EASTERN CONNECTICUT HEALTH NETWORK, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016 AND 2015

EASTERN CONNECTICUT HEALTH NETWORK, INC.
AND SUBSIDIARIES

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Eastern Connecticut Health Network, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Eastern Connecticut Health Network, Inc. and Subsidiaries (the Network), a not-for-profit, non-stock corporation, which comprise the consolidated balance sheet as of September 30, 2016, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We did not audit the financial statements of Connecticut Healthcare Insurance Company, a wholly owned subsidiary, whose statements reflect total assets of $7,164,462, as of September 30, 2016, respectively, and total revenues of $2,138,682 for the year then ended. Those statements were audited by other auditors in accordance with international standards on auditing, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Connecticut Healthcare Insurance Company, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other auditors. We conducted our audit 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Network's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of, and additional audit procedures performed by, the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eastern Connecticut Health Network as of September 30, 2016, and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2015 consolidated financial statements were audited by Crowe Horwath, LLP and whose report dated January 20, 2016, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the 2016 financial statements as a whole. The consolidating balance sheet as of September 30, 2016 and consolidating statement of operations and changes in net assets for the year then ended is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 2016 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditors, the 2016 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The consolidating balance sheet as of September 30, 2015 and the consolidating statement of operations and changes in net assets for the year ended is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the financial statements. The 2015 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 financial statements. The information has been subjected to the auditing procedures applied by other auditors in the audit of the 2015 financial statements and certain additional procedures, including comparing and reconciling other information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, whose report dated January 20, 2016 expressed an opinion that such information was fairly stated in all material respects in relation to the 2015 financial statements taken as a whole.

Subsequent Event

As discussed in Note 1 to the financial statements, on October 1, 2016, the Network entered into an asset purchase agreement to sell substantially all of its business assets to an external party. Our opinion is not modified with respect to this matter.

Marcum LLP

Hartford, CT
April 21, 2017

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2016 AND 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 5,362,866	$ 16,286,829
Current portion of investments held under bond indentures	--	1,097,599
Accounts receivable, less allowance for bad debts of $13,415,646 in 2016 and $10,541,264 in 2015	31,004,506	41,607,499
Inventory	5,584,352	5,553,809
Current portion of estimated settlements due from third-party payers	2,964,557	3,573,134
Prepaid expenses and other current assets	3,462,352	6,653,091
Total Current Assets	48,378,633	74,771,961
Assets Whose Use is Limited, Net of Current Portion		
Donor restricted investments	5,968,220	5,590,241
Board designated investments	12,196	36,824,677
Investments held in trust for estimated self-insurance liabilities	3,052,272	5,278,426
Beneficial interest in trust assets	11,228,269	10,809,693
Investments held under bond indentures	--	5,172,061
Total Assets Whose Use is Limited, net of current portion	20,260,957	63,675,098
Investments	--	7,118,433
Investments in Joint Ventures	14,697,321	18,190,809
Property and Equipment, net	86,118,032	88,275,419
Other Assets		
Goodwill and other intangible assets, net	--	4,026,827
Other assets	6,399,218	4,541,099
Total Other Assets	6,399,218	8,567,926
Total Assets	$ 175,854,161	$ 260,599,646

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

EASTERN CONNECTICUT HEALTH NETWORK, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

SEPTEMBER 30, 2016 AND 2015

	2016	2015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 28,743,151	$ 33,429,551
Advance on sale of business (see Note 1)	19,833,053	--
Line of credit	--	3,800,000
Current portion of long-term debt and capital lease obligations	3,555,381	7,018,708
Current portion of estimated settlements due to third-party payers	7,647,932	3,124,803
Current portion of accrued pension and other postretirement benefits	160,746	190,189
Other current liabilities	5,606,876	4,134,712
Total Current Liabilities	65,547,139	51,697,963
Other Liabilities		
Long-term debt and capital lease obligations, net of current portion	11,436,337	80,122,247
Estimated self-insurance liabilities, net of current portion	14,874,245	7,196,797
Accrued pension and other postretirement benefits	66,741,076	62,407,379
Other liabilities	412,007	467,711
Total Other Liabilities	93,463,665	150,194,134
Total Liabilities	159,010,804	201,892,097
Net Assets		
Unrestricted	(353,132)	42,167,565
Temporarily restricted	4,260	1,486,536
Permanently restricted	17,192,229	15,053,448
Total Net Assets	16,843,357	58,707,549
Total Liabilities and Net Assets	$ 175,854,161	$ 260,599,646

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

EASTERN CONNECTICUT HEALTH NETWORK, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Revenues		
Patient service revenue, net of contractual allowances and discounts	$ 297,417,639	$ 308,044,394
Provision for bad debts	(13,740,329)	(10,899,289)
Net patient service revenue	283,677,310	297,145,105
Contributions	678,671	2,194,034
Other revenue	12,479,167	15,395,879
Net assets released from restrictions, used for operations	862,150	832,608
Total Revenues	297,697,298	315,567,626
Expenses		
Salaries and wages	150,100,277	156,774,464
Fringe benefits	46,795,665	44,024,084
Supplies and other expenses	112,444,295	99,682,874
Depreciation and amortization	11,789,541	11,920,720
Interest and financing costs	3,293,007	3,445,934
Impairment of long lived assets and goodwill	7,135,699	--
Total Expenses	331,558,484	315,848,076
Loss from Operations	(33,861,186)	(280,450)
Non-Operating Losses	(5,136,276)	(2,235,410)
Deficiency of Revenues over Expenses	$ (38,997,462)	$ (2,515,860)

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

EASTERN CONNECTICUT HEALTH NETWORK, INC.
AND SUBSIDIARIES

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

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Unrestricted Net Assets		
Deficiency of revenues over expenses	$ (38,997,462)	$ (2,515,860)
Unrealized gain (loss) on investments	186,556	(210,755)
Net change in interest rate swap agreement	(8,164)	(49,056)
Net assets released from restrictions for capital acquisitions	373,668	309,327
Pension and postretirement related adjustments	(2,719,671)	(14,910,964)
Reclassification of donation	(1,355,623)	--
Change in Unrestricted Net Assets	(42,520,696)	(17,377,308)
Temporarily Restricted Net Assets		
Contributions	114,013	531,215
Investment income	4,110	943
Net assets released from restrictions used for operations	(862,150)	(832,608)
Net assets released from restrictions used for capital acquisitions	(373,668)	(309,327)
Reclassification of donation	(364,582)	--
Change in Temporarily Restricted Net Assets	(1,482,277)	(609,777)
Permanently Restricted Net Assets		
Contributions - beneficial interest trust assets	--	373
Reclassification of donation	1,720,205	--
Change in beneficial interest in trust assets	418,576	(999,528)
Change in Permanently Restricted Net Assets	2,138,781	(999,155)
Change in Net Assets	(41,864,192)	(18,986,240)
Net Assets - Beginning of year	58,707,549	77,693,789
Net Assets - End of year	$ 16,843,357	$ 58,707,549

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

EASTERN CONNECTICUT HEALTH NETWORK, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (41,864,192)	$ (18,986,240)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,789,541	11,920,720
Provision for bad debts	13,740,329	10,899,289
Unrealized depreciation on investments	(75,659)	83,591
Realized gains on sales of investments	(17,583)	(7,708)
Change in beneficial interest in trust assets	(418,576)	999,528
Income from investments in joint ventures	(1,211,982)	(2,005,161)
Pension and postretirement related adjustments	2,719,671	14,910,964
Impairment of joint venture goodwill	7,135,699	64,197
Change in interest rate swap agreements	(52,854)	49,056
Changes in assets and liabilities:		
Accounts receivable	(3,137,336)	(7,896,516)
Inventory	(30,543)	(116,524)
Prepaid expenses and other current assets	3,190,739	(966,855)
Other assets	(1,858,119)	827,992
Accounts payable and accrued expenses	(4,686,400)	(2,535,064)
Accrued pension and other postretirement benefits	1,584,583	1,696,349
Estimated settlements (to) from third-party payers	5,131,706	(1,969,075)
Other current liabilities	1,472,164	(1,707,080)
Estimated self-insurance liabilities	7,677,448	(2,486,871)
Other liabilities	(55,704)	(347)
Net Cash Provided by Operating Activities	1,032,932	2,774,245
Cash Flows from Investing Activities		
Purchases of property and equipment	(10,284,489)	(6,130,580)
Purchases of investments	(4,870,009)	(4,446,659)
Sales of investments	57,256,958	6,075,357
Distributions from joint ventures	2,057,581	1,024,980
Net Cash Provided by (Used in) Investing Activities	44,160,041	(3,476,902)

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

EASTERN CONNECTICUT HEALTH NETWORK, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash Flows from Financing Activities		
Principal payments on long-term debt	$ (79,972,520)	$ (7,094,912)
Advance from Prospect on sale	19,833,053	--
Net payments on line of credit	(3,800,000)	(1,800,000)
Proceeds from borrowings	7,822,531	5,150,797
Net Cash Used in Financing Activities	(56,116,936)	(3,744,115)
Net Change in Cash and Cash Equivalents	(10,923,963)	(4,446,772)
Cash and Cash Equivalents - Beginning	16,286,829	20,733,601
Cash and Cash Equivalents - Ending	$ 5,362,866	$ 16,286,829
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 3,404,392	$ 3,631,350
Supplemental Disclosures of Non-Cash Financing Activities		
Equipment acquisitions under capital lease arrangements (non-cash)	$ 3,429,195	$ 4,125,026

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Eastern Connecticut Health Network, Inc. (ECHN) and Subsidiaries (collectively, the Network) was a not-for-profit, locally governed health system created on September 12, 1995, through the merger of the corporate parents of the Manchester Memorial Hospital and the Rockville General Hospital, Inc. Its purpose was to provide a health care system for the communities it served, with quality medical care at a reasonable cost; to foster an environment conducive to health and well-being, whether in the home or in the community; and to enable the health care system to expand to meet the future needs of its communities. ECHN, through its subsidiaries (or members), provided health care, health education, and community services to residents in eastern Connecticut, regardless of their ability to pay.

As further discussed below, on October 1, 2016, ECHN sold substantially all of its business assets and all healthcare operations.

ECHN is the sole member or shareholder of the following subsidiaries:

The Manchester Memorial Hospital (MMH) - MMH operated a not-for-profit hospital with 249 licensed beds, located in Manchester, Connecticut. MMH, which admitted its first patient in 1920, operated a short-term, acute care general hospital, which provides inpatient, outpatient, and emergency care services to the residents of Manchester and 19 nearby towns.

The Rockville General Hospital, Inc. (RGH) - RGH operated a not-for-profit hospital with 102 licensed beds, located in the Rockville section of Vernon, Connecticut. RGH, which admitted its first patient in 1921, operated a short-term, acute-care general hospital, which provides inpatient, outpatient, and emergency care services for residents of Tolland County and nearby towns, for a total service area of 19 towns.

ECHN ElderCare Services, Inc. (EES) - EES operated a not-for-profit, skilled nursing facility with 130 licensed beds and physical, occupational and speech rehabilitation services located in Tolland, Connecticut.

ECHN Community Healthcare Foundation, Inc. (ECHF) - ECHF was a not-for-profit organization whose purpose was to raise funds on behalf of ECHN and its not-for-profit subsidiaries. It was established in 2000, when the fund-raising efforts of ECHN were consolidated into a single not-for-profit foundation. ECHF focused primarily on the capital and program needs of ECHN and its not-for-profit subsidiaries. ECHF was excluded from the sale of the business further described below.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eastern Connecticut Medical Professionals Foundation, Inc. (ECMPF) - ECMPF operated a not-for-profit physician offices practices in the Network's service area and a hospitalist program that serves MMH and RGH. Its mission allowed it to operate other not-for-profit, separately incorporated allied health ventures.

ECHN Enterprises, Inc. (Enterprises) - Enterprises is a for-profit organization formed under the laws of the State of Connecticut, with ECHN as the sole shareholder. Enterprises owned, leased and had an interest in real estate to support the mission and vision for ECHN. It is also the parent corporation of Haynes Street Property Management, LLC (HSPM). HSPM is a for-profit, limited liability company formed under the laws of the State of Connecticut, which managed the Glastonbury Wellness Center and sublets space to various MMH departments and physician offices, as well as to ECMPF.

Visiting Nurse and Health Services of Connecticut, Inc. (VNHSC) - VNHSC operated a not-for-profit, nonstock Connecticut Corporation that provides and administers a comprehensive, multi-disciplinary home health program, hospice program and wellness programs to promote the health of individuals, families and groups in the Greater Northern Central Connecticut area. In addition, VNHSC is the sole member of A Caring Hand, LLC, which is a for-profit Connecticut limited liability company that provided and administered homemaker, companion, live-in and personal care assistance services to individuals and families in the Greater Northern Central Connecticut area.

Connecticut Healthcare Insurance Company (CHIC) - CHIC, a captive insurance company, provides hospital and physician professional and general liability coverage to MMH, RGH, EES, and all other subsidiaries.

ECHN Corporate Services (ECHNCS) - ECHNCS is a for-profit stock corporation formed under the laws of the State of Connecticut, with ECHN as the sole shareholder. ECHNCS provided billing and other practice management services to the Network and other customers. It is also the parent corporation of Medical Practice Partners, LLC (MPP). MPP is a for-profit, limited liability company formed under the laws of the State of Connecticut, which provided practice management services to medical group practices throughout Connecticut.

CINECT - CINECT is a for-profit organization formed to develop a clinically integrated network of community providers that offered high-quality care, value, and an enhanced patient experience. CINECT's mission is to better manage the health of the communities that we served. While formed during 2014 CINECT has not commenced operations as of September 30, 2016.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ECHN and each of its subsidiaries, except for Enterprises, CHIC, ECHNCS and CINECT, were separate Connecticut not-for-profit corporations, qualified as exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) and governed by separate Boards of Trustees (the Board) - although the membership of the ECHN, MMH and RGH boards were identical. ECHN, acting through the Board, was the sole member of each of its members.

ECHN had various powers with regard to each of its members, which include approving all operating and capital budgets; controlling the investment of funds, location of services, agreements and transactions, and affiliations; controlling changes, amendments, or restatements of certificates of incorporation and bylaws; electing trustees and officers; appointing committees; adopting a system-wide vision and strategic plans; and approving debt borrowings.

SALE OF PRIMARY BUSINESS

Effective October 1, 2016, the Network entered into an asset purchase agreement with Prospect CT Medical Foundation, Inc., Prospect CT Management Services, Inc., Prospect ECHN, Inc., Prospect Manchester Hospital, Inc., Prospect Rockville Hospital, Inc., Prospect ECHN Eldercare Services, Inc., Prospect ECHN Home Health, Inc., Prospect Caring Hand, Inc. and Prospect Haynes Street Property Management, Inc. all of which are indirectly owned by Prospect Medical Holdings, Inc. (collectively referred to as Prospect). The asset purchase agreement covered substantially all of the business assets of the Network and its wholly owned subsidiaries including the MMH, RGH, EES, VNHSC, A Caring Hand, LLC, CINECT, CHIC, ECHNCS, MPP, Enterprises, HSPM and ECMPF. The agreement also provided for the purchase of the Network's joint venture interests in Evergreen Endoscopy Center, LLC, WBC Connecticut East, LLC, Aetna Ambulance Services, Inc., Metro Wheelchair Services, Inc., Ambulance Services of Manchester, LLC, Connecticut Occupational Medicine Partners, LLC, Northeast Regional Radiation Oncology Network, LLC, TIC, LLC, Haynes Street Medical Associates, LLC Haynes Street Medical Associates II, LLC, Evergreen Medical Associates, LLC and Evergreen Medical Associates II, LLC. The agreement did not include the purchase of the ECHF. The agreement also included a provision for Prospect to invest $75,000,000 in future capital improvements (Future Capital Commitment) subject to certain adjustments as detailed in the agreement.

The sale included, to the extent transferrable by law, all of the Network's owned real property, leased property, current assets (including patient accounts receivable, prepaid expenses and inventories), intellectual properties, permits, licenses and other included assets as further described in the agreement. The sale did not include the Network's cash and investments and any board-designated, restricted or trustee held or escrowed funds, third party settlement receivables and certain other excluded assets as further described in the agreement.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The sale also provided for Prospect to assume, to the extent transferrable by law, all significant contracts, trade accounts payable and current liabilities, future obligations under any assumed contracts and leases, the Network's defined benefit plan benefit obligation, the Network's withdrawal obligations under the Connecticut Health Care Associates Pension Plan (see Note 8 for further information), the capital lease obligations, asset retirement obligations and any claims for malpractice or general liability made or asserted against the Network after the date of the purchase and certain other included liabilities as further described in the agreement. The sale did not include assumption of the Network's obligations related to third party settlements and any claims for malpractice or general liability made or asserted against the Network before the date of the purchase and certain other excluded liabilities as further described in the agreement.

As a condition of the sale, prior to September 30, 2016 the Network repaid substantially all of its long term debt and terminated the related swap instruments in the amount of approximately, $69.3 million as further described in Note 9.

The purchase price in the agreement is outlined as $105,000,000 plus or minus the amount by which the Network's Net Working Capital (essentially consisting of the non-cash current assets and liabilities of the Network as further defined in the agreement) exceeds the Target Working Capital amount of $24,000,000, minus the amount of any debt and capital lease obligations assumed, minus the unfunded defined benefit and post-retiree health plan liabilities, minus the amount of any unfunded self-insurance liabilities, and minus the Network's asset retirement obligation of approximately $1.0 million. The agreement provides for various other adjustments to the final purchase price including potential reductions to Prospect's Future Capital Commitment. The purchase price is also subject to an adjustment period which has been extended multiple times to include any final adjustments to the Net Working Capital, pension liabilities or asset retirement obligations.

The remaining assets and liabilities of the Network after the sale consist of the Network's residual cash, restricted funds, funds held in trust, and third party settlements receivable and payable. The Network is expected to stay in existence for as long as necessary to settle any remaining obligations it may have and then transfer its residual assets to an independent third party charity.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The consolidated financial statements include the accounts of ECHN and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Network's significant estimates related to the valuation of investments and interest rate swap agreements, allowance for doubtful patient accounts receivable, contractual allowances on patient accounts receivable, self-insurance liabilities, estimated settlements due to and from third parties, conditional asset retirement obligations, postretirement and pension benefit costs and the related obligations.

CASH AND CASH EQUIVALENTS

The Network considers all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents, excluding amounts whose use is limited or designated by the Board designation or other arrangements under trust agreements. Cash equivalents includes money market funds. Cash balances maintained at banks are insured by the Federal Deposit Insurance Corporation (FDIC). At times, the Network maintains cash balances that were in excess of the $250,000 insured FDIC limits. The Network maintains its cash at various banks and it was the Network's policy to monitor the banks' financial strength on an ongoing basis.

Money market funds were not insured by the FDIC and were not a risk-free investment. Money market funds invest in a variety of instruments including mortgage-backed and asset-backed securities. Although a money market fund seeks to preserve its $1 per share value, it is possible that a money market fund's value can decrease below $1 per share.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined as follows:

Unrestricted: Net assets that are not subject to explicit donor-imposed stipulations are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by action of the Board or may otherwise be limited by contractual agreements with outside parties; such designated assets are classified as assets whose use is limited in the accompanying consolidated balance sheets.

Temporarily Restricted: Net assets whose use by the Network is subject to explicit donor imposed stipulations that can be fulfilled upon incurrence of expenditures by the Network pursuant to those stipulations or that expire by the passage of time are classified as temporarily restricted.

Permanently Restricted: Net assets subject to explicit donor imposed stipulations that they be maintained by the Network in perpetuity are classified as permanently restricted. Such permanently restricted net assets include endowment funds and MMH's and RGH's share of their beneficial interest in trust assets held by third parties. Generally, the donors of these assets permitted the members of ECHN to use all or part of the investment return on these assets for operating purposes.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets, that is, the donor imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue at the date the promise is received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is included in other revenue. Contributions restricted for the acquisition of land, buildings, and equipment are reported as temporarily restricted support. These contributions are reclassified to unrestricted net assets when the capital asset is acquired or constructed and placed in service.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited primarily includes cash and investments held by trustees under indenture agreements, cash and investments held for estimated self-insurance liabilities, Board designated investments, cash and investments set aside by the Board for future capital improvements over which the Board retains control and may at its discretion subsequently use for other purposes, beneficial interests in trust assets, and donor restricted and other restricted investments. Amounts required to meet current liabilities of the Network have been classified as current assets in the consolidated balance sheets as of September 30, 2016 and 2015.

The income earned on restricted funds, other than the endowment, is generally available for operations of the Network and is recorded as revenue in unrestricted net assets, unless restricted by the donor or to pay future annuity obligations, at which time the income is added to the appropriate restricted net asset balance. However, if a specific gift instrument explicitly requires the permanent reinvestment of appreciation, or a portion thereof, such reinvested amounts are classified within permanently restricted net assets. There were no gifts with reinvestment restrictions for the years ended September 30, 2016 and 2015.

Assets received as donations or bequests are recorded as contributions on the date received at the estimated fair value. The average cost method is used to determine realized gains or losses on sales of marketable equity securities.

BENEFICIAL INTEREST IN TRUST ASSETS

MMH and RGH have been named sole or participating beneficiaries in several perpetual trusts, for which third parties acted as the trustee. Under the terms of these trusts, MMH and RGH have the irrevocable right to receive the income earned on the trust assets held in perpetuity. The estimated present value of the future payments to MMH and RGH is recorded at the fair value of the assets held in the trust as beneficial interest in trust assets in the respective balance sheets of MMH and RGH and were permanently restricted as to use.

The income from the trusts is included in the change in interest in net assets of ECHF as unrestricted and temporarily restricted support and other income. Fluctuations in the fair value of the trust assets is recognized as changes in permanently restricted net assets. MMH and RGH record their beneficial interest in trust assets when they are notified of the existence of the trust or when information becomes available to record the fair value of the trust assets.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

The Network's investment portfolio is classified as available for sale, with unrealized gains and losses excluded from deficiency of revenues over expenses, unless the losses are deemed to be other than temporary. Investments with readily determinable fair values were measured at fair value in the consolidated balance sheets.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) are included in the deficiency of revenues over expenses within other revenue within the consolidated statements of operations, unless the income or loss is restricted by donor or law.

OTHER-THAN-TEMPORARY IMPAIRMENTS ON INVESTMENTS

The Network accounts for other than temporary impairments in accordance with FASB ASC 320, *Investments - Debt and Equity Securities* and continually reviews its securities for impairment conditions, which could indicate that an other than temporary decline in fair value has occurred. In conducting this review, numerous factors were considered, which included specific information pertaining to an individual company or a particular industry, general market conditions that reflect prospects for the economy as a whole, and the ability and intent to hold securities until recovery. The carrying value of investments is reduced to its estimated realizable value if a decline in fair value is considered to be other-than-temporary.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, in the case of donated property, at fair value at the date of the gift, less accumulated depreciation and amortization. Major improvements and betterments to existing plant and equipment are capitalized. Expenditures for maintenance and repairs that did not extend the lives of the applicable assets are charged to expense as incurred. Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation and amortization were eliminated from the respective accounts and any resulting gain or loss is included in the results of consolidated operations.

Depreciation expense was computed on a straight-line basis over the following estimated useful lives:

Buildings	10 – 40 years
Building improvements	5 – 40 years
Machinery and equipment	3 – 15 years
Furniture and fixtures	5 – 20 years

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment under capital leases was amortized utilizing the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Depreciation and amortization expense was $11,789,541 and $11,920,720 for the years ended September 30, 2016 and 2015, respectively.

Interest cost incurred on borrowed funds during the construction period of capital assets was capitalized as a component of the cost of acquiring those assets.

Gifts of property and equipment were reported as unrestricted support, and were excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets were to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, expirations of donor restrictions were reported as released from restrictions when the donated or acquired property and equipment assets were placed in service.

IMPAIRMENT OF LONG-LIVED ASSETS

The Network 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. The Network recorded an impairment loss of approximately $652,000 during the year ended September 30, 2016, as a consequence of the sale further disclosed in Note 1.

GOODWILL AND INTANGIBLE ASSETS

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

License enhancements included in intangible assets, were amortized over the life of the respective intangible property. Other intangible assets consist of various intangibles acquired through the purchase of physician practices. Amortization was included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets and the unamortized carrying value was recorded within goodwill and intangible assets, net in the accompanying consolidated balance sheets.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the year ended September 30, 2016, the Network recorded an impairment loss of approximately $4.0 million to reflect a full impairment of the Network's goodwill and intangible assets, related to the sale further disclosed in Note 1.

INVENTORY

The Network records inventory at cost using the average cost method.

INVESTMENTS IN JOINT VENTURES

The Network accounts for its investments in joint ventures in accordance with FASB ASC 323, *Investments - Equity Method and Joint Ventures*. The Network records the difference between the cost of an investment and the underlying equity in net assets of the investee as goodwill on joint ventures. Equity method investments including the goodwill associated with those investments are reviewed for impairment under the provisions of FASB ASC 323.

The Network has invested in several joint ventures with other area hospitals, which are accounted for under the equity method of accounting. These joint ventures as of September 30, 2016 and 2015 included the Network's investments in the following:

	2016	Ownership Percentage	2015	Ownership Percentage
Northeast Regional Radiation Oncology Network, Inc.	$ 5,871,312	50%	$ 6,572,374	50%
Tolland Imaging Center	982,476	70%	672,276	70%
Ambulance Service of Manchester, LLC	3,992,601	50%	4,344,083	50%
Aetna Ambulance Service, Inc.	1,753,878	50%	1,881,429	50%
Evergreen Endoscopy Center, LLC	480,465	50%	564,632	50%
Haynes Street Medical Associates	137,029	23%	153,652	23%
Haynes Street Medical Associates II	284,210	15%	254,299	15%
Evergreen Medical Associates, LLC	304,020	20%	277,629	20%
Evergreen Medical Associates II, LLC	615,957	20%	584,937	20%
Walden Behavioral Health	255,373	15%	217,608	16%
Total joint venture assets	14,677,321		15,522,919	
Goodwill on joint ventures	--		2,647,890	
Other miscellaneous assets	20,000		20,000	
Total investments in joint ventures	$ 14,697,321		$ 18,190,809	

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Distributions from these joint ventures totaled $2,057,581 and $1,024,980 for the years ended September 30, 2016 and 2015, respectively. ECHN's share of the earnings of the joint ventures is reported within other revenues and amounted to $1,211,982 and $2,005,161 for the years ended September 30, 2016 and 2015, respectively.

Summarized financial information from the unaudited financial statements of these organizations as of September 30, 2016 and for the year then ended, is as follows:

	Total Assets	Net Assets	Change in Net Assets	Excess (Deficiency) of Revenues Over Expenses
Northeast Regional Radiation Oncology Network, Inc.	$ 11,788,474	$ 11,724,625	$ (1,402,120)	$ (1,402,120)
Ambulance Service of Manchester, LLC	9,440,399	7,974,628	(705,179)	2,094,822
Aetna Ambulance Service, Inc.	4,371,284	3,507,755	(255,103)	(255,103)
Haynes Street Medical Associates	2,259,027	588,606	(81,777)	80,000
Haynes Street Medical Associates II	8,221,517	1,879,578	184,252	350,000
Evergreen Endoscopy Center, LLC	1,735,175	769,510	(57,388)	(57,388)
Evergreen Medical Associates, LLC	6,214,529	1,635,777	33,881	311,955
Evergreen Medical Associates II, LLC	11,165,389	3,026,197	315,261	548,850
Tolland Imaging Center	1,801,381	1,403,639	443,244	466,422
Walden Behavioral Health	1,710,300	1,555,580	230,319	230,319

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized financial information from the unaudited financial statements of these organizations as of September 30, 2015 and for the year then ended, is as follows:

	Total Assets	Net Assets	Change in Net Assets	Excess (Deficiency) of Revenues Over Expenses
Northeast Regional Radiation Oncology Network, Inc.	$ 13,358,858	$ 13,144,745	$ (111,240)	$ (111,240)
Ambulance Service of Manchester, LLC	10,483,266	8,688,166	1,114,669	2,575,436
Aetna Ambulance Service, Inc.	4,915,582	3,762,858	(160,133)	(160,132)
Haynes Street Medical Associates	2,427,308	670,383	16,772	71,978
Haynes Street Medical Associates II	8,218,931	1,695,326	30,361	289,623
Evergreen Endoscopy Center, LLC	1,698,935	826,898	396,907	396,907
Evergreen Medical Associates, LLC	6,364,532	1,601,896	69,383	234,137
Evergreen Medical Associates II, LLC	11,115,755	2,710,936	3,839	379,689
Tolland Imaging Center	1,139,778	960,395	416,369	395,249
Walden Behavioral Health	1,835,791	1,325,261	134,675	44,227

UNAMORTIZED BOND ISSUE COSTS

Financing costs associated with the issuance of long-term debt were amortized over the term of the bonds using the effective interest method. Amortization was included in interest and financing costs in the accompanying consolidated statements of operations and changes in net assets, and the unamortized carrying value was recorded within other assets in the accompanying consolidated balance sheets. On September 30, 2016, the balances owed on all of the Network's bonds were paid in full and as a result, there are no unamortized bond issue costs as of September 30, 2016.

DEFERRED REVENUE

Deferred revenue represents payments received for services to be rendered in the next fiscal year and is recorded within other current liabilities in the accompanying consolidated balance sheets.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFICIENCY OF REVENUES OVER EXPENSES

The consolidated statements of operations and changes in net assets includes deficiency of revenues over expenses. Changes in unrestricted net assets, which are excluded from the deficiency of revenues over expenses, consistent with industry practice, included the changes in unrealized appreciation (depreciation) on investments; net change in fair value of interest rate swap agreements that qualifies for hedge accounting; net assets released from restrictions used for capital acquisitions; pension and postretirement related adjustments; and other changes in net assets.

For purposes of display, transactions deemed by management to be ongoing, major or central to providing of health care services are reported as operating revenues and operating expenses. Operating revenues include net patient service revenue, grant income and investment income. Peripheral or incidental transactions were reported as non-operating gains and losses. Non-operating gains and losses included investment income and expenses related to property management, losses recognized on investments representing declines in value considered to be other-than-temporary in nature, losses on debt extinguishment, changes in the fair values of interest rate swaps that do not qualify for hedge accounting (net interest expense) and the costs associated with pursuing business combinations and certain costs related to acquisition by Prospect.

CHARITY CARE

MMH and RGH provided care to patients who met certain criteria under their charity care policies without charge or at amounts less than its established and contractual rates. The hospitals did not pursue collection of amounts determined to qualify as charity care; as such, these amounts were not reported as revenue.

NET PATIENT SERVICE REVENUE

Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments were accrued on an estimated basis in the period the related services were rendered and adjusted in future periods as final settlements are determined.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts, laws, and regulations governing Medicare, Medicaid, Blue Cross, and the uncompensated care pool programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Network records adjustments in amounts accrued for estimated settlements related to prior years. A portion of the accrual for estimated settlements with third-party payers has been classified as long-term because such amounts, by their nature or by virtue of regulation or legislation, are not expected to be paid within one year.

MMH and RGH have agreements with third-party payers that provide for payments at amounts different from their established rates. A summary of the payment agreements with major third-party payers is as follows:

Medicare: Acute care hospitals are subject to a federal prospective payment system for most Medicare inpatient hospital services and for certain outpatient services. Under this prospective payment methodology, Medicare pays a prospectively determined per discharge or per-visit rate for non-physician services. These rates vary according to the Diagnosis Related Group or Ambulatory Payment Classification (APC) of each patient. Inpatient rehabilitation and mental health services, outpatient services, capital and medical education costs related to Medicare beneficiaries are paid based on a prospective payment system, subject to certain limitations. The Hospitals are reimbursed for cost-reimbursement for certain items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Certain other outpatient services are reimbursed according to fee screens.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries admitted prior to January 1, 2015, except for those beneficiaries in the State’s Aid to Families with Dependent Children (AFDC) population, are reimbursed under a cost reimbursement methodology. The Hospitals are reimbursed a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by the State. For inpatients admitted on or after January 1, 2015, the Hospitals are reimbursed under an All Patient Refined Diagnosis Related Group System (APR-DRG) where payments are established prospectively. Outpatient services are reimbursed at predetermined fee schedules or based on a percentage of charges. Effective July 1, 2016, Medicaid outpatient services are paid under a Medicaid APC payment system.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Payers: The Network entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements included rates per discharge, discounts from established charges, per diem rates, and fee schedule payments.

HEALTH CARE INDUSTRY

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

Management believes that the Network is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to further governmental review and interpretation, as well as regulatory actions unknown or unasserted at this time.

INTEREST IN NET ASSETS OF ECHF

ECHF was formed as a not-for-profit organization to supervise the development activities and engage in investment activities for the benefit of all of the ECHN subsidiaries. ECHN is the sole member of ECHF and the ECHF's Board of Directors is appointed by ECHN. ECHN subsidiaries follow the provisions of FASB ASC 958, *Not-for-Profit Entities*. Accordingly, the separate ECHN members record their interest in the net assets of ECHF in their separate financial statements. These amounts have been eliminated in consolidation.

INCOME TAXES

ECHN and its subsidiaries, except for Enterprises, CHIC, ECHNCS and CINECT, are in compliance with the provisions of IRC Sec. 501(c)(3) and are exempt from federal tax under IRC Sec. 501(a). At times, the Network is involved with activities that subject minor amounts of unrelated business federal income tax, which are paid as they come due in accordance with the IRC and the regulations there under. Such amounts are insignificant to the Network's consolidated financial statements.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Network accounts for uncertain tax positions in accordance with provisions of FASB ASC 740, *Income Taxes*, which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions in their consolidated financial statements. The Network may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Network did not have any uncertain tax positions as of September 30, 2016 and 2015. The Network's policy is to include penalties and interest as a component of income tax expense, when applicable. As of September 30, 2016 and 2015, the Network did not record any penalties or interest associated with uncertain tax positions.

Enterprise and its subsidiaries, ECHNCS and CINECT are for-profit entities subject to federal and state taxes. The tax provisions, and related tax assets and liabilities, are not material to the Network’s financial statements. CHIC has received an undertaking from the Cayman Islands government exempting it from all local income, profits, and capital gains taxes until January 3, 2026. No such taxes are levied in the Cayman Islands. Accordingly, no provision for federal income taxes has been recorded in the accompanying consolidated financial statements.

ASSET RETIREMENT OBLIGATIONS

The Network recognizes a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation is factored into the measurement of the liability when sufficient information exists. The types of asset retirement obligations that the Network recognizes are those for which the Network has a legal obligation to perform an asset retirement activity, however, the timing and/or method of settling the obligations are conditional on a future event that may or may not be within its control.

The fair value of a liability for the legal obligation associated with an asset retirement is recorded in the period in which the obligation is incurred. When the liability was initially recorded, the cost of the asset retirement was capitalized. As of September 30, 2016 and 2015, the Network has recognized $412,008 and $412,007, respectively, as an obligation to remove asbestos from various buildings upon retirement. These totals were included in the consolidated balance sheets within other liabilities.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

The Network recognizes the overfunded or underfunded status of their defined benefit pension and other postretirement benefit plans (collectively, postretirement benefit plans) in the consolidated balance sheets as an asset or liability. The Network recognizes changes in the funded status of the plans in the year in which the changes occur as an operating expense and as a change in unrestricted net assets presented below the excess of revenues over expenses in its consolidated statements of operations and changes in net assets.

ADVERTISING COSTS

The Network expensed advertising costs the first time the advertising took place. The total amount charged to advertising expense was $647,828 and $706,427 for the years ended September 30, 2016 and 2015, respectively, and was recorded in supplies and other expenses in the accompanying consolidated statements of operations and changes in net assets.

INVESTMENT VALUATION AND INVESTMENT INCOME RECOGNITION

Investments in equity securities and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income (including realized gains and losses on investments, interest and dividends) is included in the deficiency of revenues over expenses unless the income was restricted by donor or law. Unrealized gains and losses from changes in the fair value of investments is recorded as a component of the change in net assets and are excluded from the deficiency of revenues over expenses unless the losses were determined to be other-than-temporary.

The Network analyzes its investment portfolio for indicators of impairment that were other-than-temporary. When declines in fair value are deemed to be other-than-temporary, the loss is reported as a component of net realized losses on the consolidated statement of operations and the fair value on the date of this determination becomes the new basis of the investment. Subsequent increases in the fair value of these investments are recorded as a component of the change in net assets and are not recorded as realized gains until the investments are sold. No impairment losses were recorded in 2016 and 2015.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATED SELF-INSURANCE LIABILITIES

The liabilities for outstanding losses and loss related expenses, and the related provision for losses and loss related expenses includes estimates for malpractice losses, general liability, and workers' compensation incurred but not reported claims, as well as losses pending settlement. Such liabilities are necessarily based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be in excess of or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis, and any adjustments required are reflected in operations in the current period. The current portion of estimated self-insurance liabilities is recorded within other current liabilities in the accompanying consolidated balance sheets.

CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Network to concentration of credit risk, consist of accounts receivable, investments, including temporary cash investments, marketable equity and debt securities, mutual funds, government securities and interest rate swap agreements. The Network receives a significant portion of its payments for services rendered from a limited number of government and commercial third-party payers, including Medicare (a federal program), Medicaid (a State of Connecticut program), and various health insurance companies.

INTEREST RATE SWAP AGREEMENTS

Interest rate swap agreements were recognized as either assets or liabilities in the consolidated balance sheet at fair value regardless of the purpose or intent for holding them. Changes in the fair value of interest rate swap agreements if designated and effective as hedge transactions were recognized as changes in unrestricted net assets and excluded from deficiency of revenue over expenses. Interest rate swap agreements if designated as an ineffective hedge were recognized in non-operating losses and included in deficiency of revenue over expenses. As of September 30, 2016, the interest rate swap was terminated.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation.

NOTE 2 - ASSETS WHOSE USE IS LIMITED AND INVESTMENTS

Assets whose use was limited and investments as of September 30, 2016 and 2015, include:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Investments				
Money market funds	$ --	$ --	7,118,433	7,118,433
Total investments	$ --	$ --	$ 7,118,433	$ 7,118,433
Board designated and donor restricted:				
Money market funds	$ 5,980,416	$ 5,980,416	$ 42,414,918	$ 42,414,918
Investments held under bond indenture:				
Money market funds	$ --	$ --	$ 6,269,660	$ 6,269,660
Beneficial interest in trust assets	$ 9,390,235	$ 11,228,269	$ 9,835,851	$ 10,809,693
Investments held in trust for estimated self-insurance liabilities:				
Money market funds	$ 45,807	$ 45,807	$ 65,000	$ 65,000
U.S. equities	--	--	230,954	216,816
Convertible corporate debt	--	--	27,582	25,034
Other non-exchange traded fund	--	--	262,718	239,248
Mutual funds				
Fixed income mutual funds	2,002,601	2,011,765	3,699,356	4,044,212
Equity mutual funds	892,563	994,700	650,170	688,116
Total investments held in trust for estimated self-insurance liabilities:	$ 2,940,971	$ 3,052,272	$ 4,935,780	$ 5,278,426
Total assets whose use is limited	$ 18,311,622	$ 20,260,957	$ 63,456,209	$ 64,772,697

NOTE 2 - ASSETS WHOSE USE IS LIMITED AND INVESTMENTS (CONTINUED)

Interest and dividend income, which is included in other revenue, on the assets whose use was limited and investments totaled $223,061 and $116,935 for the years ended September 30, 2016 and 2015, respectively. There were realized gains of $17,583 and $7,708 for the years ended September 30, 2016 and 2015, respectively, which are included within other revenue.

Interest from cash and insurance payments totaled $70,307 and $101,470 for the years ended September 30, 2016 and 2015.

NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Network has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for financial instruments measured at fair value.

U.S. Government Securities, U.S. Equities and Mutual Funds - Valued at the closing price reported in the active market in which the individual securities are traded.

Corporate Bonds - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Money Market Funds - Valued at the daily closing price as reported by the fund. The money market funds held by the Network are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset values and to transact at that price. The money market funds held by the Network are deemed to be actively traded.

Beneficial Interest in Assets Held - The fair value of the beneficial interest in assets held at the Network have been determined using the net asset value (NAV) per share as a practical expedient and are not categorized in the fair value hierarchy. The Network values securities and other financial instruments at fair value. The estimated fair values of certain investments of the Network, which include private placements and other securities for which prices were not readily available, were determined by the management of the Network and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ from the values that would have been used had a ready market existed for these investments.

Interest Rate Swap - The interest rate swap is valued using quotations received from the counterparty and models. In instances where models were used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations off such inputs. The interest rate swap agreement has inputs that could be corroborated by market data and has therefore been classified as Level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Network believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the financial instruments carried at fair value as of September 30, 2016, by the valuation hierarchy.

	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 6,026,223	$ --	$ --	$ 6,026,223
Mutual funds				
Bond fund	2,011,765	--	--	2,011,765
Equity mutual funds	994,700	--	--	994,700
Total investments	$ 9,032,688	$ --	$ --	9,032,688
Beneficial interest in assets held - measured at net asset value *				11,228,269
Total assets measured at fair value				$ 20,260,957

* Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for such investments were intended to permit reconciliation of the fair value hierarchy to the investments reported in the consolidated balance sheet as of September 30, 2016.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the financial instruments carried at fair value as of September 30, 2015, by the valuation hierarchy.

	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	$ 55,868,011	$ --	$ --	$ 55,868,011
U.S. equities	216,816	--	--	216,816
Convertible corporate debt	--	25,034	--	25,034
Other non-exchange traded fund	--	239,248	--	239,248
Mutual funds				
Bond fund	4,044,212	--	--	4,044,212
Equity mutual funds	688,116	--	--	688,116
Total investments	$ 60,817,155	$ 264,282	$ --	61,081,437
Beneficial interest in assets held - measured at net asset value *				10,809,693
Total assets measured at fair value				$ 71,891,130
Liabilities				
Obligations under interest rate swap agreements	$ --	$ 52,854	$ --	$ 52,854
Total liabilities at fair value	$ --	$ 52,854	$ --	$ 52,854

* Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for such investments are intended to permit reconciliation of the fair value hierarchy to the investments reported in the consolidated balance sheet as of September 30, 2015.

There were no transfers between levels of investments during the year ended September 30, 2016.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

During the years ended September 30, 2016 and 2015, the value of the beneficial interest in trusts increased (decreased) for a change in market value of $784,082 and ($438,712), respectively. In addition, the Network received $365,505 and $560,816 in distributions from these trusts in 2016 and 2015, respectively. There were no additional amounts recorded in 2016 or 2015.

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair value because of the short-term nature of these instruments. The fair value of long-term debt and the outstanding lines of credit as of September 30, 2015 approximates the total outstanding principal balance. The method used to determine the fair value of debt is quoted prices for similar debt instruments.

There have been no changes in the methodologies used for these items at September 30, 2016 and 2015.

NOTE 4 - OTHER ASSETS

Other assets as of September 30, 2016 and 2015 consisted of the following:

	2016	2015
Other receivables	$ 598,955	$ 709,994
Notes receivable	1,580,658	624,630
Unamortized bond issuance costs	--	2,136,639
Losses recoverable	4,219,605	1,069,836
	$ 6,399,218	$ 4,541,099

Included within other assets were certain loans to physicians which the Network made to expand its practice. Physician loans were usually forgiven and amortized over the contract period. Physician loan amortization totaling $83,756 and $46,950 for the years ended September 30, 2016 and 2015, respectively, was included within depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

As of September 30, 2015, $1,571,500 of pledges receivables were included within prepaid expenses and other current assets. As of September 30, 2016, there were no pledges receivable outstanding as all pledges have been fully collected, or written off as uncollectible, during the year.

NOTE 4 - OTHER ASSETS (CONTINUED)

Pledges receivable as of September 30, 2015 were expected to be realized as follows:

In one year or less	$ 1,580,500
Less, allowance for uncollectible amounts	(9,000)
Pledges receivable, net	$ 1,571,500

As of September 30, 2016, there were no unamortized bond issuance costs as the remaining balances on the bonds were paid in full. As of September 30, 2015, unamortized bond issuance costs, which were included within other assets, consist of the following:

Deferred financing costs	$ 3,735,675
Less, accumulated amortization	(1,599,036)
	$ 2,136,639

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 consisted of the following:

	2016	2015
Land and land improvements	$ 5,422,631	$ 5,395,243
Buildings and building improvements	167,841,825	161,551,674
Fixed equipment	33,853,381	33,819,206
Movable equipment	117,319,943	115,646,936
	324,437,780	316,413,059
Less accumulated depreciation and amortization	(238,587,161)	(229,410,757)
	85,850,619	87,002,302
Construction-in-progress	267,413	1,273,117
	$ 86,118,032	$ 88,275,419

NOTE 5 - PROPERTY AND EQUIPMENT (CONTINUED)

For the years ended September 30, 2016 and 2015, the Network capitalized interest related to construction financed with tax-exempt debt of $152,000 and $67,635, respectively. The cost to complete the construction-in-progress was approximately $391,000 and $6,070,930 as of September 30, 2016 and 2015, respectively.

For the years ended September 30, 2016 and 2015, the Network disposed of property, plant and equipment in the amounts of $2,484,866 and $228,440, respectively. All disposals were of fully depreciated assets.

NOTE 6 - INTANGIBLE ASSETS

As of September 30, 2016, the balance of the Network's intangible assets was zero as the amounts were written off within the impairment loss recorded on the statement of operations for 2016.

The gross carrying amount and accumulated amortization, by class of intangible assets, as of September 30, 2015, consisted of the following:

2015	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
License enhancements	$ 1,898,684	$ (1,407,854)	$ 490,830
Other intangible assets	1,717,291	(1,170,434)	546,857
Goodwill	2,989,140	--	2,989,140
	$ 6,605,115	$ (2,578,288)	$ 4,026,827

Amortization expense related to intangible assets was $191,355 and $228,439 for the years ended September 30, 2016 and 2015, respectively and was included within depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

NOTE 7 - ESTIMATED SELF-INSURANCE LIABILITIES

The Network was self-insured for workers' compensation insurance coverage. The Network participated in Workers' Compensation Trust, a revocable trust, for the purpose of setting aside assets based on actuarial recommendations.

As of September 30, 2016 and 2015, the Hospital had a $450,000 limit per occurrence for workers' compensation claims. Prior to September 30, 2013, the per occurrence limit was $350,000. The Network has employed independent actuaries to estimate the ultimate costs, if any, of workers' compensation claims. Accrued workers' compensation reserves has been discounted at 5% as of September 30, 2016 and 2015, and in management's opinion provides an adequate reserve for loss contingencies. As of September 30, 2016 and 2015, the discount on workers' compensation reserve amounted to approximately $483,000 and $275,000, respectively.

In fiscal year 2007, ECHN established a single-parent captive, CHIC, which covered all of its subsidiaries. The captive provides malpractice ($3,000,000 per occurrence and $9,000,000 in the aggregate) and general liability ($1,000,000 per occurrence and $3,000,000 in the aggregate) coverage for ECHN and its subsidiaries for the years ended September 30, 2016 and 2015.

Effective October 1, 2009, CHIC also provided an excess healthcare professional liability and umbrella liability insurance policy on a claims-made basis covering healthcare professional liability, general care liability, automobile liability, employers liability, helipad liability and non-owned aircraft liability. The limit provided was $30,000,000 for each loss event and in the annual aggregate excess of the primary coverage layers described above. This coverage was fully reinsured.

ECHN did not self-insure any malpractice risks other than exposures greater than its excess coverages, however, as of September 30, 2016 and 2015, ECHN has recorded a liability for estimated incurred but not reported claims, as it currently has a claims-made policy with CHIC.

NOTE 7 - ESTIMATED SELF-INSURANCE LIABILITIES (CONTINUED)

The activity in the reserve for outstanding losses and loss related expenses at ECHN for workers' compensation, professional and general liability claims, as of September 30, 2016 and 2015, was as follows:

	2016	2015
Balance at beginning of year	$ 9,525,336	$ 12,007,755
Workers' compensation		
Losses incurred related to		
Current year	1,055,909	1,355,535
Prior years	1,898,633	(307,298)
Total incurred	2,954,542	1,048,237
Paid losses related to		
Current year	(560,137)	(593,187)
Prior years	(1,441,052)	(1,084,338)
Total paid	(2,001,189)	(1,677,525)
Professional and general		
Losses incurred related to		
Current year	1,574,411	1,450,000
Prior years	10,157,796	129,945
Total incurred	11,732,207	1,579,945
Paid losses related to		
Current year	(25,000)	(11,415)
Prior years	(3,916,125)	(3,421,661)
Total paid	(3,941,125)	(3,433,076)
Balance at end of year	$ 18,269,771	$ 9,525,336

NOTE 7 - ESTIMATED SELF-INSURANCE LIABILITIES (CONTINUED)

Workers' Compensation: The development on prior-year incurred losses increased (decreased) by $1,898,633 and ($307,298) for the years ended September 30, 2016 and 2015, respectively.

Professional and General: The development on prior-year incurred losses increased by $10,157,796 and $129,945 for the years ended September 30, 2016 and 2015, respectively.

The reserve for losses, which was determined with the assistance of an actuarial consultant, included estimates of claims incurred but not reported. Approximately $3,395,526 and $2,328,000 of the reserve as of September 30, 2016 and 2015, respectively, are included in other current liabilities with the remaining balance of the reserve included in estimated self-insurance liabilities in the accompanying consolidated balance sheets.

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS

ECHN has a defined benefit pension plan that covered substantially all of the employees of MMH and RGH. The benefits were based upon years of service and compensation for the five highest years during the employee's last 10 years of service. The hospitals contribute amounts sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as well as such additional amounts as deemed appropriate.

Effective December 31, 2013, ECHN froze the defined-benefit for all remaining participants. During September 2013, the Board passed a resolution to freeze all benefits related to the defined-benefit pension plan. On December 31, 2008, ECHN implemented a soft freeze on the defined-benefit pension plan. All qualified employees were eligible to enter into the defined contribution plan, ECHN contributed 3% of eligible employees' salaries. This contribution was non-guaranteed for all employees, except certain union workers covered under a collective bargaining agreement. During fiscal years 2016 and 2015, the Hospitals incurred expenses of $936,596 and $588,503, respectively, related to this plan.

MMH and RGH also sponsor a postretirement benefit plan that provides health care benefits to those employees who retired. The criteria to receive this benefit is to be vested in the pension plan, attain age 55 or older and start collecting under the defined benefit plan described above once retired. The retiree must be enrolled into the medical plan on the date of retirement to be eligible for the continuation. MMH full-time registered nurse retirees (retired prior to October 1, 2005 and were eligible per the collective bargaining agreement) were grandfathered and required to pay at least 50% of the total cost of the medical and dental coverage they elect for themselves under the plan.

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

For non-grandfathered retirees, the postretirement health care plan is contributory and the retiree paid 100% of the premium.

The effects of Medicare Prescription Drug, Improvement and Modernization Act of 2003 were reflected as of September 30, 2016 and 2015, assuming that ECHN will continue to provide a prescription drug benefit to retirees that is at least actuarially equivalent to Medicare Part D and that ECHN will receive the federal subsidy. The subsidy did not materially reduce plan liabilities for the years ended September 30, 2016 and 2015, respectively. Subsidies of $60,774 and $72,784 were received in the years ended September 30, 2016 and 2015, respectively. Future benefits of $160,746 are expected to be paid. There were no future subsidies expected to be received related the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

The pension and postretirement plans' change in benefit obligation and change in plan assets for the years ended September 30, 2016 and 2015, is as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Change in benefit obligation				
Benefit obligation, beginning of year	$ 216,795,552	$ 212,658,153	$ 2,710,843	$ 2,848,659
Service cost	1,720,000	1,540,000	37,142	48,328
Interest cost	9,859,353	9,444,578	109,574	114,339
Plan participants' contributions	--	--	401,760	411,972
Receipt of Medicare Plan D reimbursement	--	--	60,774	72,784
Plan amendments	--	--	(1,089,749)	--
Actuarial loss (gain)	18,513,490	7,967,757	81,665	(241,294)
Benefits paid	(15,827,294)	(14,814,936)	(538,426)	(543,945)
Benefit obligation, end of year	$ 231,061,101	$ 216,795,552	$ 1,773,583	$ 2,710,843
Change in plan assets				
Fair value of plan assets, beginning of year	$ 156,908,827	$ 169,516,557	$ --	$ --
Actual return on plan assets	23,011,329	1,237,206	--	--
Employer contributions	1,840,000	970,000	75,892	59,189
Plan participants' contributions	--	--	401,760	411,972
Receipt of Medicare Plan D reimbursement	--	--	60,774	72,784
Benefits paid	(15,827,294)	(14,814,936)	(538,426)	(543,945)
Fair value of plan assets, end of year	$ 165,932,862	$ 156,908,827	$ --	$ --

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Accrued pension and other postretirement benefits	$ (65,128,239)	$ (59,886,725)	$ (1,773,583)	$ (2,710,843)
Accumulated benefit obligation	$ (231,061,101)	$ (216,795,552)	$ --	$ --

The amount recognized in the Network's consolidated balance sheets as of September 30, 2016 and 2015, is as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Current liabilities	$ --	$ --	$ 160,746	$ 190,189
Noncurrent liabilities	65,128,239	59,886,725	1,612,837	2,520,654
Net amount recognized	$ 65,128,239	$ 59,886,725	$ 1,773,583	$ 2,710,843

The allocation of the accrued pension and postretirement benefits for the years ended September 30, 2016 and 2015, is as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
MMH	$ 50,450,774	$ 46,334,359	$ 1,773,583	$ 2,262,167
RGH	14,677,465	13,552,366	--	448,676
	$ 65,128,239	$ 59,886,725	$ 1,773,583	$ 2,710,843

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

The plans' components of net periodic benefit cost for the years ended September 30, 2016 and 2015, is as follows (pension benefit information presented is for MMH and RGH combined):

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Service cost	$ 1,720,000	$ 1,540,000	$ 37,142	$ 48,328
Interest cost	9,859,353	9,444,578	109,574	114,339
Expected return on plan assets	(8,032,432)	(8,676,394)	--	--
Amortization of prior service (credits) costs	--	--	(188,700)	(179,878)
Curtailment gain	--	--	(954,367)	--
Recognized actuarial loss (gain)	1,066,600	536,246	(116,696)	(101,681)
Net periodic benefit cost	$ 4,613,521	$ 2,844,430	$ (1,113,047)	$ (118,892)

The allocation of the net periodic benefit cost for the years ended September 30, 2016 and 2015, is as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
MMH	$ 3,569,480	$ 2,191,794	$ (903,900)	$ (99,214)
RGH	1,044,041	652,636	(209,147)	(19,678)
	$ 4,613,521	$ 2,844,430	$ (1,113,047)	$ (118,892)

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

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Unrecognized prior service (costs) credits	$ --	$ --	$ 1,258,150	$ 1,311,468
Unrecognized actuarial (losses) gains	(53,116,403)	(50,648,410)	1,217,512	1,415,873
	$ (53,116,403)	$ (50,648,410)	$ 2,475,662	$ 2,727,341

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

Changes in benefit obligations recognized in unrestricted net assets included:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Actuarial losses (gains)	$ 3,534,593	$ 15,406,945	$ 81,665	$ (241,294)
New prior service costs	--	--	(1,089,749)	--
Amortization or curtailment of prior service credit (cost)	--	--	1,143,067	179,878
Amortization or settlement recognition of net gain (loss)	(1,066,600)	(536,246)	116,696	101,681
Net periodic benefit cost	$ 2,467,993	$ 14,870,699	$ 251,679	$ 40,265

The prior service credit (cost) and actuarial gains (losses) included in unrestricted net assets and would have been expected to be recognized in net periodic cost during the year ending September 30, 2017 are $(1,179,186) and $234,091 for pension benefits and other postretirement benefits, respectively.

The assumptions used to determine pension and postretirement benefit obligations as of September 30, 2016 and 2015, are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Discount rate	3.90%	4.65%	3.47%	4.19%
Expected long-term rate of return	5.25%	5.25%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Initial medical trend rate	N/A	N/A	6.25%	7.20%
Ultimate medical trend rate	N/A	N/A	4.50%	4.50%
Number of years to ultimate medical trend rate	N/A	N/A	13 years	13 years

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

The assumptions used to determine net periodic benefit cost of the pension and postretirement plans for the years ended September 30, 2016 and 2015, are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Discount rate	4.65%	4.54%	4.19%	4.11%
Expected long-term rate of return	5.25%	5.25%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A
Initial medical trend rate	N/A	N/A	6.25%	7.20%
Ultimate medical trend rate	N/A	N/A	4.50%	4.50%
Number of years to ultimate medical trend rate	N/A	N/A	13 years	13 years

The medical trend rate has a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point	
	Increase	Decrease
Effect on year-end postretirement benefit obligation	$ 142,251	$ (130,992)
Effect on total of service and interest cost components	$ 12,041	$ (10,733)

The pension plan's weighted-average asset allocations as of September 30, 2016 and 2015, by asset category, are as follows:

	Pension Benefits	
	2016	2015
Asset category		
Debt securities	99%	99%
Cash and cash equivalents	1%	1%
	100%	100%

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

The investment objective of ECHN is to invest the plan assets in a manner that, together with contributions, would provide for sufficient resources to pay current and projected obligations over the life of the plan. The plan shall be diversified across asset classes to achieve an optimal balance between risk and return and between income and growth of assets through capital appreciation. Consistent with funding requirements, a secondary objective of the plan is to source benefit payments primarily through existing plan assets and anticipated future returns thereby minimizing future cash contributions. The investment objectives shall be implemented in a de-risking framework designed to manage the plan's funded status volatility and minimize future cash contributions. The funded status of the plan shall be measured by the ratio of plan assets to the projected benefit obligation. To reduce the volatility as much as possible, the goal was to attain and/or maintain a funded status of at least a 105% funding level and allocate its assets as outlined below.

The plan has approved an asset allocation strategy that shall change over time in response to future changes in the plan's funded status. Such changes in asset allocation strategy are intended to allocate additional assets to the fixed income asset class should the plan's funded status improve. Accordingly, the fixed income asset class shall be invested in such a manner that its interest rate sensitivity correlates highly with that of the plan's liabilities. Other asset classes are intended to provide additional return with associated higher levels of risk. If the plan's funded status deteriorates beyond stated thresholds, the strategy dictates that additional assets will not be re-allocated to the return-seeking assets.

Fair value methodologies used to assign plan assets to levels in accordance with ASC 820 are consistent with the inputs described in Note 4 and the following:

Guaranteed insurance contract: A contract with an insurance entity under which related payments to the insurance entity are accumulated in an unallocated fund to be used to meet benefit payments when employees retire, either directly or through the purchase of annuities. Funds in an unallocated contract may also be withdrawn and otherwise invested. The fund's value is established by multiplying client contributions by an established interest rate. Because the participants transact at contract value, fair value is determined annually for financial statement purposes only. In determining the reasonableness of the methodology, the Investment Committee evaluates a variety of factors including review of existing contracts, economic conditions, industry and market developments, and overall credit ratings. Certain unobservable inputs are assessed through review of contract terms (for example, duration or payout date) while others are substantiated utilizing available market data (for example, swap curve rate)

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

The following table presents the investments of the defined benefit plan as of September 30, 2016 and 2015, by the valuation hierarchy.

2016	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 876,048	$ --	$ --	$ 876,048
Fixed income mutual funds				
Long duration	162,164,018	--	--	162,164,018
Guaranteed investment contract	--	--	2,892,796	2,892,796
	$ 163,040,066	$ --	$ 2,892,796	$ 165,932,862

2015	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 929,519	$ --	$ --	$ 929,519
Fixed income mutual funds				
Long duration	139,490,485	--	--	139,490,485
U.S. Core Opportunistic	6,641,878	--	--	6,641,878
U.S. Passive	6,865,329	--	--	6,865,329
Guaranteed investment contract	--	--	2,981,616	2,981,616
	$ 153,927,211	$ --	$ 2,981,616	$ 156,908,827

NOTE 8 - PENSION AND OTHER POSTRETIREMENT BENEFITS (CONTINUED)

The following represents the roll forward in the Level 3 investment as of September 30, 2016 and 2015:

	2016	2015
Guaranteed Investment Contract		
Balance, at beginning of year	$ 2,981,616	$ 3,081,138
Investment income	113,252	123,390
Expenditures	(202,072)	(222,912)
Balance, at end of year	$ 2,892,796	$ 2,981,616

If the sale to Prospect did not occur, ECHN would have anticipated contributing $4,210,000 to the defined benefit pension plan during fiscal year 2017.

The benefit payments which reflect estimated future service, expected to be paid from the plans for the year ended September 30, 2016, are as follows:

	Pension Benefits	Other Postretirement Benefits
2017	$ 10,412,461	$ 160,746
2018	10,949,334	153,992
2019	11,424,758	147,336
2020	11,935,331	145,125
2021	12,432,779	145,802
2022 - 2026	67,500,757	648,070

The Network also has a defined contribution employee savings plan covering substantially all employees. Eligible employees who contribute to the plan will have 20% - 50%, depending upon years of service, of contributions matched by the Network, up to a maximum of 6% of annual compensation. The Network incurred expenses related to the employee savings plan amounting to $636,021 and $788,247, for the years ended September 30, 2016 and 2015, respectively.

NOTE 9 - LONG-TERM DEBT AND LINES OF CREDIT

Long-term debt and capital lease obligations, as of September 30, 2016 and 2015, consisted of the following:

	2016	2015
Connecticut Heath and Educational Facilities Authority (CHEFA) Hospital Revenue Bonds, ECHN Series A Bonds, bearing interest at rates ranging from 6.000% to 6.375% - net of unamortized original issue discount of $32,057 for 2015.	$ --	$ 7,347,943
CHEFA Hospital Revenue Bonds, ECHN Series C Bonds, bearing interest ranging from 4.125% to 5.125% - net of unamortized original issue premium of $309,670 for 2015.	--	32,184,670
CHEFA Hospital Revenue Bonds, ECHN Series D Bonds bearing interest at a variable rate, adjusted weekly.	--	13,425,000
CHEFA Hospital Demand Revenue Bonds, ECHN Series E Bonds, bearing interest at a variable rate, adjusted weekly.	--	16,600,000
Loan due to Sovereign Bank, face amount $5,200,000 due and payable in semi-annual principal and interest installments maturing on January 3, 3022 and bearing interest at 3.38%.	--	3,634,222
Promissory note payable to Rockville Bank due and payable in monthly principal and interest installments maturing on July 1, 2025, bearing interest at 5.87%.	--	688,717

NOTE 9 - LONG-TERM DEBT AND LINES OF CREDIT (CONTINUED)

	2016	2015
Promissory note payable to Webster Bank due and payable in monthly principal and interest installments with a balloon payment due on May 1, 2018, bearing interest at 4.22%.	$ --	$ 586,153
Promissory note payable to Webster Bank due and payable in monthly principal and interest installments with a balloon payment due on December 1, 2017, bearing interest at 4.11%.	--	539,375
Promissory note payable to Webster Bank due and payable in monthly principal and interest installments with a balloon payment due on May 1, 2019, bearing interest at 5.14%	--	506,701
Promissory note payable to 428 Hartford Turnpike Associates, LLP payable in monthly principal and interest installments, maturing September 1, 2021, bearing interest at 6%.	169,493	197,183
Debt of ECHN Corporate Services. Various due dates and interest rates.	--	10,575
Mortgage payable to Rockville Bank, maturing April 1, 2022, bearing interest at 6.5% for the first five years, adjustable thereafter every five years.	--	127,866
Promissory notes with Philips Medical Capital, payable in monthly installments, maturing in fiscal year 2021 and bearing interest at rates between 4.3% and 6.8%	1,986,543	2,359,215

NOTE 9 - LONG-TERM DEBT AND LINES OF CREDIT (CONTINUED)

	2016	2015
Mortgage payable to Rockville Bank, maturing January 1, 2027, bearing interest at 6.6% for the first five years, adjustable thereafter every five years.	$ --	$ 121,471
Promissory notes with GE HealthCare Financial Services, payable in monthly installments, maturing in fiscal years 2019 and 2020 and bearing interest at rates ranging from 4.4% to 5.3%.	419,092	549,719
Promissory note with Stryker Flex Financial, payable in monthly installments, maturing in fiscal year 2020 and bearing interest at 4.00%.	858,201	994,500
Promissory note with Siemens Financial Services, payable in monthly installments, maturing in fiscal year 2019 and bearing interest at 3.85%.	359,589	504,096
Promissory note with Berkshire Bank, payable in monthly installments beginning January 1, 2017, bearing a variable interest rate and maturing in February 18, 2026	4,393,337	--
Capital lease obligations (See Note 11)	6,805,463	6,763,549
	14,991,718	87,140,955
Less: current portion	(3,555,381)	(7,018,708)
Total long-term debt and capital lease obligations - net of current portion	$ 11,436,337	$ 80,122,247

NOTE 9 - LONG-TERM DEBT AND LINES OF CREDIT (CONTINUED)

In February 2000, MMH, RGH and EES (collectively, the Series A Obligated Group) entered into an agreement and open-ended mortgage with Connecticut Health and Educational Facilities Authority (CHEFA) in connection with the issuance of CHEFA Hospital Revenue Bonds, Eastern Connecticut Health Network, Issue Series 2000A (the Series A Bonds). A portion of the proceeds from the Series 2000A Bonds, net of the original issue discount and amounts used to establish required reserve accounts, was placed in an irrevocable trust from which the remaining debt service payments for defeased CHEFA bonds will be paid. The remainder was used to finance additions and renovations for various facilities. The Series A Obligated Group has been legally released from any future debt service on the defeased bonds. The Series A Bonds were due on various due dates through July 1, 2030.

In July 2004, MMH, RGH, EES, and ECHF (collectively, the Series B Obligated Group) entered into an agreement and open-ended mortgage with CHEFA in connection with the issuance of CHEFA Hospital Revenue Bonds, Eastern Connecticut Health Network Issue, Series B (the Series B Bonds). A portion of the proceeds from the Series B Bonds, net of the original issue discount and amounts used to establish required reserve accounts, was used to finance additions, renovations, and purchases of equipment for RGH and MMH. The Series B bonds were refinanced as part of the issuance of Series E bonds as described below.

On October 1, 2005, MMH, RGH, EES, and ECHF (collectively, the Series C Obligated Group) entered into an agreement and open-ended mortgage with CHEFA to borrow $37,065,000 in connection with the issuance of CHEFA Hospital Revenue Bonds, Eastern Connecticut Health Network Issue, Series C (the Series C Bonds). The proceeds from the Series C Bonds, net of the original issue premium and amounts used to establish required reserve accounts, were placed in an irrevocable trust to advance refund and defease a portion of the Series 2000A Bonds. MMH, RGH, and EES have been legally released from any future debt service on the portion of defeased Series 2000A Bonds. The Series C Bonds were due on various due dates through July 1, 2034, bearing interest at rates ranging from 4.125% to 5.125%.

NOTE 9 - LONG-TERM DEBT AND LINES OF CREDIT (CONTINUED)

In May 2009, MMH, RGH, EES, and ECHF (collectively, the Series D Obligated Group) entered into an agreement and open-ended mortgage with CHEFA in connection with the issuance of CHEFA Hospital Revenue Bonds, Eastern Connecticut Health Network, Issue Series D (the Series D Bonds). A portion of the proceeds from the Series D Bonds, net of amounts used to establish required reserve accounts, were used to finance renovations at MMH, an expansion at EES, and other campus improvements. The Series D Bonds were due on various due dates through May 14, 2039.

In December 2010, MMH, RGH, EES, and ECHF (collectively, the Series E Obligated Group) entered into an agreement and open-ended mortgage with CHEFA in connection with the issuance of CHEFA Hospital Revenue Bonds, Eastern Connecticut Health Network, Issue Series E (the Series E Bonds). The proceeds from the Series E Bonds, net of amounts used to establish required reserve accounts, were used to redeem the Series B Bonds and fund interest rate swap agreement termination payments relating to the Series B Bonds. The Series E Bonds were due on various due dates through July 1, 2034.

Under the terms of the Series A, Series B, Series C, Series D, and Series E Bonds, the Series A Obligated Group, Series B Obligated Group, Series C Obligated Group, Series D Obligated Group, and Series E Obligated Group (the Obligated Groups) were required to maintain certain deposits with a trustee. Such deposits are included in assets whose use is limited. The indenture also placed limits on the incurrence of additional borrowings and dispositions of property and required that the Obligated Groups satisfy certain measures of financial performance as long as the notes are outstanding.

Under the terms of the CHEFA agreements, each member of the Obligated Groups was jointly and severally liable for the full and prompt payment of the amounts owed by the Obligated Groups. Total debt under the CHEFA agreements of the Obligated Groups was $72,914,222 as of September 30, 2015. The debt was also secured by the gross receipts of the Obligated Groups. As of September 30, 2016, there is no outstanding debt under the CHEFA agreements.

In June 2012, the Obligated Group entered into a loan agreement through CHEFA's Tax-Exempt Equipment Loan Program, for $5,200,000 in connection with purchase of equipment and renovation costs. Semi-annual principal and interest payments were due through January 2022.

NOTE 9 - LONG-TERM DEBT AND LINES OF CREDIT (CONTINUED)

In February 2016, VNHSC entered into a loan agreement with Berkshire Bank to extend a line to term facility to VNHSC not to exceed the aggregate principal amount of $5,000,000. The loan agreement commenced on March 1, 2016 with interest only payments and continues on each interest payment date until December 1, 2016. Commencing on January 1, 2017, the principal amount of the loan shall be payable in 114 monthly installments of principal and interest based on the adjusted LIBOR rate plus the LIBOR rate margin. Subsequent to year end the outstanding balance was transferred to Prospect according to the purchase agreement (See Note 19).

The Network was party to various capital leases, which are described in Note 11 and have been assumed by Prospect on October 1, 2016 pursuant to the sale.

On December 21, 2010, ECHN entered into a $6,500,000 unsecured line of credit with TD Bank, N.A. In 2014, the line of credit agreement was modified. The amount available was reduced to $5,750,000, the interest rate was increased to LIBOR plus 2.5% and the maturity was extended to September 29, 2015. In 2015, the line of credit agreement was further modified. The amount available was reduced to $3,950,000 and the maturity date was extended to September 29, 2016. The line of credit was paid in full during 2016. As of September 30, 2015, MMH had $3,800,000 outstanding under this line of credit.

The Network was subject to various financial covenants related to these debt agreements.

In connection with the sale further discussed in Note 1, on September 30, 2016, the Network repaid substantially of its long-term debt. There are no future minimum maturities of long-term debt and capital lease obligations as all of the material remaining debt was assumed by Prospect pursuant to the asset purchase agreement.

NOTE 10 - DERIVATIVES

The Network used derivative instruments, specifically interest rate swap agreements, to manage its exposure to changes in the interest rate on its CHEFA bonds. The use of derivative instruments exposed the Network to additional risks related to the derivative instrument, including market risk, credit risk and termination risk as described below, and the Network had defined risk management practices to mitigate these risks, as appropriate.

NOTE 10 - DERIVATIVES (CONTINUED)

In June 2012, ECHN entered into an interest rate swap agreement to manage the interest cost and risk associated with $5,200,000 of its debt. Under the terms, ECHN pays a fixed rate of 3.38%. The swap was accounted for as a cash flow hedge in accordance with ASC 815 *Accounting for Derivative Instruments and Hedging Activities*. This accounting treatment requires the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument to be reported as a component of other changes in unrestricted net assets and to be reclassified into operations in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, shall be recognized currently in non-operating losses. As of September 30, 2016, the Network terminated the interest rate swap agreement.

The Network's portion of the swap agreement in force related to this strategy as of September 30, 2015, and the liability and unrealized loss recognized by the Network was as follows:

Notional amount of contract	$	3,634,222
Fair value of swap contract recognized in other liabilities	$	52,900
Unrealized loss recognized in unrestricted net assets	$	49,100

The counterparty to the above swap transactions was a major financial institution that met ECHN's criteria for financial stability and creditworthiness.

NOTE 11 - LEASE COMMITMENTS

ECHN leased equipment under capital lease agreements, with interest rates ranging from 4% to 8%. The net carrying value of equipment under the capital lease was $6,160,487 and $8,594,610 as of September 30, 2016 and 2015, respectively.

ECHN leases various office space and certain equipment under operating leases that expire in various years through fiscal year 2024. Certain leases may be renewed at the end of their term.

There are no future minimum payments under non-cancelable operating leases as of September 30, 2016 as Prospect assumed all of the Network’s material leases and future obligations in the transaction described in Note 1.

Rent expense under operating and month-to-month leases was $6,625,554 and $6,421,813 for the years ended September 30, 2016 and 2015, respectively.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

ECHN grants credit without collateral to its patients, most of whom are insured under third-party payer agreements. The mix in patient accounts receivable as of September 30, 2016 and 2015, before allowances for doubtful accounts, consisted of the following:

	2016	2015
Medicare	30%	29%
Self-pay	21%	24%
Managed care	21%	23%
Medicaid	19%	15%
Commercial insurance	4%	4%
Other	5%	5%
	100%	100%

NOTE 13 - NET PATIENT SERVICE REVENUE

Net patient service revenue for the years ended September 30, 2016 and 2015, consisted of the following:

	2016	2015
Patient service revenues		
Inpatient services	$ 343,169,751	$ 318,875,465
Outpatient services	649,183,222	600,758,074
Gross patient service revenues	992,352,973	919,633,539
Deductions - contractual allowances and discounts	(694,935,334)	(611,589,145)
Patient service revenue, net of contractual allowances and discounts	$ 297,417,639	$ 308,044,394

NOTE 13 - NET PATIENT SERVICE REVENUE (CONTINUED)

Net patient service revenues by primary payor for the years ended September 30, 2016 and 2015, was as follows:

	2016	2015
Managed care	$ 116,523,141	$ 123,129,276
Medicare	109,722,129	113,011,679
Medicaid	48,434,703	48,753,827
Commercial insurance	14,545,155	15,409,231
Self-pay	3,799,793	3,126,653
Other	4,392,718	4,613,728
	$ 297,417,639	$ 308,044,394

In addition, the Network provided for a provision for bad debts. For receivables associated with services provided to patients who have third-party coverage, the Network analyzed contractually due amounts and provided an allowance for doubtful accounts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who were known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage existed for part of the bill), the Network recorded a significant provision for bad debts in the period of service on the basis of its past experience, which indicated that many patients were unable or unwilling to pay the portion of their bill for which they were financially responsible.

For uninsured patients that did not qualify for financial assistance, the Network offered a discount off its standard rates for services provided. The difference between the discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is written off against the allowance for doubtful accounts in the period they were determined uncollectible. The Network's allowance for doubtful accounts covered all accounts greater than 6 months for both self-pay accounts receivable and third party payers as of September 30, 2016 and 2015. The Network's self-pay and third-party payers write-offs totaled $12,729,143 and $9,273,157 for 2016 and 2015, respectively. The Network did not change its charity care or financial assistance policy during 2016 or 2015.

NOTE 13 - NET PATIENT SERVICE REVENUE (CONTINUED)

At September 30, 2016 and 2015, 36.0% and 36.3% of net patient accounts receivable were from governmental payers (Medicare and Medicaid) and 64.0% and 63.7% were from nongovernmental payers, respectively. Nongovernmental payers were primarily insurance companies and self-pay payers. Management has recorded an allowance for doubtful accounts, as noted above, which, in its opinion, was sufficient to provide for risk of nonpayment.

NOTE 14 - COMMUNITY BENEFIT

ECHN's mission was to improve the health of the people and the communities ECHN served.

ECHN provided quality health care to all, regardless of their ability to pay. Charity care was provided to those who were eligible based on ECHN's policy. ECHN also incurred unpaid costs for government programs because reimbursement was not sufficient to cover costs associated with Medicare and Medicaid patients. In addition to the charity care responsibilities, ECHN provided numerous other community benefits. These community benefits included medical education and research, community health education, screenings, support groups, counseling services, and in-kind support. To address the need for health care providers, a number of programs were offered for young people who may be interested in a career in health care.

ECHN utilized guidelines developed by various organizations to quantify community benefit activities. ECHN defined community benefit activities as those that improve access to care, as well as the health of the broader community. In addition to charity care and the unpaid costs of government sponsored health care (Medicare and/or Medicaid shortfalls), community benefit activities will normally fall into one of the following categories: nonbilled community health services, community health improvement services, health professions education, subsidized health services, research, financial and in-kind contributions, community building activities, and community benefit operations.

MMH and RGH provided care to patients who met certain criteria under its charity care policy without charge or at amounts less than its established rates. Because MMH and RGH did not pursue collection of amounts determined to qualify as charity care, they were not reported as revenue. The amount of traditional charity care provided, determined on the basis of cost, was $1,917,782 and $1,650,100 for the years ended September 30, 2016 and 2015, respectively.

NOTE 15 - FUNCTIONAL EXPENSES

ECHN provided general health care services to residents within its geographical location. For the years ended September 30, 2016 and 2015, expenses relating to providing these services were as follows:

	2016	2015
Health care services	$ 261,932,884	$ 255,729,581
Fund raising	550,294	508,490
General and administrative	69,075,306	59,610,005
	$ 331,558,484	$ 315,848,076

NOTE 16 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The temporarily restricted net assets available, as of September 30, were available for the following purposes:

	2016	2015
Departmental and endowment purposes	$ 4,260	$ 1,402,125
Capital campaign and pledges	--	84,411
	$ 4,260	$ 1,486,536

As of September 30, 2016 and 2015, permanently restricted net assets consisted of the following:

	2016	2015
Beneficial interest in trust assets	$ 11,228,269	$ 10,809,693
Endowments restricted for		
Other departmental purposes	5,274,233	3,554,028
Charity care	532,024	532,024
Special needs	151,579	151,579
Cancer research	6,124	6,124
	$ 17,192,229	$ 15,053,448

NOTE 16 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

The Network's donor-restricted endowment funds as of September 30, 2016 and 2015 were $5,963,960 and $4,243,755, respectively and were included within permanently restricted net assets.

The Network's endowments consisted of multiple funds established for a variety of purposes. The endowments included donor-restricted endowment funds. As required by GAAP, endowments were classified and reported based on the existence or absence of donor restrictions.

The Network has interpreted the relevant laws 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. The remaining portion of the donor-restricted endowment fund that was not classified in permanently restricted net assets was classified as temporarily restricted net assets until those amounts were appropriated for expenditure by the Network.

The Network considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Network and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Network; and (7) the investment policies of the Network.

The Network has adopted investment and spending policies for endowment assets that attempt to provide a reasonably stable and predictable stream of earnings to support the operations of the endowments and to preserve and enhance over time the real value of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets were invested in a manner that is intended to produce a real return, net of inflation and investment and management costs, over the long-term. Actual returns in any given year may vary from this amount.

The Investment Committee of the Board was responsible for defining and reviewing the investment policy to determine an appropriate long-term asset allocation policy. The asset allocation policy reflected the objective with allocations structured for capital growth and inflation protection over the long-term.

To satisfy its long-term rate-of-return objectives, the Network relied on a total return strategy in which investment returns were achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Network targeted a diversified asset allocation that placed a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 16 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

The Network has appropriated $62,977 and $14,664 for expenditure from its endowment funds for the years ending September 30, 2016 and 2015, respectively.

Changes in endowment net assets for the fiscal year ended September 30, 2016 were as follows:

2016	Temporarily Restricted	Permanently Restricted	Total
Net assets, October 1, 2015	$ --	$ 4,243,755	$ 4,243,755
Interest income	62,977	--	62,977
Released from restrictions	(62,977)	--	(62,977)
Reclassification of donation	--	1,720,205	1,720,205
Net assets, September 30, 2016	$ --	$ 5,963,960	$ 5,963,960

Changes in endowment net assets for the fiscal year ended September 30, 2015 were as follows:

2015	Temporarily Restricted	Permanently Restricted	Total
Net assets, October 1, 2014	$ --	$ 4,243,382	$ 4,243,382
Interest income	14,664	--	14,664
Released from restrictions	(14,664)	--	(14,664)
Contributions	--	373	373
Net assets, September 30, 2015	$ --	$ 4,243,755	$ 4,243,755

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or relevant law requires the Network to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature were reported in unrestricted net assets. As of September 30, 2016 and 2015, there were no funds that were below the level required by donor or law.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The Network was involved in various legal actions arising from its activities. Although the ultimate outcome was not determinable at this time, management, after taking into consideration the advice of legal counsel, believes that the resolution of these pending matters will not have a material adverse effect, individually or in the aggregate, on the consolidated balance sheets or on the related consolidated statements of operations and changes in net assets, or consolidated cash flows of the Network.

The Network and the Network's defined benefit pension plans invested in various investment securities. Investment securities were exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it was at least reasonably possible that changes in the values of investment securities will occur in the near term.

NOTE 18 - STATUTORY CAPITAL AND SURPLUS

CHIC was incorporated in the Cayman Islands on September 15, 2006 and was granted an Unrestricted Class "B" insurance license under the Insurance Law of the Cayman Islands with an effective date of September 26, 2006. As of October 14, 2013, in accordance with Section 4(3)(b) of The Insurance Law, 2010, the company was classified as a Class B (i) insurer. CHIC was regulated by the Cayman Islands Monetary Authority (CIMA) and related relations, and was obligated to comply with CIMA regulations regarding minimum levels of solvency and liquidity.

Statutory capital and surplus as of September 30, 2016 was a deficit of $5,856,430 with a minimum amount required to be maintained by CHIC of $100,000. Distribution of dividends was subject to approval by the Board of Directors. No dividends were declared or paid during the years ended September 30, 2016 and 2015.

ECHN reported all of CHIC's investments as investments held in trust for estimated self-insurance liabilities in the accompanying consolidated balance sheets.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 21, 2017, the date the consolidated financial statements were available to be issued. Management believes that there are no other subsequent events that would have a material impact on the consolidated financial statements, other than the sale described in Note 1.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2016

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Series C, Series D, and Series E Obligated Group
Assets								
Current Assets								
Cash and cash equivalents	$ 1,270,245	$ 299,540	$ 183,939	$ --	$ 1,753,724	$ 167	$ --	$ 1,753,891
Current portion of investments held under bond indentures	--	--	--	--	--	--	--	--
Accounts receivable, net	17,615,410	6,032,974	1,706,218	--	25,354,602	--	--	25,354,602
Inventory	4,155,414	1,197,642	35,571	--	5,388,627	--	--	5,388,627
Due from affiliated entities	--	--	580,107	(17,104)	563,003	18,579	--	581,582
Current portion of estimated settlements due from third-party payers	1,655,706	1,308,851	--	--	2,964,557	--	--	2,964,557
Prepaid expenses and other current assets	1,302,449	284,163	23,440	--	1,610,052	3,700	--	1,613,752
Total Current Assets	25,999,224	9,123,170	2,529,275	(17,104)	37,634,565	22,446	--	37,657,011
Assets Whose Use is Limited, net of current portion								
Donor restricted investments	1,595,003	2,801,645	--	--	4,396,648	1,571,572	--	5,968,220
Board designated investments	3,905	6,397	--	--	10,302	1,894	--	12,196
Investments held in trust for estimated self-insurance liabilities	1,530,471	--	--	--	1,530,471	--	--	1,530,471
Beneficial interest in trust assets	9,138,026	2,090,243	--	--	11,228,269	--	--	11,228,269
Total Assets Whose Use is Limited, net of current portion	12,267,405	4,898,285	--	--	17,165,690	1,573,466	--	18,739,156
Interest in Net Assets of ECHN CHF, Inc.	1,288,701	282,871	--	--	1,571,572	--	(1,571,572)	--
Investments	--	--	--	--	--	--	--	--
Investments in Joint Ventures	3,907,359	3,426,894	--	--	7,334,253	--	--	7,334,253
Property and Equipment, net	51,131,800	24,264,836	6,447,028	--	81,843,664	--	--	81,843,664
Other Assets								
Estimated settlements due from third-party payers, net of current portion	--	--	--	--	--	--	--	--
Due from affiliate entities, net of current portion	21,796,666	11,126,106	--	(3,280,506)	29,642,266	--	--	29,642,266
Goodwill and intangible assets, net	--	--	--	--	--	--	--	--
Other assets	578,579	177,577	137,456	--	893,612	--	--	893,612
Total Other Assets	22,375,245	11,303,683	137,456	(3,280,506)	30,535,878	--	--	30,535,878
	$ 116,969,734	$ 53,299,739	$ 9,113,759	$ (3,297,610)	$ 176,085,622	$ 1,595,912	$ (1,571,572)	$ 176,109,962

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2016

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Assets								
Current Assets								
Cash and cash equivalents	$ 3,050	$ 114,699	$ 12,428	$ 126,627	$ 1,122,334	$ 2,229,837	$ --	$ 5,362,866
Current portion of investments held under bond indentures	--	--	--	--	--	--	--	--
Accounts receivable, net	1,465,400	625,096	--	3,437,888	121,520	--	--	31,004,506
Inventory	69,400	126,325	--	--	--	--	--	5,584,352
Due from affiliated entities	4,750	--	--	4,385,514	--	--	(4,971,846)	--
Current portion of estimated settlements due from third-party payers	--	--	--	--	--	--	--	2,964,557
Prepaid expenses and other current assets	302,326	10,315	4,997	130,864	1,381,953	18,145	--	3,462,352
Total Current Assets	1,844,926	876,435	17,425	8,080,893	2,625,807	2,247,982	(4,971,846)	48,378,633
Assets Whose Use is Limited, net of current portion								
Donor restricted investments	--	--	--	--	--	--	--	5,968,220
Board designated investments	--	--	--	--	--	--	--	12,196
Investments held in trust for estimated self-insurance liabilities	--	--	--	--	--	1,521,801	--	3,052,272
Beneficial interest in trust assets	--	--	--	--	--	--	--	11,228,269
Total Assets Whose Use is Limited, net of current portion	--	--	--	--	--	1,521,801	--	20,260,957
Interest in Net Assets of ECHN CHF, Inc.	--	--	--	--	--	--	--	--
Investments	--	--	--	--	(5,877,396)	--	5,877,396	--
Investments in Joint Ventures	--	--	1,341,216	--	6,021,852	--	--	14,697,321
Property and Equipment, net	1,417,007	201,482	976,040	1,679,839	--	--	--	86,118,032
Other Assets								
Estimated settlements due from third-party payers, net of current portion	--	--	--	--	--	--	--	--
Due from affiliate entities, net of current portion	--	--	--	--	22,428,205	--	(52,070,471)	--
Goodwill and intangible assets, net	--	--	--	--	-	--	--	--
Other assets	--	--	--	530,269	1,580,658	3,394,679	--	6,399,218
Total Other Assets	--	--	--	530,269	24,008,863	3,394,679	(52,070,471)	6,399,218
	$ 3,261,933	$ 1,077,917	$ 2,334,681	$ 10,291,001	$ 26,779,126	$ 7,164,462	$ (51,164,921)	$ 175,854,161

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2016

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Subtotal Series C, Series D, and Series E Obligated Group
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	$ 19,700,531	$ 4,934,066	690,040	$ --	$ 25,324,637	$ 24,340	$ --	$ 25,348,977
Advance on sale of business (see Note 1)	18,391,441	1,280,579	161,033	--	19,833,053	--	--	19,833,053
Current portion of long-term debt and capital lease obligations	2,583,699	216,529	42,518	--	2,842,746	--	--	2,842,746
Current portion of due to affiliates	--	6,504,197	6,708,036	(17,104)	13,195,129	--	--	13,195,129
Current portion of estimated settlements due to third-party payers	3,033,355	3,469,684	379,273	--	6,882,312	--	--	6,882,312
Current portion of accrued pension and other postretirement benefits	160,746	--	--	--	160,746	--	--	160,746
Other current liabilities	2,665,214	252,587	331,137	--	3,248,938	--	--	3,248,938
Total Current Liabilities	46,534,986	16,657,642	8,312,037	(17,104)	71,487,561	24,340	--	3,409,684
Long-Term Debt and Capital Lease Obligations, net of current portion	6,129,334	612,603	11,041	--	6,752,978	--	--	6,752,978
Estimated Self-Insurance Liabilities, net of current portion	11,726,152	4,488,643	269,055	--	16,483,850	--	--	16,483,850
Accrued Pension and Postretirement Benefits	52,063,611	14,677,465	--	--	66,741,076	--	--	66,741,076
Estimated Settlements Due to Third-Party Payers, net of current portion	--	--	--	--	--	--	--	--
Due to Affiliates	4,731,865	--	--	(3,280,506)	1,451,359	--	--	1,451,359
Other Liabilities	279,796	132,211	-	--	412,007	--	--	412,007
Total Liabilities	121,465,744	36,568,564	8,592,133	(3,297,610)	163,328,831	24,340	--	163,353,171
Net Assets								
Unrestricted	(16,517,740)	11,556,416	521,626	--	(4,439,698)	--	--	(4,439,698)
Temporarily restricted	3,678	582	--	--	4,260	4,260	(4,260)	4,260
Permanently restricted	12,018,052	5,174,177	--	--	17,192,229	1,567,312	(1,567,312)	17,192,229
Total Net (Deficit) Assets	(4,496,010)	16,731,175	521,626	--	12,756,791	1,571,572	(1,571,572)	12,756,791
	$ 116,969,734	$ 53,299,739	$ 9,113,759	$ (3,297,610)	$ 176,085,622	$ 1,595,912	$ (1,571,572)	$ 176,109,962

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2016

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	$ 1,244,903	$ 105,961	$ 8,114	$ 894,319	$ 1,045,328	$ 95,549	$ --	$ 28,743,151
Advance on sale of business (see Note 1)	--	--	--	--	--	--	--	19,833,053
Current portion of long-term debt and capital lease obligations	29,399	4,895	--	314,425	363,916	--	--	3,555,381
Current portion of due to affiliates	--	--	--	--	--	--	(13,195,129)	--
Current portion of estimated settlements due to third-party payers	765,620	--	--	--	--	--	--	7,647,932
Current portion of accrued pension and other postretirement benefits	--	--	--	--	--	--	--	160,746
Other current liabilities	--	--	--	684,739	63,594	1,609,605	--	5,606,876
Total Current Liabilities	2,039,922	110,856	8,114	1,893,483	1,472,838	1,705,154	(13,195,129)	65,547,139
Long-Term Debt and Capital Lease Obligations, net of current portion	140,094	--	--	4,361,779	181,486	--	--	11,436,337
Estimated Self-Insurance Liabilities, net of current portion	--	--	--	--	--	11,315,738	(12,925,343)	14,874,245
Accrued Pension and Postretirement Benefits	--	--	--	--	--	--	--	66,741,076
Estimated Settlements Due to Third-Party Payers, net of current portion	--	--	--	--	--	--	--	--
Due to Affiliates	848,832	471,922	1,933,575	--	26,216,156	--	(30,921,844)	--
Other Liabilities	--	--	--	--	--	--	--	412,007
Total Liabilities	3,028,848	582,778	1,941,689	6,255,262	27,870,480	13,020,892	(57,042,316)	159,010,804
Net Assets								
Unrestricted	233,085	495,139	392,992	4,035,739	(1,091,354)	(5,856,430)	5,877,395	(353,132)
Temporarily restricted	--	--	--	--	--	--	--	4,260
Permanently restricted	--	--	--	--	--	--	--	17,192,229
Total Net Assets	233,085	495,139	392,992	4,035,739	(1,091,354)	(5,856,430)	5,877,395	16,843,357
	$ 3,261,933	$ 1,077,917	$ 2,334,681	$ 10,291,001	$ 26,779,126	$ 7,164,462	$ (51,164,921)	$ 175,854,161

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE I – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

SEPTEMBER 30, 2016

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Subtotal Series C, Series D, and Series E Obligated Group
Revenue								
Patient service revenue, net of contractual allowances and discounts	$ 180,464,278	$ 59,971,941	$ 14,717,802	$ --	$ 255,154,021	$ --	$ --	$ 255,154,021
Provision for bad debts	(10,662,336)	(1,985,773)	(130,222)	--	(12,778,331)	--	--	(12,778,331)
	169,801,942	57,986,168	14,587,580	--	242,375,690	--	--	242,375,690
					-			
Contributions	279,184	305,352	3,817	--	588,353	--	--	588,353
Other revenues	9,356,252	830,514	50,487	(144,860)	10,092,393	184,567	(215,949)	10,061,011
Net assets released from restrictions used for operations	455,138	158,671	2,900	--	616,709	114,809	--	731,518
Total Revenues	179,892,516	59,280,705	14,644,784	(144,860)	253,673,145	299,376	(215,949)	253,756,572
Expenses								
Salaries and wages	80,127,591	28,045,781	6,889,137	--	115,062,509	92,409	(66,752)	115,088,166
Fringe benefits	29,121,613	9,972,356	1,751,659	--	40,845,628	10,744	(7,769)	40,848,603
Supplies and other expenses	73,593,206	27,493,075	4,005,924	(144,860)	104,947,345	196,223	(141,428)	105,002,140
Depreciation and amortization	7,214,356	3,073,437	524,952	--	10,812,745	--	--	10,812,745
Interest and financing costs	2,266,813	678,065	306,974	--	3,251,852	--	--	3,251,852
Impairment of long lived assets and goodwill	387,319	183,804	510,340	--	1,081,463	--	--	1,081,463
Total Expenses	192,710,898	69,446,518	13,988,986	(144,860)	276,001,542	299,376	(215,949)	276,084,969
Income (Loss) from Operations	(12,818,382)	(10,165,813)	655,798	--	(22,328,397)	--	--	(22,328,397)
Non-Operating (Losses) Gains	(3,154,786)	(1,635,175)	(321,129)	--	(5,111,090)	--	--	(5,111,090)
	$ (15,973,168)	$ (11,800,988)	$ 334,669	$ --	$ (27,439,487)	$ --	$ --	$ (27,439,487)

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Revenue								
Patient service revenue, net of contractual allowances and discounts	$ 17,386,249	$ --	$ --	$ 24,877,369	$ --	$ --	$ --	$ 297,417,639
Provision for bad debts	(750,648)	--	--	(211,350)	--	--	--	(13,740,329)
	16,635,601	--	--	24,666,019	--	--	--	283,677,310
Contributions	--	--	--	90,318	230,148	--	(230,148)	678,671
Other revenues	6,770,296	3,451,785	533,516	642,357	2,407,092	2,138,682	(13,525,572)	12,479,167
Net assets released from restrictions used for operations	--	--	--	126,038	4,594	--	--	862,150
Total Revenues	23,405,897	3,451,785	533,516	25,524,732	2,641,834	2,138,682	(13,755,720)	297,697,298
Expenses								
Salaries and wages	16,490,671	2,114,181	--	16,432,916	10,809,047	--	(10,834,704)	150,100,277
Fringe benefits	2,242,192	327,472	--	3,392,370	2,193,592	--	(2,208,564)	46,795,665
Supplies and other expenses	10,161,434	948,530	283,343	4,983,408	(13,145,650)	8,810,726	(4,599,636)	112,444,295
Depreciation and amortization	522,264	102,869	68,496	283,167	83,756	--	(83,756)	11,789,541
Interest and financing costs	11,078	17,175	12,902	--	48,687	--	(48,687)	3,293,007
Impairment of long lived assets and goodwill	284,660	117,026	7,393	12,725	5,632,432	--	--	7,135,699
Total Expenses	29,712,299	3,627,253	372,134	25,104,586	5,621,864	8,810,726	(17,775,347)	331,558,484
Income (Loss) from Operations	(6,306,402)	(175,468)	161,382	420,146	(2,980,030)	(6,672,044)	4,019,627	(33,861,186)
Non-Operating (Losses) Gains	--	--	(25,199)	--	(2,652,402)	--	2,652,415	(5,136,276)
	$ (6,306,402)	$ (175,468)	$ 136,183	$ 420,146	$ (5,632,432)	$ (6,672,044)	$ 6,672,042	$ (38,997,462)

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Subtotal Series C, Series D, and Series E Obligated Group
Unrestricted Net Assets								
Excess (deficiency) of revenues over expenses	$ (15,973,168)	$ (11,800,988)	$ 334,669	$ --	$ (27,439,487)	$ --	$ --	$ (27,439,487)
Unrealized loss on investments	75,659	--	--	--	75,659	--	--	75,659
Net change in interest rate swap agreement	(8,164)	--	--	--	(8,164)	--	--	(8,164)
Net assets released from restrictions for capital acquisitions	265,191	103,925	4,552	--	373,668	--	--	373,668
Equity transfer to ECHN	(4,215,218)	(1,806,524)	--	--	(6,021,742)	--	--	(6,021,742)
Equity transfer from ECHN	--	--	--	--	--	--	--	--
ECHN Corporate Services transfer	--	--	--	--	--	--	--	--
Transfers (to) from other affiliates, net	2,970,329	11,704,461	(5,736,655)	--	8,938,135	(2,702,984)	--	6,235,151
Pension and postretirement related adjustments	(2,461,749)	(257,922)	--	--	(2,719,671)	--	--	(2,719,671)
Reclassification of donation	--	(1,355,623)	--	--	(1,355,623)	--	--	(1,355,623)
Change in unrestricted net assets	(19,347,120)	(3,412,671)	(5,397,434)	--	(28,157,225)	(2,702,984)	--	(30,860,209)
Temporarily Restricted Net Assets								
Contributions	(52,173)	10,808	2,540	--	(38,825)	758,010	(375,021)	344,164
Investment income	1,740	1,434	--	--	3,174	5,189	(4,253)	4,110
Net assets released from restrictions used for operations	(455,138)	(158,671)	(2,900)	--	(616,709)	(15,859,757)	10,605,359	(5,871,107)
Net assets released from restrictions used for capital acquisitions	(265,191)	(103,925)	(4,552)	--	(373,668)	(373,668)	373,668	(373,668)
Reclassification of donation	--	(364,582)	--	--	(364,582)	--	--	(364,582)
Transfers (to) from affiliates	279,837	77,667	--	--	357,504	--	421,730	779,234
Change in temporarily restricted net assets	(490,925)	(537,269)	(4,912)	--	(1,033,106)	(15,470,226)	11,021,483	(5,481,849)
Permanently Restricted Net Assets								
Reclassification of donation	--	1,720,205			1,720,205			1,720,205
Change in beneficial interest in trust assets	336,576	82,000	--	--	418,576	--	--	418,576
Change in permanently restricted net assets	336,576	1,802,205	--	--	2,138,781	--	--	2,138,781
Change in Net Assets (Deficit)	(19,501,469)	(2,147,735)	(5,402,346)	--	(27,051,550)	(18,173,210)	11,021,483	(34,203,277)
Net Assets (Deficit) - Beginning of year	15,005,459	18,878,910	5,923,972	--	39,808,341	19,744,782	(12,593,055)	46,960,068
Net Assets (Deficit) - End of year	$ (4,496,010)	$ 16,731,175	$ 521,626	$ --	$ 12,756,791	$ 1,571,572	$ (1,571,572)	$ 12,756,791

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE II – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Unrestricted Net Assets								
Excess (deficiency) of revenues over expenses	$ (6,306,402)	$ (175,468)	$ 136,183	$ 420,146	$ (5,632,432)	$ (6,672,044)	$ 6,672,042	(38,997,462)
Unrealized loss on investments	--	--	--	--	--	110,897	--	186,556
Net change in interest rate swap agreement	--	--	--	--	--	--	--	(8,164)
Gain on termination of interest rate swap agreement	--	--	--	--	--	--	--	--
Net assets released from restrictions for capital acquisitions	--	--	--	--	--	--	--	373,668
Equity transfer to ECHN	--	--	--	--	6,021,742	--	--	--
Equity transfer from ECHN	6,021,742	--	--	--	(6,021,742)	--	--	--
ECHN Corporate Services transfer	--	--	--	--	--	--	--	--
Transfers (to) from other affiliates, net	--	--	--	(7,014,384)	779,233	--	--	--
Pension and postretirement related adjustments	--	--	--	--	--	--	--	(2,719,671)
Reclassification of donation	--	--	--	--	--	--	--	(1,355,623)
Change in unrestricted net assets	(284,660)	(175,468)	136,183	(6,594,238)	(4,853,199)	(6,561,147)	6,672,042	(42,520,696)
Temporarily Restricted Net Assets								
Contributions	--	--	--	--	38,966	--	(269,117)	114,013
Investment income	--	--	--	--	--	--	--	4,110
Net assets released from restrictions used for operations	--	--	--	(126,038)	(4,594)	--	5,139,589	(862,150)
Net assets released from restrictions used for capital acquisitions	--	--	--	--	--	--	--	(373,668)
Reclassification of donation								(364,582)
Transfers (to) from affiliates	--	--	--	--	(357,504)	--	(421,730)	--
Change in temporarily restricted net assets	--	--	--	(126,038)	(323,132)	--	4,448,742	(1,482,277)
Permanently Restricted Net Assets								
Contributions - beneficial interest trust assets	--	--	--	--	--	--	--	--
Reclassification of donation	--	--	--	--	--	--	--	1,720,205
Change in beneficial interest in trust assets	--	--	--	--	--	--	--	418,576
Change in permanently restricted net assets	--	--	--	--	--	--	--	2,138,781
Change in Net Assets (Deficit)	(284,660)	(175,468)	136,183	(6,720,276)	(5,176,331)	(6,561,147)	11,120,784	(41,864,192)
Net Assets (Deficit) - Beginning of year	517,745	670,607	256,809	10,756,015	4,084,977	704,717	(5,243,389)	58,707,549
Net Assets (Deficit) - End of year	$ 233,085	$ 495,139	$ 392,992	$ 4,035,739	$ (1,091,354)	$ (5,856,430)	$ 5,877,395	$ 16,843,357

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATING BALANCE SHEET

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Subtotal Series C, Series D, and Series E Obligated Group
Assets								
Current Assets								
Cash and cash equivalents	$ 5,266,042	$ 2,130,527	$ 1,540,254	$ --	$ 8,936,823	$ 1,024,794	$ --	$ 9,961,617
Current portion of investments held under bond indentures	646,423	265,258	185,918	--	1,097,599	--	--	1,097,599
Accounts receivable, net	25,143,982	8,279,947	1,509,562	--	34,933,491	--	--	34,933,491
Inventory	4,086,699	1,266,636	33,849	--	5,387,184	--	--	5,387,184
Due from affiliated entities	393,192	14,916	8,037	(17,104)	399,041	26,267	--	425,308
Current portion of estimated settlements due from third-party payers	2,821,878	751,256	--	--	3,573,134	--	--	3,573,134
Prepaid expenses and other current assets	1,678,056	209,439	13,938	--	1,901,433	1,615,865	--	3,517,298
Total Current Assets	40,036,272	12,917,979	3,291,558	(17,104)	56,228,705	2,666,926	--	58,895,631
Assets Whose Use is Limited, net of current portion								
Donor restricted investments	1,719,190	1,575,472	--	--	3,294,662	2,169,541	--	5,464,203
Board designated investments	7,922,686	10,951,124	--	--	18,873,810	15,100,474	--	33,974,284
Investments held in trust for estimated self-insurance liabilities	1,429,733	--	--	--	1,429,733	--	--	1,429,733
Beneficial interest in trust assets	8,801,449	2,008,244	--	--	10,809,693	--	--	10,809,693
Investments held under bond indentures	3,498,702	859,367	813,992	--	5,172,061	--	--	5,172,061
Total Assets Whose Use is Limited, net of current portion	23,371,760	15,394,207	813,992	--	39,579,959	17,270,015	--	56,849,974
Interest in Net Assets of ECHN CHF, Inc.	8,751,305	3,664,214	177,536	--	12,593,055	--	(12,593,055)	--
Investments	1,333,656	2,056,858	3,727,919	--	7,118,433	--	--	7,118,433
Investments in Joint Ventures	4,186,957	3,622,325	--	--	7,809,282	--	--	7,809,282
Property and Equipment, net	53,573,130	23,002,822	6,858,867	--	83,434,819	--	--	83,434,819
Other Assets								
Due from affiliate entities, net of current portion	23,392,434	4,608,276	--	(3,280,506)	24,720,204	--	--	24,720,204
Goodwill and intangible assets, net	--	--	490,830	--	490,830	--	--	490,830
Other assets	1,656,971	936,314	382,232	--	2,975,517	--	--	2,975,517
Total Other Assets	25,049,405	5,544,590	873,062	(3,280,506)	28,186,551	--	--	28,186,551
	$ 156,302,485	$ 66,202,995	$ 15,742,934	$ (3,297,610)	$ 234,950,804	$ 19,936,941	$ (12,593,055)	$ 242,294,690

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATING BALANCE SHEET

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Assets								
Current Assets								
Cash and cash equivalents	$ 806,142	$ 38,866	$ 43,862	$ 4,188,799	$ 93,135	$ 1,154,408	$ --	$ 16,286,829
Current portion of investments held under bond indentures	--	--	--	--	--	--	--	1,097,599
Accounts receivable, net	1,951,462	709,837	36	3,926,991	79,222	6,460	--	41,607,499
Inventory	40,300	126,325	--	--	--	--	--	5,553,809
Due from affiliated entities	--	--	--	--	1,070,968	--	(1,496,276)	--
Current portion of estimated settlements due from third-party payers	--	--	--	--	--	--	--	3,573,134
Prepaid expenses and other current assets	410,611	137,477	4,132	142,228	1,768,409	672,936	--	6,653,091
Total Current Assets	3,208,515	1,012,505	48,030	8,258,018	3,011,734	1,833,804	(1,496,276)	74,771,961
Assets Whose Use is Limited, net of current portion								
Donor restricted investments	--	--	--	126,038	--	--	--	5,590,241
Board designated investments	--	--	--	2,850,393	--	--	--	36,824,677
Investments held in trust for estimated self-insurance liabilities	--	--	--	--	--	3,848,693	--	5,278,426
Beneficial interest in trust assets	--	--	--	--	--	--	--	10,809,693
Investments held under bond indentures	--	--	--	--	--	--	--	5,172,061
Total Assets Whose Use is Limited, net of current portion	--	--	--	2,976,431	--	3,848,693	--	63,675,098
Interest in Net Assets of ECHN CHF, Inc.	--	--	--	--	4,448,741	--	(4,448,741)	--
Investments	--	--	--	--	794,647	--	(794,647)	7,118,433
Investments in Joint Ventures	--	--	1,270,517	--	9,111,010	--	--	18,190,809
Property and Equipment, net	2,034,427	290,352	1,051,928	1,463,893	--	--	--	88,275,419
Other Assets								
Due from affiliate entities, net of current portion	--	--	--	--	879,852	--	(25,600,056)	--
Goodwill and intangible assets, net	414,857	132,000	--	--	2,989,140	--	--	4,026,827
Other assets	--	--	--	530,269	624,630	410,683	--	4,541,099
Total Other Assets	414,857	132,000	--	530,269	4,493,622	410,683	(25,600,056)	8,567,926
	$ 5,657,799	$ 1,434,857	$ 2,370,475	$ 13,228,611	$ 21,859,754	$ 6,093,180	$ (32,339,720)	$ 260,599,646

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATING BALANCE SHEET

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Subtotal Series C, Series D, and Series E Obligated Group
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	$ 21,650,353	$ 5,623,272	$ 994,567	$ --	28,268,192	$ 34,295	$ --	$ 28,302,487
Line of credit	3,800,000	--	--	--	3,800,000	--	--	3,800,000
Current portion of long-term debt and capital lease obligations	4,792,543	917,356	661,399	--	6,371,298	--	--	6,371,298
Current portion of due to affiliates	--	984,268	17,104	(17,104)	984,268	155,014	--	1,139,282
Current portion of estimated settlements due to third-party payers	1,603,251	1,056,682	273,006	--	2,932,939	--	--	2,932,939
Current portion of accrued pension and other postretirement benefits	157,857	32,332	--	--	190,189	--	--	190,189
Other current liabilities	1,768,051	200,005	482,963	--	2,451,019	--	--	2,451,019
Total Current Liabilities	33,772,055	8,813,915	2,429,039	(17,104)	44,997,905	189,309	--	45,187,214
Long-Term Debt and Capital Lease Obligations, net of current portion	49,494,875	22,469,388	7,182,727	--	79,146,990	--	--	79,146,990
Estimated Self-Insurance Liabilities, net of current portion	5,978,271	1,939,861	207,196	--	8,125,328	--	--	8,125,328
Accrued Pension and Postretirement Benefits	48,438,669	13,968,710	--	--	62,407,379	--	--	62,407,379
Estimated Settlements Due to Third-Party Payers, net of current portion	--	--	--	--	--	--	--	--
Due to Affiliates	3,280,506	--	--	(3,280,506)	--	--	--	--
Other Liabilities	332,650	132,211	--	--	464,861	2,850	--	467,711
Total Liabilities	141,297,026	47,324,085	9,818,962	(3,297,610)	195,142,463	192,159	--	195,334,622
Net Assets								
Unrestricted	2,829,380	14,969,087	5,919,060	--	23,717,527	2,702,985	--	26,420,512
Temporarily restricted	494,603	537,851	4,912	--	1,037,366	15,474,485	(11,025,743)	5,486,108
Permanently restricted	11,681,476	3,371,972	--	--	15,053,448	1,567,312	(1,567,312)	15,053,448
Total Net Assets	15,005,459	18,878,910	5,923,972	--	39,808,341	19,744,782	(12,593,055)	46,960,068
	$ 156,302,485	$ 66,202,995	$ 15,742,934	$ (3,297,610)	$ 234,950,804	$ 19,936,941	$ (12,593,055)	$ 242,294,690

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE III – CONSOLIDATING BALANCE SHEET

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Liabilities and Net Assets								
Current Liabilities								
Accounts payable and accrued expenses	$ 1,907,476	$ 255,012	$ 11,412	$ 1,443,365	$ 1,432,414	$ 77,385	$ --	$ 33,429,551
Line of credit	--	--	--	--	--	--	--	3,800,000
Current portion of long-term debt and capital lease obligations	27,691	43,029	26,211	--	550,479	--	--	7,018,708
Current portion of due to affiliates	--	--	--	--	--	--	(1,139,282)	--
Current portion of estimated settlements due to third-party payers	93,818	--	--	98,046	--	--	--	3,124,803
Current portion of accrued pension and other postretirement benefits	--	--	--	--	--	--	--	190,189
Other current liabilities	--	--	--	693,421	61,740	928,532	--	4,134,712
Total Current Liabilities	2,028,985	298,041	37,623	2,234,832	2,044,633	1,005,917	(1,139,282)	51,697,963
Long-Term Debt and Capital Lease Obligations, net of current portion	169,493	4,430	223,127	--	578,207	--	--	80,122,247
Estimated Self-Insurance Liabilities, net of current portion	--	--	--	--	--	4,382,546	(5,311,077)	7,196,797
Accrued Pension and Postretirement Benefits	--	--	--	--	--	--	--	62,407,379
Estimated Settlements Due to Third-Party Payers, net of current portion	--	--	--	--	--	--	--	--
Due to Affiliates	2,941,576	461,779	1,852,916	237,764	15,151,937	--	(20,645,972)	--
Other Liabilities	--	--	--	--	--	--	--	467,711
Total Liabilities	5,140,054	764,250	2,113,666	2,472,596	17,774,777	5,388,463	(27,096,331)	201,892,097
Net Assets								
Unrestricted	517,745	670,607	256,809	10,629,977	3,761,845	704,717	(794,647)	42,167,565
Temporarily restricted	--	--	--	126,038	323,132	--	(4,448,742)	1,486,536
Permanently restricted	--	--	--	--	--	--	--	15,053,448
Total Net Assets	517,745	670,607	256,809	10,756,015	4,084,977	704,717	(5,243,389)	58,707,549
	$ 5,657,799	$ 1,434,857	$ 2,370,475	$ 13,228,611	$ 21,859,754	$ 6,093,180	$ (32,339,720)	$ 260,599,646

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EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Subtotal Series C, Series D, and Series E Obligated Group
Revenue								
Patient service revenue, net of contractual allowances and discounts	$ 183,098,763	$ 66,613,109	$ 15,214,035	$ --	$ 264,925,907	$ --	$ --	$ 264,925,907
Provision for bad debts	(6,806,310)	(3,610,628)	(205,175)	--	(10,622,113)	--	--	(10,622,113)
	176,292,453	63,002,481	15,008,860	--	254,303,794	--	--	254,303,794
Contributions	1,889,272	123,590	3,256	--	2,016,118	--	--	2,016,118
Other revenues	9,907,152	2,051,801	41,326	(145,035)	11,855,244	251,766	(198,848)	11,908,162
Net assets released from restrictions used for operations	590,724	50,382	4,127	--	645,233	25,672	--	670,905
Total Revenues	188,679,601	65,228,254	15,057,569	(145,035)	268,820,389	277,438	(198,848)	268,898,979
Expenses								
Salaries and wages	81,709,452	30,678,558	7,603,846	--	119,991,856	148,988	(106,794)	120,034,050
Fringe benefits	25,569,480	9,699,209	1,995,605	--	37,264,294	16,007	(11,473)	37,268,828
Supplies and other expenses	62,970,889	24,653,758	4,181,597	(145,035)	91,661,209	112,443	(80,581)	91,693,071
Depreciation and amortization	7,116,439	3,138,917	533,693	--	10,789,049	--	--	10,789,049
Interest and financing costs	2,358,063	697,473	345,894	--	3,401,430	--	--	3,401,430
Total Expenses	179,724,323	68,867,915	14,660,635	(145,035)	263,107,838	277,438	(198,848)	263,186,428
Income (Loss) from Operations	8,955,278	(3,639,661)	396,934	--	5,712,551	--	--	5,712,551
Non-Operating (Losses) Gains	(1,638,670)	(546,692)	(24,848)	--	(2,210,210)	--	--	(2,210,210)
	$ 7,316,608	$ (4,186,353)	$ 372,086	$ --	$ 3,502,341	$ --	$ --	$ 3,502,341

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Revenue								
Patient service revenue, net of contractual allowances and discounts	$ 18,137,911	$ --	$ --	$ 24,980,576	$ --	$ --	$ --	$ 308,044,394
Provision for bad debts	(217,527)	--	--	(59,649)	--	--	--	(10,899,289)
	17,920,384	--	--	24,920,927	--	--	--	297,145,105
Contributions	--	--	--	177,916	117,796	--	(117,796)	2,194,034
Other revenues	7,072,058	3,763,736	530,353	310,906	2,565,451	2,747,065	(13,501,852)	15,395,879
Net assets released from restrictions used for operations	1,450	--	--	124,992	35,261	--	--	832,608
Total Revenues	24,993,892	3,763,736	530,353	25,534,741	2,718,508	2,747,065	(13,619,648)	315,567,626
Expenses								
Salaries and wages	17,380,737	2,284,951	--	17,116,920	10,981,787	--	(11,023,981)	156,774,464
Fringe benefits	2,768,935	379,030	--	3,611,828	2,249,685	--	(2,254,222)	44,024,084
Supplies and other expenses	10,493,641	1,046,128	297,669	4,259,708	(12,537,632)	2,972,181	1,458,108	99,682,874
Depreciation and amortization	644,548	115,256	68,528	303,339	46,950	--	(46,950)	11,920,720
Interest and financing costs	12,686	21,994	9,825	--	66,358	--	(66,359)	3,445,934
Total Expenses	31,300,547	3,847,359	376,022	25,291,795	807,148	2,972,181	(11,933,404)	315,848,076
Income (Loss) from Operations	(6,306,655)	(83,623)	154,331	242,946	1,911,360	(225,116)	(1,686,244)	(280,450)
Non-Operating (Losses) Gains	--	--	(25,199)	--	(1,911,360)	--	1,911,359	(2,235,410)
	$ (6,306,655)	$ (83,623)	$ 129,132	$ 242,946	$ --	$ (225,116)	$ 225,115	$ (2,515,860)

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	The Manchester Memorial Hospital	The Rockville General Hospital, Inc.	ECHN ElderCare Services, Inc.	Eliminations	Subtotal Series A Obligated Group	ECHN Community Healthcare Foundation, Inc.	Eliminations	Subtotal Series C, Series D, and Series E Obligated Group
Unrestricted Net Assets								
Excess (deficiency) of revenues over expenses	$ 7,316,608	$ (4,186,353)	$ 372,086	$ --	$ 3,502,341	$ --	$ --	$ 3,502,341
Unrealized loss on investments	(83,807)	193	17	--	(83,597)	--	--	(83,597)
Net change in interest rate swap agreement	(49,056)	--	--	--	(49,056)	--	--	(49,056)
Net assets released from restrictions for capital acquisitions	263,258	41,401	4,668	--	309,327	--	--	309,327
Equity transfer to ECHN	(4,405,594)	(1,888,111)	--	--	(6,293,705)	--	--	(6,293,705)
Equity transfer from ECHN	--	--	--	--	--	--	--	--
ECHN Corporate Services transfer	--	--	--	--	--	--	--	--
Transfers (to) from other affiliates, net	146,267	(1,686)	4,915	--	149,496	(162,446)	--	(12,950)
Pension and postretirement related adjustments	(11,702,769)	(3,208,195)	--	--	(14,910,964)	--	--	(14,910,964)
Other	--	--	--	--	--	--	--	--
Change in unrestricted net assets	(8,515,093)	(9,242,751)	381,686	--	(17,376,158)	(162,446)	--	(17,538,604)
Temporarily Restricted Net Assets								
Contributions	158,368	32,526	(10,979)	--	179,915	2,408,114	(2,115,244)	472,785
Investment income	424	288	--	--	712	1,280	(1,049)	943
Net assets released from restrictions used for operations	(590,724)	(50,382)	(4,127)	--	(645,233)	(657,013)	596,080	(706,166)
Net assets released from restrictions used for capital acquisitions	(263,258)	(41,401)	(4,668)	--	(309,327)	(309,327)	309,327	(309,327)
Transfers (to) from affiliates	215,031	47,777	--	--	262,808	--	(264,258)	(1,450)
Change in temporarily restricted net assets	(480,159)	(11,192)	(19,774)	--	(511,125)	1,443,054	(1,475,144)	(543,215)
Permanently Restricted Net Assets								
Contributions - beneficial interest trust assets	373	--	--	--	373	--	--	373
Change in beneficial interest in trust assets	(798,079)	(201,449)	--	--	(999,528)	--	--	(999,528)
Change in permanently restricted net assets	(797,706)	(201,449)	--	--	(999,155)	--	--	(999,155)
Change in Net Assets (Deficit)	(9,792,958)	(9,455,392)	361,912	--	(18,886,438)	1,280,608	(1,475,144)	(19,080,974)
Net Assets (Deficit) - Beginning of year	24,798,417	28,334,302	5,562,060	--	58,694,779	18,464,174	(11,117,911)	66,041,042
Net Assets (Deficit) - End of year	$ 15,005,459	$ 18,878,910	$ 5,923,972	$ --	$ 39,808,341	$ 19,744,782	$ (12,593,055)	$ 46,960,068

See independent auditors' report.

EASTERN CONNECTICUT HEALTH NETWORK, INC. AND SUBSIDIARIES

SCHEDULE IV – CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Eastern CT Medical Professionals Foundation, Inc.	ECHN Corporate Services	ECHN Enterprises, Inc. and Subsidiaries	Visiting Nurse & Health Services of Connecticut Inc.	Eastern Connecticut Health Network, Inc.	Connecticut Healthcare Insurance Company	Eliminations	Total
Unrestricted Net Assets								
Excess (deficiency) of revenues over expenses	$ (6,306,655)	$ (83,623)	$ 129,132	$ 242,946	$ --	$ (225,116)	$ 225,115	(2,515,860)
Unrealized loss on investments	--	--	--	--	--	(127,158)	--	(210,755)
Net change in interest rate swap agreement	--	--	--	--	--	--	--	(49,056)
Net assets released from restrictions for capital acquisitions	--	--	--	--	--	--	--	309,327
Equity transfer to ECHN	--	--	--	--	6,293,705	--	--	--
Equity transfer from ECHN	6,293,705	--	--	--	(6,293,705)	--	--	--
ECHN Corporate Services transfer	--	--	--	--	--	--	--	--
Transfers (to) from other affiliates, net	12,950	--	--	--	--	555,823	(555,823)	--
Pension and postretirement related adjustments	--	--	--	--	--	--	--	(14,910,964)
Other	--	--	--	--	--	--	--	--
Change in unrestricted net assets	--	(83,623)	129,132	242,946	--	203,549	(330,708)	(17,377,308)
Temporarily Restricted Net Assets								
Contributions	--	--	--	176,225	149,633	--	(267,428)	531,215
Investment income	--	--	--	--	--	--	--	943
Net assets released from restrictions used for operations	(1,450)	--	--	(124,992)	(35,261)	--	35,261	(832,608)
Net assets released from restrictions used for capital acquisitions	--	--	--	--	--	--	--	(309,327)
Transfers (to) from affiliates	1,450	--	--	--	(264,257)	--	264,257	--
Change in temporarily restricted net assets	--	--	--	51,233	(149,885)	--	32,090	(609,777)
Permanently Restricted Net Assets								
Contributions - beneficial interest trust assets	--	--	--	--	--	--	--	373
Change in beneficial interest in trust assets	--	--	--	--	--	--	--	(999,528)
Change in permanently restricted net assets	--	--	--	--	--	--	--	(999,155)
Change in Net Assets (Deficit)	--	(83,623)	129,132	294,179	(149,885)	203,549	(298,618)	(18,986,240)
Net Assets (Deficit) - Beginning of year	517,745	754,230	127,677	10,461,836	4,234,862	501,168	(4,944,771)	77,693,789
Net Assets (Deficit) - End of year	$ 517,745	$ 670,607	$ 256,809	$ 10,756,015	$ 4,084,977	$ 704,717	$ (5,243,389)	$ 58,707,549

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