other investments	13	10
	100%	100%

As discussed in the Fair Value Measurements note (Note 4), the Network follows a three-level hierarchy to categorize assets measured at fair value. In accordance with this hierarchy, as of September 30, 2012, 41%, 47% and 12% of the Plans' assets which are measured at fair value on a recurring basis were categorized as Level 1. Level 2 and Level 3 investments, respectively.

Contributions

The Network expects to contribute \$26,940,000 to its plans in fiscal year 2013.

Estimated Future Benefit Payments

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

	Pension
Fiscal Year	Benefits
2013	\$ 17,606.151
2014	19.646,289
2015	21,579,753
2016	23.352,151
2017	25,192,249
Years 2018 – 2022	155.459.954

Notes to Consolidated Financial Statements (continued)

9. Professional Liability Insurance

Effective October 1, 2004, the Network formed a captive insurance company, Western Connecticut Health Network Insurance Co., Ltd. (WCHNIC). WCHNIC is domiciled in the Cayman Islands and provides alternative professional liability insurance to the Network, as well as providing community doctors with a competitive professional liability insurance option.

Coverage for medical malpractice insurance is on a claims-made basis. The coverage limits are \$5,000,000 per claim and \$25,000,000 in the aggregate. The excess indemnity coverage is \$25,000,000 per claim and \$25,000,000 in the aggregate. Professional liability for New Milford Hospital was also provided under claims-made policies. The Network has recorded a liability of \$10,488,898 and \$9,111,700 at September 30, 2012 and 2011, respectively, based on discount rates ranging from 3.0 –3.5% as of September 30, 2012 and 2011, for incurred-but-not-reported claims, which is included in accrued pension liabilities and other on the accompanying consolidated balance sheets.

Assets held by WCHNIC approximate \$65.788,000 and \$56,572,000 as of September 30, 2012 and 2011, respectively, of which a majority is reflected as assets limited as to use in the accompanying consolidated balance sheets. Total liabilities recorded by WCHNIC approximate \$42,543,000 and \$39,372,000 as of September 30, 2012 and 2011, respectively, of which a majority is reflected as self-insurance liabilities in the accompanying consolidated balance sheets.

The reserve for losses and loss adjustment expenses for WCHNIC are included in self-insurance liabilities in the accompanying consolidated balance sheets. Activity in the reserve for losses and loss adjustment expenses for the years ended September 30, 2012 and 2011 is summarized as follows:

2012	2011
\$ 35,675,566	\$ 32,294,365
7,922,650	8,782,963
960,245	(2,689,921)
8,882,895	6,093,042
(21,742)	(92,030)
(5,023,091)	(2,619,811)
(5,044,833)	(2,711,841)
\$ 39,513,628	\$ 35,675,566
	\$ 35,675,566 7,922,650 960,245 8,882,895 (21,742) (5,023,091) (5,044,833)

Notes to Consolidated Financial Statements (continued)

9. Professional Liability Insurance (continued)

ASC 944, Financial Services – Insurance, requires the application of deposit accounting for any policies or agreements that do not transfer insurance risk. To the extent that an insurance contract or a reinsurance contract does not, despite its form, provide for indemnification of the insured or the ceding company by the insurer or reinsurer against loss or liability, the premium paid less the amount of the premium to be retained by the insurer or reinsurer shall be accounted for as a deposit by the insurer or ceding company. Accordingly, a portion of WCHNIC activity is recorded using deposit accounting on the Network's consolidated balance sheets.

Activity in the deposit liability for the years ended September 30, 2012 and 2011, included in self-insurance liabilities on the consolidated balance sheets, is summarized as follows:

	2012	2011
Balance at the beginning of period	\$ 3,355,509	\$ 2,533,888
Losses paid	(1,657,800)	(88,040)
Gain on deposit liability transferred to statement of income	937,723	909,661
Balance at the end of period	\$ 2,635,432	\$ 3,355,509

Also included in self-insurance liabilities as of September 30, 2012 and 2011 are unearned premiums of \$168,607 and \$166,823, respectively.

The actuary estimated the liability for unpaid losses based on industry data, as well as entity-specific data. Management considers the liability to be adequate as of September 30, 2012 and 2011; however, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded. Future adjustments to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate payments, will be reflected in the consolidated statements of operations and changes in net assets of future years when such adjustments, if any, become known.

10. Net Assets

Temporarily restricted net assets of \$33,826,104 and \$30,149,404 as of September 30, 2012 and 2011, respectively, are available to the Network for health care services. Permanently restricted net assets total \$32,959,292 and \$31,885,207 as of September 30, 2012 and 2011, respectively, and are investments to be held in perpetuity and funds held in trust by others, the income from which is expendable to support health care services.

11. Endowments

The Network endowment consists of approximately 32 individuals funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported in the accompanying consolidated balance sheets based on the existence or absence of donor-imposed restrictions.

The Leadership of the Network has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Network 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 (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Network considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Network 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 Network
- (7) The investment policies of the Network

The Network has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Network must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Network's Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

11. Endowments (continued)

To satisfy its long-term rate-of-return objectives, the Network 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 Network targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints. Each year, the Network's Board of Directors will approve an endowment and similar fund spending rate. The objectives of the portfolio are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. The endowment spending rate will be calculated on the 13 quarter trailing average market value of each portfolio as of the prior May 31. The computed value may be adjusted for large contributions, withdrawals or market value swings as necessary. A default spending cap on appreciation of seven percent in any given year is currently in effect. The Network Board abides by these regulations and will adjust this rate accordingly.

Endowment net asset composition by type of fund as of September 30, 2012, consisted of the following:

	U	nrestricted		Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds Board-designated endowment funds	s	- 8,357,137	s	13,820,607	S 25,696,661	\$ 39,517,268 8,357,137
Endowment net assets at end of year	\$	8,357,137	S	13,820,607	\$ 25,696,661	\$ 47,874,405

11. Endowments (continued)

Changes in endowment funds for the fiscal year ended September 30, 2012, consisted of the following:

		(* . 4 . *	Temporarily	Permanently	
		nrestricted	Restricted	Restricted	Total
Endowment net assets at beginning of the year	\$	7,218,125	\$ 14,345,583	\$ 25,445,909	\$ 47,009,617
Investment return:					
Investment income, net		210,135	1,000,507	described.	1,210,642
Change in unrealized gains and losses	2014-00-00-00-00-00-00-00-00-00-00-00-00-00	928,877	4,578,012	Tank-	5,506,889
Total investment return		1,139,012	5,578,519		6,717,531
Contributions Net asset reclassification- net change in			266,310	115,407	381,717
loss on endowments		Monate	(28,482)		(28,482)
Appropriation of endowment assets for expenditures		dilata	(6,205,978)	-	(6,205,978)
Other changes: Transfers to permanently restricted					
endowment			(135,345)	135,345	THE RESIDENCE OF THE PARTY OF T
Endowment net assets at end of year	<u> </u>	8,357,137	\$ 13,820,607	\$ 25,696,661	\$ 47,874,405

Endowment net asset composition by type of fund as of September 30, 2011, consisted of the following:

	[!	nrestricted		`emporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds Board-designated endowment funds	S	7.218,125	\$	14,345,583	\$ 25,445,909	\$ 39,791,491 - 7,218,125
Endowment net assets at end of year	S	7.218,125	S	14,345,583	\$ 25,445,909	\$ 47.009,617

11. Endowments (continued)

Changes in endowment funds for the fiscal year ended September 30, 2011, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		***************************************	THE STATE OF THE S	TOTAL
Endowment net assets at beginning of the year	\$ 12,020,250	\$ 18,999,710	\$ 24,996,155	\$ 56,016,115
Investment return:				
Investment income, net	1,156,098	3,898,117		5,054,215
Change in unrealized gains and losses	(513,521)	(2,459.072)	delden	(2.972,593)
Total investment return	642,577	1,439,045	_	2,081,622
Contributions Net asset reclassification- net change in loss on endowments		274,835 24,840	47,145	321,980 24,840
Appropriation of endowment assets for expenditures	(5,444,702)	(6,212,604)		(11,657,306)
Other changes: Transfers to permanently restricted endowment		(180,243)	402,609	422,366
Endowment net assets at end of year	\$ 7.218,125	\$ 14,345,583	\$ 25,445,909	\$ 47,209,617

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level fund of the corpus that UPMIFA requires the Network to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There was \$28,482 in deficiencies of this nature which are reported in unrestricted net assets as of September 30, 2011 (none at September 30, 2012).

Also included within permanently restricted net assets is \$7,262,631 and \$6,439,298 of beneficial interests in trusts held by others as of September 30, 2012 and 2011, respectively.

12. Changes in Components of Operating Assets and Liabilities

	Year Ended	September 30
	2012	2011
(Increase) decrease in operating assets:		
Pledges receivable	\$ (3,581,524)	\$ (3,551,957)
Accounts receivable, net	(29,871,371)	(24.158,591)
Inventories	855,978	(1,379,603)
Prepaid expenses and other assets	(1,888,574)	(6,928,558)
	(34,485,491)	(36,018,709)
Increase (decrease) in operating liabilities:		
Accounts payable	(3,683,973)	6,133,200
Payroll-related accruals	10,871,108	(1,869,415)
Due to third-party payors	(2,845,270)	455,018
Interest payable	(179,203)	735,967
Other accrued expenses	(1,468,794)	(5,358,260)
Self-insurance liabilities	3,119,769	4,213,901
Accrued pension liabilities and other	(71,487)	23,432,489
	5,742,150	27,742,900
Decrease in operating assets and liabilities	\$ (28,743,341)	\$ (8,275,809)

13. Functional Expenses

The Network provides general health care services to residents within its geographic location. Expenses related to providing these services, including the operating expenses of the Western Connecticut Health Network Foundation, Inc., are as follows:

	Year Ended	September 30
	2012	2011
Healthcare services	\$ 596,089,430	\$ 595,459,794
General and administrative	127,602,912	124.174,999
Fundraising	2,407,222	3,213,974
	\$ 726,099,564	\$ 722,848,767

14. Subsequent Events

The Network evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended September 30, 2012, the Network evaluated subsequent events through January 25, 2013, which represents the date the consolidated financial statements were issued. On April 3, 2012, an initial letter of intent was signed between the Network and Norwalk Health Systems Corporation, followed by a summary of terms. The letter of intent was signed to document a potential affiliation between Norwalk Health Systems Corporation and the Network. On January 22, 2013, a definitive agreement was signed between the Network and Norwalk Health Systems Corporation based on the approval of each entity's board of directors.

No other events have occurred that require disclosure in or adjustment to the consolidated financial statements.



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

Tet +1 860 247 3190 Fax: +1 860 725 6040 MYM 6V com

Report of Independent Auditors on Supplementary Information

The Board of Directors
Western Connecticut Health Network, Inc.

We have audited the consolidated financial statements of Western Connecticut Health Network, Inc. and Subsidiaries (the Network) as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated January 25, 2013, which contained an unqualified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and statements of operations are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, based on our audits and the report of other auditors, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

January 25, 2013

Consolidating Balance Sheet September 3d 2d 2

	Danbary	Western Connection Health Network	Western Counceticut Health	New Wilford Brootest	Western Connecticut Medical	E) insigned for a	Obligated	Franchasius For Community	Western Connecticut Health Network	Business Contract Land	Western Connection Home	21	, 1
Assets ('bright assets											C. M. No. K. M. No.	A. OF CALL TO	A 3 L C C
Cask and cash organ aleuts Cuttent portion of assets highed as to use	\$ <4,460,115 \$ 980,896	844 986	195,477	\$ 6,281,016 1,300,000	\$ 6.017.216	ús.	\$ 67,997,694	\$ 1,000	1,456,174	\$ 2,881,203	5 1,647,889	\$.	
Current portion of pledges recenable Accounts recenable less allowance for the obscurble accounts of \$19.112.00	810 82 0 13	2,408,334		900,631	6.478.37	:	75 110 583		7.0000 141	656 368	231.881		3 008,962
Current portion of due from related parties	8.730,837				616,655	15 033,438)	1714,454			Company of the Compan		(3.7)4 454)	
His enfortes Prepara expenses and other	9,333,172	10.502	177'059	1,645,080	256 552 373,428	(34) 12b	11.235,004		71,806	706,706	122,585 11b 665	(47,725)	11,347,589
ी व्यक्ती समाप्रस्थ अंत्रक्षाहरू	148,404,173	2,963,819	1,024,782	16,528,591	13,754,178	(051 126 5)	179, 701, 184	1,000	17.676,434	1.101.171	2,668,970	(4,761,779)	(87,490,(83
Hrestmenes	173,599,412	9,542,874		2, 700, 138			185,848,474						184,848,424
Assets Intited as to use Finals restricted by them		31 C 413 SE		991 507			187.777.78				1700 000		211 217 61
Haird designated from		8 639,352		** C. 2000			8,679,142				2747,847	r	8,639,352
Berefacial ingress in trists beld by palsy. Constraint finds	545.555.0m	3,128,085		4,174,546		t	7,262,631		1				7,262,631
I'm estiments to WC HNR	59 508 848	0.4 / 5000 0.4		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1		A STANDARD PRIMADOS FOR PLAN PRIMADOS FOR	50, 508 868	,	READ TO A STATE OF THE PARTY OF	The state of the s			59,508,808
FUGAT PROPERTIES AND THE PROPERTIES OF THE DESCRIPTION OF THE DESCRIPT	100 (R.1.18×	29,88 (0.3)		4,555,786			224,MR 349				108.042		224,608,581
Other assets	156,429		7,094,0433	4,541,401	105 CUT 1	(2,438,453)	14,364,374			ŧ			14,361,331
ingrest in Western Connection Health New ork Fabridation. In	"8 wk 131				÷	(78,906,134)							
Due from sclared parties	8,172,413					0.112,413							
Рофолу, ріанц анд едицупленн 1 элж анд Івліч пирок стреція 1 элж элж Быніданд, яптунк енісліг	9,994,877	245 902 269 121	11,789	1,544,196	7,241,561		31,920,066	,	600000		*** *** ***		H.920.666
Equipment and other Constraints of Constraints and other Scientific and Scientific St. Scientifi	229,444,069	241,022		56 864 547	93,67,271		196, 186, 999	f	1,343,994	26,818	666 101		404,249,720
september (c), and a fee from). Less seemmidand depreciation.	\$64.215,092 (102.977,997)	(200,041)	(7,109)	108 192 101	16.910,824		691,716,838 (4108,041,867)		F0.526,073 (8.794,338)	26,818	705,834	radioadaao edo la ede dominio o anna anna communi	702.975,463 (417.555.078)
	242,235,095	0.7870,1	4,620	12,441075	188'816'L		283,674,931		1,331,34	5,372	8,447		285,420,485
Piedges receivable, less current portion. Bond resumere civisis, ner		500,105,0		(412.		removement protocopy with and a society of the control of the cont	8,863.496.	TO THE PROPERTY OF THE PROPERT	a distributa di manana manananana	1			
िरोज अडक्टो इ	\$ 810 163 778 S	79,674,384	8,724,005	S 66,374.764	\$ 2(1.077,333 moremoremoremoremoremore	\$ (95,491,150);	901,319,104	9031.	(1,3(18,1(19)	\$ 4,309,506	2,725,449	\$ (221 22) \$	16
Lathilities, and not assets (Toront lathilities) Accounts pay able Pay poil declared accounter Pay for lateral accounter P	613-898-07 6-618-898-07 8-618-898-07 8-618-898-07		1.368	3.081.491	\$ 174,544) 9,614,342	\$ (747.897) \$	27,889,157 37,241,645		\$ 383.005	\$ 167,940	641.041	₩ ₩	
the manufactor of the conclusion of the conclusi	7 70.0, 5.24	110,834		5,1157,706	100,368	(5,632,887)	12.44.6,085		623.873	2740.137	8005*	1622 192 19	12,492,075
laterest pay alde Ottos account expenses	1,624,480	751 6.95	18.431		536 131		1,624,480		. 22.1.2.3.1.	V12 #101			1 624 480
Current portion of long-term debt and capital tease obligation Total current stabilities	1,555,000	3,100	500.004	195,090	0.052.633	A 080 30 to	2.050,090	,	11:0,800	7107.54	167 400		2,050,090
Self-neurance tabulane	42.117,067			1		2	13 31 7 667						13 21 2 6.5
Ascenced perisoni habibites and other	16.902.236	8(14)	146,499,045	26.239,675	4,765 005	(2.9.In.469)	061,181,191		2,769		298,465		19) 481 514
Due to related partiess				X X X X X	057 05t T	(8 165 788)							
Long-serio debe and capital lease obligations, loss corrent postaon	249,480,000			Ettl 1,765			P 105 808 084						340 443 764
Net assets													
Unrespected Francoversh and anti-over	386 002,265	30 287 298	(137,804,842)	12 487,173	7,908,345	1987,667,91)	269,081,153	1380	5,466,836	903 947	1,676.379		777,089,185
Perspectatory resources Perspectatory restricts Total on account	28 824 746	28.824.746		4174,546	21 5 0000 %	(28.824.746)	32.959,292	months that a said find souther to a second	to the second construction of the second	and the second second second	10%(0142)	The state of the s	12,950,014
Ford laborations and not assets	\$ 816 163,778 \$	39,670,384	8.724.605	P92,478.99 \$	\$ 26,077,333	\$ (95,491,160)	\$ 901.519.103	S LINKH	6,368,169	\$ 4,709,506	1,747,449	\$ (477, 137, 5) \$	911,161,449
39													

Consolidating Statement of Operations

Year Caded September 3rt, 2012

	Danbury	Western Connection Health Network	Western Connecticat Health	New Mifford	Western Connecticut Medical		Obligated	Western Connecticat Health Network	Business	Western Connections Home		
8 44 8 81,28,077 5 14,20,210 5 14,20,210 5 14,20,210 5 14,20,210 5 19,79	Huspital	Foontation, Inc.	Network, Inc.	Hospital	Grown, P.C.	Eliminations	Growp	Affiliates, Inc.	System, Inc.	Care, Inc.	Eliminations	Tutal
1281 128123 1760288 24871954 14504181 1050738 1402481 1050738 1402481 1050738 1402481 1050738 1402481 1050738 1402481 1050738 1402481 1050738 1402481 1050738 120472 1402481 1050738 120472 1402481 1050738 120472 1402481 1050738 120472 1402481 1264723 1402481 1264723 120472	\$21,836,000	şA.				\$ (6449,784) \$		A	· 100	\$ 4,422.734	\$ 1549 448)	
1,380	19413,218		(24,553)	3,125,172	1,769,288		24,283,125	405.650	884,13	624,64		24 17 982
1281 1031489 58.842786 1235527 134951 13401078 1201077 146.8671 1201078 1201077 146.8671 1201078 120	412,422,782		285.14	78.1 (11,911)	103,171,059	(609,784)	683,119,545	181 695 (+)	10,567.158	1,402,481	(509) 148)	11.14941.
1.81 1034.489 58843.780 0.0238.551 23.255.22 153.951 154.083 124.09 146.881 125.1846 125.1848 162.118.84 14.018.183 14.0	3,156.468			66,843			1,223,411			101,277		3,324,588
2002.63 18.80 10.2018.84 667.365135 10.10.818 14.2018.12 18.572.36 16.5.209 17.5 2.012.63 41.82.20 41.82.2	20,682,323		1381	1,034,489	58,842,786	(02,785,551)	23,775,327	186'821	3,010.078	129,192	1465,851)	76,582,697
1012 1013	53.2 264,572		25,868	79,212,233	1627113,845	(63,345,335)	780,118,183	21.00.11	13,577,736	1623,450	(975,399)	742,056,702
180	111980,347		2,012,631	51,817,496	(38,444,987	(50 (63)	449,404,799	7,693,833	2,028,467	7.35.F. 500s	(3,368)	HP,925,344
TRANSPORT TRAN	111,477,617		2,058.470	187778,1144	22 02 1,818	(1,114,803)	188,323,236	1184,240	9,885,X44	1,534,283	(847,798)	2011 378,809
1180 \$5.00.945 12.51.55 1	11,689,311			1,643,424	2.7%0,952	(4,394,376)	H.680,311	85,942	10, 221	18,830	(124,33a)	11 689, 311
1,000,000 1,00	31 663,499		1 180	4.526,924	1.124353		T29,512, RF	N#CTH#	12,183	14,884		39 W. W. 25 2
102284 \$6.84973 164.88724 041.84524 042.1484 147.84227 11990.266 14919.37 1790.2484 14919.37 1790.2484 14919.37 1790.2484 14919.37 1491	4,150,059	¢		119,011	70111	(295,913)	4, 322, 562					4,322,463
14.046,41 to 4.922,340 (2.873,642) 3.0449 [7.371,338 946,875 (3.873,873) (3.873,642)	501,057,853		10.2.3%1	85,184,973	(64 587 49)	145(351,60)	548, A45, 596	13,756,257	11,939,268	1,919 2n.	(975,299)	722.386.2°F
11,30k (0.44)	29.363.719		11,046,41 to	(07: 2:65)	(2,473,647)	614702	17,371,348	946,875	1,637 18.8	(288,757)	AND THE RESERVE AND THE PARTY	1967124
(4,54,475			11,306 0043				01,306.0640					(1 308 (1)
90.0014 (1909.07 1.285 1.32171) 1.94.45 1.292.99 (1902.20) 1.230.293 (1902.20) 1.24.415 1.250.295 (1902.20) 1.250.205 (1902.20) 1.250.205 (1902.20) 1.250.205 (1902.20) 1.250.205 (1902.20) 1.250.205 (1902.20	29.244.719		(5, \$1,1,47)	(4972.544)	(2,573,647)	7(4) 119	175,8100.01	349 838	1,637,968	(CAR ARC)		(8, 36.4, 360
90.2014 (170,884) (200,275 (2.92.29)			11867	3			1,541		(500,250)			1501 (1981)
797 844 (176.884) 129,883 (1711 2.92.798 (2.21) 19,889 2.705.975 (1712.596) 2.260.179 2.705.975 (1712.596) 2.261.725 (2.107.221) 2.7048 2.705.975 (176.883) 2.705.725 (2.843.127) 2.499,443 (2.31) 146,409		900,014		TREE 1977			1,911,691			×1 × 1 ×		1,940,206
2.703.975 (12.706) (2.831.725)	1,698,407		(176,384)	1,38,40,	4,513	1352 1711	2,392,795	1775		49,859		\$ 445 898
(1,583,722) (1,843,709) (2,402,323) (2,402	19.910,410	,		412,2061			22 602,179			2,025		23,674,214
(1.882.723) (176.983) (2.84.124) (2.841.127) (2.40.233) (2.40.233) (2.40.233) (2.40.233)	2 871 725					(2.85) 728)						
2.552,221 (376.88) 572.455 3.255 (2.844,127) 24,499,443 3.241 (476.40)9				Bi-54-2691	,	59.369	(2,407,223)					(2.22.5)
	24 172.542		i			1			makkalanjiikalanda da an anjahan annada Manadanagii s	146,419	Andrews and the second	24,649,093

thoese (defineder) of revenues over expenses

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Net pathent services receime
Peroxyonal for baid dela
Vet pribrial vervice cereime fess provicional debt
Net ansects reflered from restriction
Other operations are come.

Consolidating Balance Sheet

September 36, 2011

\$ 5.42,073.01 \$ 11001 \$ 70,028 \$ 21 044 \$ 166,000, \$ 5 2.20,23,042 2.20,23,043 2.20,23,044 2		Danhue; Hospital	Connecticut Heath Newark Foundation, Inc.	Connecticut Health Network, Inc.	New Wilford Hospital	Connection Medical Group, P.C.	Espainations	Obligated Greep	For Commonity Realthcare	Consection Health Nework Affiliates, Inc.	Business System, Inc.	Connecticut Roate Care Inc	Regional Haspitee of Western Connection by Dimination	ě
1, 0, 10, 10, 10, 10, 10, 10, 10, 10, 1	Assets Chiral assets							AND AN LANGORER COMPANIES AND	A THE REAL PROPERTY OF THE PRO				The state of the s	-
	Cash and cash equivalents Consequents	No 610 779							1,1400			\$ 1656,866		10 / 0 ± 0 ± 0 ± 0 ± 0 ± 0 ± 0 ± 0 ± 0 ±
13441554 134414 13454 1454454 1454454 1454454 1444444 1444444 1444444 1444444 1444444 1444444 1444444 144444444	Correct portion of pledges receivable	1555,000	1 659,451		1,507,266			1,780,279						
	Accumbs recentable less allowance for ancipile title account of \$17,343.42. (When portion of the Fred advocal community	85×343,45		582 11	10,157,444	243 60979		76 392,300		2,326,583	1.061,4%	615 374		1,768,133
	A section position on Constitution between	6,00P5 891 8,853,966			327 770 1	F,1000,0127	(5,083,934)	2,025,984					6,025,984	
	Prepaid experioes and other local emen acon.	15,544,259		124,249	1,415 6005	298,675	(227 800)	17,155,038		\$4,652	962,796	298,542	890 210 43	12.213.567
1912-13.01 1912-13. 1912-13	STREET THEORY IN THE	776 403 173	× 38 38 4 1 1 1	1,215,085	28,117,519	41,465,912	(5.411.754)	159,261,442	1,04/01	1,141,863	3, 214, 350	2 624,745	(30):10(0)	-
13.14.00 1.0	liv esancjas	151,523,870	8,008.873		1997 742			159 792,485						159 793 485
15,546,541 15,647 16,647	Assets Sunged as to use.													
19, 28, 23, 3 1, 10, 24, 25 1, 10, 24, 25 1, 10, 24, 25 1, 25, 24, 2	FIGURE 10 STREET BY GOUGH		46,477,328		3.081,975		ŧ	49,559,383				FOO COFES		CTs 689.64
19,24,24,23	Beneficial raters on taists held by other		275245°		1.680.841			7,461,876						7.461.876
Table Tabl	Constitution fluide Incestigents in W. (1987)	135,248,424						125,248,424	ŧ					#7#'8#7'571 867'61#'9
\$ 8.883.54	िसकी प्रकारमान्यम बङ्ग्हाड माम्मारहते कर एत मन्त्र	176.085,246	54,091,661		0,768,816	THE CASE OF THE PARTY AND THE		54,857,322	A de lamand ou sur sur lamand and de		,	(1)(0)(1)(1)	manchine administration onegatively (1931) data to the president on a line one of the	(4) (1)
Section Sect	Other assets			2000								LAN ING		3.67949763.5
				77 T'966'0	. 67.0.0.1	×1×1×1×1×1×1×1×1×1×1×1×1×1×1×1×1×1×1×1		13 551 622						13,541622
\$ 1985.51 \$ 1.0	present in Vecketir Compendal Health Newark Franklinea. In	172 271 22					(73,125,24)	1						
Fig. 25 Fig.	One how releast parties	\$1008,182					(5.905,(52)	ŧ						
	Property many successes													
The color of the	Land and land rappay of money. Harkboose and for distance money.	8 158,384	165 127		1,546,857			10.476.80.1						10.100
235,58,848 10,000 11,000	Equipment and other	218,340,465	OF 000	11,789	911,871,92	5,986,586 F0.156.138		22,644,503		27.09.07	1900.45	3,835		125,821,610
\$\(\frac{250\text{Minches}}{250\text{Minches}} \) \(\frac{11\text{Minches}}{12\text{Minches}} \) \(11\text{Minche	Cansanchea in progress instruction with to complex, at Schreines 30, 20,11. § 172,976,704.	313 30 50				0.00		207,422,140		2.1.11.12.2.2.2.2.2.2.2.2.2.2.2.2.2.2.2		664,10°		291 542,728
\$\frac{2.20}{2.00}\$\frac{3.539}{2.00}\$\frac{1.12.864}{2.00}\$\frac{1.23.945}{2.00}\$		420,119,042	025,995 +	11 789	106,488,980	16 142,714		27,578,848 644,132,301		10 (4/1)80	221.16.	1 69 242	MANAGORIA MANAGO	77.478.848
\$ \frac{5}{11.541.541}\$ \$ \$ \text{\$ \tex	TAS decontrations of the state	220,285,359	1,117,861	6,800	(71,743,955) \4,745,031	17,709,464) 8,433,660		100 544, 590)		(8,304,090)	(168.908)	0.036 5031	enformense mengenge Vegan. Enfontantione skillen, met deureren sommannen gogen kann	1388,704,091)
\$ 74,710,544 \$ 7,330,025 \$ 7,002,815 \$ 26,257,359 \$ 8,83,982,071 \$ 1,000 \$ 6,198,102 \$ 2,360,919 \$ 7,741,085 \$ \$ 7,430,241 \$ 1,000 \$ 1,000,747 \$ 1,000 \$ 7,510,242 \$ 1,000 \$ 1,000,747 \$ 1,000,747 \$ 1	Standards are an old to be a common of the standards							TO TOUR		7.000,200	600.70	5) 62		26n 715,990
\$ 743 10 (54) \$ 743 13 883 \$ 738 10 2 8 1,00 14 8 1,00 1	Sought were to only the part that the part to the part	8,779,76.8	6,896,675		156,148		ŧ	6,462,823						6,462,823
\$ 75 00.171 \$ 0.022 N.D. \$ 11.00 246 \$ 0.027 N.D. \$ 11.00 246 \$ 0.02 N.D. \$ 11.00 246 \$ 10.02 N.D. \$. •		74,433 XX3	7,340,022	1	\$ 26,237,390		848.982.071	\$ 1.000 \$	₹.198 462	2,366,909	- 1	\$ (3.033.082)	\$,779,765 \$ 856,759 148
\$ 77 00.171 \$ 0.80 0.55 1.448 \$ 4.00.947 \$ 0.27 0.90 \$ 1,000 0.46 \$ 0.80 0.46 \$ 1,000 0.46	Edabities and met assets Onesed behave										**************************************			
1, 105 547 1,	ble -	77 363 131			100000		2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2							
11.07.547		12.263,550			2339.129	130 463	(227 K20)	73 434 66n		385,633				\$ 47.026,942
FROT 687	Concin portion of due 10 related parties	11,107 547	275 275		4,184,788	2004		15 292 335			2	45,008		15387,443
\$\frac{4173}{25}\$ \$\frac{11}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,246} \$\frac{10}{195,245}	INFORCECE EMPLANDS	1.807,681			* U.S. 8 10.7	144 PAC	(5,088,042)	1 800 5 000 1		108 534	2,543,248	81 AB	(230.1%(i'c)	
9.125.536	Other Assinod experies Other peoples of labelters dish and casalal lease additions	4,970 700	344,446	78,843	1.116, 030	771.478		6,348,503		(302,312)	4,879			1,803 683
39 197808 15.445 W 12.416 94,177,111 17.644,1845 6,247,282 133,282 132,382 10.00 4,516,720 (273,81) 17.523,822 23.2100,000 23.2100,0	Teral curcuit fahilities	49.123,756	1,195,746	10,501	14,171,184,01	8,835,631	(5,314,862)	3,024,773	and the state of t	T82 300	014 1000	637610	Annual managed of the Color of	10.760
	Sc 8+19suran, habilings	39 197,898			3			39 197 898					1**Barrer 1811.7	*· TTC
\$242,105,000 \$2	Assenced personal habilities and willen	15.647.308	11.116	0.4 177 4411	2177.16015	197								49 FV 898
\$25,100,000 \$22,100,000 \$22,585,30 \$2,585,345 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,349 \$2,785,348 \$2,785	Months to talk the second of t			*	**************************************	0.247.250		1 15, 72 (XGZ		12.648		230,830		183,947,850
\$22,104,000 \$12,255,304 \$1,355,49 \$2,373,	roc to tedaco parties				5,2143 [50	†28°, (c)	(5,98) (,024)							
\$2.255.764 17.19.907 186.867.2904 24.440.209 10.481.644 (17.19.907) 280.10.285 1 0 0 0 4.516.729 (233.804) 17.55.427 (23.84.44) 23.787.448 (0.049.95) 10.049.95 (23.84.48) 10.049	l Ougstenn debt and capital fease obligations, less current portion	282, lott, pth			1,444,718			253,514,718						142 615 218
\$12,285,261 12,109,907 (80,867,290) 24,440,209 [0,481,644 (17,109,007) 280,340,385 [1 000 4,516,720 (233,80) 1775,027 [100,649,395 [100	NOT RESIDE													B15'49C'V5'5
27 387 449 22 387 448 5,250 596 544 60,049,395 5,750 5448 60,049,395 5,750 52 52 587 548 60,049,395 5,750 55 560,841 58 5,750 50 50 50 50 50 50 50 50 50 50 50 50 5	University, ted	532,255,763	17,159,907	186,867,2901	24,410,209	10,481,663	(7.9.907)	280 310 285	1880	1 4 F.S. 7 P.	CN23 O(0).	1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2		
88.24.30 54 7 12.521 (88.867.390) 31.889.54 (64.184.64) 31.885.207 (73.115.34.84.87) (1.00 4.516.25) 27.24.34.885 (73.115.34.88.7 (1.00 4.516.25) 27.24.34.885 (73.115.34.88.7 (1.00 4.516.25) 27.24.381) 18.75.885 (73.115.34.88.7 (1.00 4.516.25) 27.24.381) 18.75.885 (73.115.34.88.7 (1.00 4.516.25) 27.24.385 (73.115.34.88.7 (1.00 4.516.25) 27.24.385 (73.115.34.88.7 (1.00 4.516.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.25) 27.24.385 (73.115.24.2	remporatry asstrates	27,787,449	22,787,448		2,241,946		(27,787,448)	10,049,195		i F	(I wo', v *)	100,007		186,409,831 341,149,404
\$ 74.5(0,44) \$ 74.5(1,44) \$ 7.4(0,12) \$ 7.1(62,44) \$ 5.0(2/57.90) \$ (44.542.64) \$ 8.48(982.07) \$ 1.1(00) \$ 1.1(6,00) \$ 7.1(108) \$		38 241 578	1 :	(86,867,190)	1		(72,125,72))	1,885,202	1.0009	1 516 7 10	(322 801)	1875.626	APP THE PARTICULAR STREET AND ADDRESS OF THE PROPERTY OF THE PARTICULAR STREET, AND ADDRESS OF THE PARTICULA	21,885,207
OVERTICAL DESCRIPTION OF THE PROPERTY OF THE P		\$ 445,016,440 \$		7,840,022	2 1 X 2 X 1	20,257 7901 8	(K4, 542, G07) \$	2 17 0 CNO XLX	7 000 1	2 102 301 5	0.007 998 +	0.00,00	CHEST CONTRACTOR CONTR	745.404.447

Consolidating Statement of Operations

Year Ended September 30-2041

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Unrestricted revenies

Орення вклям бебяк резвыя силаниси спаде

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Ренямителители създе Оресанце писине 1658)

Income un expense

Esperacis Salamas, benetits and focs. Supplies and other Institute Depreciation and amortization

Danbury	Western Connecteut Health Network		New Milford	Western Connection Medical		Овіздавей	Western Connecticat Health Network	Business	Western Connecticut Home	Regional Hospice of Western		
Hespital	Foundatum, 1sc.	Network, Inc.	Hospital	Group, P.C.	Fleminations	Group	Afficates, Inc.	System, Inc.	Care, Inc.	Connection, Inc. Eliminations	F. Brandations	Total
197, 720, 494	Ş	\$ 2.746 465	\$ 90,388,107	\$ 96,212,442	\$ 1057,761, \$	1493,2591 \$ 686,774,245	\$ 15,492,962	\$ 13,341,707	\$ 4,088,750	\$ 1,366,962	\$ (509,448) \$	720,425,178
18 183 085	17	127,402	2.545,989	5,256,573	ŧ	26,113 049	945,346	8.886	48,657	1,624		36 465 537
474,537,485		2,619,067	88,042,118	90,955 809	(492,259)	660,6a1 196	14,201,652	11 302 823	1,040,093	1,36,117	(509,448)	0.04.059.651
2.894,766			204,673			3,1199,439			04979			3,147,029
16,951 609	To an openior year plants as a summer a summer a passociation of the	11.852	2,623,354	42,750,57%	1592(945)	11.827,425	129,589	440, 786	163,802		1777750	14 089, 110
499,383,780		2 630 915	96.870 545	133,708,442	(49,009,622)	677 584,060	18,331,241	13,740,487	1,271,534	1,303,337	(1,063,920)	711,234,840
308,540,688		2,721,382	829711.18	123,223,653	(41.785,41))	446,048,288	7,240,478	1.887,198	3,477,917	094.174.1	(7.645)	459 799,796
130,049,238		2,8%,058	29,943,027	19,836,126	(2,489,854)	180,775,995	4.976.212	11,872 067	1.123,964	155,020	(921 627)	199,184,231
8742635			16411.492	3,155,388	(4,766,880)	8,742,635	008.26	11,756	29, 340	1,272	(134.648)	8,742,634
27,369.949		126,743	4,855,136	1.279.271		54,931,059	1,2%,483	12,027	22,736	127.43		36.2346.636
4,587.742	Activities and the state of the	\$97°ts2	511.926	49,870	(49,870)	5,132,973	54,967				(54,967)	5,313,933
479,890,252	Address of the State of the Sta	6.220,368	91,266,250	WOL ##57#1	(79,484,217)	675 R31 9 B1	14.012.280	13,742,614	4,7kH,614	1.534,173	(4,118,887)	709 297,251
19,403,528		(5,589,193)	(104,714)	0.08 358,510	79,305	1,752 150	418,984	(42,427)	(433,079)	(160 836)	54.967	685,850+
The state of the s	A CONTRACTOR OF THE PROPERTY O	1(0,337,442)				(00330,542)				3		1215,532,5421
805'261'61		43.1679767413	(194,714)	(13,815,866)	595.65	(8.585,392)	418.961	(42.423)	(433,079)	(160,836)	54.967	(8,398,953
		(758)				(054)		03-60				11,1880)
	1,255,518		1, 370,047			2,742,161			861 83	110,643		4, Ind. 972
6, 100, 390		(101,324)	235,285	1.746	(451,510)	9,366,852	3,8 40		16.988	22.759	(54.967)	01,145,419
01,979,4391	(117,438)					(3,6%0,877)			(18,760)			0.71%643
F: (5)					(7) (35)				E			
	(2.745,901)		(438,988)		71,915	1479,741,574						(3.213.974 _c
7 192 to	71.438	(101 374)	1,232,940	912.5	(0.0181)	5,248,162	3.8%		11,147	\$62,402	(\$4.9(7)	4.502.784
2.2 (8.5,920)	\$ 71,438	\$ (14,029,009)	\$ 837,226	\$ (13,832,820)	\$ (55772) \$	(3377.980) \$	132 791	3 (20/F) S	4 (100 2) 31	1015 564	ş.,	1,1,00,7,1,00

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Western Counserhard Health Network Foundation. In:
Operating expenses of the New Mifford Hospital Foundation, tice and
Western Counserhard Health Network Foundation. In.

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Assurance | Tax | Transactions | Advisory

About First & Young

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A CONTRACTOR AND A CONTRACT PROPERTY CARD

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