Consolidated Financial Statements and supplementary Information

Hartford HealthCare Corporation and Subsidiaries
Years Ended September 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Hartford HealthCare Corporation and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended September 30, 2013 and 2012

Contents

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

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

Report of Independent Auditors

Board of Directors
Hartford HealthCare Corporation

We have audited the accompanying consolidated financial statements of Hartford HealthCare Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hartford HealthCare Corporation and Subsidiaries at September 30, 2013 and 2012, 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.

Supplementary Information

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement 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 audit 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

January 28, 2014

Hartford HealthCare Corporation and Subsidiares

Consolidated Balance Sheets

	September 30 2013	September 30 2012
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 293,544**	$ 206,896
Accounts receivable, less allowances for doubtful accounts of approximately $85,968 in 2013 and $64,100 in 2012	**310,228**	272,907
Other receivables	**70,598**	72,013
Inventories of supplies	**25,942**	22,915
Prepaid expenses and other assets	**27,712**	19,105
Current portion of assets whose use is limited	**7,521**	3,105
Total current assets	**735,545**	596,941
Assets whose use is limited:		
Investments and other assets	**548,348**	378,117
Investments for restricted purposes	**307,583**	259,040
Escrow funds for long-term debt	**11,768**	52,448
Funds designated for debt service	**23,281**	19,557
Investments held by CHS Insurance Limited	**165,880**	–
	1,056,860	709,162
Funds held in trust by others	**178,081**	166,612
Other assets	**113,591**	150,759
Property, plant, and equipment, net	**997,369**	790,224
Total assets	**$ 3,081,446**	$ 2,413,698
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 42,742**	$ 60,923
Salaries, wages, payroll taxes, and amounts withheld from employees	**74,218**	58,751
Accrued expenses	**106,914**	84,955
Estimated third-party payor settlements	**29,907**	29,931
Current portion of long-term debt and capital leases	**128,644**	81,143
Current portion of accrued pension liabilities	**33,443**	29,794
Current portion of other liabilities	**1,470**	11,036
Total current liabilities	**417,338**	356,533
Long-term debt and capital leases	**475,689**	403,991
Accrued pension liabilities	**351,613**	641,721
Other liabilities	**74,545**	82,579
Self insurance liabilities	**152,680**	16,961
Total liabilities	**1,471,865**	1,501,785
Net assets:		
Unrestricted	**1,160,932**	509,479
Temporarily restricted	**170,523**	147,379
Permanently restricted	**278,126**	255,055
Total net assets	**1,609,581**	911,913
Total liabilities and net assets	**$ 3,081,446**	$ 2,413,698

See accompanying notes.

Hartford HealthCare Corporation and Subsidiares

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2013	**2012**
	(In Thousands)	
Unrestricted revenues, gains and other support:		
Net patient service revenue	**$ 1,949,253**	$ 1,879,748
Provision for bad debts	**43,010**	57,193
Net patient service revenue less provision for bad debts	**1,906,243**	1,822,555
Other operating revenue	**211,736**	256,850
Net assets released from restrictions for operations	**10,309**	10,688
	2,128,288	2,090,093
Operating expenses:		
Salaries and wages	**1,011,861**	918,718
Employee benefits	**299,157**	284,716
Supplies and other	**419,284**	362,730
Purchased services	**314,419**	336,521
Depreciation and amortization	**102,308**	93,592
Provision for non-patient bad debts	**2,059**	20,019
Interest	**13,969**	13,221
	2,163,057	2,029,517
(Loss) income from operations	**(34,769)**	60,576
Nonoperating income (loss):		
Income from investments, gifts, and bequests, net	**90,364**	23,348
Other	**(5,204)**	(8,785)
Contribution received from asset transfer from VNA East, Inc.	**6,882**	–
Contribution received in the acquisition of Backus	**309,574**	–
	401,616	14,563
Excess of revenues over expenses before change in unrealized gains and losses on investments	**366,847**	75,139
Change in unrealized gains and losses on investments	**(20,567)**	54,000
Excess of revenues over expenses	**346,280**	129,139

Continued on next page.

Hartford HealthCare Corporation and Subsidiaries

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

	September 30 2013	2012
	(In Thousands)	
Unrestricted net assets:		
Excess of revenue over expenses	**$ 346,280**	$ 129,139
Transfer from temporarily restricted net assets	**–**	123
Net unrealized gains and losses on investments	**6,530**	2,153
Net assets released from restrictions used for the purchase of equipment	**7,334**	4,118
Change in pension and post-retirement funding obligation	**300,817**	(116,746)
Other	**(9,508)**	(395)
Increase in unrestricted net assets	**651,453**	18,392
Temporarily restricted net assets:		
Restricted contributions	**10,181**	11,422
Restricted investment income	**34,193**	61
Transfer to unrestricted net assets	**–**	(123)
Realized gains on investments	**11,184**	4,007
Change in unrealized gains and losses on investments	**(18,839)**	25,831
Net assets released from restrictions for operations	**(10,309)**	(10,688)
Contribution received from asset transfer from VNA East,	**1,091**	–
Contribution received in the acquisition of Backus	**3,100**	–
Net assets released from restrictions used for the purchase of equipment	**(7,334)**	(4,118)
Other	**(123)**	(478)
Increase in temporarily restricted net assets	**23,144**	25,914
Permanently restricted net assets:		
Restricted contributions	**4,723**	967
Restricted investment income	**782**	256
Contribution received from asset transfer from VNA East,	**338**	–
Contribution received in the acquisition of Backus	**8,025**	–
Change in unrealized gains and losses on funds held in trust by others	**9,203**	18,427
Increase in permanently restricted net assets	**23,071**	19,650
Increase in net assets	**697,668**	63,956
Net assets at beginning of year	**911,913**	847,957
Net assets at end of year	**$ 1,609,581**	$ 911,913

See accompanying notes.

Hartford HealthCare Corporation and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2013	**2012**
Cash flows from operating activities		
Increase in net assets	**$ 697,668**	$ 63,956
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash items:		
Contribution received in the acquisition of Backus Corporation	**(320,699)**	–
Contribution received from asset transfer from VNA	**(8,311)**	–
Depreciation and amortization	**102,308**	93,592
Change in unrealized gains and losses on assets whose use is limited	**32,876**	(81,984)
Change in unrealized gains and losses on funds held in trust by others	**(9,203)**	(18,427)
Provision for uncollectible accounts	**43,010**	57,193
Provision for uncollectible accounts, non patient service	**2,059**	20,019
Change in net assets related to pension and post-retirement funding obligation	**(300,817)**	116,746
Change in fair value of interest rate swap agreements	**(3,502)**	896
Other changes in net assets:		
Restricted contributions and investment income	**(61,063)**	(16,713)
Changes in assets and liabilities, net *(Note 13)*	**63,434**	(113,365)
Net cash provided by operating activities	**237,760**	121,913
Cash flows from investing activities		
Purchase of property, plant, and equipment, net	**(166,557)**	(152,253)
(Increase) decrease in assets whose use is limited, net	**(229,723)**	34,315
Cash received in the acquisition of Backus Corporation	**126,238**	–
Cash received in the asset transfer from VNA East	**4,853**	–
Net cash used in investing activities	**(265,189)**	(117,938)
Cash flows from financing activities		
Proceeds from long-term debt and capital leases	**64,218**	60,187
Payments on long-term debt and capital leases	**(11,204)**	(13,610)
Restricted contributions and investment income	**61,063**	16,713
Net cash provided by financing activities	**114,077**	63,290
Net increase in cash and cash equivalents	**86,648**	67,265
Cash and cash equivalents at beginning of year	**206,896**	139,631
Cash and cash equivalents at end of year	**$ 293,544**	$ 206,896

See accompanying notes.

1. Significant Accounting Policies

The accounting policies that affect significant elements of the Hartford HealthCare Corporation and Subsidiaries' (the Corporation) consolidated financial statements are summarized below and in Note 2.

Organization

The Corporation was incorporated on August 21, 1985 as a not-for-profit organization under the Non-Stock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and educational purposes, including the furtherance of the welfare, programs and activities of its subsidiaries.

The Corporation is the sole member of consolidated Hartford Hospital (Hartford), consolidated MidState Medical Center (MidState), combined Windham Community Memorial Hospital Inc. (Windham), consolidated Central Connecticut Health Alliance (CCHA), consolidated H.H.M.O.B, consolidated Hartford HealthCare at Home, Inc. (formerly VNA Health Care, Inc.) (VNA), Natchaug Hospital (Natchaug), consolidated Rushford Center, Inc., Clinical Laboratory Partners, LLC, and PracticeCentral, LLC.

Effective October 1, 2012, CHS Insurance Limited (CHS) became a wholly-owned subsidiary of the Corporation, which involved a repurchase of CHS shares previously owned by Hartford and MidState, along with several other entities. Hartford and MidState previously accounted for their ownership under the equity method of accounting. CHS was incorporated under the laws of Bermuda as a class 2 insurer, on August 30, 1990. CHS provides professional liability and employee benefits liability, in addition to general liability and reinsurance insurance to several Corporation subsidiaries. Refer to Note 10.

Effective January 1, 2013, HHC PhysiciansCare Inc., referred to as Hartford HealthCare Medical Group was formed (HHCMG). The Corporation is the single member of HHCMG, which is a nonprofit organization incorporated under the General Statutes of the State of Connecticut pursuant to Chapter 549b. HHCMG's primary purpose is to practice medicine and provide healthcare services to the public as a medical foundation.

1. Significant Accounting Policies (continued)

Effective April 1, 2013, Hartford HealthCare Endowment LLC (Endowment LLC) became operational to manage the endowment investments for the Corporation. Endowment LLC was formed August 29, 2011 for the purpose of maintaining and managing, on a pooled basis, the endowment investments of the Corporation. Endowment LLC holds the endowment investments for Hartford, MidState, VNA, Windham, Hospital of Central Connecticut and Central Connecticut Senior Health Services, Inc. as of September 30, 2013. Endowment LLC acts as manager and is named fiduciary for the Corporation within established investment guidelines. As of April 1, 2013, the endowment investments for Hartford, MidState, VNA, Windham, Hospital of Central Connecticut and Central Connecticut Senior Health Services, Inc. were sold to Endowment LLC, at which time all previously unrealized gains and losses on the sold investments were realized.

Effective August 1, 2013, Backus Corporation and its subsidiaries (collectively referred to as Backus Corporation) was acquired by the Corporation, refer to Backus Corporation Acquisition section of this footnote.

Hartford is a voluntary association incorporated under the General Statutes of the State of Connecticut. The consolidated financial statements of Hartford include Jefferson House and Cedar Mountain Commons (departments of Hartford) and the Institute of Living. Jefferson House is a nursing home facility that is operated as a department of Hartford Hospital as mandated by legislation enacted in 1873. Cedar Mountain Commons is a senior living community that opened in February 2001 and is owned by Hartford and Jefferson House. The Institute of Living is a mental health center in Hartford, Connecticut and is a wholly-owned subsidiary of Hartford.

MidState is a nonprofit organization incorporated under the General Statutes of the State of Connecticut. The consolidated financial statements of MidState include Meriden Imaging Center, which MidState has an 80% ownership interest in.

Windham is a voluntary association incorporated under the General Statutes of the State of Connecticut. The combined financial statements of Windham include The Hatch Hospital Corporation and Windham Hospital Foundation, Inc. The Hatch Hospital Corporation and Windham Hospital Foundation, Inc. are both nonprofit organizations incorporated under the General Statutes of the State of Connecticut.

1. Significant Accounting Policies (continued)

CCHA is a system of health care affiliates that provides a wide array of services throughout the region including the Hospital of Central Connecticut (HOCC) and its wholly owned subsidiary, Grand Indemnity Company, Ltd (GIC), Central Connecticut Senior Health Services, Inc. (CCSHS) (d/b/a Southington Care Center), which includes Mulberry Gardens of Southington, LLC (Mulberry Gardens) and The Orchards at Southington (the Orchards), Community Mental Health Affiliates, Inc. (CMHA), and CenConn Services, Inc. (CSI).

H.H.M.O.B. was incorporated under the laws of the State of Connecticut for the purpose of operating a medical office building. The consolidated financial statements of H.H.M.O.B. include Eastern Rehabilitation Network.

VNA is a nonprofit, nonstock Connecticut corporation, founded in 1901, which was incorporated on March 1, 1986 as the parent company and sole member of VNA Health Resources, Inc. VNA provides corporate management, financial and other services to its subsidiary. Effective January 1, 2012, VNA executed an asset purchase agreement with VNA of Central Connecticut, Inc., a then wholly owned subsidiary of CCHA. Effective July 1, 2013, VNA also executed an asset transfer agreement with VNA East, Inc, a non stock corporation organized in Connecticut whose primary purpose is to provide home health care services the citizens of Eastern Connecticut.

Natchaug is a nonprofit organization incorporated under the General Statutes of the State of Connecticut. Natchaug provides inpatient and outpatient psychiatric healthcare services.

Rushford Center, Inc. is a nonprofit organization that includes Rushford Foundation, Inc. The Foundation is a nonprofit agency in which Rushford Center, Inc. is a 100% owner.

Clinical Laboratory Partners, LLC was created in 1998 through a merger of three Connecticut based laboratories.

PracticeCentral, LLC became operational in fiscal year 2012 and facilitates the adoption of electronic health systems by physician practices throughout the state of Connecticut for effective data sharing and clinical integration.

All material intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

1. Significant Accounting Policies (continued)

Backus Corporation Acquisition

On August 1, 2013 (the Acquisition Date), the Corporation acquired Backus Corporation, a system of heath care affiliates that provides services throughout the eastern region of Connecticut including The William W. Backus Hospital (Backus), Backus Health Care, Inc., WWB Corporation, Omni Home Health Services of Eastern Connecticut LLC dba Backus Home Health Services, and Backus Physician Services, LLC. The Corporation became the sole corporate member of Backus Corporation and a full corporate affiliation was completed.

Pursuant to the acquisition agreement, the Corporation acquired Backus Corporation by means of an inherent contribution where no consideration was transferred by the Corporation. The Corporation accounted for this business combination by applying the acquisition method, and accordingly, the inherent contribution received was valued as the excess of assets acquired over liabilities assumed. In determining the inherent contribution received, all assets acquired and liabilities assumed were measured at fair value as of the Acquisition Date. The results of Backus Corporation's operations have been included in the consolidated financial statements since the Acquisition Date.

1. Significant Accounting Policies (continued)

Backus Corporation Acquisition (continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the Acquisition Date:

	August 1, 2013
	(In Thousands)
Assets	
Cash and cash equivalents	$ 126,238
Accounts receivable, net of allowance for doubtful accounts	33,341
Prepaid expenses and other assets	3,429
Assets limited as to use	153,256
Funds held in trust by others	2,473
Property, plant and equipment, net	141,450
Other assets	13,654
Total assets acquired	$ 473,841
Liabilities	
Accounts payable and accrued expenses	$ 13,529
Salaries, wages and payroll taxes withheld from employees	8,319
Estimated third-party payor settlements	16,103
Other liabilities	20,805
Long-term debt	69,687
Accrued pension liability	24,699
Total liabilities assumed	153,142
Excess of assets acquired over liabilities assumed	$ 320,699
Net assets acquired	
Unrestricted	$ 309,574
Temporarily restricted	3,100
Permanently restricted	8,025
	$ 320,699

1. Significant Accounting Policies (continued)

Backus Corporation Acquisition (continued)

The following table summarizes the operating revenue and changes in net assets attributable to Backus Corporation since the Acquisition Date that are included in the accompanying consolidated financial statements.

	Period from August 1, 2013 to September 30, 2013
	(In Thousands)
Total operating revenue	$ 48,206
Change in net assets:	
Unrestricted net assets	6,359
Temporarily restricted net assets	206
Permanently restricted net assets	43
Total change in net assets	$ 6,608

The following table represents unaudited pro forma financial information, assuming the acquisition of Backus had taken place on October 1, 2011. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effected on the Acquisition Date.

	Year Ended September 30,	
	2013	**2012**
Total operating revenue	**$ 2,371,083**	$ 2,386,411
Change in net assets:		
Unrestricted net assets	**418,797**	51,856
Temporarily restricted net assets	**20,459**	27,405
Permanently restricted net assets	**15,358**	19,957
Total change in net assets	**$ 454,614**	$ 99,218

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Regulatory Matters

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

Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of the Corporation's financial instruments are disclosed in Note 5.

Cash and Cash Equivalents

Cash and cash equivalents include cash, commercial paper, and corporate and government bonds that are available to be converted to liquid assets within three months. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Corporation's policy to monitor the financial strength of those institutions.

Patient Accounts Receivable

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

1. Significant Accounting Policies (continued)

Patient Accounts Receivable (continued)

The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage, and other collection indicators. See Note 2 for additional information relative to third-party payor programs.

The Corporation's primary concentration of credit risk is patient accounts receivable, which consist of amounts owed by various governmental agencies, insurance companies, and private patients. The Corporation 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 includes 20% and 9%, and 21% and 10%, for Medicare and Medicaid, respectively, for the fiscal years ended September 30, 2013 and 2012, respectively.

Investments

The majority of the Corporation's investment portfolio is classified as trading with unrealized gains and losses included in the excess of revenues over expenses. CHS and GIC investments are classified as available for sale with unrealized gains and losses excluded from excess of revenues over expenses and included in unrestricted net assets. Unrealized gains and losses are included in unrestricted net assets on the statements of changes in net assets.

Investments held by the Corporation in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value using quoted market prices or model-driven valuations at the consolidated balance sheet date. Alternative investments (nontraditional, not-readily-marketable assets), some of which are structured such that the Corporation 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 Corporation'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 Corporation accounts for these investments using the equity method of accounting and reports its share of the increase or decrease in the fund's value as investment gain

1. Significant Accounting Policies (continued)

Investments (continued)

or loss. 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 Corporation's annual consolidated financial statement reporting.

Alternative investments held by the defined benefit pension plans are held at fair value as estimated in an unquoted market. Valuations of those investments, and therefore the Corporation's holdings may be determined by the investment manager and are primarily based on the underlying securities. Assets temporarily and permanently restricted (by donor) are recorded at fair value at the date of donation, which is then considered cost. Investment income (including realized gains and losses on investments, interest and dividends, and the change in unrealized gains and losses) is included in nonoperating income unless the income or loss is restricted by the donor or law. The cost of securities sold is based on the specific identification method.

The Corporation holds nonmarketable equity investments in private companies. At September 30, 2013 and 2012, the carrying value of the Corporation's portfolio of strategic investments totaled $7,746,899 and $7,454,065, respectively of which $76,751 are accounted for at cost and $6,791,082 and $6,501,642 are accounted for using the equity method of accounting at September 30, 2013 and 2012, respectively. These investments are included in other assets on the consolidated balance sheets. The Corporation's share of the income or losses of all equity-method investees, using the most current financial information available, which reflects the financial performance three months in arrears, is included in nonoperating income.

Inventories

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

Goodwill

Goodwill represents the excess of cost of an acquired entity over the net of the amounts assigned to the fair value of assets acquired and liabilities assumed. As of September 30, 2013 and 2012, goodwill of approximately $25,800,000 is recorded in the Corporation's consolidated balance sheets within other assets. Goodwill is reviewed annually for impairment or more frequently if

1. Significant Accounting Policies (continued)

Goodwill (continued)

events or circumstances indicate that the carrying value of an asset may not be recoverable. The impairment test for goodwill requires a comparison of fair value of each reporting unit that has goodwill associated with its operations with its carrying amount. During 2013, the Corporation adopted the provisions of Accounting Standards Update (ASU) 2011-08, *Testing Goodwill for Impairment*, which allows the Corporation to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative impairment test for goodwill. Refer to New Accounting Pronouncements section.

The impairment test includes estimating the fair value of each of the reporting units that have goodwill associated with their operations using discounted cash flow and multiples of cash earnings valuation techniques, plus valuation comparisons to recent public sales of similar businesses, if any. These valuation methods require the Corporation to make estimates and assumptions regarding future operating results, cash flows, changes in working capital and capital expenditures, profitability, and the cost of capital. Although the Corporation believes that the estimates and assumptions used are reasonable, actual results could differ from the estimates and assumptions. No impairments were recorded for goodwill for the fiscal years ended September 30, 2013 and 2012.

Property, Plant, and Equipment

Property, plant, and equipment are stated on the basis of cost. The Corporation provides for depreciation of property, plant and equipment and assets under capital leases using the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives, which range from 3 to 40 years.

Conditional asset retirement obligations recorded under the provisions of Accounting Standards Codification (ASC) 410-20, *Asset Retirement Obligations*, amounted to $3,972,000 and $3,994,000 as of September 30, 2013 and 2012, respectively. These obligations are recorded in other noncurrent liabilities in the accompanying consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2013 and 2012, retirement obligations incurred and settled were approximately $14,000 and $619,000, respectively. Accretion expense was immaterial for the fiscal years ended September 30, 2013 and 2012.

1. Significant Accounting Policies (continued)

Assets Whose Use is Limited

Assets whose use is limited includes assets that are set aside internally by management or by the Board of Directors for future capital improvements, research, donor-restricted assets, education, investments held by CHS, escrow funds, and debt service funds for existing obligations on outstanding long-term debt. Amounts that are restricted by the Board of Directors are not available for use without the approval of the Board of Directors. Restricted investment income in excess of a predetermined spending limit has also been set aside as long-term investments. Investments for restricted purposes are those restricted based on donors' intents.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors and are maintained by the Corporation in perpetuity. The Corporation is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value. The investment income generated from these funds is expendable to support healthcare services, and the assets are classified as permanently restricted.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Unrestricted contributions are recorded, net of expenses, within other operating revenue.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are unrestricted contributions in the accompanying consolidated financial statements, except those relating to donations of long-lived assets.

1. Significant Accounting Policies (continued)

Bond Issuance Costs

Bond issuance costs associated with long-term debt for capital projects are amortized over the term of the debt using a method that approximates the effective interest method. Bond issuance costs of approximately $5,365,000 and $5,557,000 are recorded in other assets in the consolidated balance sheets as of September 30, 2013 and 2012, respectively.

Interest Rate Swap Agreements

The Corporation utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. The Corporation does not hold or issue derivative financial instruments for trading purposes. The Corporation may be exposed to credit loss in the event of nonperformance by the counterparties to its interest rate swap agreements. Interest rate swap agreements are reported at fair value. Changes in fair value are recognized in the performance indicator in the consolidated statements of operations and changes in net assets.

Other Operating Revenue

Other operating revenue includes services to other institutions, electronic health record incentive program revenue, school tuition, rental income, grant income, research income, and unrestricted contributions. The equity earnings of CHS were included for the year ended September 30, 2012.

Nonoperating Income

Nonoperating income includes income on investments, realized and unrealized gains and losses on trading investments, restricted gifts, bequests, changes in the fair value of swap agreements and the excess of revenues over expenses of Jefferson House and Cedar Mountain Commons.

Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the excess of revenues over expenses as the performance indicator. Changes in unrestricted net assets, which are excluded from the excess of revenues over expenses, include the changes in pension and post-retirement funding obligations, net assets released from restrictions for the purchase of equipment, unrealized gains and losses on other than trading investments and permanent transfers of assets to and from affiliates.

1. Significant Accounting Policies (continued)

Unpaid Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses and related reinsurance recoverable for CHS and GIC includes case basis estimates of reported losses, plus supplemental amounts calculated based upon loss projections utilizing actuarial studies, each entities' own historical data and industry data. In establishing this reserve and the related reinsurance recoverable, CHS and GIC utilize the findings of an independent consulting actuary.

Management believes that its aggregate reserve for losses and loss adjustment expenses and related reinsurance recoverable at year end represents its best estimate, based on the available data, of the amount necessary to cover the ultimate cost of losses and the amount of such losses that will be recovered under reinsurance programs; however, because of the nature of the insured risks and limited historical experience, actual loss experience may not conform to the assumptions used in determining the estimated amounts for such asset and liability at the consolidated balance sheet dates. Accordingly, the ultimate asset and liability could be significantly in excess of or less than the amount indicated in these consolidated financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

Recognition of Premium Revenues

Premiums written for CHS and GIC are earned on a pro-rata basis over the related policy period. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums.

Reinsurance

In the normal course of business, CHS and GIC seek to reduce their loss exposure by reinsuring certain levels of risk with reinsurers. Premiums ceded are expensed over the term of their related policies.

1. Significant Accounting Policies (continued)

Income Taxes

The Corporation and all of its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code except for Clinical Laboratory Partners, LLC, CSI and H.H.M.O.B. and its subsidiaries, which are taxable entities of which income taxes are immaterial. For all entities included within the Corporation, certain net operating loss carry forwards of $16,636,000 from unrelated business activities generate a potential deferred tax asset of approximately $6,654,000. No deferred tax asset has been recorded as this amount is offset by a valuation allowance of the same amount.

CHS and GIC are insurance companies organized under the laws of Bermuda. CHS and GIC have received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until the year 2016.

Electronic Health Record Incentive Program

The Centers for Medicare & Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The Corporation uses a grant accounting model to recognize EHR incentive revenues. EHR incentive revenues are recognized ratably over the relevant cost report period to determine the amount of reimbursement. Accordingly, the Corporation recognized approximately $10,400,000 and $14,300,000 of EHR revenues during the fiscal years ended September 30, 2013 and 2012, respectively. Correspondingly, the Medicare and Medicaid components, respectively, of EHR revenues are approximately $7,900,000 and $2,500,000 and $10,400,000 and $3,900,000 for 2013 and 2012, respectively. EHR incentive revenues are included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets.

1. Significant Accounting Policies (continued)

Electronic Health Record Incentive Program (continued)

The Corporation's attestation of compliance with the meaningful use criteria is subject to audit by the federal government or its designee. Additionally, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, to amend the requirement for measuring and disclosing information about fair value that results in common principles between U.S. GAAP and International Financial Reporting Standards (IFRSs). The amendments clarify the FASB's intent about the application of existing fair value measurement and disclosure requirements and change particular principles and requirements for measuring or disclosing information about fair value. Principles changed include measuring fair value of financial instruments that are managed within a portfolio, application of premiums and discounts in the fair value measurement, and additional disclosures about fair value measurements. The standard became effective for the Corporation for annual reporting periods beginning after December 15, 2011. The Corporation adopted the provisions of this standard on October 1, 2012. The adoption had no effect on previously reported excess of revenues over expenses or net assets.

In July 2012, the FASB issued ASU 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, to allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under this standard, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The standard became effective for the Corporation for annual reporting periods beginning after September 15, 2012. The Corporation adopted the provisions of this standard on October 1, 2012, and its adoption did not affect excess of revenues over expenses or net assets. Based on the examination of qualitative factors at year-end 2013, the Corporation concluded that it was not more likely than not that the fair value was less than carrying value; therefore, no further testing of the goodwill was required.

1. Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the fiscal year ended September 30, 2012, balances previously reported in the consolidated balance sheet and statement of operations and changes in net assets in order to conform with the fiscal year ended September 30, 2013, presentation. These reclassifications relate to approximately $14,900,000 of other long-term liabilities which were moved to self-insurance liabilities within the consolidated balance sheets.

2. Net Patient Service Revenue and Charity Care

Revenues from the Medicare and Medicaid programs, respectively, accounted for approximately 34% and 11%, and 35% and 11% of the Corporation's net patient service revenue for the fiscal years ended September 30, 2013 and 2012, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Corporation.

The following table summarizes revenue from services to patients:

	2013	2012
	(In Thousands)	
Gross patient service revenue	**$ 4,664,919**	$ 4,294,961
Deductions:		
Contractual allowances and discounts	**2,658,150**	2,372,213
Charity care	**57,516**	43,000
Net patient service revenue	**1,949,253**	1,879,748
Provision for bad debts	**43,010**	57,193
Net patient service revenue less provision for bad debts	**$ 1,906,243**	$ 1,822,555

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

The Corporation has agreements with third-party payors that provide for payments to the Corporation 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 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 2013 and 2012, the Corporation recorded net changes in estimates of approximately $9,439,000 and $23,805,000, respectively, which primarily related to better than previously estimated third-party payor settlements.

The Corporation 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 Corporation-specific data. Such amounts are included in the accompanying consolidated balance sheets. Additionally, certain payors' payment rates for various years have been appealed by the Corporation. If the appeals are successful, additional income applicable to those years might be realized.

The Corporation has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under those agreements, the HMOs make fee-for-service payments to the Corporation for certain covered services based upon discounted fee schedules. In addition, the Corporation receives monthly capitation payments from certain HMOs based on the number of each HMO's participants, regardless of services actually performed by the Corporation.

The Corporation accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Corporation. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Corporation utilizes the generally recognized poverty income levels for the State of Connecticut but also includes certain cases where incurred charges are significant when compared to incomes.

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

The Corporation'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 Corporation reviews its accounts receivable balances, the effectiveness of the Corporation's reserve policies, and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- 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.
- Various allowance coverage statistics.

The Corporation regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to help determine the reasonableness of its process for estimating the allowance for doubtful accounts.

The Corporation provides services without charge or at amounts less than its established rates to patients who meet the criteria of its charity care policy. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such services are not reported as revenue. For patients who were determined by the Corporation to have the ability to pay but did not, the uncollected amounts are recorded as part of the provision for bad debts. In distinguishing charity care from the provision for bad debts, a number of factors are considered, certain of which require a high degree of judgment.

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

	2013	**2012**
Medicare	**40%**	39%
Medicaid	**13**	12
Self-pay	**4**	4
All other	**43**	45
	100%	100%

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

The estimated cost of charity care provided was approximately $27,730,000 and $20,292,000 for the fiscal years ended September 30, 2013 and 2012, respectively. The estimated cost of charity care is based on the ratio of cost to charges, as determined by hospital-specific data.

3. Net Assets

Temporarily restricted net assets at September 30 are available for the following purposes:

	2013	2012
	(In Thousands)	
Healthcare services:		
Free beds	**$ 39,120**	$ 30,492
Research	**40,463**	35,344
Education	**14,532**	11,793
Capital replacement	**23,063**	13,996
Other health care services	**53,345**	55,754
	$ 170,523	$ 147,379

3. Net Assets (continued)

Permanently restricted net assets at September 30 are restricted for:

	2013	2012
	(In Thousands)	
Investments to be held in perpetuity, the income from which is expendable to support health care services	**$ 77,562**	$ 66,853
Endowment requiring income to be added to original gift to support health care services	**22,483**	21,590
Restricted funds held in trust by others, the income from which is expendable to support health care services	**178,081**	166,612
	$ 278,126	$ 255,055

The Corporation's endowment consists of hundreds of individual funds established for a variety of purposes. Those funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

3. Net Assets (continued)

The Board of Directors of the Corporation 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 Corporation classifies as permanently net restricted assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time 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 Corporation 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 Corporation 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 Corporation
7) The investment policies of the Corporation

The Corporation 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 Corporation must hold in perpetuity or for a donor-specific period(s). Under this policy, as approved by the 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 4% over the long term with Backus established at 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Corporation 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 Corporation targets a diversified asset allocation that places a greater emphasis on equity-based alternative investments to achieve its long-term objective within prudent risk constraints.

3. Net Assets (continued)

The Corporation has a policy of appropriating for distribution each year 4% of the four quarter average market value of each fiscal year in which the distribution is planned. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns. Backus, HOCC, MidState, Windham, VNA and Rushford evaluated endowment spending based on need and current market conditions as well as long-term investment goals.

Endowment net asset composition (excluding funds held in trust by others) by type of fund as of September 30, 2013, consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ –	$ 86,977	$ 100,145	$ 187,122
Board-designated endowment funds	137,407	–	–	137,407
	$ 137,407	$ 86,977	$ 100,145	$ 324,529

3. Net Assets (continued)

Changes in endowment funds for the fiscal year ended September 30, 2013, consisted of the following (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 117,429	$ 73,098	$ 88,443	$ 278,970
Additions:				
Acquisition of Backus Corporation	–	1,548	4,965	6,513
Assets transferred from VNA East, Inc.	7,441	1,091	338	8,870
Endowment net assets after additions	$ 124,870	$ 75,737	$ 93,746	$ 294,353
Investment return:				
Investment income	1,624	1,772	1,026	4,422
Net appreciation (realized and unrealized)	11,483	14,120	347	25,950
Total investment return	13,107	15,892	1,373	30,372
Contributions	37	4	4,719	4,760
Other	–	–	207	207
Appropriation of endowment assets for expenditure	(607)	(4,656)	–	(5,263)
Endowment net assets, end of year	$ 137,407	$ 86,977	$ 100,045	$ 324,429

Endowment net asset composition (excluding funds held in trust by others) by type of fund as of September 30, 2012, consisted of the following (in thousands):

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ –	$ 73,098	$ 88,443	$ 161,541
Board-designated endowment funds	117,429	–	–	117,429
	$ 117,429	$ 73,098	$ 88,443	$ 278,970

3. Net Assets (continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of the year	$ 103,828	$ 59,392	$ 87,220	$ 250,440
Reclassifications	1,230	(1,230)	–	–
Endowment net assets after reclassification	105,058	58,162	87,220	250,440
Investment return:				
Investment income	1,785	804	229	2,818
Net appreciation (realized and unrealized)	10,913	19,335	27	30,275
Net asset reclassification – net unrealized loss on endowments	123	(123)	–	–
Total investment return	12,821	20,016	256	33,093
Contributions	62	–	967	1,029
Appropriation of endowment assets for expenditure	(512)	(5,080)	–	(5,592)
Endowment net assets, end of year	$ 117,429	$ 73,098	$ 88,443	$ 278,970

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor, as stipulated by UPMIFA, requires the Corporation to retain as a fund of perpetual duration. These deficiencies periodically result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions, in which case the Board of Directors may deem imprudent the continuation of appropriation for a limited period. There were no material deficiencies of this nature which are reported in the unrestricted net assets as of September 30, 2013 and 2012.

4. Assets Whose Use is Limited

Included in assets whose use is limited are the following amounts:

	September 30	
	2013	**2012**
	(In Thousands)	
Cash and cash equivalents	**$ 36,510**	$ 18,599
Money market funds	**53,188**	72,742
Equity securities:		
U.S.	**205,478**	51,697
International	**162,744**	443
Fixed income bonds:		
U.S.	**69,032**	46,008
International	**85,730**	237
Mutual funds:		
U.S.	**83,094**	190,781
International	**12,117**	87,424
Common collective funds:		
U.S.	**199,836**	136,111
International	**–**	51,786
Alternative investments and other classifications	**151,687**	52,122
Other notes and accounts receivable	**2,123**	130
Pledges receivable, net	**2,842**	4,187
	$ 1,064,381	$ 712,267

4. Assets Whose Use is Limited (continued)

The composition and presentation of income from investments, gifts and bequests, net, which are included in nonoperating income in the consolidated statements of operations and changes in net assets are as follows:

	Year Ended September 30 2013	2012
	(In Thousands)	
Interest and dividend income	**$ 19,793**	$ 10,522
Realized gains on investments, net	**69,079**	7,534
Other	**1,492**	5,292
	$ 90,364	$ 23,348

Investments held by CHS and GIC have been classified as available for sale and are recorded at market value and are adjusted for any other than temporary declines in fair value. The cost, gross unrealized gains and losses and market value of the investments held by CHS and GIC as of September 30, 2013, are as follows:

	Cost/ Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
US government securities	$ 24,535,595	$ 43,093	$ (126,295)	$ 24,452,393
US agency securities	18,567,869	25,634	(237,793)	18,355,710
Mortgage backed securities	5,910,734	109,116	(89,218)	5,930,632
Corporate debt securities	25,803,542	54,858	(171,862)	25,686,538
Bond funds	42,973,170	1,429,433	(386,333)	44,016,270
Equity funds	48,044,169	7,943,793	–	55,987,962
Total	$ 165,835,079	$ 9,605,927	$ (1,011,501)	$ 174,429,505

4. Assets Whose Use is Limited (continued)

The following tables show CHS and GIC's fixed income securities' gross unrealized losses and fair value, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position as of September 30, 2013.

	Less than Twelve Months		**Over Twelve Months**	
	Gross Unrealized Losses	**Market Value**	**Gross Unrealized Losses**	**Market Value**
US Government Securities	$ (126,295)	$ 9,481,095	$ –	$ –
US Agency Securities	(237,793)	12,644,974	–	–
Mortgage Backed Securities	(89,218)	3,829,832	–	–
Corporate Debt Securities	(171,862)	17,238,147	–	–
	$ (625,168)	$ 43,194,048	$ –	$ –

Management evaluates investments for other than temporary impairment at least annually and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value is less than cost, the financial condition of the issuer, and the intent and ability of the Corporation to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. The Corporation has determined that the unrealized losses are deemed to be temporary impairments as of September 30, 2013.

Contractual maturities of fixed income securities as of September 30, 2013, are as follows:

	Amortized Cost	**Fair Value**
Due within one year	**$ 9,120,621**	$ 9,129,489
Due after one year through five years	**46,768,934**	46,755,825
Due after five years through ten years	**8,977,442**	8,791,639
Due after more than ten years	**9,950,643**	9,748,220
	$ 74,817,640	$ 74,425,173

5. Fair Values of Financial Instruments

As defined in ASC 820, *Fair Value Measurement*, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

> *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 are based on inputs not quoted in active markets, but corroborated by market data.
>
> *Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Corporation 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.

5. Fair Values of Financial Instruments (continued)

Financial assets and liabilities carried at fair value in the accompanying consolidated balance sheets, excluding assets invested in the Corporation's pension plans, are classified in the following tables below in one of the three categories described above (in thousands):

	September 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash and cash equivalents	$ 293,544	$ –	$ –	$ 293,544
Assets whose use is limited:				
Cash and cash equivalents	11,565	24,945	–	36,510
Money Market funds	53,188	–	–	53,188
Equity securities:				
U.S.	205,478	–	–	205,478
International	162,744	–	–	162,744
Fixed income bonds:				
U.S.	–	69,032	–	69,032
International	–	85,730	–	85,730
Mutual funds:				
U.S.	49,131	33,963	–	83,094
International	11,608	509	–	12,117
Common collective funds:				
U.S.	–	199,836	–	199,836
Alternative investments:				
U.S.	–	3,589	53,988	57,577
International	–	2,790	5,760	8,550
Other assets:				
Mutual funds:				
U.S.	36,914	515	–	37,429
International	1,851	–	–	1,851
Funds held in trust by others	–	178,081	–	178,081
Total	$ 826,023	$ 598,990	$ 59,748	$ 1,484,761
Liabilities				
Interest rate swaps	$ –	$ 7,365	$ –	$ 7,365

5. Fair Values of Financial Instruments (continued)

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 206,896	$ –	$ –	$ 206,896
Assets show use is limited:				
Cash and cash equivalents	18,599	–	–	18,599
Money market funds	72,742	–	–	72,742
Equity securities:				
U.S.	51,697	–	–	51,697
International	443	–	–	443
Fixed income bonds:				
U.S.	124	45,884	–	46,008
International	178	59	–	237
Mutual funds:				
U.S.	77,458	113,323	–	190,781
International	87,424	–	–	87,424
Common collective funds:				
U.S.	–	136,111	–	136,111
International	–	51,786	–	51,786
Alternative investments	–	2,768	27,238	30,006
Other	–	232	–	232
Other assets:				
Mutual funds:				
U.S.	8,601	329	–	8,930
International	1,118	–	–	1,118
Funds held in trust by others	–	166,612	–	166,612
Total	$ 525,280	$ 517,104	$ 27,238	$ 1,069,622
Liabilities				
Interest rate swaps	$ –	$ 10,867	$ –	$ 10,867

5. Fair Values of Financial Instruments (continued)

The amounts reported in the preceding tables do not include alternative investments totaling approximately $85,560,000 and $21,884,000 as of September 30, 2013 and 2012, respectively, that were accounted for under the equity method of accounting.

The Corporation established a Pension Plan Master Trust effective May 1, 2011. Each respective entity owns participant units in the trust. The Plan's assets are invested in a master trust consisting of cash and cash equivalents, equities, fixed income funds, and alternative investments. The Trust also invests in derivative instruments, the purpose of which is to economically hedge the change in the funded status of the Plan for a significant portion of the total pension liability that can occur due to changes in interest rates. The plan follows a three-level hierarchy, which are measured at fair value on a recurring basis and were categorized as Level 1, Level 2 and Level 3 investments, respectively.

Financial assets for the defined benefit plans classified within the Pension Plan Master Trust and Backus Corporation as of September 30, 2013, are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 19,335	$ –	$ –	$ 19,335
Money market funds	2,759	–	–	2,759
Equity securities:				
U.S.	278,324	–	–	278,324
International	244,890	–	–	244,890
Fixed income bonds:				
U.S.	–	117,108	–	117,108
International	–	26,737	–	26,737
Mutual funds:				
U.S.	147,777	80,110		227,887
International	23,296	968	–	24,264
Common collective funds:				
U.S.	–	313,591	–	313,591
Alternative investments and other	–	3,275	150,465	153,740
Total	$ 716,381	$ 541,789	$ 150,465	$ 1,408,635

5. Fair Values of Financial Instruments (continued)

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 30,002	$ –	$ –	$ 30,002
Money market funds				
Equity securities:				
U.S.	250,619	–	–	250,619
International	159,265	–	–	159,265
Fixed income bonds:				
U.S.	4,524	145,914	–	150,438
International		7,951	–	7,951
Mutual funds:				
U.S.	33,165	3,703	–	36,868
International	271	823	–	1,094
Common collective funds:				
U.S.	–	341,067	–	341,067
Alternative investments and other	–	–	122,924	122,924
Total	$ 477,846	$ 499,458	$ 122,924	$ 1,100,228

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. The interest rate swap agreements are valued based on a determination of market expectations relating to the future cash flows associated with the swap contract using sophisticated modeling based on observable market-based inputs, such as interest rate curves.

5. Fair Values of Financial Instruments (continued)

Assets that are valued using significant unobservable inputs, such as extrapolated data, proprietary models or indicative quotes that cannot be corroborated with market data are classified in Level 3 within the fair value hierarchy. Level 3 assets are valued based on the Corporation's ownership interest in the net asset value (NAV) of the fund. As the NAV reported by each fund is used as a practical expedient to estimate the fair value of the Corporation's interest therein. The Corporation routinely monitors and assesses methodologies and assumptions used in valuing these interests. The Level 3 assets include certain liquidity restrictions that may require 90 days advance notice for redemptions.

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

	2013	2012
	(In Thousands)	
Beginning balance at October 1	**$ 150,162**	$ 31,594
Net appreciation (realized and unrealized)	**18,433**	4,590
Sales	**(22,815)**	–
Purchases	**64,433**	113,978
Ending balance at September 30	**$ 210,213**	$ 150,162

The methods described above may produce a fair value that may not be indicative of net realizable value or reflect future fair values. Furthermore, while the Corporation 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.

6. Property, Plant, and Equipment

Property, plant, and equipment consist of the following at September 30:

	2013	2012
	(In Thousands)	
Land and land improvement:	**$ 62,968**	$ 53,083
Buildings and fixed equipment	**1,354,188**	1,082,402
Equipment	**892,557**	806,236
	2,309,713	1,941,721
Less accumulated depreciation	**(1,426,722)**	(1,246,948)
	882,991	694,773
Construction in process (estimated cost to complete - $22,978,000)	**114,378**	95,451
	$ 997,369	$ 790,224

The Corporation capitalized interest expense of $2,920,000 and $1,609,000 for the fiscal years ended September 30, 2013 and 2012, respectively.

7. Pensions and Other Postretirement Benefits

The Corporation has cash balance retirement plans and defined benefit pension plans (both contributory and noncontributory), covering substantially all employees and noncontributory, supplemental defined-benefit retirement plans for certain executive employees (collectively, the Plans). As noted in Note 5, a Master Trust was established in 2012 for certain plans. Contributions to the Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to the Plan participants. The assets of the Plans are available to pay the benefits of eligible employees for participating entities based on their allocated share of assets. The service cost component of net periodic pension cost and all other components are actuarially determined as defined by each plan.

7. Pensions and Other Postretirement Benefits (continued)

The benefits are based on years of service and the employees' compensation as defined by each of the Plans. The Corporation makes contributions in amounts sufficient to fund the Plans' current service cost, and the funding policy is to contribute amounts to these plans sufficient to meet the minimum funding requirements set forth by federal government regulations. All of the cash balance retirement plans and defined benefit pension plans are frozen to new members.

The Corporation also has defined contribution plans covering substantially all of its employees and executives. Expense for employer contributions was approximately $25,878,000 and $21,201,000 for 2013 and 2012, respectively.

The Corporation provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Corporation's policy is to fund the cost of postretirement benefits, other than pensions, as incurred.

Included in unrestricted net assets at September 30 are the following amounts that have not yet been recognized in net periodic benefit cost:

	2013	2012
Unrecognized actuarial loss	**$ 355,427,000**	$ 647,022,000
Unrecognized prior service credit	**(15,964,000)**	(7,689,000)
	$ 339,463,000	$ 639,333,000

The actuarial loss and prior service credit included unrestricted net assets at September 30, 2013 and expected to be recognized in net periodic benefit cost during the fiscal year ending September 30, 2014 are as follows:

Unrecognized actuarial loss	$ 19,355,000
Unrecognized prior service credit	(1,696,000)
	$ 17,659,000

7. Pensions and Other Postretirement Benefits (continued)

The following table sets forth the Plans' funded status and amounts recognized in the consolidated balance sheets:

	Pension Benefits		Other Postretirement Benefits	
	2013	**2012**	**2013**	**2012**
	(in thousands)			
Change in benefit obligation				
Benefit obligation at beginning of year	**$ (1,653,336)**	$ (1,376,440)	**$ (100,728)**	$ (105,828)
Inclusion of obligation at Acquisition Date	**(172,411)**	–	**(3,447)**	–
Service cost	**(48,637)**	(44,689)	**(1,954)**	(2,562)
Interest cost	**(66,718)**	(70,067)	**(3,678)**	(5,353)
Employee contributions	**–**	–	**(3,900)**	(3,571)
Benefits paid	**85,399**	67,570	**10,232**	10,447
Actuarial gains and losses	**170,087**	(241,497)	**6,226**	6,222
Curtailment	**–**	11,787	**–**	–
Plan amendments, other	**–**	–	**12,964**	(83)
Benefit obligation at end of year	**$ (1,685,616)**	$ (1,653,336)	**$ (84,285)**	$ (100,728)
Change in plans' assets				
Fair value of assets at beginning of year	**$ 1,100,228**	$ 917,067	**$ –**	$ –
Inclusion of plan assets at Acquisition	**155,088**	–	**–**	–
Actual return on plans' assets	**156,416**	160,319	**–**	–
Benefits paid	**(85,399)**	(67,570)	**(10,232)**	(10,447)
Employer contributions	**82,302**	90,412	**6,332**	6,876
Employee contributions	**–**	–	**3,900**	3,571
Fair value of plans' assets at end of year	**1,408,635**	1,100,228	**–**	–
Underfunded status of the plans	**$ (276,981)**	$ (553,108)	**$ (84,285)**	$ (100,728)
Components of net periodic benefit cost				
Service cost	**$ 48,637**	$ 44,689	**$ 1,954**	$ 2,562
Interest cost	**66,718**	70,067	**3,678**	5,354
Expected return on plans' assets	**(80,346)**	(78,195)	**–**	–
Settlement loss	**556**	953	**–**	–
Net amortization and deferral	**34,134**	23,846	**(55)**	860
Cost included in the consolidated statements of operations and changes in net assets	**$ 69,699**	$ 61,360	**$ 5,577**	$ 8,776

7. Pensions and Other Postretirement Benefits (continued)

The accumulated benefit obligation for the Corporation's plans was approximately $1,618,138,000 and $1,549,738,000 as of September 30, 2013 and 2012, respectively.

The weighted-average assumptions used to develop net periodic benefit cost and the projected benefit obligation were as follows:

	Pension Benefits		**Other Post-Retirement Benefits**	
	2013	**2012**	**2013**	**2012**
Discount rate for determining benefit obligation at year-end	**4.10-5.20%**	3.40-4.25%	**4.05-4.70%**	3.85-3.90%
Discount rate for net periodic benefit cost	**3.40-4.25%**	4.55-5.45%	**3.85-3.90%**	5.05-5.10%
Expected rate of return on plan	**3.90-7.50%**	5.05-8.0%	–	–
Rate of compensation increase	**3.50%**	3.50%	–	–

The expected rate of return on assets was determined by the expected return on each asset class based on a model that considers historical and expected future performance.

The Corporation has three postretirement benefit plans. The weighted-average annual assumed rates of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) are assumed to be 8.5% to 9.0%. Rates are assumed to decline to 5% through 2020 or 2019 for the plans. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the service and interest costs and accumulated postretirement benefit obligations by approximately $380,000 and $4,306,000 at September 30, 2013 and 2012, respectively. A one percentage point decrease in the assumed health care cost trend rate would decrease the service and interest cost and accumulated postretirement benefit obligation by approximately $323,000 and $3,761,000 at September 30, 2013 and 2012, respectively.

7. Pensions and Other Postretirement Benefits (continued)

Plan Assets

The Plans weighted-average asset allocations for the Pension Plan Master Trust at September 30, by asset category, are as follows:

	Target	2013	2012
Equity securities	57%	60%	41%
Fixed income/debt securities	25	24	14
Commodities/inflation/real assets	8	6	34
Other	10	10	11
Total	100%	100%	100%

The pension plan asset portfolios have target allocations similar to the allocations noted in the table above. The goals of the plans are to provide a secure retirement benefit for plan participants and to manage pension plan assets for the exclusive benefit of the participants. The Investment Committee of the Board of Directors of each organization is responsible for developing, reviewing, and monitoring the investment policy. The plans' assets are invested in accordance with the policy.

Contributions

The Corporation expects to make contributions of approximately $69,526,000 and $5,636,000 in fiscal year 2014 related to its Plans and its other postretirement benefit plans, respectively.

7. Pensions and Other Postretirement Benefits (continued)

Estimated Future Benefit Payments

Future benefit payments are expected to be paid as follows (in thousands):

Fiscal Year	Pension Benefits	Other Postretirement Benefits
2014	$ 93,381	$ 5,873
2015	93,389	5,917
2016	97,389	6,059
2017	106,444	6,124
2018	105,461	6,175
2019-2023	584,363	30,444

8. Long-Term Debt

Details of long-term debt are as follows:

	September 30	
	2013	2012
	(In Thousands)	
Revenue bonds financed with the State of Connecticut Health and Educational Facilities Authority (CHEFA):		
Series A (HHC), consisting of a tax-exempt serial bond and term bonds; interest at rates ranging from 4.4% to 5.0%	**$ 254,730**	$ 254,730
Series B (HHC), tax-exempt variable rate term bond	**71,085**	71,085
Series C (HHC), taxable variable rate term bond	**50,000**	50,000
Series E (Backus), tax-exempt 5.00% fixed	**7,647**	–
Series F (Backus), tax-exempt variable interest rates ranging from 5.00% to 5.25%	**28,946**	–
Series G (Backus), tax exempt variable interest rates ranging from 3.60% to 5.00%	**25,412**	–
Revolving line of credit (HHC and VNA)	**113,493**	70,737
Capital lease obligations (HHC, Windham, Backus, HOCC, Hartford) due in monthly installments, at varying rates of imputed interest from 1.94% to 6.25%	**32,404**	12,259
Master financing agreement with CHEFA (Hartford) due in monthly installments with a fixed rate of 2.75% through September 17, 2015	**8,327**	12,328
Commercial notes (Natchaug), at varying rates of imputed interest to 9.44%	**2,731**	3,058
Mortgage (Backus) due in monthly installments with fixed rate of 6.125% through May 1, 2025	**1,528**	–
Term loan (VNA) due in monthly installments with a variable interest rate through June 1, 2014	**525**	1,225
Other loans and notes, at varying rates of imputed interest	**2,630**	4,738
Premium on bonds	**4,875**	4,974
	604,333	485,134
Less current portion	**128,644**	81,143
	$ 475,689	$ 403,991

8. Long-Term Debt (continued)

On September 29, 2011, the Corporation issued approximately $375,815,000 of CHEFA Revenue Bonds Series A, B, and C (the HHC 2011 Bonds). In conjunction with the issuance of the HHC 2011 Bonds, an obligated group was formed. The members of the obligated group are the Corporation, Hartford, HOCC, Windham and MidState, (collectively referred to as the Obligated Group). Obligated Group members are jointly and severally liable under a Master Trust Indenture (MTI) to make all payments required with respect to obligations under the MTI. The Corporation does have the right to name designated affiliates, although presently none exist. Though designated affiliates are not obligated to make debt service payments on the obligations under the MTI, each designated affiliate has an independent designated affiliate agreement and promissory note with the Corporation with stipulated repayment terms and conditions, each subject to the governing law of the Obligated Groups' state of incorporation. In addition, the Corporation may cause each designated affiliate to transfer such amounts as necessary to enable the Obligated Group members to comply with the terms of the MTI, including payment of the outstanding obligations.

The HHC 2011 Bonds were issued to refund portions of existing debt under the Corporation and to obtain funds for future capital needs. The HHC Series A Revenue Bonds consist of serial bonds that mature annually from July 1, 2014 through July 1, 2023, and the term bonds mature from July 1, 2024 through July 1, 2041. The HHC Series B Revenue Bonds consist of term bonds that mature from July 1, 2042 through July 1, 2049. The HHC Series B Revenue Bonds are secured by an irrevocable letter of credit issued by Bank of America which expires on September 29, 2018. The HHC Series C Revenue Bonds consist of term bonds, that mature from July 1, 2042 through July 1, 2049. The HHC Series C Revenue Bonds are secured by an irrevocable letter of credit issued by JP Morgan Chase Bank that expires on October 1, 2016. The reimbursement terms of the letters of credit for the HHC Series B and C Revenue Bonds are such that in the event a letter of credit is drawn upon due to a failed remarketing, the components available shall equal the aggregate principal and interest amount of bonds outstanding.

The MTI and Supplemental MTI provide for the potential establishment and maintenance of a debt service reserve fund, a pledge of gross receipts, as defined, and parity with the HHC Series A Revenue Bonds that remain outstanding**.** The MTI and loan agreements establish certain restrictive covenants, including a debt service coverage ratio and days cash on hand requirement. No violations of covenants existed as of and for the fiscal years ended September 30, 2013 and 2012.

8. Long-Term Debt (continued)

The fair value of the HHC 2011 Bonds was approximately $377,885,000 and $396,836,000 at September 30, 2013 and 2012, respectively. The carrying value of the HHC 2011 Bonds was $375,815,000 as of September 30, 2013 and 2012. The fair value of the HHC 2011 Bonds was determined by the Corporation's investment advisor using a market approach that uses prices and other relevant information generated by market transactions involving identical or comparable liabilities and categorized as Level 2 in the fair value hierarchy described in Note 5.

As part of the HHC 2011 Bonds, the Obligated Group entered into a new line of credit for $20,000,000 from Bank of America. This line expires in March 2014. As of September 30, 2013 and 2012, HHC had drawn $20,020,436 and $20,002,170, respectively, on this line of credit, with a variable rate of 1.27% and 1.32%, respectively, and is included in current portion of long-term debt on the consolidated balance sheets. In 2012, HHC obtained an additional $60,000,000 line of credit with another bank. In August 2013, HHC entered into an amendment increasing this line of credit to $100,000,000. As of September 30, 2013 and 2012, the Corporation had drawn $92,771,513 and $50,034,498, respectively, on this line of credit, with a variable rate of 0.88% and 0.92%, respectively, and is also included in current portion of long-term debt. This line of credit expires in March 2014.

MidState and Windham entered into interest rate swap agreements in connection with debt instruments that have subsequently been terminated. MidState receives a variable rate equal to 67% of one month LIBOR and pays a fixed rate of 3.777%. This agreement terminates July 1, 2026. Windham entered into an interest rate swap agreement with a financial institution, with an original notional amount of $19,745,000. The changes in the fair value of these agreements are reported in the accompanying consolidated statements of operations and changes in net assets as a component of income from investments along with the net cash receipts on the swap agreement. The fair value of the swap agreements were $7,365,406 and $10,866,492 at September 30, 2013 and 2012, respectively, and are recorded in other liabilities in the accompanying consolidated balance sheets. Although the swap agreements represent an economic hedge of the interest rate, it does not qualify for hedge accounting. The changes in fair value of this agreement is reported in the accompanying consolidated statements of operations and changes in net assets as a component of other nonoperating income along with the net cash receipts on the swap agreement.

8. Long-Term Debt (continued)

Backus entered into Series E, Series F and Series G bonds through a Master Indenture, as amended and supplemented by Supplemental Master Indenture No.4, which provides for among other things, a pledge of the gross receipts, restrictions on the incurrence of certain indebtedness of Backus, and covenants regarding Backus's debt service coverage ratios, sale and lease of assets, and other covenants similar in financings of this type. The bonds are secured by the real property of Backus, including all buildings and equipment. Pursuant to the loan agreements, Backus is obligated to provide amounts which will be sufficient to enable the Authority to pay the principal and interest on the Series E, Series F and Series G bonds. Series E are term maturities ($6,920,000) with due dates from 2017 to 2022 and at an interest rate of 5%. Series F are serial maturities ($4,350,000) with due dates from 2014 to 2018, with interest rates of 4.00% to 4.25% and term maturities ($22,125,000) from 2023 to 2035 with interest rates of 5.00% to 5.25%. Series G are also serial maturities ($16,405,000) form 2014 to 2026, with interest rates of 3.60% to 5.00% and term maturities ($7,420,000) in 2035 at an interest rate of 5%. Series E bonds are subject to optional redemption prior to maturity. Series F bonds are subject to optional redemption prior to maturity. Series G bonds maturing after July 1, 2015 are subject to optional redemption prior to maturity. The fair value of the Backus Series E, Series F and Series G Bonds was approximately $63,533,000 at September 30, 2013. The fair value was determined by Backus' investment advisor using a market approach that uses prices and other relevant information generated by market transactions involving identical or comparable liabilities and categorized as Level 2 in the fair value hierarchy described in Note 5.

HHC has entered into several capital lease obligations. The leases are due in monthly installments with varying interest rates. HHC entered into three capital leases for equipment in 2013 with options to purchase, with imputed interest from 2.00% to 4.00%. The total monthly installments due for the three lease obligations are $216,443 and an outstanding balance at September 30, 2013 of $10,936,000. Hartford has capital leases for satellite locations entered into in 2010 and 2012. Both leases are twenty year leases with an option to purchase. One lease has monthly installments of $71,637 with interest at 6.25% and the second lease has monthly installments of $33,797 with interest at 7.16%. The outstanding Hartford capital lease obligations were $13,307,190 and $8,239,129 as of September 30, 2013 and 2012, respectively. Backus leases include a twenty-year capital lease of $5,108,015 with an interest rate of 6.06% for a building entered into in 2012. Under the terms of the lease, Backus has the option for two additional five year terms as well as an option to purchase the property. The outstanding balance on this capital lease at September 30, 2013 was $4,919,654. The remaining capital leases recorded total approximately $3,241,000 and $4,020,000 with interest rates ranging from 2.25% to 5.90% as of September 30, 2013 and 2012, respectively.

8. Long-Term Debt (continued)

In September 2010, Hartford entered into a master financing agreement with CHEFA, for funds to be used to purchase all or a portion of the costs of various capital expenditures. The interest rate is 2.75% and payable in monthly installments of $357,156 for a period of five years. The outstanding balance related to the master financing agreement as of September 30, 2013 and 2012 was $8,327,342 and $12,327,990, respectively.

Principal payments due on long-term debt are as follows (in thousands):

Fiscal year ending September 30:		
2014	$	128,644
2015		19,882
2016		12,595
2017		7,366
2018		7,809
Thereafter		423,162
	$	599,458

Interest paid for the fiscal years ended September 30, 2013 and 2012, was approximately $13,904,000 and $13,687,000, respectively.

9. Professional Liability and Workers' Compensation Insurance

The Corporation's primary professional and general liability coverage is with CHS for the majority of its subsidiaries. As discussed in Note 1, CHS became a wholly owned subsidiary of the Corporation effective October 1, 2012. Hartford, MidState and Windham were insured by CHS for the years ended September 30, 2013 and 2012. Effective January 1, 2013, CHS also began providing primary coverage for HOCC and as of August 1, 2013, CHS began providing primary coverage for VNA and CCSHS. Subsequent to year-end, effective October 1, 2013, CHS also began providing primary coverage for Backus. Prior to being covered by CHS, primary coverage for Backus, VNA and CCSHS was through commercially insured products.

9. Professional Liability and Workers' Compensation Insurance (continued)

Prior to October 1, 2013, Backus had the policy of self-insuring the deductible portion of its general and professional liability insurance coverage. The deductible limits are $1,000,000 per claim and $5,000,000 annually for 2013 and 2012. Management accrues its best estimate of ultimate losses for both reported claims and claims incurred but not reported. Backus maintains a revocable trust for purposes of funding malpractice or comprehensive general liability losses. The self-insurance liabilities recorded by Backus as of September 30, 2013 amount to approximately $14,347,000.

On October 1, 2012, the policy limits provided by CHS were amended. The primary coverage went from $10,000,000 per claim and $39,000,000 in the aggregate to $7,500,000 per claim and $35,000,000 in the aggregate. The excess plan was restructured as well. The primary layer of $20,000,000 is shared with two insurance carriers. The secondary layer is $20,000,000 with a single carrier. The third and fourth layers are $10,000,000 each with two other insurance carriers, for a total excess coverage of $60,000,000.

In addition, CHS provides primary layer coverage, on a claims-made basis, for employee benefits coverage with limits of $2,000,000 for each employee benefits wrongful act, with an aggregate limit of $6,000,000. CHS also provides primary layer coverage, on an occurrence basis, general liability with limits of $2,000,000 per occurrence, with an aggregate limit of $4,000,000. Effective January 1, 2013, CHS provided employee medical stop loss coverage to the Corporation with a limit of $650,000 excess of $350,000 per employee.

Effective October 1, 2012, CHS entered into a fully retrospectively rated agreement with a former shareholder and insured, Connecticut Children's Medical Center (CCMC), whereby CHS issued a policy to the benefit of CCMC and CCMC pays a deposit premium which will be adjusted based on actual claims activity.

Prior to January 1, 2013, HOCC had professional and general liability coverage with GIC, which was a wholly owned subsidiary of HOCC. HOCC did not self-insure any professional liability risks other than exposures greater than its excess coverages. However, as of September 30, 2013 and 2012, HOCC had recorded a liability for estimated incurred but not reported claims, as it currently had a claims-made policy with GIC. Coverage provided in the attending physician program was on a claims-made basis and was based on each physician's retroactive coverage date. The limits of coverage per physician were $1,000,000 per claim and $4,000,000 in aggregate. In 2013 and 2012, HOCC purchased excess insurance limits of $35,000,000, above the insured retention noted above.

9. Professional Liability and Workers' Compensation Insurance (continued)

Coverage for professional liability insurance is provided on a claims-made basis. As such, the Corporation has also recorded a liability for estimated incurred but not reported claims. Professional liability claims are discounted at 2.08% and 2.49% and the incurred-but-not-reported liability was approximately $16,955,000 and $14,065,000 at September 30, 2013 and 2012, respectively. HOCC also maintains an additional incurred-but-not-reported liability for claims made on policies prior to the movement to GIC. The reserve is discounted at 3% and has a balance of $1,987,071 and $2,704,130, as of September 30, 2013 and 2012, respectively.

A reconciliation of direct to net premiums on a written and earned basis for GIC and CHS is summarized as follows for fiscal year ended September 30, 2013.

	Written	Earned
	(In Thousands)	
Direct	$ 31,506	$ 31,533
Ceded	(3,360)	(3,360)
	$ 28,146	$ 28,173

9. Professional Liability and Workers' Compensation Insurance (continued)

Activity in the reserve for losses and loss adjustment expenses is summarized as follows for the fiscal year ended September 30:

	2013	2012
Net reserve, beginning of year	**$ 9,455**	$ 12,654
Transfer in of CHS reserves	**98,329**	–
Incurred related to:		
Current year	**39,436**	2,797
Prior years	**(14,928)**	(5,665)
Total incurred	**24,508**	(2,868)
Paid related to:		
Current year	**(4,490)**	(31)
Prior years	**(20,356)**	(300)
Total paid	**(24,846)**	(331)
Net reserve, end of year	**107,446**	9,455
Plus: reinsurance recoverable	**7,275**	7,506
Plus: CCMC reserves	**23,612**	–
Gross balance, end of the year	**$ 138,333**	$ 16,961

As a result of changes in estimates of insured events in prior years, the reserve for losses and loss adjustment expenses decreased by $14,923,864 and $5,664,687 in 2013 and 2012, respectively.

The ultimate settlement of losses may vary significantly from the reserves recorded. In particular, ultimate settlements on professional liability claims depend, among other things, on the resolution of litigation, the outcome of which is difficult to predict. In addition, since the reserves have been discounted, there is the possibility that the timing of loss payments and income earned on invested assets will be significantly different than anticipated.

During the year, potential workers' compensation losses from asserted and unasserted claims identified by the Corporation's risk management system are accrued based upon estimates that incorporate the Corporation's past experience, as well as the nature of each claim or incident and relevant trend factors.

9. Professional Liability and Workers' Compensation Insurance (continued)

The Corporation's workers' compensation reserve, as estimated by management in conjunction with its independent actuaries is $20,928,612 and $20,861,043 as of September 30, 2013 and 2012, respectively, is included in other long-term liabilities on the consolidated balance sheets and is discounted at a range of 0.5% to 4.0% in 2013 and 2012.

A significant portion of the Corporation has established a policy of self-insuring the deductible portion of its workers' compensation insurance. The deductible limits are $1,000,000 per claim for fiscal years ended September 30, 2013 and 2012. In connection with this self-insurance program, Bank of America issued an irrevocable direct pay letter of credit to the Travelers Indemnity Company, the primary insurer, for an amount not to exceed $8,750,000 and $7,100,000 at September 30, 2013 and 2012, respectively.

10. Commitments and Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Corporation. Such lawsuits and claims are either specifically covered by insurance as explained in Note 1 or are deemed to be immaterial. While the outcomes of the lawsuits cannot be determined at this time, management believes that any loss that may arise from these actions will not have a material adverse effect on the financial position or changes in net assets of the Corporation.

The Corporation has several operating lease agreements for certain real estate, medical equipment, and computer 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 approximately $29,989,000 and $23,945,000 for the fiscal years ended September 30, 2013 and 2012, respectively.

10. Commitments and Contingencies (continued)

The future minimum lease payments are as follows (in thousands):

2014	$	20,029
2015		14,634
2016		11,888
2017		10,714
2018		9,739
Thereafter		37,299
	$	104,303

11. Functional Expenses

The Corporation provides health care services to residents within its geographic location. Net expenses related to providing these services are as follow:

	Year Ended September 30			
	2013		**2012**	
	(In Thousands)			
Health care services	**$**	**1,672,705**	$	1,627,877
Support services		**490,352**		401,640
	$	**2,163,057**	$	2,029,517

12. Supplemental Cash Flow Information

The changes in assets and liabilities are as follows:

	September 30	
	2013	**2012**
	(In Thousands)	
Increase in accounts receivable	**$ (46,989)**	$ (94,284)
Increase in other receivables	**(644)**	(55,736)
(Increase) decrease in inventories of supplies and prepaid expenses and other assets	**(3,531)**	2,574
Decrease (increase) in other assets	**46,355**	(27,881)
(Decrease) increase in accounts payable	**(26,067)**	9,681
Decrease in estimated third-party payor settlements	**(271)**	(4,134)
Increase in salaries, wages, payroll taxes, and amounts withheld from employees	**7,148**	8,089
Increase in accrued expenses, accrued pension liabilities, self insurance liabilities and other liabilities	**87,433**	48,326
	$ 63,434	$ (113,365)

13. Subsequent Events

The Corporation evaluated subsequent events through January 28, 2014, which is the date the consolidated financial statements were issued, for potential recognition in the consolidated financial statements as of the balance sheet date for the fiscal year ended September 30, 2013.

Effective October 1, 2013, CHS changed its name to Hartford HealthCare Indemnity Services, Ltd. (HHCISL). Also effective October 1, 2013, GIC merged with HHCISL to consolidate insurance captives for the Corporation.

Effective December 31, 2013, CMHA and CCHA entered into a Separation Agreement and General Release, whereby CMHA is no longer associated with the Corporation and CCHA is no longer a member of CMHA. Therefore, on January 2, 2014, the Corporation deconsolidated CCHA in its financial statements.

Effective January 1, 2014, Backus liquidated and transferred its endowment assets of $53,112,368 and its pension assets of $163,446,173 to Endowment LLC and the HHC Master Trust, respectively. As a result of this liquidation and transfer, all previously unrealized gains and losses on the sold investment were realized.

Effective January 2014, the Board of Directors of Backus resolved to become a part of the HHC Obligated Group. The Obligated Group subsequently entered into a bridge loan in the amount of $80,902,000, part of which will be used to defease Backus's outstanding CHEFA bonds and the remainder to be used by the Corporation to fund working capital. The bridge loan has an adjustable interest rate based on LIBOR, is due in monthly installments and matures in April 2014.

No other events occurred that require adjustment to the consolidated financial statements.

Supplementary Information

Hartford Health Care Corporation and Subsidiaries

Consolidating Balance Sheet

September 30, 2013
(In Thousands)

	Hartford HealthCare	Consolidated Hartford Hospital	Consolidated MidState Medical Center	Windham Hospital	The Hospital of Central Connecticut	Backus Hospital	Consolidated H.H.M.O.B.	Consolidated Hartford HealthCare at Home, Inc.	Natchaug Hospital	Rushford Center, Inc.	Clinical Laboratory Partners	Practice Central	Central CT Senior Health Services, Inc.	Hartford HealthCare Endowment LLC	Hartford HealthCare Medical Group	CHS Insurance Limited	Central Connecticut Health Alliance, Inc. and other subsidiaries	Backus Corporation and other subsidiaries	Eliminations	Total
Assets																				
Current assets:																				
Cash and cash equivalents	$ 16,324	$ 20,528	$ 28,466	$ 7,575	$ 39,433	$ 132,348	$ 1,938	$ 2,658	$ 3,950	$ 1,590	$ 3,381	$ 277	$ 8,772	$ -	$ 4,072	$ 11,277	$ 8,747	$ 2,208	$ -	$ 293,544
Accounts receivable, less allowances	-	150,689	27,767	11,890	45,274	31,014	(44)	8,979	6,471	2,591	9,574	-	2,478	-	12,047	-	191	1,380	(73)	310,228
Other receivables	37,629	25,412	7,457	4,113	11,706	29	2,552	-	267	514	1,214	-	-	6,932	1,991	7,592	513	-	(37,323)	70,598
Interest in investments held by Endowment, LLC	-	6,932	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,932)	-
Due from affiliates	1,213	19,748	2,663	1,047	5,025	185	770	1,083	-	63	-	-	411	-	-	-	2,300	2,447	(36,955)	-
Inventories of supplies	-	11,187	2,720	1,151	5,420	3,715	-	-	-	-	1,473	-	32	-	244	-	-	-	-	25,942
Prepaid expenses and other assets	1,412	11,563	4,945	391	3,467	3,009	99	231	-	378	357	-	370	-	645	18	800	27	-	27,712
Notes receivable from affiliates, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of assets whose is limited	-	450	-	561	-	6,510	-	-	-	-	-	-	-	-	-	-	-	-	-	7,521
Total current assets	56,578	246,509	74,018	26,728	110,325	176,810	5,315	12,951	10,688	5,136	15,999	277	12,063	6,932	18,999	18,887	12,551	6,062	(81,283)	735,545
Assets whose use is limited:																				
Interest in investments held by Endowment, LLC	-	284,017	14,299	72	109,830	-	-	15,630	-	-	-	-	-	-	-	-	-	-	(423,848)	-
Donor restricted interest in investments held by Endowment, LLC	-	210,086	1,557	1,833	28,173	-	-	12,228	-	-	-	-	-	-	-	-	-	-	(253,877)	-
Investments and other assets	-	18,201	-	378	-	112,199	-	-	-	-	-	-	-	423,848	-	-	2,512	-	(8,790)	548,348
Investments for restricted purposes	-	8,513	-	83	9,932	33,529	-	4,018	-	-	-	-	-	253,877	-	-	209	-	(2,578)	307,583
Escrow funds for long term debt	7,229	4,539	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,768
Funds designated for debt service	443	8,817	6,312	1,440	2,532	3,737	-	-	-	-	-	-	-	-	-	-	-	-	-	23,281
Investments in CHS Insurance Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	165,880	-	-	-	165,880
	7,672	534,173	22,168	3,806	150,467	149,465	-	31,876	-	-	-	-	-	677,725	-	165,880	2,721		(689,093)	1,056,860
Funds held in trust by others	-	137,029	13,953	3,031	15,974	2,515		5,532	42				5							178,081
Interest in investments held by																				-
Endowment, LLC	-	-	22,964	-	-	-	-	-	-	-	-	-	1,720	-	-	-	-	-	(24,684)	-
Due from affililiates, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in subsidiaries	569,817	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(569,817)	-
Other assets	13,766	71,120	15,997	2,435	13,023	9,207	422	-	793	-	94	-	221	24,684	54	-	3,698	729	(42,652)	113,591
Property, plant, and equipment, net	38,191	394,197	122,490	44,147	163,810	138,744	26,605	3,960	12,827	6,464	8,144	392	14,268	-	18,545	-	4,080	505	-	997,369
Total assets	$ 686,024	$ 1,383,028	$ 271,590	$ 80,147	$ 453,599	$ 476,741	$ 32,342	$ 54,319	$ 24,350	$ 11,600	$ 24,237	$ 669	$ 28,277	$ 709,341	$ 37,598	$ 184,767	$ 23,050	$ 7,296	$ (1,407,529)	$ 3,081,446
Liabilities and net assets																				
Current liabilities:																				
Accounts payable	$ 3,916	$ 22,364	$ 6,532	$ 3,399	$ 12,558	$ 8,031	$ 365	$ 7,827	$ 944	$ 699	$ 2,868	$ -	$ 304	$ -	$ 2,806	$ 175	$ 786	$ 694	$ (31,526)	$ 42,742
Salaries, wages, payroll taxes, and amounts withheld from employees	-	21,312	9,071	2,013	14,043	6,965	84	2,469	1,992	1,206	1,777	-	1,292	-	10,434	-	573	987	-	74,218
Accrued expenses	43,436	22,919	6,820	1,125	12,249	6,320	2,867	2,347	2,128	2,071	1,430	8	2,061	-	6,655	1,998	941	258	(8,719)	106,914
Notes payable to affiliates	-	-	-	-	-	-	-	951	-	-	-	-	-	-	-	-	1,849	-	(2,800)	-
Due to affiliates	-	22,000	1,445	1,134	1,174	-	-	-	1,672	456	9,488	1,430	102	-	3,854	-	2,131	2,632	(47,518)	-
Estimated third-party payor settlements	-	13,084	(1,518)	1,340	11,977	1,828	-	1,794	(83)	320	-	-	278	-	-	-	642	245	-	29,907
Current portion of long-term debt and capital leases	4,060	101,019	670	15,741	2,329	2,443	-	1,167	146	60	-	-	-	-	18	-	991	-	-	128,644
Current portion of accrued pension liabilities	-	8,047	6,337	5,090	10,416	3,553	-	-	-	-	-	-	-	-	-	-	-	-	-	33,443
Current portion of other liabilities	-	10,988	122	-	909	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,549)	1,470
Total current liabilities	51,412	221,733	29,479	29,842	65,655	29,140	3,316	16,555	6,799	4,812	15,563	1,438	4,037	-	23,767	2,173	7,913	4,816	(101,112)	417,338
Long-term debt and capital leases	19,884	210,952	87,806	19,355	38,405	67,194	8,972	-	2,585	-	-	-	20,425	-	-	-	186	-	(75)	475,689
Accrued pension liabilities	-	218,856	18,941	26,560	65,894	18,269	485	336	2,272	-	-	-	-	-	-	-	-	-	-	351,613
Other liabilities	-	37,533	22,701	11,840	19,351	22,299	-	-	799	-	-	-	-	-	-	-	4,398	648	(45,024)	74,545
Self insurance liabilities	-	-	-	-	8,104	14,348	-	-	-	-	-	-	-	-	-	130,228	-	-	-	152,680
Total liabilities	71,296	689,074	158,927	87,597	197,409	151,250	12,773	16,891	12,455	4,812	15,563	1,438	24,462	-	23,767	132,401	12,497	5,464	(146,211)	1,471,865
Net assets:																				
Unrestricted	564,372	338,504	95,883	(13,430)	209,046	314,118	19,569	27,638	11,650	5,057	8,674	(769)	3,745	455,464	13,831	52,366	10,467	1,832	(957,085)	1,160,932
Temporarily restricted	20,916	135,290	2,048	1,787	24,362	3,306	-	1,731	203	1,731	-	-	65	253,877	-	-	-	0	(274,793)	170,523
Permanently restricted	29,440	220,160	14,732	4,193	22,782	8,067	-	8,059	42	-	-	-	5	-	-	-	86	0	(29,440)	278,126
Total net assets	614,728	693,954	112,663	(7,450)	256,190	325,491	19,569	37,428	11,895	6,788	8,674	(769)	3,815	709,341	13,831	52,366	10,553	1,832	(1,261,318)	1,609,581
Total liabilities and net assets	$ 686,024	$ 1,383,028	$ 271,590	$ 80,147	$ 453,599	$ 476,741	$ 32,342	$ 54,319	$ 24,350	$ 11,600	$ 24,237	$ 669	$ 28,277	$ 709,341	$ 37,598	$ 184,767	$ 23,050	$ 7,296	$ (1,407,529)	$ 3,081,446

Hartford Health Care Corporation and Subsidiaries

Consolidating Statement of Operations

For the Year Ended September 30, 2013
(In Thousands)

	Hartford HealthCare	Consolidated Hartford Hospital	Consolidated MidState Medical Center	Windham Hospital	The Hospital of Central Connecticut	Backus Hospital	Consolidated H.H.M.O.B.	Consolidated Hartford HealthCare at Home, Inc.	Natchaug Hospital	Rushford Center, Inc.	Clinical Laboratory Partners	Practice Central	Central CT Senior Health Services, Inc.	Hartford HealthCare Endowment LLC	Hartford HealthCare Medical Group	CHS Insurance Limited	Central Connecticut Health Alliance, Inc. and other subsidiaries	Backus Corporation and other subsidiaries	Eliminations	Total
Unrestricted revenues, gains and other support:																				
Net patient service revenue	$ -	$ 921,252	$ 220,012	$ 80,794	$ 381,650	$ 46,289	$ 8,604	$ 55,263	$ 49,990	$ 14,762	$ 84,606	$ -	$ 15,896	$ -	$ 74,291	$ -	$ 4,208	$2,727	$ (11,091)	$ 1,949,253
Provision for bad debts	-	17,468	2,265	4,079	9,742	1,489	377	225	1,225	-	4,504	-	207	-	1,447	-	12	(30)	-	43,010
Net patient service revenue less provision for bad debts	-	903,784	217,747	76,715	371,908	44,800	8,227	55,038	48,765	14,762	80,102	-	15,689	-	72,844	-	4,196	$2,757	(11,091)	1,906,243
Other operating revenue	31,526	159,284	18,895	5,690	12,269	710	27,999	2,028	38	13,923	15,499	258	11,855	-	5,432	33,886	$23,343	48	(150,947)	211,736
Net assets released from restrictions for operations	-	7,644	245	176	1,885	28	-	162	45	94	-	-	30	-	-	-	-	-	-	10,309
	31,526	1,070,712	236,887	82,581	386,062	45,538	36,226	57,228	48,848	28,779	95,601	258	27,574	-	78,276	33,886	27,539	2,805	(162,038)	2,128,288
Operating expenses:																				-
Salaries and wages	14,444	470,456	76,116	41,731	168,707	19,188	7,809	30,394	29,329	18,630	40,689	411	15,641	-	77,318	-	14,848	1,783	(15,633)	1,011,861
Employee benefits	3,150	164,810	22,948	12,667	51,729	3,126	2,026	5,557	9,651	4,960	10,421	112	4,419	-	3,941	-	3,270	546	(4,176)	299,157
Supplies and other	3,503	209,552	43,514	17,203	51,773	8,607	4,998	5,041	3,658	1,624	20,487	45	4,757	-	11,562	29,261	7,537	677	(4,515)	419,284
Purchased services	16,847	176,397	61,587	13,896	81,019	7,633	23,320	17,368	4,403	5,498	16,469	2,366	722	-	23,681	435	245	286	(137,753)	314,419
Depreciation and amortization	3,826	48,797	13,311	4,155	19,479	2,685	2,696	739	977	721	1,293	-	784	-	1,304	-	1,508	33	-	102,308
Provision for non-patient bad debts	-	-	1,450	609	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,059
Interest	606	5,704	3,987	1,108	1,564	557	66	74	214	4	-	1	234	-	6	-	100	-	(256)	13,969
	42,376	1,075,716	222,913	91,369	374,271	41,796	40,915	59,173	48,232	31,437	89,359	2,935	26,557	-	117,812	29,696	27,508	3,325	(162,333)	2,163,057
(Loss) income on operations	(10,850)	(5,004)	13,974	(8,788)	11,791	3,742	(4,689)	(1,945)	616	(2,658)	6,242	(2,677)	1,017	-	(39,536)	4,190	31	(520)	295	(34,769)
Nonoperating income (loss):																				
Income from investments, gifts, and bequests, net	88	92,011	4,937	498	8,676	1,300	-	2,752	-	90	-	-	63	5,592	-	-	18	253	(25,914)	90,364
Other	-	(6,343)	586	1,071	-	2	1	1,320	-	-	(1,820)	-	(21)	-	-	-	-	-	-	(5,204)
Contribution received from asset transfer from VNA East, Inc.	-	-	-	-	-	-	-	6,882	-	-	-	-	-	-	-	-	-	-	-	6,882
Contribution received in the acquisition of Backus Corporation	309,574	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	309,574
	309,662	85,668	5,523	1,569	8,676	1,302	1	10,954	-	90	(1,820)	-	42	5,592	-	-	18	253	(25,914)	401,616
Excess (deficiency) of revenues over expenses before change in unrealized gains and losses on investments	298,812	80,664	19,497	(7,219)	20,467	5,044	(4,688)	9,009	616	(2,568)	4,422	(2,677)	1,059	5,592	(39,536)	4,190	49	(267)	(25,619)	366,847
Change in unrealized gains and losses on investments	-	(43,337)	(1,295)	-	2,962	-	-	781	-	-	-	-	-	20,322	-	-	-	-	-	(20,567)
Excess (deficiency) of revenues over expenses	$ 298,812	$ 37,327	$ 18,202	$ (7,219)	$ 23,429	$ 5,044	$ (4,688)	$ 9,790	$ 616	$ (2,568)	$ 4,422	$ (2,677)	$ 1,059	$ 25,914	$ (39,536)	$ 4,190	$ 49	$ (267)	$ (25,619)	$ 346,280

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ey.com