# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS
## AND OTHER FINANCIAL INFORMATION

## SEPTEMBER 30, 2013 AND 2012

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

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MARCUM
ACCOUNTANTS ▲ ADVISORS

**INDEPENDENT AUDITORS' REPORT**

Board of Directors
**Greater Waterbury Health Network, Inc.**

We have audited the accompanying consolidated financial statements of Greater Waterbury Health Network, Inc., 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greater Waterbury Health Network, Inc. as of September 30, 2013 and 2012, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Hartford, CT
January 10, 2014

## GREATER WATERBURY HEALTH NETWORK, INC.
## AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

### SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 25,712,050 | $ 25,756,594 |
| Restricted cash | 4,519,908 | 3,511,398 |
| Short-term investments | 1,203,559 | 1,089,172 |
| Accounts receivable, less allowance ($20,453,000 in 2013 and $17,101,000 in 2012) | | |
| Patients | 29,957,753 | 32,367,012 |
| Grants and other | 3,702,524 | 2,977,504 |
| | 33,660,277 | 35,344,516 |
| Inventories | 3,586,821 | 3,305,079 |
| Prepaid insurance and other expenses | 1,603,096 | 1,525,890 |
| Due from affiliates | 189,379 | 195,978 |
| **Total Current Assets** | 70,475,090 | 70,728,627 |
| **Other Assets** | | |
| Under bond indenture agreements | 34,218 | 30,070 |
| Construction fund | -- | 661,338 |
| | 34,218 | 691,408 |
| Property, Plant and Equipment | | |
| Land | 287,549 | 287,549 |
| Buildings and improvements | 97,137,417 | 95,206,351 |
| Furniture, fixtures and equipment | 187,642,399 | 185,958,291 |
| Construction in progress (estimated additional cost to complete: 2013 - $13,000) | 73,654 | 2,473,015 |
| Accumulated depreciation | (240,510,083) | (232,453,154) |
| | 44,630,936 | 51,472,052 |
| Funds held in trust by others | 44,960,039 | 42,218,163 |
| Goodwill | 1,813,567 | 1,813,567 |
| CHEFA obligations issue expense, less amortization | 282,676 | 321,666 |
| Long-term investments | 25,296,300 | 23,280,651 |
| Board-designated endowment funds | 3,193,664 | 2,974,503 |
| Other investments | 80,000 | 55,000 |
| Loans and other receivables | 359,375 | 521,906 |
| Accrued interest and dividends receivable | 13,743 | 22,017 |
| | 75,999,364 | 71,207,473 |
| | $ 191,139,608 | $ 194,099,560 |

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

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (CONTINUED)

## SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | $ 29,395,718 | $ 37,244,812 |
| Due to third-party reimbursement agencies | 3,143,186 | 771,288 |
| Current portion of CHEFA obligations | 532,136 | 506,444 |
| Current portion of notes payable | 694,549 | 666,376 |
| **Total Current Liabilities** | 33,765,589 | 39,188,920 |
| **CHEFA Obligations** - less current portion and discount | 25,608,520 | 26,140,656 |
| **Notes Payable** - less current portion | 852,568 | 1,426,291 |
| **Other Noncurrent Liabilities** | 21,813,507 | 21,853,067 |
| **Net Assets** | | |
| Unrestricted | 50,223,049 | 49,687,465 |
| Temporarily restricted | 8,409,794 | 7,645,420 |
| Permanently restricted | 47,752,075 | 45,010,199 |
| **Total Net Assets Excluding Noncontrolling Interests** | 106,384,918 | 102,343,084 |
| **Noncontrolling Interests** | 2,714,506 | 3,147,542 |
| **Total Net Assets** | 109,099,424 | 105,490,626 |
| | $ 191,139,608 | $ 194,099,560 |

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

## GREATER WATERBURY HEALTH NETWORK, INC.
## AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

### FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Revenues** | | |
| Net revenues from services to patients | $ 259,397,257 | $ 273,484,098 |
| Provision for bad debts | (11,368,671) | (10,966,628) |
| Net patient service revenue less provision for bad debts | 248,028,586 | 262,517,470 |
| Investment related income | 2,336,622 | 1,245,481 |
| Other operating revenues | 5,333,245 | 5,905,372 |
| Services, sales and rental income | 1,670,464 | 1,713,317 |
| Unrestricted gifts and bequests | 232,275 | 123,699 |
| Net assets released from restrictions | 5,419,591 | 5,609,005 |
| | 263,020,783 | 277,114,344 |
| **Expenses** | | |
| Salaries, wages and benefits | 152,117,220 | 164,634,664 |
| Supplies, utilities and other | 101,697,631 | 100,249,125 |
| Depreciation | 8,996,581 | 9,421,603 |
| Interest and amortization | 1,125,827 | 1,237,849 |
| | 263,937,259 | 275,543,241 |
| **(Deficiency) Excess of Revenues over Expenses Before Net Unrealized Gains on Investments** | (916,476) | 1,571,103 |
| **Changes in Net Unrealized Gains on Investments** | 194,340 | 1,715,547 |
| **(Deficiency) Excess of Revenues Over Expenses** | (722,136) | 3,286,650 |
| **Less Excess of Revenues over Expenses Attributable to Noncontrolling Interests** | (874,685) | (997,139) |
| **(Deficiency) Excess of Revenues Over Expenses Attributable to Controlling Interest** | (1,596,821) | 2,289,511 |

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

**GREATER WATERBURY HEALTH NETWORK, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)**

**FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

| | 2013 | 2012 |
|---|---|---|
| **Unrestricted Net Assets, Controlling Interest** | | |
| (Deficiency) excess of revenues over expenses | $ (1,596,821) | $ 2,289,511 |
| Net assets released from restrictions used for purchase of property and equipment | 19,654 | 134,036 |
| Interest rate swap adjustment | 1,209,256 | (524,547) |
| Pension liability adjustments | 903,495 | 366,769 |
| **Increase in Unrestricted Net Assets, Controlling Interest** | 535,584 | 2,265,769 |
| **Unrestricted Net Assets, Noncontrolling Interest** | | |
| Excess of revenues over expenses | 874,685 | 997,139 |
| Distributions and other | (1,307,721) | (1,031,774) |
| **Decrease in Unrestricted Net Assets, Noncontrolling Interest** | (433,036) | (34,635) |
| **Temporarily Restricted Net Assets** | | |
| Gifts and bequests | 475,360 | 444,830 |
| Income from investments | 497,540 | 476,299 |
| Net realized and unrealized gains on investments | 810,002 | 1,255,981 |
| Grants | 4,420,717 | 4,733,897 |
| Net assets released from restrictions | (5,439,245) | (5,743,041) |
| **Increase in Temporarily Restricted Net Assets** | 764,374 | 1,167,966 |
| **Permanently Restricted Net Assets** | | |
| Increase in funds held in trust by others | 2,741,876 | 4,878,924 |
| **Increase in Permanently Restricted Net Assets** | 2,741,876 | 4,878,924 |
| **Increase in Net Assets** | 3,608,798 | 8,278,024 |
| **Net Assets** - Beginning | 105,490,626 | 97,212,602 |
| **Net Assets** - End | $ 109,099,424 | $ 105,490,626 |

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

## GREATER WATERBURY HEALTH NETWORK, INC.
## AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 3,608,798 | $ 8,278,024 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Provision for bad debts | 11,368,671 | 10,966,628 |
| Depreciation and amortization | 9,035,571 | 9,529,602 |
| Pension liability adjustments | (903,495) | (366,769) |
| Distributions to noncontrolling interests | 1,307,721 | 1,031,774 |
| Net realized and unrealized gains and change in fair value of funds held in trust by others | (4,648,320) | (6,959,218) |
| Restricted gifts, bequests and income from investments | (972,900) | (921,129) |
| Change in market value of interest rate swap | (1,209,256) | 524,547 |
| | 17,586,790 | 22,083,459 |
| Change in operating working capital, other than cash and cash equivalents and short-term investments: | | |
| Patient accounts receivable, net | (8,959,412) | (13,749,013) |
| Grants and other receivables | (725,020) | 1,406,813 |
| Inventories | (281,742) | (46,317) |
| Prepaid insurance and other expenses | (77,206) | 258,443 |
| Accounts payable and accrued expenses | (7,849,094) | (3,385,387) |
| Due to third-party reimbursement agencies | 2,371,898 | 3,405,769 |
| Increase in other noncurrent liabilities | 2,073,189 | 1,819,663 |
| | (13,447,387) | (10,290,029) |
| **Net Cash Provided by Operating Activities** | 4,139,403 | 11,793,430 |

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

## GREATER WATERBURY HEALTH NETWORK, INC.
## AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

### FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

| | 2013 | 2012 |
|---|---|---|
| **Cash Flows from Investing Activities** | | |
| Increase in restricted cash | $ (1,008,510) | $ (9,473) |
| Cash received from affiliates | 6,599 | 563 |
| Cash paid to affiliates | -- | (131,833) |
| Other assets | 162,532 | 3,011,891 |
| Additions to property, plant and equipment | (2,155,465) | (8,885,118) |
| Purchases of investments | (50,581,585) | (40,779,607) |
| Sales of investments | 50,779,297 | 48,186,914 |
| **Net Cash (Used in) Provided by Investing Activities** | (2,797,132) | 1,393,337 |
| **Cash Flows from Financing Activities** | | |
| Restricted gifts, bequests and income from investments | 972,900 | 921,129 |
| Distributions to noncontrolling interests | (1,307,721) | (1,031,774) |
| Net proceeds from issuance of debt | 157,781 | 616,571 |
| Principal payments on debt obligations | (1,209,775) | (1,095,933) |
| **Net Cash Used in Financing Activities** | (1,386,815) | (590,007) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | (44,544) | 12,596,760 |
| **Cash and Cash Equivalents** - Beginning | 25,756,594 | 13,159,834 |
| **Cash and Cash Equivalents** - End | $ 25,712,050 | $ 25,756,594 |

**Supplemental Cash Flow Information**

Cash paid during the year for interest on borrowings was $1,300,968 and $1,396,529 for the years ended September 30, 2013 and 2012, respectively.

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

### *ORGANIZATION*

Greater Waterbury Health Network, Inc. (the Corporation, Network or GWHN) was incorporated on September 27, 1984 as a not-for-profit organization under the Non-Stock Corporation Act of the State of Connecticut. The Corporation's subsidiaries are The Waterbury Hospital (the Hospital), Greater Waterbury Health Services, Inc., Greater Waterbury Management Resources, Inc. (GWMRI), VNA Health at Home, Inc. (VNA), and the Children's Center of Greater Waterbury Health Network, Inc. (Children's Center). The accompanying financial statements also include Access Rehab Centers LLC (Access), Greater Waterbury Imaging Center Limited Partnership (GWIC), Imaging Partners, LLC, Alliance Medical Group, Inc. (AMG) and Cardiology Associates of Greater Waterbury, LLC to the extent of the Hospital's ownership interest in these affiliated entities.

On October 29, 2012, the Network signed a Letter of Intent to develop a Joint Venture relationship with Vanguard Health Systems, Inc. (Vanguard) of Nashville, TN, a network of for-profit hospitals. Under terms of the proposed Joint Venture, the two organizations would form a Limited Liability Company in which Vanguard would have an 80 percent ownership interest and GWHN would have a 20 percent interest. The Joint Venture would create a taxable, for-profit health system. The GWHN board selected Vanguard due to the company's unique ability to meet the long-term goals of the Greater Waterbury Health Network, Inc. Under the terms of the transaction, the new Joint Venture would be overseen by a 12-member board of directors, half of whom will be appointed by GWHN with Vanguard serving as manager of the Joint Venture. The transaction with Waterbury Hospital will allow it to expand its range of outpatient services to the communities it serves while also conducting extensive renovations and upgrades to the Hospital's main campus. The transaction will also allow the Hospital to continue to attract and maintain top-quality physicians. With the Letter of Intent, the two organizations have developed a Definitive Agreement for the Certificate of Need (CON) process, which will be necessary for the approval from the State of Connecticut Office of Health Care Access (OHCA) and the Office of the Attorney General. The transaction will also require approval from state and federal antitrust authorities.

On October 1, 2013, Tenet Healthcare Corporation (THC) completed its acquisition of Vanguard. THC is a leading health care services company, which through its subsidiaries operates 77 acute care hospitals, 173 outpatient centers and Conifer Health Solutions, a provider of business process solutions for health care providers serving more than 600 hospitals and other clients nationwide.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

During November 2010, the Hospital established a new limited liability company by the name of Cardiology Associates of Greater Waterbury, LLC (CAGW) to operate a cardiology practice. CAGW acquired the assets of Cardiology Associates of Waterbury (CAW) that were used by CAW physicians in the performance of their professional services.

The Hospital also acquired the assets of CAW that were used by CAW to perform diagnostic ancillary services. The Hospital converted these ancillary services to provider-based services, which are provided at a diagnostic center located near the Hospital. The goodwill recorded on the consolidated balance sheets relates to the purchase of CAW.

During June 2010, the Hospital entered into an arrangement with certain gastroenterology physician-members of the Hospital's medical staff to form Waterbury Gastroenterology Co-Management Company, LLC (GI Co-Management Company), a Connecticut limited liability company. This company was formed as a collaborative effort between the Hospital and the physicians for the purpose of improving the quality and efficiency of the gastroenterology service line at the Hospital. The Hospital's investment of $50,000 in the GI Co-Management Company is included in the Corporation's consolidated financial statements in long-term investments.

The Hospital entered into a members' agreement, making it an equal member with St. Mary's Hospital, located in Waterbury, Connecticut, in a joint venture to form The Harold Leever Regional Cancer Center, Inc. (the Cancer Center). The Cancer Center is a Connecticut non-stock corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the joint venture is to develop, construct, own and operate the Cancer Center. Both member hospitals transferred the revenue and related expenses of their respective radiation oncology services to the Cancer Center in October 2002. Both member hospitals made working capital advances to the Cancer Center. The Cancer Center is not included in the Corporation's consolidated financial statements.

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

### *PRINCIPLES OF CONSOLIDATION*

The consolidated financial statements include the accounts of the Corporation and the affiliated entities. Recognition has been given to noncontrolling interests in the affiliates which is reflected as a component of unrestricted net assets. All significant intercompany accounts and transactions are eliminated in consolidation.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

### *USE OF ESTIMATES*

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

### *RECLASSIFICATIONS*

Certain prior year amounts were reclassed to conform to the current year presentation.

### *REGULATORY MATTERS*

The Hospital is required to file annual operating information with OHCA.

### *TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS*

Temporarily restricted net assets are available to provide grant related services, free care, and educational seminars. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity or in funds held in trust by others.

### *DONOR RESTRICTED GIFTS*

Unconditional promises to give cash are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises to give are received. Amortization of the discounts is included in gifts and bequests on the consolidated statements of operations and changes in net assets.  Unconditional promises to give other assets are reported at fair value at the date the promise is received.

The gifts are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

### *CASH AND CASH EQUIVALENTS*

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

### *RESTRICTED CASH*

The Hospital had letters of credit totaling $4.5 million and $3.5 million with banks available at September 30, 2013 and 2012, respectively, to support its self-insured workers' compensation program that were collateralized by certain investments held by the banks. As of September 30, 2013 and 2012, there were no borrowings on the letters of credit.

### *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.

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 net patient service revenue and third-party payor programs.

### *INVENTORIES*

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

### *INVESTMENTS*

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

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

Unrealized gains and losses on investments related to permanently restricted net assets and certain temporarily restricted net assets are included in temporarily restricted net assets under State law which allows the Board of Trustees to appropriate as much of the net appreciation of investments as is prudent considering the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Reference is made to Note 5.

### *OTHER ASSETS*

Other assets include assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Educational Facilities Authority. The portion of these amounts required for funding current liabilities is included in current assets.

### *PROPERTY, PLANT AND EQUIPMENT*

Property, plant and equipment are recorded at cost. The Corporation and its subsidiaries provide for depreciation of property, plant and equipment and amortization of assets recorded under capital leases using the straight-line method in amounts sufficient to amortize the cost of the assets over their estimated useful lives which range from 3 to 40 years.

Financial Accounting Standards Board (FASB) ASC 410-20, *Accounting for Asset Retirement Obligations* (ASC 410-20), provides guidance on accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. ASC 410-20 provides clarifying guidance on conditional asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be uncertain.

ASC 410-20's guidance requires such conditional asset retirement obligations to be estimated and recognized.

Conditional asset retirement obligations of $2,684,704 and $2,785,468 as of September 30, 2013 and 2012, respectively, are recorded in other noncurrent liabilities related to future asbestos remediation. During 2013 and 2012, there were no retirement obligations incurred or settled.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

### *GOODWILL*

Goodwill, which has an indefinite life, is not amortized and is evaluated for impairment whenever events or business conditions indicate that the carrying values of such assets may not be fully recoverable.

### *IMPAIRMENT OF LONG-LIVED ASSETS*

The Corporation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses recorded in 2013 and 2012.

### *NONOPERATING GAINS*

Activities, other than in connection with providing health care services, are considered to be nonoperating. Nonoperating gains consist primarily of income on invested funds, gains and losses on sales of securities, changes in unrestricted unrealized gains and losses and unrestricted gifts and bequests.

### *(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES*

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

### *INCOME TAXES*

The Corporation and its subsidiaries, with the exception of GWMRI, Access, GWIC, CAGW, and Imaging Partners LLC, are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. GWMRI has no current federal tax liability due to net operating losses since its date of incorporation. The Corporation is also exempt from state income tax.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)**

Access, GWIC, CAGW and Imaging Partners LLC are partnerships. For tax purposes, these partnerships are pass-through entities. Taxation does not occur at the partnership level. Accordingly, no provision for taxes is included. AMG is tax exempt under Section 501(c)(3) of the Code.

GWMRI has approximately $6,800,000 in net operating losses. This results in a deferred tax asset of $2,720,000 which is offset by a corresponding valuation allowance of the same amount.

Management has analyzed the tax positions taken and has concluded that as of September 30, 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Corporation is no longer subject to income tax examinations prior to 2010.

***MEDICAL MALPRACTICE AND WORKERS' COMPENSATION INSURANCE***

The Hospital has a policy of self-insuring the deductible portion of its workers' compensation claims. The deductible limit is $500,000 and $400,000 per claim for the years ended September 30, 2013 and 2012, respectively. Management records its best estimate of losses as they occur. The accrued workers' compensation self-insurance liabilities of $9,996,921 and $9,871,633 at September 30, 2013 and 2012, respectively, have been discounted 2.25%.

Effective October 1, 2006, the Hospital obtained "claims-made" medical malpractice insurance coverage, through the Network, from Healthcare Alliance Insurance Company, Ltd. (HAIC). HAIC is a multi-provider captive insurance company domiciled in the Cayman Islands. The Network is a one third owner of the HAIC with two other local hospitals that each hold one third ownership. The Hospital's insurance coverage is $1,500,000 per occurrence and $5,000,000 in the aggregate. In addition to the coverage from HAIC, the Hospital recorded reserves of approximately $2,066,103 and $2,104,554 at September 30, 2013 and 2012, respectively, related to claims that were incurred subsequent to October 1, 2006, but not yet reported. These reserves were discounted at 2.25% at September 30, 2013 and 2012.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

The Hospital also obtains excess insurance coverage for professional and general liability, through the Network, from HAIC. These policies have limits of $25,000,000 per claim and $25,000,000 aggregate, in excess of the underlying limits in the primary layer, for both professional and general liability.

The Hospital also purchased a loss transfer insurance policy which provides $1,000,000 of coverage for each medical incident that was incurred between October 1, 2003 and October 1, 2006 and specifically reported to the insurance company on the effective date of the transfer policy (February 7, 2008) in addition to medical incidents incurred during the aforementioned period which are first reported after the effective date of the policy. This policy also provides $1,000,000 of coverage for general liability incurred but not reported claims that occurred after October 1, 2003 through October 1, 2006 and were first reported after the effective date of the policy.

The policy has annual aggregate limits of $4,500,000 for medical incidents and $3,000,000 for general liability cases with a combined $25,000,000 total limit for all policy years. These aggregate limits are eroded by claims previously paid by the Hospital or other insurance.

### *RETIREMENT BENEFIT PLANS*

The Hospital maintains a defined benefit pension plan for eligible individuals and participates in two multi-employer pension plans that cover certain union employees. Reference is made to Note 9.

### *OTHER NONCURRENT LIABILITIES*

Other noncurrent liabilities include the long-term portion of liabilities for medical malpractice, workers' compensation, retirement benefits, the interest rate swap, and conditional asset retirement obligations.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

### *RISKS AND UNCERTAINTIES*

The Corporation invests in a variety of investment securities which are exposed to various risks, such as interest rate risk, financial market risk, currency risk and credit risk. Due to the level of risk associated with investment securities, coupled with the economic events, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Corporation's September 30, 2013 financial statements, in addition to the funded status of its defined benefit pension plan.

### *NEW ACCOUNTING PRONOUNCEMENTS*

### *BAD DEBTS*

In July 2011, the FASB issued ASU 2011-07, *Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*, which requires certain health care entities to present the provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than as an operating expense with enhanced footnote disclosures on the policies for recognizing revenue and assessing bad debts, in addition to qualitative and quantitative information about changes in the allowance for doubtful accounts. The pronouncement was adopted for the year ended September 30, 2013 and retrospectively applied to the year ended September 30, 2012. Refer to Note 2 for the additional disclosures required by ASU 2011-07. There was no material impact to the Corporation's consolidated financial statements aside from the required changes in presentation.

### *MULTI-EMPLOYER PENSION PLAN DISCLOSURES*

ASU 2011-09, *Disclosures about an Employer's Participation in a Multi-Employer Plan*, became effective for the year ended September 30, 2013 and required additional disclosures regarding multi-employer pension plans. The Corporation has made these additional disclosures in Note 9. The adoption of this pronouncement had no material impact on the Corporation's consolidated financial statements.

## NOTE 2 – REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE

The following summarizes net revenues from services to patients:

| | 2013 | 2012 |
|---|---|---|
| Gross revenues from services to patients | $ 942,280,060 | $ 971,551,590 |
| Deductions (additions): | | |
| Allowances | 683,195,570 | 699,498,848 |
| Regulatory | (312,767) | (1,431,356) |
| | 682,882,803 | 698,067,492 |
| Net revenues from services to patients | 259,397,257 | 273,484,098 |
| Provision for bad debts | 11,368,671 | 10,966,628 |
| Net patient service revenue less provision for bad debts | $ 248,028,586 | $ 262,517,470 |

Patient accounts receivable and revenues are recorded when patient services are performed.

Amounts received from most payors are different from the established billing rates of the Hospital, and these differences are accounted for as allowances. Net revenues have been affected by State of Connecticut Disproportionate Share program in 2013 and 2012 which is reflected in the regulatory amounts in the table above.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For the years ended September 30, 2013 and 2012, the Corporation recorded approximately ($2,400,000) and $2,066,000, respectively, as a (decrease) increase to net revenues from services to patients as changes in estimates related to third-party payor settlements and adjustments to accruals recorded in prior years.

During 2013 and 2012 approximately 37% and 43%, respectively, of net revenue from service to patients was received under the Medicare program, 16% and 11%, respectively, under the state Medicaid program, and 42% and 41%, respectively, from contracts with other third-parties.

## NOTE 2 – REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Network. The State of Connecticut has announced reductions in the State's Disproportionate Share Reimbursement Program for the period from July 1, 2012 through June 30, 2015.

The significant concentrations of net accounts receivable for services to patients include 44% from Medicare, 13% from Medicaid, 24% from commercial insurance carriers and 19% from others at September 30, 2013 (47%, 13%, 25% and 15%, respectively, in 2012).

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Corporation believes that it is in compliance with all applicable laws and regulations. Cost reports for the Hospital, which serve as a basis for final settlement with government payors, have been settled by final settlement through 2009 for Medicare and 1995 for Medicaid. Other years remain open for settlement.

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

### *ALLOWANCE FOR DOUBTFUL ACCOUNTS*

The Corporation's estimation of the allowance for doubtful accounts is based primarily upon the type and age of the patient accounts receivable and the effectiveness of the Corporation's collection efforts. 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 the 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.

## NOTE 2 – REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

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

A summary of the Corporation's allowance for doubtful accounts activity for the years ended September 30, 2013 and 2012 is as follows:

| | Balance at Beginning of Period | Additions Recorded in the Provision for Bad Debts | Accounts Written off, Net of Recoveries and Other | Balance at End of Period |
|---|---|---|---|---|
| Allowance for doubtful accounts: | | | | |
| Year ended September 30, 2012 | $ (15,162,000) | $ (10,966,628) | $ 9,027,628 | $ (17,101,000) |
| Year ended September 30, 2013 | $ (17,101,000) | $ (11,368,671) | $ 8,016,671 | $ (20,453,000) |

### *MEASURING CHARITY CARE*

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 possible. In assessing a patient's inability to pay, the Corporation utilizes the generally recognized Federal poverty income levels, but also includes certain cases where incurred charges are significant when compared to incomes and assets. These services are not included in net patient service revenues for financial reporting purposes.

Self-pay revenues are derived primarily from patients who do not have any form of health care coverage. The Corporation evaluates these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid or other governmental assistance programs, as well as the Corporation's policy for charity care. The Corporation provides care without charge to certain patients that qualify under its charity care policy. For the years ended September 30, 2013 and 2012, the Corporation estimates that its costs of care provided under its charity care programs approximated $440,051 and $369,888, respectively.

## NOTE 2 – REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

The Corporation's management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Corporation's gross charity care charges provided. The Corporation's gross charity care charges include only services provided to patients who are unable to pay and qualify under the Corporation's charity care policy. To the extent the Corporation receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Corporation does not include these patients' charges in its' cost of care provided under its' charity care program. Additionally, the Corporation does not report a charity care patient's charges in revenues or in the provision for doubtful accounts as it is the Corporation's policy not to pursue collection of amounts related to these patients.

### *ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS*

The American Recovery and Reinvestment Act of 2009 (ARRA) included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are also available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

Income from Medicare incentive payments is recognized as revenue after the Corporation has demonstrated that it complied with the meaningful use criteria over the entire applicable compliance period. The Corporation recognized revenue from Medicaid and Medicare for incentive payments after it adopted certified EHR technology. Medicaid incentive payments were $483,979 and $806,632 for the years ended September 30, 2013 and 2012, respectively. Medicare incentive payments were $1,939,299 and $2,585,732 for the years ended September 30, 2013 and 2012, respectively. Incentive payments are included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Corporation's compliance with the meaningful use criteria is subject to audit by the federal government.

## NOTE 2 – REVENUES FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

### *ICD-10 IMPLEMENTATION*

The Corporation is subject to the administrative simplification provisions of HIPAA which require the use of uniform electronic data transmission standards for health care claims and payment transactions submitted or received electronically.

In January 2009, the Centers for Medicare and Medicaid Services (CMS) published its tenth revision of International Statistical Classification of Diseases and Related Health Problems (ICD-10) and related changes to the formats used for certain electronic transactions. ICD-10 contains significantly more diagnostic and procedural codes than the existing ICD-9 coding system, and as a result, the coding for the patient services provided by the Corporation will require much greater specificity when ICD-10 becomes effective on October 1, 2014.

The implementation of ICD-10 will require a significant investment in technology and training. The Corporation may experience delays in reimbursement while the Corporation and the payors from which it seeks reimbursement make the transition to ICD-10. If the Corporation fails to implement the new coding systems by the deadline, the Corporation will not be paid for services. Management is not able to reasonably estimate the overall financial statement impact of the Corporation's transition to ICD-10.

## NOTE 3 - INVESTMENTS

The composition of investments, including funds held in escrow, is set forth in the following table. Investments are stated at fair value:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Short-term investments: | | | | |
| U.S. Treasury notes and other bonds | $ 62,002 | $ 68,022 | $ 87,136 | $ 93,454 |
| Marketable equity securities | 202,843 | 295,936 | 231,802 | 344,945 |
| Mutual funds | 679,578 | 784,269 | 604,927 | 619,383 |
| Certificates of deposit and money market funds | 55,332 | 55,332 | 31,390 | 31,390 |
| | $ 999,755 | $ 1,203,559 | $ 955,255 | $ 1,089,172 |

## NOTE 3 – INVESTMENTS (CONTINUED)

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Escrow funds for long-term debt: | | | | |
| Cash and money market funds | $ 34,218 | $ 34,218 | $ 691,408 | $ 691,408 |
| | $ 34,218 | $ 34,218 | $ 691,408 | $ 691,408 |
| Investments of funds held in trust by others | $36,611,821 | $44,960,039 | $35,730,956 | $42,218,163 |
| Long-term investments and Board-designated endowment funds: | | | | |
| Certificates of deposit and money market funds | $ 1,416,975 | $ 1,416,975 | $ 2,099,343 | $ 2,099,343 |
| Marketable equity securities | 198,290 | 287,463 | 73,760 | 116,754 |
| U.S. Government obligations | 108,451 | 154,567 | 2,462,365 | 2,553,684 |
| Corporate bonds | 3,412,334 | 3,396,880 | 5,215,186 | 5,475,931 |
| Annuity contract | 100,000 | 182,882 | 100,000 | 178,878 |
| Mutual funds | 20,665,211 | 22,094,465 | 14,395,273 | 15,038,953 |
| Alternative investments | -- | -- | 164,929 | 37,758 |
| | $25,901,261 | $27,533,232 | $24,510,856 | $25,501,301 |

The Corporation had long-term investments in partnerships and joint ventures that were recorded at cost of $956,732 and $753,853 as of September 30, 2013 and 2012, respectively, as it was not practicable to estimate fair value. These investments are not included in the tables above.

Unrestricted investment income, including income on funds held in trust by others, and gains and (losses) are comprised of the following for the years ended September 30, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| Income: | | |
| Investment income | $ 1,434,520 | $ 2,136,690 |
| Realized gains (losses) on sales of investments | 902,102 | (891,209) |
| Changes in unrealized gains on investments | 194,340 | 1,715,547 |
| | $ 2,530,962 | $ 2,961,028 |

## NOTE 3 – INVESTMENTS (CONTINUED)

A summary of interest cost and investment income on borrowed funds held by the trustee under revenue bond indentures during the years ended September 30, 2013 and 2012 follows:

| | 2013 | 2012 |
|---|---|---|
| Interest cost charged to operations | $ 1,017,986 | $ 929,633 |
| Investment income | $ 31 | $ 233 |

## NOTE 4 – FAIR VALUE MEASUREMENTS

The Corporation categorizes assets and liabilities for disclosure purposes based on whether the inputs used to determine their fair values are observable or unobservable. The Corporation utilizes a three-level fair value hierarchy that prioritizes the inputs used to measure assets at fair value. Level inputs are as follows:

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

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

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

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

The fair value of the interest rate swap was determined by the counterparty based on an estimate of the net present value of the expected cash flows using relevant mid-market data inputs and based on the assumptions of no unusual market conditions or forced liquidation.

## NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Reference is made to Note 1 regarding the determination of the fair value of private equity and commingled funds classified as alternative investments.

The following table summarizes fair value measurements, by level, at September 30, 2013, for all assets and liabilities which are measured at fair value on a recurring basis in the consolidated financial statements:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 33,532,557 | $ -- | $ -- | $ 33,532,557 |
| Common stock-Insurance | 93,309 | -- | -- | 93,309 |
| Mutual funds: | | | | |
| U.S. large cap | 35,292,087 | -- | -- | 35,292,087 |
| U.S. mid cap | 3,460,785 | -- | -- | 3,460,785 |
| U.S. small cap | 3,034,881 | -- | -- | 3,034,881 |
| International developed | 6,499,479 | -- | -- | 6,499,479 |
| Emerging markets | 2,705,380 | -- | -- | 2,705,380 |
| Fixed income securities: | | | | |
| Investment grade taxable | 2,773,252 | 11,202,070 | -- | 13,975,322 |
| International developed bonds | 1,237 | 719,184 | -- | 720,421 |
| Global high yield taxable | 261,841 | 2,027,557 | -- | 2,289,398 |
| Real estate investment trusts | 1,973,202 | -- | -- | 1,973,202 |
| Other | 101,506 | 284,678 | -- | 386,184 |
| Total investments at fair value | $ 89,729,516 | $ 14,233,489 | $ -- | $103,963,005 |
| Liabilities: | | | | |
| Interest rate swap | $ -- | $ 1,729,706 | $ -- | $ 1,729,706 |

## NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended September 30, 2013, the changes in fair value of assets measured using significant unobservable inputs (Level 3) were comprised of the following:

| | Long-term Investments |
|---|---|
| Balance, as of September 30, 2012 | $ 37,758 |
| Net realized and unrealized losses on investments | (27) |
| Sales | (37,731) |
| Balance, as of September 30, 2013 | $ -- |

The following table summarizes fair value measurements, by level, at September 30, 2012, for all assets and liabilities which are measured at fair value on a recurring basis in the consolidated financial statements:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Cash and cash equivalents | $ 34,288,297 | $ -- | $ -- | $ 34,288,297 |
| Common stock-Insurance | 64,739 | -- | -- | 64,739 |
| Mutual funds: | | | | |
| U.S. large cap | 23,242,440 | -- | -- | 23,242,440 |
| U.S. mid cap | 2,972,585 | -- | -- | 2,972,585 |
| U.S. small cap | 2,025,227 | -- | -- | 2,025,227 |
| International developed | 7,683,020 | -- | -- | 7,683,020 |
| Emerging markets | 2,394,768 | -- | -- | 2,394,768 |
| Bonds | 345,802 | -- | -- | 345,802 |
| Fixed income securities: | | | | |
| Investment grade taxable | 2,934,382 | 10,423,958 | -- | 13,358,340 |
| International developed bonds | -- | 2,559,686 | -- | 2,559,686 |
| Global high yield taxable | 399,340 | 2,977,811 | -- | 3,377,151 |
| U.S. Government obligations | 3,661,481 | -- | -- | 3,661,481 |
| Mortgage backed securities | -- | 873,732 | -- | 873,732 |

## NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Other investments: | | | | |
| Commingled funds real estate | $ -- | $ -- | $ 37,758 | $ 37,758 |
| Real estate investment trusts | 1,844,510 | -- | -- | 1,844,510 |
| Other | 38,500 | -- | -- | 38,500 |
| Total investments at fair value | $ 81,895,091 | $ 16,835,187 | $ 37,758 | $ 98,768,036 |
| Liabilities: | | | | |
| Interest rate swap | $ -- | $ 2,938,962 | $ -- | $ 2,938,962 |

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

| | Long-term Investments |
|---|---|
| Balance, as of September 30, 2011 | $ 10,433,613 |
| Net realized and unrealized gains on investments | 832,476 |
| Sales | (11,228,331) |
| Balance, as of September 30, 2012 | $ 37,758 |

## NOTE 5 – RESTRICTED ENDOWMENTS

The Hospital's endowments consist of donor-restricted endowment funds and Board designated endowment funds. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

## NOTE 5 – RESTRICTED ENDOWMENTS (CONTINUED)

The Hospital's Board of Trustees has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and, if applicable (c) accumulations to the permanent endowment made in accordance with the related gift's donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Hospital in a manner consistent with the standard for expenditure as proscribed by UPMIFA. In accordance with UPMIFA, the Hospital considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

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

### *RETURN OBJECTIVES AND RISK PARAMETERS*

For the permanently restricted endowment funds, the bank, acting in its capacity as trustee, determines and directs the investment policy and asset allocation. For the unrestricted and temporarily restricted endowment funds, the Hospital's Board of Trustees has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. The Hospital expects these endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation by 3.5% annually. Actual returns in any given year may vary from this amount.

## NOTE 5 – RESTRICTED ENDOWMENTS (CONTINUED)

### *STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES*

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

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

The Hospital has a policy of evaluating the spending decisions for each endowment fund based upon the intentions of the donors and specific contractual agreements. In determining the annual amount to be spent, the Hospital considers the long-term expected return on its endowment. The spending policy is designed to limit spending to the expected long-term real rate of return. The annual distribution from the endowment funds is expected to be contained within a range of 4-6% of the trusts' market value. This is consistent with the Hospital's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### *ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF SEPTEMBER 30, 2013*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ -- | $ 7,446,152 | $ 47,752,075 | $ 55,198,227 |
| Board-designated endowment funds | 3,193,664 | -- | -- | 3,193,664 |
| Total funds | $ 3,193,664 | $ 7,446,152 | $ 47,752,075 | $ 58,391,891 |

## NOTE 5 – RESTRICTED ENDOWMENTS (CONTINUED)

### *CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning balance | $ 2,974,503 | $ 6,806,683 | $ 45,010,199 | $ 54,791,385 |
| Investment return: | | | | |
| Investment income | 72,896 | 238,568 | -- | 311,464 |
| Net appreciation | 277,353 | 829,688 | 2,741,876 | 3,848,917 |
| Total investment return | 350,249 | 1,068,256 | 2,741,876 | 4,160,381 |
| Appropriation of endowment assets for expenditure | (131,088) | (428,787) | -- | (559,875) |
| Endowment net assets, ending balance | $ 3,193,664 | $ 7,446,152 | $ 47,752,075 | $ 58,391,891 |

### *ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF SEPTEMBER 30, 2012*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ -- | $ 6,806,683 | $ 45,010,199 | $ 51,816,882 |
| Board-designated endowment funds | 2,974,503 | -- | -- | 2,974,503 |
| Total funds | $ 2,974,503 | $ 6,806,683 | $ 45,010,199 | $ 54,791,385 |

## NOTE 5 – RESTRICTED ENDOWMENTS (CONTINUED)

### *CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning balance | $ 2,615,009 | $ 5,696,591 | $ 40,131,275 | $ 48,442,875 |
| Investment return: | | | | |
| Investment income | 72,000 | 259,851 | -- | 331,851 |
| Net appreciation | 406,963 | 1,266,934 | 4,878,924 | 6,552,821 |
| Total investment return | 478,963 | 1,526,785 | 4,878,924 | 6,884,672 |
| Appropriation of endowment assets for expenditure | (119,469) | (416,693) | -- | (536,162) |
| Endowment net assets, ending balance | $ 2,974,503 | $ 6,806,683 | $ 45,010,199 | $ 54,791,385 |

## NOTE 6 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at September 30, 2013 and 2012, are restricted amounts which are to be held in perpetuity, the income from which is expendable to provide free care, scholarships for the children of the Hospital's employees, and for the operations of the Hospital. Also included in permanently restricted net assets are funds held in trust by others. The Hospital is the restricted income beneficiary of funds held in trust by others. The total trust assets, as reported by the trustee, had an aggregate fair value at September 30, 2013 and 2012 of $44,960,039 and $42,218,163, respectively. Income of $1,896,981 and $1,759,075 earned on these assets for the years ended September 30, 2013 and 2012, respectively, is included in investment income.

Temporarily restricted net assets are available to provide psychiatric services, free care and educational seminars.

During 2013, net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes in providing grant related services, free care, and various miscellaneous services in the amounts of $4,420,718, $657,252 and $341,621, respectively in 2013 and $4,733,897, $625,195, and $249,913, respectively in 2012. In addition, $19,654 and $134,036 were released for the purchase of property and equipment in 2013 and 2012, respectively.

## NOTE 7 - DEBT

### *SERIES C AND D BOND FINANCING*

In December 2010, the Hospital refinanced its Series C bond financing and financed an additional $8,000,000 for various capital projects to be completed over a two year period. The par amount of the new Series D debt was $25,918,000 and interest is variable at the interest rate that is equal to the product of (i) sixty-eight percent (68%) and (ii) the sum of the LIBOR Rate and three hundred basis points (2.16% at September 30, 2013). The new bonds require monthly principal and interest payments, based upon a 10 year amortization schedule, from 2011 through 2020 with the remaining principal balance due in 2020.

The terms of the bonds provide for, among other things, a pledge of gross receipts of the Hospital, restriction on the incurrence of certain indebtedness of the Hospital and provide for covenants regarding the Hospital's debt service coverage ratios, minimum levels of cash on hand, sale and lease of assets and other covenants similar in financings of this type.

In connection with this refinancing, the Hospital entered into an interest rate swap with a bank which allowed it to convert its variable interest rate liability to a fixed interest rate liability of 4.475% without changing the structure of the underlying debt.

The Hospital uses the interest rate swap agreement to manage interest rate risk associated with its outstanding debt. At September 30, 2013 and 2012, the notional value of outstanding interest rate swap was $24,755,656 and $25,207,100, respectively.

The Hospital recognizes the fair value of its interest rate swap in the consolidated balance sheet as a liability, recorded in other noncurrent liabilities. At September 30, 2013 and 2012, the fair value of interest rate swap was in a liability position of $1,729,706 and $2,938,962, respectively.

The Hospital designated its interest rate swap as a cash flow hedge for accounting purposes, and accordingly defers gains or losses associated with the swap in net assets.

### *CHILDREN'S CENTER SERIES D BOND FINANCING*

On August 1, 2000, the Children's Center of Greater Waterbury Health Network, Inc. entered into Series D financing arrangements with CHEFA under a Master Indenture for the financing of the construction of a new child care center building. To finance the above, CHEFA sold $1,945,000 of Series D revenue bonds.

## NOTE 7 – DEBT (CONTINUED)

Under the terms of the financing arrangements between the Children's Center and CHEFA, the proceeds of the revenue bonds were loaned to the Children's Center. Pursuant to the loan agreement, the Children's Center was obligated to provide amounts which will be sufficient to enable CHEFA to pay the principal of and interest on the proceeds of the Series D Bonds.

Concurrently with the issuance and delivery of the Series D Bonds, the Children's Center and U.S. Bank NA, as Trustee, entered into the Master Indenture and Supplemental Master Indentures Numbers 1 and 2, pursuant to which the Children's Center was obligated to pay the amount due under the loan agreement with CHEFA. The Master Indenture and Supplemental Master Indentures provide for, among other things, the establishment and maintenance of a Debt Service Reserve Fund (which has been funded by the State of Connecticut as discussed below) and a pledge of the gross receipts, as defined, of the Children's Center, restriction on the incurrence of certain indebtedness of the Children's Center and covenants regarding the Children's Center's debt service coverage ratios, sale and lease of assets and other covenants similar in financings of this type.

### *CHILDREN'S CENTER SERIES 2011 BONDS*

In August 2011, CHEFA sold $28,840,000 of Series 2011 revenue bonds, the proceeds of which were used to redeem a number of bond series, including the Children's Center Series D bonds described above. As a result of the sale of the Series 2011 bonds, the Children's Center's loan with CHEFA was refinanced and reduced from $1,560,000 to $1,505,000. The Series 2011 bonds mature serially from 2012 through 2030, with interest rates ranging from 1% to 5%.

Pursuant to Public Act No. 97-259 (the School Readiness Act), the State of Connecticut has encouraged the development of a network of school readiness programs that meet the standards developed by the State Department of Education. To encourage such development, the School Readiness Act established, among other things, the Child Care Facilities Program to finance low interest loans for the purpose of new construction of child care centers. The State of Connecticut, acting through the Commissioner of the Department of Social Services, may allow actual debt service on such loans and a debt service reserve fund to be paid by the State of Connecticut provided that such debt service terms are determined by the Commissioner to be reasonable. The State of Connecticut has funded the debt service reserve fund and has agreed to fund, subject to available appropriations, 83.6% of the debt service on the Series 2011 Bonds and to replenish any deficiencies in the debt service reserve fund. During 2013 and 2012, the total debt service funded by the State of Connecticut was $103,351 and $109,009, respectively.

## NOTE 7 – DEBT (CONTINUED)

Future minimum payments by year and in the aggregate, subject to early redemption provisions discussed above, under the CHEFA bonds are as follows at September 30, 2013:

| | |
|---|---|
| 2014 | $ 532,136 |
| 2015 | 548,776 |
| 2016 | 576,408 |
| 2017 | 600,080 |
| 2018 | 629,832 |
| Aggregate thereafter | 23,253,424 |
| | $ 26,140,656 |

Access has a $250,000 line of credit with a bank. There were no borrowings under this line of credit at September 30, 2013 and 2012.

In April 2005, the VNA established a $500,000 line of credit with Webster Financial Advisors. The line of credit expired on November 1, 2013 and VNA is currently in the process of renewing the line. The interest rate at June 30, 2013 and 2012 was 5% and 4.25%, respectively. The line of credit is secured by the VNA's investments held by Webster Financial Advisors and a first lien on all business assets located at 27 Siemon Company Drive, Watertown, Connecticut. There were no advances on the line of credit at September 30, 2013 and 2012.

AMG had a capital lease for equipment that called for monthly payments of $1,485 through April 2013 and was secured by the equipment. The balance of the capital lease liability was $0 at September 30, 2013 and $10,054 at September 30, 2012.

AMG has a capital lease for equipment that calls for monthly payments of $593 through January 2014 and is secured by the equipment. The balance of the capital lease liability was $2,858 at September 30, 2013 and $9,037 at September 30, 2012.

AMG entered into an equipment lease during 2010. The lease calls for monthly payments of $353 through March 2015 and is secured by the equipment. The balance of the capital lease liability was $5,877 at September 30, 2013 and $9,445 at September 30, 2012.

AMG entered into an equipment lease during 2010. The lease calls for monthly payments of $447 through May 2015 and is secured by the equipment. The balance of the capital lease liability was $8,687 at September 30, 2013 and $13,095 at September 30, 2012.

**NOTE 7 – DEBT (CONTINUED)**

The Hospital entered into a capital lease for equipment during 2011. The lease calls for equal monthly payments of $20,885 through May 2016 and is secured by the equipment. The balance of the capital lease liability was $609,435 at September 30, 2013 and $835,685 at September 30, 2012.

The Hospital entered into a capital lease for equipment during 2011. The lease called for equal monthly payments of $14,031 through July 2013 and was secured by the equipment. The balance of the capital lease liability was $0 at September 30, 2013 and $137,403 at September 30, 2012.

AMG entered into a term note during 2010 at an interest rate of 9.8%. The note calls for monthly payments of $13,216 through November 2014 and is secured by the assets of AMG. The balance of the term note liability was $173,794 at September 30, 2013 and $307,277 at September 30, 2012.

AMG assumed a note payable during 2009 for the fit-up of office space. The original amount of the note was $320,000 and is repayable in installments of principal plus interest at 7.50% totaling $4,908 per month through January 2014. In addition, this note calls for a final payment of principal and interest of $113,981 in February 2014. The balance of this note was $129,815 at September 30, 2013 and $177,038 at September 30, 2012.

The Hospital entered into a capital lease for equipment during 2012. The lease calls for equal monthly payments of $11,469 through August 2017 and is secured by the equipment. The balance of the capital lease liability was $495,826 at September 30, 2013 and $593,633 at September 30, 2012.

The Hospital entered into a capital lease for equipment during 2013. The lease calls for equal monthly payments of $4,779 through November 2015. The balance of capital lease liability was $120,826 at September 30, 2013.

## NOTE 7 – DEBT (CONTINUED)

Future minimum payments by year and in the aggregate for all non-CHEFA obligations were as follows at September 30, 2013:

| | |
|---|---|
| 2014 | $ 694,549 |
| 2015 | 448,424 |
| 2016 | 280,624 |
| 2017 | 123,520 |
| | $ 1,547,117 |

The fair value of the debt, using the discounted cash flow analyses, was approximately $29,406,000 and $30,750,000 at September 30, 2013 and 2012, respectively.

## NOTE 8 – RENTAL EXPENSE AND LEASE COMMITMENTS

The Hospital, VNA and GWMRI have entered into operating leases for office space and office equipment. Rental expense for the years ended September 30, 2013 and 2012 was $4,792,560 and $4,710,265, respectively. The minimum rental commitments under all noncancellable operating leases with initial or remaining terms of more than one year are as follows:

| | |
|---|---|
| 2014 | $ 4,403,351 |
| 2015 | 3,592,196 |
| 2016 | 3,271,507 |
| 2017 | 2,479,208 |
| 2018 | 27,036 |
| Thereafter | 201,566 |
| | $ 13,974,864 |

## NOTE 9 – EMPLOYEE BENEFIT PLANS

The Hospital has a noncontributory defined benefit cash balance plan (the Plan). Under the Plan, each participant who elected to transfer their balances to the Plan from the former defined contribution plan receives a credit of 6% of compensation allocated to their cash balance accounts. All other participants receive a 3% credit. Additionally, each participant receives an interest credit to their cash balance account based on the yield to maturity on three-year treasury bills. The Plan covers substantially all non-union employees age 21 and older with one year of service. It is the Hospital's policy to make contributions to the Plan sufficient to meet the minimum funding requirements of applicable laws and regulations.

Following is a summary of the Plan's funded status using the measurement dates of September 30, 2013 and 2012 and amounts recognized in the Corporation's consolidated financial statements.

| | 2013 | 2012 |
|---|---|---|
| **Change in benefit obligation** | | |
| Benefit obligation beginning of year | $ (37,888,825) | $ (37,373,483) |
| Service cost | (1,702,273) | (1,220,226) |
| Interest cost | (1,154,537) | (1,798,078) |
| Actuarial gain (loss) | 2,126,771 | (443,054) |
| Benefits paid | 3,056,653 | 2,946,016 |
| Benefit obligation, end of year | $ (35,562,211) | $ (37,888,825) |
| **Change in plan assets** | | |
| Fair value of plan assets, beginning of year | $ 28,843,113 | $ 26,540,513 |
| Actual return on plan assets | 253,055 | 2,716,897 |
| Employer contributions | 1,162,156 | 2,531,719 |
| Benefits paid | (3,056,653) | (2,946,016) |
| Fair value of plan assets, end of year | $ 27,201,671 | $ 28,843,113 |
| Funded status | $ (8,360,540) | $ (9,045,712) |
| Accrued pension liability | $ (8,360,540) | $ (9,045,712) |

## NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

| | 2013 | 2012 |
|---|---|---|
| **Components of net periodic pension cost** | | |
| Service cost | $ 1,702,273 | $ 1,220,226 |
| Interest cost | 1,154,537 | 1,798,078 |
| Expected return on plan assets | (2,483,658) | (2,566,157) |
| Amortization of actuarial loss | 971,872 | 623,556 |
| Amortization of prior service cost | 35,455 | 35,527 |
| Net periodic pension cost | $ 1,380,479 | $ 1,111,230 |
| Accumulated benefit obligation | $ 34,675,898 | $ 36,832,025 |

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

| | 2013 | 2012 |
|---|---|---|
| Unrecognized prior service cost | $ (156,531) | $ (191,986) |
| Unrecognized actuarial losses | (14,772,799) | (15,640,839) |
| Benefit obligation, end of year | $ (14,929,330) | $ (15,832,825) |

Changes in benefit obligations recognized in unrestricted net assets include:

| | 2013 | 2012 |
|---|---|---|
| Current year actuarial losses | $ (103,832) | $ (292,314) |
| Amortization of prior service cost | 35,455 | 35,527 |
| Amortization of net loss | 971,872 | 623,556 |
| | $ 903,495 | $ 366,769 |

The prior service cost and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic cost during the year ending September 30, 2014 are $35,455 and $816,016, respectively.

## NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

### *ASSUMPTIONS*

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

| | 2013 | 2012 |
|---|---|---|
| Discount rate | 3.99% | 3.17% |
| Expected return on plan assets | 8.00% | 8.00% |
| Rate of compensation increase | 2% for 3 year select period, 3% ultimate | 2% for 4 year select period, 3% ultimate |

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

| | 2013 | 2012 |
|---|---|---|
| Discount rate | 3.17% | 5.07% |
| Expected return on assets | 8.00% | 8.00% |
| Rate of compensation increase | 2% for 4 year select period, 3% ultimate | 2% for 5 year select period, 3% ultimate |

### *EXPECTED LONG-TERM RETURN ON PLAN ASSETS*

To develop the expected long-term rate of return on assets assumptions, the Hospital considered the historical returns and the future expectations of returns for each asset class, as well as target asset allocations of the pension portfolio. This resulted in the selection of the 8.0% long-term rate of return.

## NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

### *INVESTMENT POLICY*

The Plan's weighted-average asset allocation at September 30, 2013, by asset category are as follows:

| | | Asset Allocation Policy | |
|---|---|---|---|
| Asset Category | Plan Assets | Target | Range |
| Global defense equity unhedged | 10% | 10% | 5% - 15% |
| Custom fixed income | 90% | 90% | 85% - 95% |

The Plan's weighted-average asset allocation at September 30, 2012, by asset category are as follows:

| | | Asset Allocation Policy | |
|---|---|---|---|
| Asset Category | Plan Assets | Target | Range |
| Equity securities | 44% | 45% | 40% - 50% |
| Debt securities | 33% | 35% | 25% - 45% |
| Multi-strategy hedge fund of funds | 20% | 20% | 15% - 25% |
| Cash and cash equivalents | 3% | | |

The Pension Committee of the Board of Trustees (the Committee) is responsible for employee benefit program policies with respect to plan assets and the retention of qualified managers, consultants and trustee/custodians. The purpose of the Committee is to ensure the Plan assets accumulate monies required to meet the anticipated benefit payments of the Plan; contributions are made by the Hospital on a basis determined by the Plan's actuary to be adequate to fund the benefits. The investment objective of the Committee is to maximize total return after inflation within the limits of prudent risk taking by diversifying across asset classes and multiple managers. The Committee has established an asset allocation policy that sets a target and range for each asset class, as shown in the table above.

### *CONTRIBUTIONS*

The Hospital expects to make $1,500,000 in contributions to the Plan in 2014.

## NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

### *ESTIMATED FUTURE BENEFIT PAYMENTS*

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

| | |
|---|---|
| 2014 | $ 3,702,000 |
| 2015 | 3,025,000 |
| 2016 | 3,414,000 |
| 2017 | 3,289,000 |
| 2018 | 3,512,000 |
| 2019-2023 | 15,898,000 |
| | $ 32,840,000 |

As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following tables set forth by level within the fair value hierarchy the investment assets and investment liabilities at fair value, as of September 30, 2013.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Commingled funds and private equity | $ -- | $ -- | $27,201,671 | $27,201,671 |

## NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

The following tables set forth by level within the fair value hierarchy the investment assets and investment liabilities at fair value, as of September 30, 2012.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equities | $ 1,450,511 | $ -- | $ -- | $ 1,450,511 |
| Commingled funds and private equity | -- | -- | 19,307,214 | 19,307,214 |
| U.S. Government obligations | 4,463,951 | -- | -- | 4,463,951 |
| Corporate bonds | -- | 3,210,511 | -- | 3,210,511 |
| Distribution receivable | 363,345 | -- | -- | 363,345 |
| Interest and dividends | 47,581 | -- | -- | 47,581 |
| | $ 6,325,388 | $ 3,210,511 | $19,307,214 | $28,843,113 |

The following is a reconciliation of Level 3 assets, collective investments and common trust funds, for which significant unobservable inputs were used to determine fair value:

| | 2013 | 2012 |
|---|---|---|
| Balance as of September 30 | $ 19,307,214 | $ 17,038,042 |
| Change in unrealized (depreciation) appreciation | (487,433) | 2,362,257 |
| Purchases | 52,316,941 | 7,446,351 |
| Sales | (43,935,051) | (7,539,436) |
| Balance as of September 30 | $ 27,201,671 | $ 19,307,214 |

### *OTHER BENEFIT PLANS*

The Hospital participates in multi-employer pension plans that cover substantially all union employees. Contributions to the plans are based upon a percentage of each participant's total salary. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of another participating employer.

- If a participating employer stops contributing to the plan, the unfunded obligation of the plan may be borne by the remaining participating employers.

## NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

- If the Hospital chose to stop participating in the multi-employer plans, the Hospital may be required to pay those plans an amount based on the underfunded status of the plans, referred to as a withdrawal liability.

The following table presents the Hospital's participation in these plans as of and for the years ended September 30, 2013 and 2012.

| Pension Trust Fund | Pension Plan Employer Identification Number | Pension Protection Act ("PPA") Certified Zone Status[1] | | FIP / RP Status Pending / Implemented[2] | Contributions | | Surcharge Imposed | Expiration Date of Collection Bargaining Agreement[3] |
|---|---|---|---|---|---|---|---|---|
| | | 2013 | 2012 | | 2013 | 2012 | | |
| Connecticut Health Care Associates Pension Fund | 06-1313462 | Green | Green | N/A | $ 2,077,612 | $ 2,230,433 | No | September 30, 2013 |
| New England Health Care Employees Pension Fund | 22-3071963 | Green | Green | N/A | 783,235 | 865,646 | No | February 29, 2016 |
| | | | | Total Contributions: | $ 2,860,847 | $ 3,096,079 | | |

[1] The most recent PPA zone status available in 2013 and 2012 is for the plan's year-ending during 2012 and 2011, respectively. The zone status is based on information received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the orange zone are less than 80 percent funded and have an accumulated funding deficiency in the current year or projected in the next six years, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

[2] The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

[3] Lists the expiration dates of the collective-bargaining agreements to which the plans are subject.

During the years ended September 30, 2013 and 2012, the Hospital's contributions to the Connecticut Health Care Associates Pension Plan represented approximately 96% of the total contributions made to the plan by all participating employers.

During the years ended September 30, 2013 and 2012, the Hospital's contributions to the New England Health Care Employees Pension Plan represented 3% of the total contributions made to the plan by all participating employers.

Governmental regulations impose certain requirements relative to union-sponsored pension plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Hospital has explored the costs to withdraw from the Connecticut Health Care Associates (CHCA) Pension Plan in the event that the Hospital enters into a joint venture (Note 1). As of September 30, 2013, it is estimated a withdrawal liability to exit this plan would be $17,200,000. It is expected that CHCA will likewise withdraw from the pension plan making a total withdrawal liability for the Hospital of approximately $27,700,000. Management expects that the costs to withdraw from the plan will be funded by the proceeds from the transaction and payable over time at the rate of $2,400,000 per annum.

## NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

The VNA has a defined contribution pension plan which covers substantially all full-time employees, in addition to a non-contributory discretionary pension plan for which contributions are made annually at the discretion of the VNA's Board of Directors.

In addition, the Hospital has a supplemental employee retirement plan for certain executives. The plan provides for a total benefit and is partially funded. As of September 30, 2013 and 2012, liabilities of $240,869 and $152,244, respectively, have been reflected in the consolidated balance sheets.

As noted above, the Hospital also has a noncontributory defined benefit cash balance plan covering substantially all non-union employees age 21 and older with one year of service. Total pension expense, relating to this plan, charged to operations during the years ended September 30, 2013 and 2012 was $1,380,479 and $1,111,230, respectively.

## NOTE 10 – SELF INSURANCE CLAIMS

There have been medical malpractice and workers' compensation claims that fall within the Corporation's partially self-insured programs, which have been asserted against the Corporation. In addition, there are known incidents that have occurred through September 30, 2013 that may result in the assertion of claims. Corporation management has accrued its best estimate of these contingent losses. Other claims may be asserted arising from services provided to patients or workers' compensation incidents in the past. Corporation management has provided reserves for these contingent liabilities.

## NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Corporation is a party to various lawsuits incidental to its business.

## NOTE 12 – DUE FROM (TO) AFFILIATES

The amounts due from affiliates of $189,379 and $195,978 at September 30, 2013 and 2012, respectively, represent receivables from and (payables) to affiliates that do not eliminate in consolidation. These balances are comprised of the following:

| | 2013 | 2012 |
|---|---|---|
| Greater Waterbury Management Resources | $ 197,863 | $ 204,462 |
| Alliance Medical Group | (9,984) | (9,984) |
| GI Co-Management Company | 1,500 | 1,500 |
| | $ 189,379 | $ 195,978 |

## NOTE 13 – FUNCTIONAL EXPENSES

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

| | 2013 | 2012 |
|---|---|---|
| Health care services | $ 198,516,495 | $ 207,955,761 |
| General and administrative | 65,059,933 | 67,298,685 |
| Fundraising | 360,831 | 288,795 |
| | $ 263,937,259 | $ 275,543,241 |

## NOTE 14 – SUBSEQUENT EVENTS

The Network evaluates the impact of subsequent events, events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date or for disclosure in the notes to the financial statements. The Network evaluated events occurring subsequent to September 30, 2013 through January 10, 2014, the date on which the accompanying consolidated financial statements were available to be issued. During this period, there were no subsequent events that required recognition in the consolidated financial statements.

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

Board of Directors
**Greater Waterbury Health Network, Inc.**

We have audited the consolidated financial statements of Greater Waterbury Health Network, Inc. as of and for the years ended September 30, 2013 and 2012, and our report thereon dated January 10, 2014, which contained an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marcum LLP

Hartford, CT
January 10, 2014

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

## SEPTEMBER 30, 2013

| | Greater Waterbury Health Network, Inc. | The Waterbury Hospital | VNA Health at Home, Inc. | Greater Waterbury Health Services, Inc. | Greater Waterbury Management Resources, Inc. | Children's Center of Greater Waterbury Health Network, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **Current Assets** | | | | | | | | |
| Cash and cash equivalents | $ 112,677 | $ 23,993,423 | $ 1,045,050 | $ -- | $ 3,326 | $ 557,574 | $ -- | $ 25,712,050 |
| Restricted cash | -- | 4,519,908 | -- | -- | -- | -- | -- | 4,519,908 |
| Short-term investments | -- | 472,637 | 730,922 | -- | -- | -- | -- | 1,203,559 |
| Accounts receivable - patients, net | -- | 29,441,126 | 426,765 | -- | -- | 102,362 | (12,500) | 29,957,753 |
| Accounts receivable - grants and other | -- | 3,702,524 | -- | -- | -- | -- | -- | 3,702,524 |
| Inventories | -- | 3,581,595 | 5,226 | -- | -- | -- | -- | 3,586,821 |
| Prepaid insurance and other expenses | -- | 1,571,465 | 8,826 | -- | -- | 22,805 | -- | 1,603,096 |
| Due from affiliates | 1,767,003 | (2,042,951) | -- | (11,764) | 491,262 | (14,171) | -- | 189,379 |
| **Total Current Assets** | 1,879,680 | 65,239,727 | 2,216,789 | (11,764) | 494,588 | 668,570 | (12,500) | 70,475,090 |
| **Other Assets** | | | | | | | | |
| Under bond indenture agreements | -- | -- | -- | -- | -- | 34,218 | -- | 34,218 |
| | -- | -- | -- | -- | -- | 34,218 | -- | 34,218 |
| Property, Plant and Equipment | | | | | | | | |
| Land | -- | 287,549 | -- | -- | -- | -- | -- | 287,549 |
| Buildings and improvements | -- | 94,052,332 | -- | -- | -- | 3,085,085 | -- | 97,137,417 |
| Furniture, fixtures and equipment | -- | 186,912,261 | 567,935 | -- | -- | 162,203 | -- | 187,642,399 |
| Construction in progress | -- | 73,654 | -- | -- | -- | -- | -- | 73,654 |
| Accumulated depreciation | -- | (238,890,019) | (485,923) | -- | -- | (1,134,141) | -- | (240,510,083) |
| | -- | 42,435,777 | 82,012 | -- | -- | 2,113,147 | -- | 44,630,936 |
| Funds held in trust by others | -- | 44,960,039 | -- | -- | -- | -- | -- | 44,960,039 |
| Goodwill | -- | 1,813,567 | -- | -- | -- | -- | -- | 1,813,567 |
| CHEFA obligations issue expense, less amortization | -- | 282,676 | -- | -- | -- | -- | -- | 282,676 |
| Long-term investments | 14,298,723 | 10,814,695 | -- | -- | -- | 182,882 | -- | 25,296,300 |
| Board-designated endowment funds | -- | 3,193,664 | -- | -- | -- | -- | -- | 3,193,664 |
| Other investments | 80,000 | -- | -- | -- | -- | -- | -- | 80,000 |
| Investment in subsidiary | 719,418 | -- | -- | -- | -- | -- | (719,418) | -- |
| Loans and other receivables | 222,914 | 171,972 | -- | -- | 187,403 | -- | (222,914) | 359,375 |
| Accrued interest and dividends receivable | 13,743 | -- | -- | -- | -- | -- | -- | 13,743 |
| | 15,334,798 | 61,236,613 | -- | -- | 187,403 | 182,882 | (942,332) | 75,999,364 |
| | $ 17,214,478 | $ 168,912,117 | $ 2,298,801 | $ (11,764) | $ 681,991 | $ 2,998,817 | $ (954,832) | $ 191,139,608 |

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET (CONTINUED)

## SEPTEMBER 30, 2013

| | Greater Waterbury Health Network, Inc. | The Waterbury Hospital | VNA Health at Home, Inc. | Greater Waterbury Health Services, Inc. | Greater Waterbury Management Resources, Inc. | Children's Center of Greater Waterbury Health Network, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | | | | | |
| **Current Liabilities** | | | | | | | | |
| Accounts payable and accrued expenses | $ 35,700 | $ 28,973,238 | $ 275,949 | $ -- | $ -- | $ 123,331 | $ (12,500) | $ 29,395,718 |
| Due to third-party reimbursement agencies | -- | 2,969,391 | 173,795 | -- | -- | -- | -- | 3,143,186 |
| Current portion of CHEFA obligations | -- | 472,136 | -- | -- | -- | 68,633 | (8,633) | 532,136 |
| Current portion of notes payable | -- | 694,549 | -- | -- | -- | -- | -- | 694,549 |
| **Total Current Liabilities** | 35,700 | 33,109,314 | 449,744 | -- | -- | 191,964 | (21,133) | 33,765,589 |
| **CHEFA Obligations** - less current portion and discount | -- | 24,283,520 | -- | -- | -- | 1,325,000 | -- | 25,608,520 |
| **Notes Payable** - less current portion | -- | 852,568 | -- | -- | -- | 214,281 | (214,281) | 852,568 |
| **Other Noncurrent Liabilities** | -- | 21,813,507 | -- | -- | -- | -- | -- | 21,813,507 |
| **Net Assets** | | | | | | | | |
| Unrestricted | 17,178,778 | 29,976,833 | 1,849,057 | (11,764) | 681,991 | 1,267,572 | (719,418) | 50,223,049 |
| Temporarily restricted | -- | 8,409,794 | -- | -- | -- | -- | -- | 8,409,794 |
| Permanently restricted | -- | 47,752,075 | -- | -- | -- | -- | -- | 47,752,075 |
| **Total Net Assets Excluding Noncontrolling Interests** | 17,178,778 | 86,138,702 | 1,849,057 | (11,764) | 681,991 | 1,267,572 | (719,418) | 106,384,918 |
| **Noncontrolling Interests** | -- | 2,714,506 | -- | -- | -- | -- | -- | 2,714,506 |
| **Total Net Assets** | 17,178,778 | 88,853,208 | 1,849,057 | (11,764) | 681,991 | 1,267,572 | (719,418) | 109,099,424 |
| | $ 17,214,478 | $ 168,912,117 | $ 2,298,801 | $ (11,764) | $ 681,991 | $ 2,998,817 | $ (954,832) | $ 191,139,608 |

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

## SEPTEMBER 30, 2012

| | Greater Waterbury Health Network, Inc. | The Waterbury Hospital | VNA Health at Home, Inc. | Greater Waterbury Health Services, Inc. | Greater Waterbury Management Resources, Inc. | Children's Center of Greater Waterbury Health Network, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **Current Assets** | | | | | | | | |
| Cash and cash equivalents | $ 2,545 | $ 24,607,775 | $ 741,121 | $ -- | $ 649 | $ 404,504 | $ -- | $ 25,756,594 |
| Restricted cash | -- | 3,511,398 | -- | -- | -- | -- | -- | 3,511,398 |
| Short-term investments | -- | 448,318 | 640,854 | -- | -- | -- | -- | 1,089,172 |
| Accounts receivable - patients, net | -- | 31,771,976 | 383,216 | -- | -- | 232,184 | (20,364) | 32,367,012 |
| Accounts receivable - grants and other | -- | 2,977,504 | -- | -- | -- | -- | -- | 2,977,504 |
| Inventories | -- | 3,305,079 | -- | -- | -- | -- | -- | 3,305,079 |
| Prepaid insurance and other expenses | -- | 1,493,512 | 9,109 | -- | -- | 23,269 | -- | 1,525,890 |
| Due from affiliates | 2,709,566 | (2,999,940) | -- | (11,764) | 498,116 | -- | -- | 195,978 |
| **Total Current Assets** | 2,712,111 | 65,115,622 | 1,774,300 | (11,764) | 498,765 | 659,957 | (20,364) | 70,728,627 |
| **Other Assets** | | | | | | | | |
| Under bond indenture agreements | -- | -- | -- | -- | -- | 30,070 | -- | 30,070 |
| Construction Fund | -- | 661,338 | -- | -- | -- | -- | -- | 661,338 |
| | -- | 661,338 | -- | -- | -- | 30,070 | -- | 691,408 |
| Property, Plant and Equipment | | | | | | | | |
| Land | -- | 287,549 | -- | -- | -- | -- | -- | 287,549 |
| Buildings and improvements | -- | 92,117,304 | 20,776 | -- | -- | 3,068,271 | -- | 95,206,351 |
| Furniture, fixtures and equipment | -- | 184,952,035 | 845,948 | -- | -- | 160,308 | -- | 185,958,291 |
| Construction in progress | -- | 2,473,015 | -- | -- | -- | -- | -- | 2,473,015 |
| Accumulated depreciation | -- | (230,695,459) | (719,863) | -- | -- | (1,037,832) | -- | (232,453,154) |
| | -- | 49,134,444 | 146,861 | -- | -- | 2,190,747 | -- | 51,472,052 |
| Funds held in trust by others | -- | 42,218,163 | -- | -- | -- | -- | -- | 42,218,163 |
| Goodwill | -- | 1,813,567 | -- | -- | -- | -- | -- | 1,813,567 |
| CHEFA obligations issue expense, less amortization | -- | 321,666 | -- | -- | -- | -- | -- | 321,666 |
| Long-term investments | 13,100,061 | 10,001,712 | -- | -- | -- | 178,878 | -- | 23,280,651 |
| Board-designated endowment funds | -- | 2,974,503 | -- | -- | -- | -- | -- | 2,974,503 |
| Other investments | 55,000 | -- | -- | -- | -- | -- | -- | 55,000 |
| Investment in subsidiary | 719,418 | -- | -- | -- | -- | -- | (719,418) | -- |
| Loans and other receivables | 231,210 | 290,416 | 4,660 | -- | 226,830 | -- | (231,210) | 521,906 |
| Accrued interest and dividends receivable | 22,017 | -- | -- | -- | -- | -- | -- | 22,017 |
| | 14,127,706 | 57,620,027 | 4,660 | -- | 226,830 | 178,878 | (950,628) | 71,207,473 |
| | $ 16,839,817 | $ 172,531,431 | $ 1,925,821 | $ (11,764) | $ 725,595 | $ 3,059,652 | $ (970,992) | $ 194,099,560 |

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET (CONTINUED)

## SEPTEMBER 30, 2012

| | Greater Waterbury Health Network, Inc. | The Waterbury Hospital | VNA Health at Home, Inc. | Greater Waterbury Health Services, Inc. | Greater Waterbury Management Resources, Inc. | Children's Center of Greater Waterbury Health Network, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| **Liabilities and Net Assets** | | | | | | | | |
| **Current Liabilities** | | | | | | | | |
| Accounts payable and accrued expenses | $ 82,599 | $ 36,745,815 | $ 297,140 | $ -- | $ -- | $ 139,623 | $ (20,365) | $ 37,244,812 |
| Due to third-party reimbursement agencies | -- | 601,271 | 170,017 | -- | -- | -- | -- | 771,288 |
| Current portion of CHEFA obligations | -- | 451,444 | -- | -- | -- | 55,000 | -- | 506,444 |
| Current portion of notes payable | -- | 666,376 | -- | -- | -- | 8,295 | (8,295) | 666,376 |
| **Total Current Liabilities** | 82,599 | 38,464,906 | 467,157 | -- | -- | 202,918 | (28,660) | 39,188,920 |
| **CHEFA Obligations** - less current portion and discount | -- | 24,755,656 | -- | -- | -- | 1,385,000 | -- | 26,140,656 |
| **Notes Payable** - less current portion | -- | 1,426,291 | -- | -- | -- | 222,914 | (222,914) | 1,426,291 |
| **Other Noncurrent Liabilities** | -- | 21,853,067 | -- | -- | -- | -- | -- | 21,853,067 |
| **Net Assets** | | | | | | | | |
| Unrestricted | 16,757,218 | 30,228,350 | 1,458,664 | (11,764) | 725,595 | 1,248,820 | (719,418) | 49,687,465 |
| Temporarily restricted | -- | 7,645,420 | -- | -- | -- | -- | -- | 7,645,420 |
| Permanently restricted | -- | 45,010,199 | -- | -- | -- | -- | -- | 45,010,199 |
| **Total Net Assets Excluding Noncontrolling Interests** | 16,757,218 | 82,883,969 | 1,458,664 | (11,764) | 725,595 | 1,248,820 | (719,418) | 102,343,084 |
| **Noncontrolling Interests** | -- | 3,147,542 | -- | -- | -- | -- | -- | 3,147,542 |
| **Total Net Assets** | 16,757,218 | 86,031,511 | 1,458,664 | (11,764) | 725,595 | 1,248,820 | (719,418) | 105,490,626 |
| | $ 16,839,817 | $ 172,531,431 | $ 1,925,821 | $ (11,764) | $ 725,595 | $ 3,059,652 | $ (970,992) | $ 194,099,560 |

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF OPERATIONS

## FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | Greater Waterbury Health Network, Inc. | The Waterbury Hospital | VNA Health at Home, Inc. | Greater Waterbury Health Services, Inc. | Greater Waterbury Management Resources, Inc. | Children's Center of Greater Waterbury Health Network, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Net revenues from services to patients | $ -- | $ 254,713,112 | $ 4,684,145 | $ -- | $ -- | $ -- | $ -- | $ 259,397,257 |
| Provision for bad debts | -- | (11,366,671) | (2,000) | -- | -- | -- | -- | (11,368,671) |
| Net patient service revenue less provision for bad debts | -- | 243,346,441 | 4,682,145 | -- | -- | -- | -- | 248,028,586 |
| Investment related income (loss) | 603,505 | 1,737,423 | 28,070 | -- | (32,376) | -- | -- | 2,336,622 |
| Other operating revenues | -- | 5,209,968 | 79,496 | -- | -- | 93,781 | (50,000) | 5,333,245 |
| Services, sales and rental income | -- | -- | -- | -- | -- | 1,670,464 | -- | 1,670,464 |
| Unrestricted gifts and bequests | -- | 217,275 | 15,000 | -- | -- | -- | -- | 232,275 |
| Net assets released from restrictions | -- | 5,419,591 | -- | -- | -- | -- | -- | 5,419,591 |
| | 603,505 | 255,930,698 | 4,804,711 | -- | (32,376) | 1,764,245 | (50,000) | 263,020,783 |
| **Expenses** | | | | | | | | |
| Salaries, wages and benefits | -- | 147,589,497 | 3,226,322 | -- | -- | 1,301,401 | -- | 152,117,220 |
| Supplies, utilities and other | 43,520 | 100,247,756 | 1,175,166 | -- | 11,229 | 269,960 | (50,000) | 101,697,631 |
| Depreciation | -- | 8,821,562 | 77,360 | -- | -- | 97,659 | -- | 8,996,581 |
| Interest and amortization | -- | 1,049,355 | -- | -- | -- | 76,472 | -- | 1,125,827 |
| | 43,520 | 257,708,170 | 4,478,848 | -- | 11,229 | 1,745,492 | (50,000) | 263,937,259 |
| **Excess (Deficiency) of Revenues Over Expenses Before Net Unrealized (Losses) Gains on Investments** | 559,985 | (1,777,472) | 325,863 | -- | (43,605) | 18,753 | -- | (916,476) |
| **Changes in Net Unrealized (Losses) Gains on Investments** | (138,425) | 268,235 | 64,530 | -- | -- | -- | -- | 194,340 |
| **Excess (Deficiency) of Revenues Over Expenses** | 421,560 | (1,509,237) | 390,393 | -- | (43,605) | 18,753 | -- | (722,136) |
| **Less Excess of Revenues over Expenses Attributable to Noncontroling Interests** | -- | (874,685) | -- | -- | -- | -- | -- | (874,685) |
| **Excess (Deficiency) of Revenues Over Expenses Attributable to Controlling Interest** | $ 421,560 | $ (2,383,922) | $ 390,393 | $ -- | $ (43,605) | $ 18,753 | $ -- | $ (1,596,821) |

# GREATER WATERBURY HEALTH NETWORK, INC.
# AND SUBSIDIARIES

## CONSOLIDATING STATEMENT OF OPERATIONS

## FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Greater Waterbury Health Network, Inc. | The Waterbury Hospital | VNA Health at Home, Inc. | Greater Waterbury Health Services, Inc. | Greater Waterbury Management Resources, Inc. | Children's Center of Greater Waterbury Health Network, Inc. | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Net revenues from services to patients | $ -- | $ 269,112,543 | $ 4,374,129 | $ -- | $ -- | $ -- | $ (2,574) | $ 273,484,098 |
| Provision for bad debts | -- | (10,964,528) | (2,100) | -- | -- | -- | -- | (10,966,628) |
| Net patient service revenue less provision for bad debts | -- | 258,148,015 | 4,372,029 | -- | -- | -- | (2,574) | 262,517,470 |
| Investment related (loss) income | (405,735) | 1,607,608 | 43,608 | -- | -- | -- | -- | 1,245,481 |
| Other operating revenues | -- | 5,784,691 | 66,523 | -- | -- | 104,158 | (50,000) | 5,905,372 |
| Services, sales and rental income | -- | -- | -- | -- | -- | 1,713,317 | -- | 1,713,317 |
| Unrestricted gifts and bequests | -- | 83,577 | 40,122 | -- | -- | -- | -- | 123,699 |
| Net assets released from restrictions | -- | 5,609,005 | -- | -- | -- | -- | -- | 5,609,005 |
| | (405,735) | 271,232,896 | 4,522,282 | -- | -- | 1,817,475 | (52,574) | 277,114,344 |
| **Expenses** | | | | | | | | |
| Salaries, wages and benefits | -- | 160,088,631 | 3,222,961 | -- | -- | 1,323,072 | -- | 164,634,664 |
| Supplies, utilities and other | 232,867 | 98,648,364 | 1,145,929 | -- | -- | 274,539 | (52,574) | 100,249,125 |
| Depreciation | -- | 9,241,684 | 81,843 | -- | -- | 98,076 | -- | 9,421,603 |
| Interest and amortization | -- | 1,160,533 | -- | -- | -- | 77,316 | -- | 1,237,849 |
| | 232,867 | 269,139,212 | 4,450,733 | -- | -- | 1,773,003 | (52,574) | 275,543,241 |
| **(Deficiency) Excess of Revenues Over Expenses Before Net Unrealized Gains (Losses) on Investments** | (638,602) | 2,093,684 | 71,549 | -- | -- | 44,472 | -- | 1,571,103 |
| **Changes in Net Unrealized Gains (Losses) on Investments** | 1,352,348 | 392,543 | (29,344) | -- | -- | -- | -- | 1,715,547 |
| **Excess of Revenues Over Expenses** | 713,746 | 2,486,227 | 42,205 | -- | -- | 44,472 | -- | 3,286,650 |
| **Less Excess of Revenues over Expenses Attributable to Noncontroling Interests** | -- | (997,139) | -- | -- | -- | -- | -- | (997,139) |
| **Excess of Revenues Over Expenses Attributable to Controlling Interest** | $ 713,746 | $ 1,489,088 | $ 42,205 | $ -- | $ -- | $ 44,472 | $ -- | $ 2,289,511 |