



CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Milford Health & Medical Inc. and Subsidiaries
Years Ended September 30, 2010 and 2009
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Milford Health & Medical Inc. and Subsidiaries

Consolidated Financial Statements and
Other Financial Information

Years Ended September 30, 2010 and 2009

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Report of Independent Auditors

Board of Directors
Milford Health & Medical Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Milford Health and Medical Inc. and Subsidiaries (the Company) as of September 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Milford Health and Medical Inc. and Subsidiaries as of September 30, 2010 and 2009, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

February 23, 2011

Milford Health & Medical Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,195,638	\$ 2,724,153
Short-term investments	224,820	223,553
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$4,839,000 in 2010 and \$6,464,000 in 2009	12,871,074	14,042,585
Inventories	748,785	778,225
Prepaid expenses and other	1,424,929	1,470,041
Total current assets	<u>17,465,246</u>	<u>19,238,557</u>
Investments	28,261,217	30,095,058
Property, plant, and equipment:		
Land and improvements	5,900,427	5,900,427
Buildings and improvements	44,075,567	43,986,336
Equipment	32,419,457	31,555,278
Construction in progress	4,823,678	984,240
	<u>87,219,129</u>	<u>82,426,281</u>
Less accumulated depreciation	<u>(47,013,853)</u>	<u>(43,438,546)</u>
	40,205,276	38,987,735
Pledges receivable	12,500	45,000
Assets limited as to use	1,799,385	1,743,239
Investment in affiliates	1,018,208	693,469
	<u>2,830,093</u>	<u>2,481,708</u>
Total assets	<u>\$ 88,761,832</u>	<u>\$ 90,803,058</u>

	September	
	2010	2009
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 4,615,591	\$ 4,428,033
Accrued employee compensation	6,091,816	6,529,676
Other accrued liabilities	3,191,714	3,019,603
Due to third-party reimbursement agencies	1,977,820	2,496,124
Current portion of notes payable to bank	892,497	922,016
Total current liabilities	<u>16,769,438</u>	<u>17,395,452</u>
Notes payable to bank, less current portion	7,257,480	4,988,931
Accrued pension and other liabilities	27,920,210	21,859,301
Net assets:		
Unrestricted	35,488,206	45,266,281
Temporarily restricted	716,206	689,851
Permanently restricted	610,292	603,242
Total net assets	<u>36,814,704</u>	<u>46,559,374</u>
Total liabilities and net assets	<u><u>\$ 88,761,832</u></u>	<u><u>\$ 90,803,058</u></u>

See accompanying notes.

Milford Health & Medical Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Years Ended September 30	
	2010	2009
Operating revenues:		
Net revenues from services to patients	\$ 84,180,488	\$ 88,127,038
Other operating revenues	1,283,851	1,185,650
	85,464,339	89,312,688
Operating expenses:		
Salaries and wages	41,093,039	41,201,570
Supplies and other	39,992,526	41,691,920
Provision for uncollectible accounts	7,969,130	8,267,261
Depreciation	3,771,551	4,163,603
Interest	321,450	418,291
Professional fees	262,888	472,382
	93,410,584	96,215,027
Operating loss	(7,946,245)	(6,902,339)
Nonoperating income (loss):		
Investment income (loss), net	2,341,183	(1,692,932)
Gifts and bequests	266,708	355,631
	2,607,891	(1,337,301)
Deficiency of revenues over expenses before change in unrealized gains and losses on investments	(5,338,354)	(8,239,640)
Change in unrealized gains and losses on investments	1,110,476	3,551,963
Deficiency of revenues over expenses	(4,227,878)	(4,687,677)

Continued on next page.

Milford Health & Medical Inc. and Subsidiaries

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

	Years Ended September 30	
	2010	2009
Unrestricted net assets:		
Deficiency of revenues over expenses (continued)	\$ (4,227,878)	\$ (4,687,677)
Net assets released from restrictions for capital	1,137	4,483
Change in pension funding obligation	(5,551,334)	(5,487,647)
Decrease in unrestricted net assets	<u>(9,778,075)</u>	<u>(10,170,841)</u>
Temporarily restricted net assets:		
Net assets released from restrictions for capital	(1,137)	(4,483)
Interest Income	1,137	-
Investment income, net	26,355	91,943
Increase in temporarily restricted net assets	<u>26,355</u>	<u>87,460</u>
Permanently restricted net assets:		
Restricted gifts	7,050	10,000
Increase in permanently restricted net assets	<u>7,050</u>	<u>10,000</u>
Decrease in net assets	<u>(9,744,670)</u>	<u>(10,073,381)</u>
Net assets at beginning of year	<u>46,559,374</u>	<u>56,632,755</u>
Net assets at end of year	<u><u>\$ 36,814,704</u></u>	<u><u>\$ 46,559,374</u></u>

See accompanying notes.

Milford Health & Medical Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended September 30	
	2010	2009
Operating activities		
Change in net assets	\$ (9,744,670)	\$ (10,073,381)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Noncash items:		
Provision for uncollectible accounts	7,969,130	8,267,261
Depreciation	3,771,551	4,163,603
Change in unrealized gains and losses on investments	(1,125,256)	(3,586,782)
Change in pension funding obligation	5,551,334	5,487,647
Net asset item:		
Restricted gifts	7,050	10,000
Changes in assets and liabilities:		
Patient accounts receivable	(6,797,619)	(8,509,758)
Inventories	29,440	78,126
Prepaid expenses and other	45,112	45,720
Pledges receivable	32,500	32,500
Investments classified as trading	2,959,097	6,315,855
Accounts payable	187,558	(847,049)
Accrued employee compensation	(437,860)	664,727
Other accrued liabilities	172,111	768,360
Due to third-party reimbursement agencies	(518,304)	172,186
Accrued pension and other liabilities	509,575	839,250
Net cash provided by operating activities	<u>2,610,749</u>	<u>3,828,265</u>
Investing activities		
Purchases of property, plant, and equipment, net	(4,989,092)	(3,223,051)
Increase in investment in affiliates	(324,739)	(70,285)
Net purchases of short-term of investments	(1,267)	(3,276)
Increase in assets limited as to use	(56,146)	(16,744)
Net cash used in investing activities	<u>(5,371,244)</u>	<u>(3,313,356)</u>
Financing activities		
Payments made on notes payable to bank	(3,127,399)	(861,872)
Proceeds from debt financing	5,366,429	-
Restricted gifts	(7,050)	(10,000)
Net cash provided by (used in) financing activities	<u>2,231,980</u>	<u>(871,872)</u>
Decrease in cash and cash equivalents	(528,515)	(356,963)
Cash and cash equivalents at beginning of year	2,724,153	3,081,116
Cash and cash equivalents at end of year	<u>\$ 2,195,638</u>	<u>\$ 2,724,153</u>

See accompanying notes.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2010

1. Organization and Accounting Policies

Organization

The accompanying consolidated financial statements include the accounts of Milford Health & Medical Inc. (the Company), a tax-exempt entity incorporated under the General Statutes of the State of Connecticut. The Company's tax-exempt subsidiaries include Milford Hospital Inc., (the Hospital) an acute care hospital, Milford Hospital Foundation Inc., Home Care Plus Inc., Milford Health & Medical, Inc., and Milford Health Care Services Inc. The Company's for-profit subsidiaries include Torry Corporation, Seabridge, Inc., and Milford Medical Lab Inc. All of the subsidiaries are incorporated under the General Statutes of the State of Connecticut. All material intercompany transactions have been eliminated.

Estimates and Assumptions

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

Regulatory Matters

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

Cash and Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Short-term investments consist of bank certificates of deposit. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Company's policy to monitor the strength of these institutions.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and current liabilities as of September 30, 2010 and 2009 approximate fair value based on current market conditions. The fair value of each financial instrument is disclosed in the respective notes and in Note 4.

Investments

The Company's investment portfolio is classified as trading, with unrealized gains and losses included in the deficiency excess of revenues over expenses.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value at the balance sheet date. Assets temporarily restricted (by donor) are recorded at fair value at the date of donation, which is then considered cost.

Alternative investments (nontraditional, not-readily-marketable assets) are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of these investments and, therefore, the Company's holdings, may be determined by the investment manager or general partner. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The investments may indirectly expose the Company to securities lending, short sales of securities, and trading in futures and forwards contracts, options, swap contracts, and other derivative products. While these financial instruments may contain varying degrees of risk, the Company's risk with respect to such transactions is limited to its capital balance in each investment. The financial statements of the investees are audited annually by independent auditors.

Investment income (loss) (including realized and unrealized gains and losses on investments, interest and dividends) is included in nonoperating income (loss) unless the income or loss is restricted by the donor or law. The cost of securities sold is based on the specific identification method.

Assets Limited As To Use

Assets limited as to use primarily consist of interest bearing deposits in banks which have been set aside by the Board of Directors (the Board) for future capital improvements or purchases of equipment. Except for the assets restricted by donors, the Board retains control of funds it has set aside and may, at its discretion, subsequently use these funds for other purposes.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Accounting Policies (continued)

Patient Accounts Receivable

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

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

The Company's primary concentration of credit risk is patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies and private patients. The Company manages the receivables by regularly reviewing its patient accounts and contracts, and by providing appropriate allowances for uncollectible amounts. Significant concentrations of gross patient accounts receivable include 36% and 35% for Medicare, and 11% and 10% for Medicaid, for the fiscal years ending September 30, 2010 and 2009, respectively.

Property, Plant, and Equipment

Property, plant and equipment is stated on the basis of cost. Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives.

Restricted Net Assets

Temporarily restricted net assets are those where use by the Company has been limited by donors to a specific time frame or purpose. All of the Company's temporarily restricted net assets are restricted for capital expenditures. Permanently restricted net assets are amounts to be held in perpetuity, the income of which can be used for capital expenditures.

Donor Restricted Gifts

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

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Accounting Policies (continued)

Deficiency of Revenues over Expenses

The consolidated statements of operations and changes in net assets include the deficiency of revenues over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from the deficiency of revenues over expenses, consistent with industry practice, include, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and the change in pension funding obligation.

Nonoperating Income (Loss)

Activities, other than in connection with providing health care services, are considered to be nonoperating. Nonoperating income (loss) primarily consists of income (loss) on invested funds and unrestricted gifts.

Income Taxes

The Company and its subsidiaries are not-for-profit, with the exception of Seabridge Inc., Milford Medical Lab Inc. and Torry Corporation, as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital has losses from unrelated business activities of approximately \$5,834,000. A deferred tax asset for these losses of approximately \$2,334,000 is offset by a corresponding valuation allowance of the same amount. As of September 30, 2010, Seabridge Inc. and its subsidiary had consolidated net operating loss carryforwards of approximately \$5,500,000. A deferred tax asset for these losses of approximately \$2,200,000 is offset by a corresponding valuation allowance of the same amount. As of September 30, 2010, Torry Corporation has a net operating loss carryforward of approximately \$1,000,000. A deferred tax asset for these losses of approximately \$400,000 is offset by a corresponding valuation allowance of the same amount. Tax provisions and related liabilities for Seabridge Inc. and Milford Medical Lab Inc. are not material to the consolidated financial statements.

Subsequent Events

The Company evaluates the impact of subsequent events, which are events that occur after the balance sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the balance sheet date. For the year ended September 30, 2010, the Company evaluated subsequent events through February 23, 2011, which is the date the consolidated financial statements were available to be issued. No events occurred that require disclosure or adjustment to the consolidated financial statements.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Accounting Policies (continued)

Adoption of New Accounting Standards

In December 2008, the Financial Accounting Standards Board (FASB) issued additional authoritative guidance regarding an employer's disclosures about postretirement benefit plan assets, currently included in ASC 715. This guidance requires disclosure about the major classes of postretirement benefit plan assets, including a description of the inputs and valuation techniques used to measure those assets and the designation of such assets by level; how investment allocation decisions are made; the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and significant concentrations of risk within plan assets. See Note 7 for these additional disclosures for the year ended September 30, 2010. The adoption of this guidance did not have a significant impact on the Company's consolidated financial statements for the year ended September 30, 2010.

Effective October 1, 2009, the Company adopted the provisions of ASC 740-10, *Accounting for Uncertainty of Income Taxes* (ASC 740-10). ASC 740-10 provides guidance to all enterprises for how uncertain tax provisions should be recognized, measured, presented, and disclosed in the financial statements. The adoption of ASC 740-10 did not have an impact on the Company's consolidated financial position, results of operations or cash flows for the year ended September 30, 2010.

New Accounting Standards

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each "class" of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. Management is currently evaluating the effect that the provisions of ASU 2010-06 will have on the consolidated financial statements.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Revenues from Services to Patients and Charity Care

The following table summarizes revenues from services to patients:

	Years Ended September 30	
	2010	2009
Gross revenues from services to patients	\$ 211,623,153	\$ 226,745,692
Deductions:		
Allowances	127,143,636	138,496,597
Charity care	299,029	122,057
	127,442,665	138,618,654
	\$ 84,180,488	\$ 88,127,038

During fiscal years 2010 and 2009, the Company's net revenues from services to patients were 40% from Medicare, 6% and 5% from Medicaid, respectively, and 15% from Blue Cross (governmental payors include managed Medicare and Medicaid business). Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. The Company believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing except as disclosed in Note 8. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Company.

Patient accounts receivable and revenues are recorded when patient services are performed. The Company has agreements with certain third-party payors, including health maintenance organizations, that provide for payments to the Company at amounts different from the Company's established billing rates. These differences are accounted for as allowances. Under these agreements, the Company receives reimbursement based on a number of different arrangements, including fee-for-service payments.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Revenues from Services to Patients and Charity Care (continued)

Net revenues from services to patients is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Revenue under third-party payor agreements is subject to audit and retroactive adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Retroactive adjustments related to settlements with third-party payors for previous fiscal years decreased net revenues from services to patients by approximately \$119,800 and \$22,000 for the years ended September 30, 2010 and 2009, respectively.

The Company accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Company. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Company utilizes the generally recognized poverty income levels for the state, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net revenues from services to patients for financial reporting purposes.

3. Investments

Investments are stated at fair value, as determined through published market valuations, and are comprised of the following at September 30:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,058,288	\$ 1,674,531
U.S. Treasury issues	4,095,380	5,966,860
Corporate debt securities	3,259,020	6,093,110
Municipal securities	25,069	32,673
Equity securities	18,767,656	16,204,225
Accrued interest	55,804	123,659
	<u>\$ 28,261,217</u>	<u>\$ 30,095,058</u>

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Investments (continued)

Assets limited as to use are stated at fair value, as determined through published market valuations, and are comprised of the following at September 30:

	2010	2009
Cash and cash equivalents	\$ 324,110	\$ 108,172
Certificate of deposit	604,722	104,288
U.S. Treasury issues	466,878	1,134,728
Corporate debt securities	296,038	294,940
Equity securities	103,771	95,532
Accrued interest	3,866	5,579
	\$ 1,799,385	\$ 1,743,239

The components of investment earnings, included in nonoperating income (loss), include the following for the years ended September 30:

	2010	2009
Interest income	\$ 391,322	\$ 394,187
Dividend income	502,530	933,885
Realized capital gains and losses	1,447,331	(3,021,004)
Investment income, net	2,341,183	(1,692,932)
Change in unrealized gains and losses on investments	1,110,476	3,551,963
Total return on investments	\$ 3,451,659	\$ 1,859,031

4. Fair Value of Financial Instruments

As defined in ASC 820-10, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820-10 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

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

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Fair Value of Financial Instruments (continued)

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

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

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

Financial assets and liabilities carried at fair value as of September 30, 2010 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 2,195,638	\$ —	\$ —	\$ 2,195,638
Short-term investments	224,820	—	—	224,820
Investments:				
Equity securities	17,677,326	—	—	17,677,326
Cash and cash equivalents	2,058,288	—	—	2,058,288
U.S. Treasury issues	4,095,380	—	—	4,095,380
Corporate debt securities	3,259,020	—	—	3,259,020
Municipal securities	25,069	—	—	25,069
Assets whose use is limited:				
Equity securities	103,771	—	—	103,771
Cash and cash equivalents	928,832	—	—	928,832
U.S. Treasury issues	466,878	—	—	466,878
Corporate debt securities	296,038	—	—	296,038

Fair value for Level 1 is based upon quoted market prices. The amounts in the above table exclude assets invested in the Company's pension plan (see Note 6).

The amounts reported in the table above do not include alternative investments totaling approximately \$1,090,000 that are accounted for under the equity method of accounting.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Debt

The Company has a mortgage note arrangement with a bank secured by Company property. The Company pays principal and interest at a fixed rate of 6.86% over a ten-year term. At September 30, 2010 and 2009, the Company had an unpaid principal balance of \$2,783,548 and \$3,617,035, respectively. The mortgage note has a maturity date of August 15, 2013. Interest paid during fiscal years 2010 and 2009 amounted to \$219,864 and \$275,129, respectively.

On November 19, 2009, Torry Corporation entered into a construction loan with a bank. The total amount of the loan is \$7,000,000. As of September 30, 2010, \$5,366,429 has been disbursed to Torry Corporation which represents the unpaid principal balance at that date. Interest paid during fiscal year 2010 amounted to \$95,513. A portion of the proceeds of this loan was used to pay off the irrevocable construction mortgage. Upon completion of the project, the construction loan will convert to a permanent mortgage bearing interest at a fixed rate of 6.25% over a 25 year term.

The previous irrevocable construction mortgage was taken out on May 5, 2006. The total amount of the loan was \$2,500,000. At September 30, 2009, the Company had an unpaid principal balance of \$2,293,912. Interest paid during fiscal year 2010 and 2009 amounted to \$92,299 and \$137,331, respectively.

Future minimum principal payments during each of the next five fiscal years and in the aggregate were as follows at September 30, 2010:

2011	\$ 892,497
2012	955,684
2013	935,367
	<u>\$ 2,783,548</u>

6. Pension Plan

The Company has a defined benefit cash balance pension plan (the Plan) covering substantially all of its employees. Plan benefits are based on years of service and the employee's compensation. Contributions to the Plan are intended to provide for benefits attributed to services rendered to date and benefits expected to be earned in the future. Plan participants earn a return based on an interest rate established annually at the beginning of the pay year. Plan participants will vest in their benefits on a percentage basis with years of service.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Pension Plan (continued)

Effective August 26, 2009, the Hospital's Executive Committee of the Board of Directors adopted a resolution to freeze the Plan for non-union employees effective December 31, 2009. As a result of this resolution, the Plan liabilities were remeasured for non-union employees as of September 30, 2009. All outstanding prior service cost related to these employees totaling \$576,155 was expensed as of the date of the remeasurement. This amount was included in supplies and other within operating expenses in the accompanying statement of operations for the year ended September 30, 2009.

Included in unrestricted net assets at September 30, 2010 and 2009, respectively, are the following amounts that have not yet been recognized in net periodic pension cost: Unrecognized prior service cost of \$291,741 and \$360,674 and unrecognized actuarial loss of \$16,903,550 and \$11,283,283. The prior service cost and actuarial loss included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending September 30, 2010, are \$68,933 and \$1,321,987, respectively.

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

	September 30	
	2010	2009
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 69,739,738	\$ 60,216,942
Service cost	1,744,674	2,154,644
Interest cost	3,984,156	4,042,228
Benefits paid	(3,710,820)	(2,228,711)
Actuarial loss	8,509,525	14,158,603
Reduction due to Curtailment	-	(8,603,968)
Benefit obligation at end of year	<u>80,267,273</u>	<u>69,739,738</u>
Change in plan assets		
Fair value of plan assets at beginning of year	49,347,927	45,945,024
Contributions	3,125,000	2,662,892
Actual return on plan assets	5,807,116	2,968,722
Benefits paid	(3,710,820)	(2,228,711)
Fair value of plan assets at end of year	<u>54,569,223</u>	<u>49,347,927</u>
Funded status of the plan	<u>\$ (25,698,050)</u>	<u>\$ (20,391,811)</u>

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Pension Plan (continued)

	September 30	
	2010	2009
Components of net periodic pension cost		
Service cost	\$ 1,744,674	\$ 2,154,644
Interest cost	3,984,156	4,042,228
Expected return on plan assets	(3,984,361)	(3,665,290)
Net amortization and deferral	1,135,436	187,401
Curtailement loss	-	576,155
Net periodic pension cost	<u>\$ 2,879,905</u>	<u>\$ 3,295,138</u>

The measurement date for determining plan assets and obligations is September 30.

The weighted-average assumptions used to develop net periodic pension cost and the projected benefit obligation as of September 30, 2010 and 2009 are as follows:

	2010	2009
Discount rate used for net periodic pension cost	5.50%	7.00%
Discount rate used for projected benefit obligation	5.00	5.50
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increase	3.50	6.00

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

Assets invested in the defined benefit cash balance plan are carried at fair value. Debt securities and equity securities with readily determinable values are carried at fair value as determined based on independent published sources.

The accumulated benefit obligation at September 30, 2010 and 2009 was \$72,601,273 and \$64,548,878, respectively.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Pension Plan (continued)

Plan Assets

The Plan's investment objectives are to achieve long-term growth in excess of long-term inflation and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets over a long-term time horizon. In order to minimize the risk, the Plan aims to minimize the variability in yearly returns. The Plan also aims to diversify its holdings among sectors, industries, and companies. No more than 10% of the Plan's portfolio, excluding U.S. government securities and cash, may be held in an individual company's stocks or bonds and no more than 20% in a single industry.

The Company's pension plan weighted-average allocations at September 30, 2010 and 2009, by asset category, are as follows:

Asset Category	2010	2009
Cash and money market funds	5.5%	7.2%
Corporate/government bonds	25.7	40.7%
Equity securities	68.8	52.1%
Total	100.0%	100.0%

The target allocation for the Plan's assets is 65% equity securities, 25% fixed income securities, and 10% other investments.

The plan's assets carried at fair value as of September 30, 2010 are classified in the table below in one of the three categories (as described in Note 4):

Assets	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 2,833,047	\$ —	\$ —	\$ 2,833,047
U.S. Treasury issues	—	—	—	—
Corporate debt securities	14,060,794	—	—	14,060,794
Equity securities	35,815,946	—	1,859,436	37,675,382
Total	\$ 52,709,787	\$ —	\$ 1,859,436	\$ 54,569,223

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Pension Plan (continued)

The changes in investments classified as Level 3 are as follows for the year ended September 30, 2010:

Beginning balance for the year	\$	–
Purchases, sales and settlements, net		1,717,385
Net change in unrealized appreciation		142,051
Ending balance for the year		<u>\$ 1,859,436</u>

Contributions

The Company expects to contribute \$2,800,000 to the Plan in 2011.

Estimated Future Benefit Payments

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Fiscal Years	
2011	\$ 2,826,467
2012	2,922,082
2013	3,227,976
2014	3,470,471
2015	3,572,693
Years 2016 – 2020	20,417,034

7. Medical Malpractice Insurance

Effective October 1, 2004, the Hospital became insured by the Company through Healthcare Alliance Insurance Company, Ltd. (HAIC). HAIC is a multi-provider captive insurance company domiciled in the Cayman Islands. The Company is a one-third owner of the captive with two other local hospitals that each hold one-third ownership. The Company's ownership is accounted for under the equity method in the accompanying statements of operation. The investment in HAIC is included in investment in affiliates in the consolidated balance sheets. The Hospital's insurance coverage is \$1,500,000 per occurrence and \$3,000,000 in the aggregate. The Hospital has an excess layer of indemnity coverage of \$25,000,000 per occurrence, and \$25,000,000 in the aggregate. Coverage for medical malpractice insurance is provided on a claims-made basis.

Milford Health & Medical Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Medical Malpractice Insurance (continued)

Management accrues its best estimate of losses as they occur. Accordingly, management has recorded a liability of \$478,000 and \$528,000 at September 30, 2010 and 2009, respectively, for claims incurred-but-not-reported, related to all years that the Company held a claims-made policy. This liability has been discounted using a 5% and 4% discount rate at September 30, 2010 and 2009, respectively.

8. Commitments and Contingencies

The Company is a party to various lawsuits incidental to its business. Management believes that the lawsuits fall within the Company's liability insurance and that they will not have a material adverse effect on the Company's consolidated financial statements.

9. Functional Expenses

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

	Years Ended September 30	
	2010	2009
Health care services	\$ 81,103,396	\$ 82,888,907
General and administrative	12,307,188	13,326,120
	<u>\$ 93,410,584</u>	<u>\$ 96,215,027</u>

Report of Independent Auditors on Other Financial Information

Board of Directors
Milford Health & Medical Inc. and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheets and consolidating statements of operations are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

February 23, 2011

Milford Health & Medical Inc. and Subsidiaries

Consolidating Balance Sheet

September 30, 2010

	Milford Hospital Inc.	Milford Hospital Foundation, Inc.	Milford Medical Lab, Inc.	Home Care Plus, Inc.	Milford Health & Medical Inc.	Torry Corp.	Milford Health Care Services, Inc.	Seabridge, Inc.	Total Eliminations	Milford Health & Medical Inc. Consolidated
Assets										
Current assets:										
Cash and cash equivalents	\$ 303,667	\$ 298,473	\$ 183,714	\$ 1,350,924	\$ 6,035	\$ 3,975	\$ 432	\$ 47,418	\$ 1,000	\$ 2,195,638
Short-term investments	223,228	1,592	-	-	-	-	-	-	-	224,820
Patient accounts receivable	12,226,798	-	154,530	489,746	-	-	-	-	-	12,871,074
Inventories	748,785	-	-	-	-	-	-	-	-	748,785
Prepaid expenses and other	1,342,410	6,394	1,621	1,669	28,332	44,503	-	-	-	1,424,929
Total current assets	14,844,888	306,459	339,865	1,842,339	34,367	48,478	432	47,418	1,000	17,465,246
Investments	27,793,697	467,520	-	-	-	-	-	-	-	28,261,217
Property, plant, and equipment:										
Land and improvements	1,545,184	-	-	13,384	-	4,341,859	-	-	-	5,900,427
Buildings and improvements	38,433,808	-	50,187	-	-	5,591,572	-	-	-	44,075,567
Equipment	32,107,653	15,470	115,533	143,006	-	37,795	-	-	-	32,419,457
Construction in progress	238,283	-	-	-	-	4,585,395	-	-	-	4,823,678
										87,219,129
Less accumulated depreciation	(45,954,913)	(1,180)	(151,646)	(145,779)	-	(760,335)	-	-	-	(47,013,853)
	26,370,015	14,290	14,074	10,611	-	13,796,286	-	-	-	40,205,276
Other assets:										
Interest in Milford Hospital Foundation, Inc.	777,498	-	-	-	-	-	-	-	(777,498)	-
Due from affiliates	719,613	-	-	-	1,191,300	-	-	-	(1,910,913)	-
Mortgage receivable from affiliate	-	-	-	-	-	-	-	-	-	-
Pledges receivable	-	12,500	-	-	-	-	-	-	-	12,500
Assets limited as to use	1,799,385	-	-	-	-	-	-	-	-	1,799,385
Investment in affiliates	-	-	-	-	9,304,348	-	-	722,874	(9,009,014)	1,018,208
Total assets	\$ 72,305,096	\$ 800,769	\$ 353,939	\$ 1,852,950	\$ 10,530,015	\$ 13,844,764	\$ 432	\$ 770,292	\$ (11,696,425)	\$ 88,761,832

Milford Health & Medical Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2010

	Milford Hospital Inc.	Milford Hospital Foundation, Inc.	Milford Medical Lab, Inc.	Home Care Plus, Inc.	Milford Health & Medical Inc.	Torry Corp.	Milford Health Care Services, Inc.	Seabridge, Inc.	Total Eliminations	Milford Health & Medical Inc. Consolidated
Liabilities and net assets										
Current liabilities:										
Accounts payable	\$ 3,958,361	\$ -	\$ 97,482	\$ 50,909	\$ -	\$ 583,413	\$ -	\$ -	\$ (74,574)	\$ 4,615,591
Accrued employee compensation	5,811,602	-	-	280,214	-	-	-	-	-	6,091,816
Other accrued liabilities	3,133,999	-	23,403	-	28,596	5,716	-	-	-	3,191,714
Due to third-party reimbursement agencies	1,885,402	-	-	92,418	-	-	-	-	-	1,977,820
Due to affiliates	-	23,271	7,570,649	15,849	275,113	83,237	712,892	5,806	(8,686,817)	-
Current portion of notes payable to bank	892,497	-	-	-	-	-	-	-	-	892,497
Total current liabilities	15,681,861	23,271	7,691,534	439,390	303,709	672,366	712,892	5,806	(8,761,391)	16,769,438
Notes payable to bank, less current portion	1,891,051	-	-	-	-	5,366,429	-	-	-	7,257,480
Accrued pension and other liabilities	27,920,210	-	-	-	478,408	-	-	-	(478,408)	27,920,210
Net assets:										
Common stock	-	-	1,000	-	-	1,000	-	5,000	(7,000)	-
Paid-in capital	-	-	-	-	-	9,002,014	-	-	(9,002,014)	-
Unrestricted	25,485,476	-	(7,338,595)	1,413,560	9,747,898	(1,197,045)	(712,460)	759,486	7,329,886	35,488,206
Temporarily restricted	716,206	716,206	-	-	-	-	-	-	(716,206)	716,206
Permanently restricted	610,292	61,292	-	-	-	-	-	-	(61,292)	610,292
Total net assets	26,811,974	777,498	(7,337,595)	1,413,560	9,747,898	7,805,969	(712,460)	764,486	(2,456,626)	36,814,704
Total liabilities and net assets	\$ 72,305,096	\$ 800,769	\$ 353,939	\$ 1,852,950	\$ 10,530,015	\$ 13,844,764	\$ 432	\$ 770,292	\$ (11,696,425)	\$ 88,761,832

Milford Health & Medical Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2009

	Milford Hospital Inc.	Milford Hospital Foundation, Inc.	Milford Medical Lab, Inc.	Home Care Plus, Inc.	Milford Health & Medical Inc.	Torry Corp.	Milford Health Care Services, Inc.	Seabridge, Inc.	Total Eliminations	Milford Health & Medical Inc. Consolidated
Assets										
Current assets:										
Cash and cash equivalents	\$ 1,078,653	\$ 309,807	\$ 138,389	\$ 1,162,105	\$ 22,688	\$ 3,821	\$ 483	\$ 7,619	\$ 588	\$ 2,724,153
Short-term investments	221,990	1,563	—	—	—	—	—	—	—	223,553
Patient accounts receivable	13,535,241	—	104,977	402,367	—	—	—	—	—	14,042,585
Inventories	778,225	—	—	—	—	—	—	—	—	778,225
Prepaid expenses and other	1,328,796	5,546	3,733	2,405	53,704	74,746	—	1,111	—	1,470,041
Total current assets	16,942,905	316,916	247,099	1,566,877	76,392	78,567	483	8,730	588	19,238,557
Investments	29,687,316	407,742	—	—	—	—	—	—	—	30,095,058
Property, plant, and equipment:										
Land and improvements	1,545,184	—	—	13,384	—	4,341,859	—	—	—	5,900,427
Buildings and improvements	38,311,785	—	50,187	—	—	5,624,364	—	—	—	43,986,336
Equipment	31,246,590	15,470	115,114	140,309	—	37,795	—	—	—	31,555,278
Construction in progress	644,126	—	—	—	—	340,114	—	—	—	984,240
										82,426,281
Less accumulated depreciation	(42,570,348)	(393)	(147,393)	(142,634)	—	(577,778)	—	—	—	(43,438,546)
	29,177,337	15,077	17,908	11,059	—	9,766,354	—	—	—	38,987,735
Other assets:										
Interest in Milford Hospital Foundation, Inc.	749,093	—	—	—	—	—	—	—	(749,093)	—
Due from affiliates	577,526	—	—	—	1,229,329	2,912	—	—	(1,809,767)	—
Mortgage receivable from affiliate	642,750	—	—	—	—	—	—	—	(642,750)	—
Pledges receivable	—	45,000	—	—	—	—	—	—	—	45,000
Assets limited as to use	1,743,239	—	—	—	—	—	—	—	—	1,743,239
Investment in affiliates	—	—	—	—	8,115,497	—	—	477,272	(7,899,300)	693,469
Total assets	\$ 79,520,166	\$ 784,735	\$ 265,007	\$ 1,577,936	\$ 9,421,218	\$ 9,847,833	\$ 483	\$ 486,002	\$ (11,100,322)	\$ 90,803,058

Milford Health & Medical Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2009

	Milford Hospital Inc.	Milford Hospital Foundation, Inc.	Milford Medical Lab, Inc.	Home Care Plus, Inc.	Milford Health & Medical Inc.	Torry Corp.	Milford Health Care Services, Inc.	Seabridge, Inc.	Total Eliminations	Milford Health & Medical Inc. Consolidated
Liabilities and net assets										
Current liabilities:										
Accounts payable	\$ 4,324,984		\$ 14,980	\$ 12,957		\$ 76,956			\$ (1,844)	\$ 4,428,033
Accrued employee compensation	6,257,395		–	272,281		–			–	6,529,676
Other accrued liabilities	2,990,484		23,403	–		5,716			–	3,019,603
Due to third-party reimbursement agencies	2,372,068		–	124,056		–			–	2,496,124
Due to affiliates	–	\$ 35,642	7,053,513	20,637	\$ 254,111	19,087	\$ 716,014	\$ 7,605	(8,106,609)	–
Current portion of notes payable to bank	833,487	–	–	–	–	100,656	–	–	(12,127)	922,016
Total current liabilities	16,778,418	35,642	7,091,896	429,931	254,111	202,415	716,014	7,605	(8,120,580)	17,395,452
Notes payable to bank, less current portion	2,783,548	–	–	–	–	2,836,006	–	–	(630,623)	4,988,931
Accrued pension and other liabilities	21,859,301	–	–	–	527,695	–	–	–	(527,695)	21,859,301
Net assets:										
Common stock	–	–	1,000	–	–	1,000	–	5,000	(7,000)	–
Paid-in capital	–	–	–	–	–	7,892,300	–	–	(7,892,300)	–
Unrestricted	36,805,806	–	(6,827,889)	1,148,005	8,639,412	(1,083,888)	(715,531)	473,397	6,826,969	45,266,281
Temporarily restricted	689,851	689,851	–	–	–	–	–	–	(689,851)	689,851
Permanently restricted	603,242	59,242	–	–	–	–	–	–	(59,242)	603,242
Total net assets	38,098,899	749,093	(6,826,889)	1,148,005	8,639,412	6,809,412	(715,531)	478,397	(1,821,424)	46,559,374
Total liabilities and net assets	\$ 79,520,166	\$ 784,735	\$ 265,007	\$ 1,577,936	\$ 9,421,218	\$ 9,847,833	\$ 483	\$ 486,002	\$ (11,100,322)	\$ 90,803,058

Milford Health & Medical Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2010

	Milford Hospital Inc.	Milford Hospital Foundation, Inc.	Milford Medical Lab, Inc.	Home Care Plus, Inc.	Milford Health & Medical Inc.	Torry Corp.	Milford Health Care Services, Inc.	Seabridge, Inc.	Total Eliminations	Milford Health & Medical Inc. Consolidated
Operating revenues:										
Net revenues from services to patients	\$ 78,615,925	\$ -	\$ 1,323,862	\$ 4,240,701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,180,488
Other operating revenues	779,865	-	220,959	4,649	-	550,705	-	-	(272,327)	1,283,851
	79,395,790	-	1,544,821	4,245,350	-	550,705	-	-	(272,327)	85,464,339
Operating expenses:										
Salaries and wages	37,361,201	167,686	817,950	2,631,378	17,783	92,109	-	4,932	-	41,093,039
Supplies and other	37,879,115	120,266	1,203,282	1,319,649	58,938	289,044	1,350	25,118	(904,236)	39,992,526
Provision for uncollectible accounts	6,738,669	-	28,813	34,431	1,167,217	-	-	-	-	7,969,130
Depreciation	3,574,898	787	5,525	3,145	-	187,196	-	-	-	3,771,551
Interest	230,967	-	-	-	-	95,513	11,259	-	(16,289)	321,450
Professional fees	262,888	-	-	-	-	-	-	-	-	262,888
	86,047,738	288,739	2,055,570	3,988,603	1,243,938	663,862	12,609	30,050	(920,525)	93,410,584
Operating (loss) income	(6,651,948)	(288,739)	(510,749)	256,747	(1,243,938)	(113,157)	(12,609)	(30,050)	648,198	(7,946,245)
Nonoperating income (loss):										
Investment income (loss), net	1,715,094	46,394	43	8,808	411,561	-	-	316,139	(156,856)	2,341,183
Gifts and bequests	-	266,708	-	-	-	-	-	-	-	266,708
	1,715,094	313,102	43	8,808	411,561	-	-	316,139	(156,856)	2,607,891
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	(4,936,854)	24,363	(510,706)	265,555	(832,377)	(113,157)	(12,609)	286,089	491,342	(5,338,354)
Change in unrealized gains and losses on investments	1,110,476	14,780	-	-	-	-	-	-	(14,780)	1,110,476
(Deficiency) excess of revenues over expenses	\$ (3,826,378)	\$ 39,143	\$ (510,706)	\$ 265,555	\$ (832,377)	\$ (113,157)	\$ (12,609)	\$ 286,089	\$ 476,562	\$ (4,227,878)

Milford Health & Medical Inc. and Subsidiaries
 Consolidating Statement of Operations (continued)

Year Ended September 30, 2009

	Milford Hospital Inc.	Milford Hospital Foundation, Inc.	Milford Medical Lab, Inc.	Home Care Plus, Inc.	Milford Health & Medical Inc.	Torry Corp.	Milford Health Care Services, Inc.	Seabridge, Inc.	Total Eliminations	Milford Health & Medical Inc. Consolidated
Operating revenues:										
Net revenues from services to patients	\$ 82,829,045		\$ 1,281,355	\$ 4,016,638						\$ 88,127,038
Other operating revenues	749,027		179,689	530		\$ 483,078			\$ (226,674)	1,185,650
	83,578,072		1,461,044	4,017,168		483,078			(226,674)	89,312,688
Operating expenses:										
Salaries and wages	37,172,912	\$ 180,701	850,583	2,912,953	\$ 32,409	45,317		\$ 6,695		41,201,570
Supplies and other	39,588,961	148,222	1,256,944	1,252,419	66,753	253,093	\$ 1,800	27,435	(903,707)	41,691,920
Provision for uncollectible accounts	6,998,451	-	(1,313)	(25,139)	1,295,262	-	-	-	-	8,267,261
Depreciation	3,973,806	393	9,462	7,346	-	172,596	-	-	-	4,163,603
Interest	280,961	-	-	-	-	176,271	12,207	1,816	(52,964)	418,291
Professional fees	472,382	-	-	-	-	-	-	-	-	472,382
	88,487,473	329,316	2,115,676	4,147,579	1,394,424	647,277	14,007	35,946	(956,671)	96,215,027
Operating (loss) income	(4,909,401)	(329,316)	(654,632)	(130,411)	(1,394,424)	(164,199)	(14,007)	(35,946)	729,997	(6,902,339)
Nonoperating (loss) income:										
Investment (loss) income, net	(2,269,354)	26,325	52	9,886	452,182	-	-	222,134	(134,157)	(1,692,932)
Gifts and bequests	-	355,631	-	-	-	-	-	-	-	355,631
	(2,269,354)	381,956	52	9,886	452,182	-	-	222,134	(134,157)	(1,337,301)
(Deficiency) excess of revenues over expenses before change in unrealized gains and losses on investments	(7,178,755)	52,640	(654,580)	(120,525)	(942,242)	(164,199)	(14,007)	186,188	595,840	(8,239,640)
Change in unrealized gains and losses on investments	3,551,963	34,820	-	-	-	-	-	-	(34,820)	3,551,963
(Deficiency) excess of revenues over expenses	\$ (3,626,792)	\$ 87,460	\$ (654,580)	\$ (120,525)	\$ (942,242)	\$ (164,199)	\$ (14,007)	\$ 186,188	\$ 561,020	\$ (4,687,677)

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