

Lawrence & Memorial Corporation and Subsidiaries

**Consolidated Financial Statements and
Supplemental Information
September 30, 2012 and 2011**

Lawrence & Memorial Corporation and Subsidiaries
Index
September 30, 2012 and 2011

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Report of Independent Auditors

To the Board of Directors of
Lawrence & Memorial Corporation

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Corporation (the "Corporation") and subsidiaries at September 30, 2012 and 2011 and the results of their operations, of their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Visiting Nurses Association ("VNA") of Southeastern Connecticut, Inc., a wholly-owned subsidiary, whose statements for the year ending September 30, 2012 and June 30, 2011 reflect total net assets constituting 6.0% and 6.0%, respectively, and total net revenues constituting 4.0% and 4.1%, respectively, of the related consolidated totals. Those statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for VNA of Southeastern Connecticut, Inc., is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 26 through 31, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note 1, the Corporation has revised its opening net assets at October 1, 2010 to reflect the change in year end of the Visiting Nurses Association of Southeastern Connecticut, Inc. from June 30 to September 30.

PricewaterhouseCoopers LLP

December 14, 2012

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 15,956,015	\$ 43,894,275
Investments	207,930,544	155,901,313
Patient accounts receivable, net of allowance for doubtful accounts of \$7,078,212 and \$7,901,271, respectively	32,312,475	32,118,946
Other receivables	6,898,102	4,594,541
Inventories	4,503,709	4,552,611
Prepaid expenses and other current assets	3,094,289	2,340,406
Debt service fund	1,307,110	1,109,892
Total current assets	<u>272,002,244</u>	<u>244,511,984</u>
Assets limited as to use		
Cash	180,789	179,900
Construction fund	-	8,427,695
Investments held in trust	1,471,261	11,241,951
Endowment investments	24,574,488	21,493,907
Funds held in trust by others	6,451,420	5,607,933
Contributions receivable	1,158,095	887,468
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	2,247,125	2,247,370
Total assets limited as to use	<u>36,083,178</u>	<u>50,086,224</u>
Deferred financing costs and other assets, net	1,857,504	1,938,833
Property, plant and equipment, net	<u>148,493,609</u>	<u>134,620,558</u>
	<u>\$ 458,436,535</u>	<u>\$ 431,157,599</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 27,382,558	\$ 24,206,209
Accrued vacation and sick pay	12,710,157	11,705,811
Salaries, wages, payroll taxes and amounts withheld from employees	5,389,708	3,577,694
Due to affiliates	-	98,310
Due to third party payors	5,646,905	8,041,022
Other current liabilities	358,122	132,964
Current portion of long-term debt	2,762,007	2,976,493
Total current liabilities	<u>54,249,457</u>	<u>50,738,503</u>
Accrued pension and other postretirement benefits	51,185,800	43,423,221
Other liabilities	20,384,647	14,213,720
Long-term debt less current portion	79,507,217	82,249,920
Total liabilities	<u>205,327,121</u>	<u>190,625,364</u>
Net assets		
Unrestricted	225,862,751	216,070,652
Temporarily restricted	21,354,856	18,924,725
Permanently restricted	5,891,807	5,536,858
Total net assets	<u>253,109,414</u>	<u>240,532,235</u>
	<u>\$ 458,436,535</u>	<u>\$ 431,157,599</u>

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2012 and 2011

	2012	2011
Unrestricted revenues, gains and other support		
Net revenues from services to patients	\$ 354,042,019	\$ 346,211,658
Other operating revenues	14,772,422	18,066,967
Net assets released from restriction used for operations	1,308,521	926,208
Total unrestricted revenues, gains and other support	<u>370,122,962</u>	<u>365,204,833</u>
Expenses		
Salaries and wages	180,787,943	172,787,477
Employee benefits	45,920,442	45,531,409
Supplies	49,112,557	47,215,027
Purchased services	27,928,678	24,953,088
Other	31,685,722	31,339,249
Interest	2,316,341	2,248,313
Depreciation and amortization	19,255,553	17,686,458
Bad debts	12,408,255	14,611,759
Total expenses	<u>369,415,491</u>	<u>356,372,780</u>
Income from operations	<u>707,471</u>	<u>8,832,053</u>
Nonoperating gains/(losses)		
Unrestricted investment income	160,370	171,387
Income from investments	6,853,490	8,488,170
Loss on refinancing of debt	-	(2,026,984)
Total nonoperating gains/(losses)	<u>7,013,860</u>	<u>6,632,573</u>
Excess of revenues over expenses	7,721,331	15,464,626
Net unrealized gains/(losses) on investments	14,630,156	(8,880,215)
Net assets released from restrictions used for purchase of property, plant and equipment	136,178	176,082
Transfer of Net Assets to L & M Indemnity	(1,673,732)	-
Pension - related changes other than periodic pension costs	<u>(10,751,244)</u>	<u>5,839,963</u>
Increase/(decrease) in unrestricted net assets	<u>\$ 10,062,689</u>	<u>\$ 12,600,456</u>

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011
Unrestricted net assets		
Excess of revenues over expenses	\$ 7,721,331	\$ 15,464,626
Net unrealized gains/(losses) on investments	14,630,156	(8,880,215)
Transfer to/from affiliate	-	-
Change in accounting period		
Transfer between donor classification	(270,590)	(867,139)
Net assets released from restrictions used for purchase of property, plant and equipment	136,178	176,082
Transfer of Net Assets to L & M Indemnity	(1,673,732)	-
Pension - related changes other than periodic pension costs	<u>(10,751,244)</u>	<u>5,839,963</u>
Increase in unrestricted net assets	9,792,099	11,733,317
Beginning of year unrestricted net assets	<u>216,070,652</u>	<u>204,337,335</u>
End of year unrestricted net assets, as reclassified	<u>\$ 225,862,751</u>	<u>\$ 216,070,652</u>
Temporarily restricted net assets		
Income from investments	\$ 357,100	\$ 321,776
Net assets released from restrictions	(1,444,699)	(1,102,290)
Transfer between donor classification	270,590	867,139
Contributions received	880,693	618,571
Change in value of irrevocable trusts	1,877,872	(152,473)
Net realized and unrealized gains/(losses) on investments	<u>488,575</u>	<u>(286,646)</u>
Increase in temporarily restricted net assets	2,430,131	266,077
Temporarily restricted net assets	<u>18,924,725</u>	<u>18,658,648</u>
Beginning of year	<u>18,924,725</u>	<u>18,658,648</u>
End of year	<u>\$ 21,354,856</u>	<u>\$ 18,924,725</u>
Permanently restricted net assets		
Change in value of funds held in trust by others	\$ 354,949	\$ (140,467)
Increase/(Decrease) in permanently restricted net assets	354,949	(140,467)
Permanently restricted net assets	<u>5,536,858</u>	<u>5,677,325</u>
Beginning of year	<u>5,536,858</u>	<u>5,677,325</u>
End of year	<u>\$ 5,891,807</u>	<u>\$ 5,536,858</u>
Increase in net assets	<u>\$ 12,577,179</u>	<u>\$ 11,858,927</u>

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 12,577,179	\$ 11,858,927
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	19,255,553	17,686,458
Net unrealized and realized (gains)/losses on investments	(15,197,004)	8,771,265
Provision for bad debts	12,408,255	14,611,759
(Increase)/decrease in funds held in trust by others	(843,487)	268,116
(Increase)/decrease in contributions receivable	(270,627)	223,448
Restricted contributions and investment income	(1,237,793)	(940,347)
Changes in other operating accounts		
Patient accounts receivable, net	(12,601,784)	(14,402,162)
Other receivables, net	(2,303,561)	1,431,065
Inventories	48,902	(756,525)
Prepaid expenses and other current assets	(753,883)	(408,845)
Deferred financing costs and other assets	81,329	(608,468)
Accounts payable	4,658,535	2,446,982
Accrued vacation and sick pay	1,004,346	485,356
Salaries, wages, payroll taxes and amounts withheld from employees	1,812,014	(1,459,305)
Due to affiliates	(98,310)	100,238
Due to third party payors	(2,394,117)	(798,088)
Pension, postretirement and other liabilities	14,158,664	(6,801,772)
Net cash provided by operating activities	<u>30,304,211</u>	<u>31,708,102</u>
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(34,610,790)	(39,845,427)
Purchases of investments	(147,075,307)	(106,669,848)
Sales of investments	125,359,995	91,320,215
(Increase)/decrease in debt service fund	(197,218)	138,140
Increase in funds held in escrow	245	4,908,797
Net cash (used in) investing activities	<u>(56,523,075)</u>	<u>(50,148,123)</u>
Cash flows from financing activities		
Restricted contributions	1,237,793	940,347
Contributions restricted for purchasing equipment	-	-
Principal payments of long term debt	(2,957,189)	(3,005,100)
Proceeds of long term debt	-	23,176,959
Net cash (used in)/provided by financing activities	<u>(1,719,396)</u>	<u>21,112,206</u>
Net increase in cash and cash equivalents	(27,938,260)	2,672,185
Cash and cash equivalents		
Beginning of year	<u>43,894,275</u>	<u>41,222,090</u>
End of year	<u>\$ 15,956,015</u>	<u>\$ 43,894,275</u>
Supplemental disclosure of noncash activities		
Construction in process included in accounts payable	<u>\$ 3,126,751</u>	<u>\$ 1,644,565</u>
Contributed securities	<u>\$ 1,237,793</u>	<u>\$ 940,347</u>

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

Lawrence & Memorial Corporation and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

1. Significant Accounting Policies and Organization

Organization

Lawrence & Memorial Corporation (the "Corporation") is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and education purposes, including the furtherance of the welfare, programs and activities of Lawrence & Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut.

The following entities are subsidiaries of the Corporation: Lawrence & Memorial Hospital ("L&M"), L & M Physician Association Inc., L&M Systems, Inc., VNA of Southeastern Connecticut, L&M Healthcare, and L&M Indemnity Ltd. The VNA of Southeastern Connecticut Inc. is consolidated using financial statement balances at June 30, 2011 and 2010.

L&M Healthcare has an affiliation agreement effective January 31, 1999 (the "Agreement") with the Hospice of Southeastern Connecticut, Inc. (the "Hospice"). The Agreement gives L&M Healthcare a membership of the Hospice with one other not-for-profit healthcare organization. L&M Healthcare does not have an equity investment in the Hospice because the affiliation agreement does not require L&M Healthcare to provide capital to the Hospice and L&M Healthcare is not entitled to any of the net assets of the Hospice should the relationship terminate or the Hospice dissolve. The Corporation and its subsidiaries have never given capital to the Hospice and the Hospice has never made capital distributions to the Corporation or its subsidiaries.

L & M Physician Association, Inc. ("LMPA") was formed exclusively for the charitable purpose of benefiting, supporting, and furthering the charitable activities of Lawrence & Memorial Hospital by engaging physicians to provide physician services to the Hospital, organizations affiliated with the Hospital and communities they serve for purpose of practicing medicine and health care services.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation's significant estimates include the collectability of patient accounts receivable, useful lives of fixed assets, settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation and its subsidiaries in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Lawrence & Memorial Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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Donor Restricted Gifts

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

Cash and Cash Equivalents

The Corporation and its subsidiaries consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments

Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets. Under accounting principles generally accepted in the United States of America, an "other than temporary impairment" is recognized if the Corporation does not expect the fair value of a security to recover above cost or amortized cost. Once an "other than temporary impairment" charge has been recorded, a new cost basis is established.

The Corporation continues to review its securities for appropriate valuation on an ongoing basis. The Corporation determined that none of their investments were impaired as of September 30, 2012 or 2011.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Corporation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements

Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

Lawrence & Memorial Corporation and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Corporation for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Assets Held in Trust by Others

The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates to discount amounts .

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust), contribution receivables and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, or if received as a donation, at the fair value on the date received. The Corporation provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and a 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Nonoperating Gains and Losses

Activities other than in connection with providing health care services are considered to be nonoperating.

Lawrence & Memorial Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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Excess of Revenues over Expenses

The consolidated statements of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, 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 pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments

Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Corporation and its Subsidiaries for debt of the same remaining maturities.

Benefit Plans

The Hospital has a defined benefit plan and a defined contribution plan. The VNA also has a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance

The Corporation purchases claims made professional and general liability insurance to cover medical malpractice claims from L&M Indemnity Ltd. The Hospital, LMPA and VNA has adopted the policy of self-insuring the tail portion of its malpractice insurance coverage. Management accrues its best estimate of losses as incidents which give rise to potential losses occur. The Corporation has created an offshore captive insurance company, L&M Indemnity Ltd. to administer all medical malpractice and general liability coverage. L&M Indemnity Ltd. was created on September 28, 2011.

Income Taxes

The Corporation and its subsidiaries are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, except for L&M Systems. L&M Systems provides for taxes based on current taxable income and the future tax consequences of temporary differences between financial and income tax reporting. Such amounts are not material to the consolidated financial statements. LMPA became tax exempt under Section 501(c)(3) of the Internal Revenue Code on October 13, 2009.

Inventories

Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay

Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. The payout is only upon termination of employment.

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Subsequent Events

The Corporation has performed an evaluation of subsequent events through December 14, 2012, which is the date the financial statements were issued.

Change in fiscal year end of VNASC

In 2012, the Visiting Nurses Association of Southeastern Connecticut, Inc. (VNASC) changed its fiscal year end from June 30 to September 30. The Corporation's 2012 financials reflect the VNASC operations and financial statement balances based on the financial statements for year ended September 30, 2012. The Corporation's 2011 financial statements were revised to reflect the VNASC financial information for the year ended September 30, 2011 rather than the year ended June 30, 2011 as previously reported as follows:

	2011 <u>As Reported</u>	2011 <u>As Revised</u>
Revenues	\$365,079,447	\$365,204,833
Expenses	\$355,831,236	\$356,372,780
Net Assets	\$242,126,973	\$240,532,235

The opening net assets of the Corporation were increased at October 1, 2010 by \$1,053,610.

2. Revenues From Services to Patients and Charity Care

The following summarizes net revenues from services to patients:

	2012	2011
Gross charges from services to patients	\$ 742,404,745	\$ 699,696,753
Less: Charity care	<u>5,883,789</u>	<u>6,383,831</u>
Charges from services to patients, net of charity care	<u>736,520,956</u>	<u>693,312,922</u>
Deductions		
Allowances	385,058,064	349,028,196
State of Connecticut uncompensated care system (receipts)	<u>(2,579,127)</u>	<u>(1,926,932)</u>
Total deductions	<u>382,478,937</u>	<u>347,101,264</u>
Net revenues from services to patients	<u>\$ 354,042,019</u>	<u>\$ 346,211,658</u>

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Corporation, and these differences are accounted for as allowances. The Corporation receives cash from the State of Connecticut Uncompensated Care Pool. The Corporation records this as an increase to their net revenues from services to patients.

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

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final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately \$4,271,085 and \$3,852,000 in 2012 and 2011, respectively.

During 2012 and 2011, approximately 33% and 32%, respectively, of net patient service revenue was received under the Medicare program, and 11% and 12%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital 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. While no regulatory inquiries have been made, 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 reductions of funding levels could have an adverse impact on the Hospital.

The Hospital 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 Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

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Notes to Consolidated Financial Statements
September 30, 2012 and 2011

3. Investments

Investments included in current assets consist of the following:

	2012	2011
Pooled endowment funds		
Cash and cash equivalents	\$ 464,020	\$ 761,635
Bonds	4,338,011	4,020,563
Mutual funds	11,341,758	10,407,537
Hedge funds	5,272,802	4,903,092
Private equities	48,848	-
Marketable equities	3,109,049	1,401,080
Total pooled endowment funds	<u>24,574,488</u>	<u>21,493,907</u>
Investments held in trust by others		
Cash and cash equivalents	1,280,176	140,077
Bonds	1,838,336	2,814,055
Marketable equities	2,901,653	2,389,834
Other investments	431,255	263,967
Total investments held in trust by others	<u>6,451,420</u>	<u>5,607,933</u>
Other investments		
Cash and cash equivalents	13,176,141	11,416,712
Bonds	75,259,899	42,751,608
Mutual funds	2,951,720	2,398,006
Hedge funds	49,723,327	46,249,357
Private equities	424,104	80,000
Marketable equities	66,381,047	52,992,311
Other investments	14,306	13,319
Total other investments	<u>207,930,544</u>	<u>155,901,313</u>
	<u>\$ 238,956,452</u>	<u>\$ 183,003,153</u>

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The Corporation's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the by the fair value guidance valuation hierarchy defined above:

	2012			Total Fair Value
	Level 1	Level 2	Level 3	
Pooled endowment funds				
Cash and cash equivalents	\$ 464,020	\$ -	\$ -	\$ 464,020
Bonds	4,338,011	-	-	4,338,011
Mutual funds	11,341,758	-	-	11,341,758
Hedge funds	-	-	5,272,802	5,272,802
Private equities	-	-	48,848	48,848
Marketable equities	3,109,049	-	-	3,109,049
Total pooled endowment funds	19,252,838	-	5,321,650	24,574,488
Held in trust by others				
Cash and cash equivalents	-	-	1,280,176	1,280,176
Bonds	-	-	1,838,336	1,838,336
Other assets	-	-	431,255	431,255
Marketable equities	-	-	2,901,653	2,901,653
Total held in trust by others	-	-	6,451,420	6,451,420
Other investments				
Cash and cash equivalents	13,176,141	-	-	13,176,141
Bonds	75,259,899	-	-	75,259,899
Mutual funds	2,951,720	-	-	2,951,720
Hedge funds	-	-	49,723,327	49,723,327
Private equities	-	-	424,104	424,104
Marketable equities	66,381,047	-	-	66,381,047
Other investments	-	-	14,306	14,306
Total other investments	157,768,807	-	50,161,737	207,930,544
	\$ 177,021,645	\$ -	\$ 61,934,807	\$ 238,956,452

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	2011			Total Fair Value
	Level 1	Level 2	Level 3	
Pooled endowment funds				
Cash and cash equivalents	\$ 761,635	\$ -	\$ -	\$ 761,635
Bonds	4,020,563	-	-	4,020,563
Mutual funds	10,407,537	-	-	10,407,537
Hedge funds	-	-	4,903,092	4,903,092
Marketable equities	1,401,080	-	-	1,401,080
Total pooled endowment funds	16,590,815	-	4,903,092	21,493,907
Held in trust by others				
Cash and cash equivalents	-	-	140,077	140,077
Bonds	-	-	2,814,055	2,814,055
Other assets	-	-	263,967	263,967
Marketable equities	-	-	2,389,834	2,389,834
Total held in trust by others	-	-	5,607,933	5,607,933
Other investments				
Cash and cash equivalents	11,416,712	-	-	11,416,712
Bonds	42,751,608	-	-	42,751,608
Mutual funds	2,398,006	-	-	2,398,006
Hedge funds	-	-	46,249,357	46,249,357
Private equities	-	-	80,000	80,000
Equity Investments	-	-	13,319	13,319
Marketable equities	52,992,311	-	-	52,992,311
Total other investments	109,558,637	-	46,342,676	155,901,313
	<u>\$ 126,149,452</u>	<u>\$ -</u>	<u>\$ 56,853,701</u>	<u>\$ 183,003,153</u>

Fair value for Level 1 is based upon quoted prices in active markets that the Corporation has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Corporation does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Corporations ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists

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for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement and investments in for-profit companies.

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 Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Corporation within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2011	Investment Income	Realized Gains	Unrealized Gains	Investment Fees	Purchases	Sales	Ending September 30, 2012
Investment pool								
Hedge funds	\$ 51,152,449	\$ 373,856	\$ 2,148,606	\$ 1,435,141	\$ (164,059)	\$ 12,362,601	\$ (12,312,465)	\$ 54,996,129
Private equities	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ 392,952	\$ -	\$ 472,952
Funds held in trust	5,607,933	-	-	843,487	-	-	-	6,451,420
Total	\$ 56,840,382	\$ 373,856	\$ 2,148,606	\$ 2,278,628	\$ (164,059)	\$ 12,755,553	\$ (12,312,465)	\$ 61,920,501

	Beginning October 1, 2010	Investment Income	Realized Gains	Unrealized Losses	Investment Fees	Purchases	Sales	Ending September 30, 2011
Investment pool								
Hedge funds	\$ 47,783,887	\$ 325,584	\$ 343,439	\$ (192,120)	\$ (116,775)	\$ 3,008,434	\$ -	\$ 51,152,449
Private equities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,000	\$ -	\$ 80,000
Funds held in trust	5,876,049	-	-	(268,116)	-	-	-	5,607,933
Total	\$ 53,659,936	\$ 325,584	\$ 343,439	\$ (460,236)	\$ (116,775)	\$ 3,088,434	\$ -	\$ 56,840,382

There were no significant transfers of assets between levels for the year ended September 30, 2012. A summary of the pooled endowment investment return is presented below:

	2012	2011
Investment income	\$ 610,571	\$ 509,341
Realized and unrealized gains/(losses)	2,657,538	(269,056)
Management fees and other costs	(31,626)	(41,119)
Total return on pooled endowment investments	\$ 3,236,483	\$ 199,166

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Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2012.

	Strategy	Fair Value	# of Investments	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Equity securities	Global developed and emerging market equity	\$ 11,763,985	1	N/A	\$ -	No remaining commitments	Monthly with 10 day's notice	None	None
Absolute return	Long/short and long-biased equity and credit hedge funds	15,126,894	1	N/A	-	No remaining commitments	Annual with 90 day's notice	lock up provision of 12 months from the purchase date	None
Directional hedge	Long/short and long-biased equity and credit hedge funds	22,428,676	1	N/A	-	No remaining commitments	Quarterly with 60 day's notice	lock up provision of 25 months from the purchase date	None
Commodities	Commodity index	5,876,574	1	N/A	-	No remaining commitments	Monthly with 5 day's notice	None	None
Private equity	Private equity	472,952	2	N/A	1,976,914	Illiquid long term 5 years	None	None	None
		<u>\$ 55,469,081</u>							

4. Endowments

The Corporation's endowments consist of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Corporation understands net asset classification guidance to require that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Corporation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. The Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund.
- The purposes of the Corporation and donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Corporation.
- The investment policies of the Corporation.

Changes in endowment net assets for the year ended September 30:

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	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets at beginning of year	\$ 2,985,408	\$ 11,788,979	\$ 2,866,683	\$ 17,641,070
Investment return				
Investment income	436,096	91,840	-	527,936
Net realized and unrealized gain/(loss)	601,740	1,877,872	-	2,479,612
Total investment return	1,037,836	1,969,712	-	3,007,548
Income distribution	-	(125,255)	-	(125,255)
Endowment net assets at end of year	\$ 4,023,244	\$ 13,633,436	\$ 2,866,683	\$ 20,523,363

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets at beginning of year	\$ 1,844,995	\$ 12,134,604	\$ 2,866,683	\$ 16,846,282
Investment return				
Investment income	215,549	114,203	-	329,752
Net realized and unrealized gain/(loss)	924,864	(286,646)	-	638,218
Total investment return	1,140,413	(172,443)	-	967,970
Income distribution	-	(173,182)	-	(173,182)
Endowment net assets at end of year	\$ 2,985,408	\$ 11,788,979	\$ 2,866,683	\$ 17,641,070

Endowment funds classified as permanently and temporarily restricted net assets:

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2012	2011
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	\$ 13,633,436	\$ 11,788,979
Total endowment funds classified as temporarily restricted net assets	<u>\$ 13,633,436</u>	<u>\$ 11,788,979</u>
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	\$ 2,866,683	\$ 2,866,683
Total endowment funds classified as permanently restricted net assets	<u>\$ 2,866,683</u>	<u>\$ 2,866,683</u>

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Endowment Funds With Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Corporation analyzed the endowments and notes there are no deficits as of September 30, 2012 and 2011.

Endowment Investment Return Objectives and Risk Parameters

The Corporation has adopted endowment investment and spending policies that attempt to provide predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives

To achieve its long-term rate of return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve its long-term objectives within prudent Corporation risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Corporation will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. Temporary and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2012 and 2011:

	2012	2011
Temporarily restricted net assets		
Funds held in trust by others	\$ 3,448,102	\$ 2,959,565
Contributions receivable	20,366	20,328
Free beds and plant replacement and expansion	13,633,436	11,788,979
Specific purpose reserves	4,252,952	4,155,853
	<u>\$ 21,354,856</u>	<u>\$ 18,924,725</u>

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Permanently restricted net assets at September 30, 2012 and 2011 are restricted to:

	2012	2011
Permanently restricted net assets		
Funds held in trust by others	\$ 3,025,124	\$ 2,670,175
Donor restricted endowment funds	<u>2,866,683</u>	<u>2,866,683</u>
	<u>\$ 5,891,807</u>	<u>\$ 5,536,858</u>

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2012	2011
Land and land improvements	\$ 18,000,459	\$ 17,953,282
Buildings	118,209,994	115,186,586
Equipment	<u>217,351,555</u>	<u>205,016,641</u>
	353,562,008	338,156,509
Less: Accumulated depreciation	<u>(227,405,684)</u>	<u>(213,645,408)</u>
	126,156,324	124,511,101
Construction in progress (estimated cost to complete at September 30, 2012 is \$53,058,474)	<u>22,337,285</u>	<u>10,109,457</u>
	<u>\$ 148,493,609</u>	<u>\$ 134,620,558</u>

7. Long-Term Debt

	2012	2011
CHEFA Series F Revenue Bonds		
Various rate bonds, due 2012 to 2026	\$ 36,250,000	\$ 39,135,000
5.0% Term Bonds, due 2027 to 2031	8,705,000	8,705,000
5.0% Term Bonds, due 2032 to 2036	11,100,000	11,100,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023-2034	22,990,000	22,990,000
Capital lease obligation	<u>448,826</u>	<u>405,373</u>
Total long-term debt outstanding	79,493,826	82,335,373
Less: Amounts classified as current	2,762,007	2,976,493
Add: Bond premium	<u>2,775,398</u>	<u>2,891,040</u>
Total long-term portion of long-term debt	<u>\$ 79,507,217</u>	<u>\$ 82,249,920</u>

On September 15, 2011 CHEFA issued \$58,940,000 of Series F Bonds (the "Series F Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under

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the Series F Bond agreements). The Series F Bonds are structured with a term bond due July 1, 2036, with annual sinking fund payments due each July 1st commencing July 1, 2012. Interest on the Series F Bonds is payable semiannually on the first business day of January 1 and July 1 beginning January 1, 2012.

The proceeds of the Series F Bonds were used to refund the outstanding Authority Revenue Bonds, Lawrence & Memorial Hospital Issue, Series D (the "Series D Bonds") and are being used to fund all or a portion of the following capital projects: (i) replacement of a linear accelerator on the main campus of the Hospital; (ii) capital improvements for infrastructure renovation and improvement on the main campus, including heating, ventilation, and air conditioning project; (iii) replacement of a catheterization lab and equipment on the main campus; (iv) acquisition of approximately 100 acres of land in Waterford, Connecticut for development of a new cancer center; and (v) acquisition and installation of Magnetic Resonance Imaging and CT equipment at the Crossroads facility.

On June 24, 2004 CHEFA issued \$22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreements). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2003. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds were used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI services, and mobile medical technologies. The proceeds were also used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E bonds. The bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts (as defined) and certain real property of the Hospital and Corporation.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income

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derived from these funds is required to be reinvested in the trustee funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses, approximates carrying value. The fair value of the Series 2011F Bonds using discounted cash flows was \$62,036,108.50 and \$58,940,000.00 for years ending September 30, 2012 and September 30, 2011 respectively

Principal repayments, excluding the capital lease, are as follows:

Years	Annual Principal Repayment
2013	\$ 2,625,000
2014	2,725,000
2015	2,835,000
2016	2,975,000
2017 and thereafter	<u>67,885,000</u>
	<u>\$ 79,045,000</u>

Cash interest payments of \$2,118,293 and \$2,215,476 were made in fiscal year 2012 and 2011, respectively. No interest was capitalized during 2012 and 2011.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the Plan. The Plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the Plan include mutual funds, marketable equity securities, corporate and government bonds, notes, and hedge funds.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pensions as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

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The following table sets forth the Hospital's plans' funded status and amounts recognized in the consolidated statements of financial position for fiscal year 2012 and 2011 as of September 30 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 126,663,537	\$ 131,200,922	\$ 1,167,001	\$ 1,277,520
Service cost	1,555,388	1,941,270	-	-
Interest cost	6,610,881	6,505,871	59,302	59,018
Employee contributions	118,336	163,401	-	-
Benefits paid	(6,214,539)	(5,255,985)	(124,024)	(120,183)
Actuarial loss/(gain)	18,467,849	(7,891,942)	186,929	(49,354)
Benefit obligation at end of year	147,201,452	126,663,537	1,289,208	1,167,001
Change in plan assets				
Fair value of plan assets at beginning of year	85,487,585	81,387,819	-	-
Actual return on plan assets	11,886,927	2,092,350	-	-
Employee contributions	118,336	163,401	-	-
Employer contributions	7,020,000	7,100,000	124,024	120,183
Benefits paid	(6,214,539)	(5,255,985)	(124,024)	(120,183)
Fair value of plan assets at end of year	98,298,309	85,487,585	-	-
Funded status of the plan	(48,903,143)	(41,175,952)	(1,289,208)	(1,167,001)
The cumulative amount of these adjustments reported as net assets in the consolidated statements of the financial position at September 30th, 2012 and 2011 include:				
Unrecognized net loss/(gain) from past experience different from that assumed and effects of changes in assumptions	42,795,831	31,903,948	(289,506)	(526,034)
Unrecognized prior service cost	330,949	471,588	-	-
Accrued benefit costs recognized in the statements of operations	\$ (5,776,363)	\$ (8,800,416)	\$ (1,578,714)	\$ (1,693,035)
Components of net periodic benefit costs				
Service cost	\$ 1,555,388	\$ 1,941,270	\$ -	\$ -
Interest cost	6,610,881	6,505,871	59,302	59,018
Expected return on plan assets	(6,465,227)	(6,850,835)	-	-
Amortization of net loss/(gain)	2,154,266	2,581,545	(49,599)	(55,084)
Net amortization and deferral	140,639	124,961	-	-
Benefit cost	\$ 3,995,947	\$ 4,302,812	\$ 9,703	\$ 3,934

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2012	2011
Discount rate	5.34 %	5.07 %
Average rate of compensation increases	3.50 %	4.25 %
Expected return on assets	7.50 %	8.50 %

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The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2012	2011
Discount rate	3.95 %	5.34 %
Average rate of compensation increases	2.50 %	3.50 %

The Plan's asset allocations as of September 30, 2012 and 2011 are as follows:

Asset Category	2012	2011
Cash	5 %	5 %
Bonds	29	30
Hedge funds	29	31
Marketable equities	37	34
Total	100 %	100 %

The expected rate of return on plan assets is calculated based on past experience.

Expected benefits to be paid under the Hospital's plans are as follows:

Fiscal Years Beginning October 1,	Expected Benefits
2012	\$ 6,507,731
2013	6,713,876
2014	6,982,706
2015	7,173,109
2016	7,566,083
Expected aggregate for 5 fiscal years beginning 2017	41,508,308

Annual contributions are determined by the Hospital based upon calculations prepared by the Plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2012 are approximately:

Pension	\$ 4,800,000
Retiree health	125,931

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9% in 2012 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation and service cost plus interest cost by approximately \$97,000 and \$84,000, respectively, at September 30, 2012 and 2011. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately \$88,000 and \$77,000, respectively, at September 30, 2012 and 2011.

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Plan Assets

The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the staff pension plan at September 30, 2012:

	Level 1	Level 2	Level 3	2012
Investments, at fair value				
Cash	\$ 4,711,241	\$ -	\$ -	\$ 4,711,241
Bonds	28,278,732	-	-	28,278,732
Hedge funds	-	-	28,795,536	28,795,536
Marketable equities	32,342,939	4,169,861	-	36,512,800
Total investments, at fair value	<u>\$ 65,332,912</u>	<u>\$ 4,169,861</u>	<u>\$ 28,795,536</u>	<u>\$ 98,298,309</u>

The following table summarizes the fair values of investments by major type held by the staff pension health plan at September 30, 2011:

	Level 1	Level 2	Level 3	2011
Investments, at fair value				
Cash	\$ 3,847,979	\$ -	\$ -	3,847,979
Bonds	25,779,769	-	-	25,779,769
Hedge funds	-	-	26,524,387	26,524,387
Marketable equities	26,050,106	3,285,344	-	29,335,450
Total investments, at fair value	<u>\$ 55,677,854</u>	<u>\$ 3,285,344</u>	<u>\$ 26,524,387</u>	<u>\$ 85,487,585</u>

There are no transfers between levels comparing last to this year for assets that are in the portfolio.

The table below represents the change in fair value measurements for Level 3 investments held by the staff pension plans' years ended September 30, 2012 and 2011, respectively.

	2012	2011
Beginning balances	\$ 26,524,387	\$ 24,333,145
Realized gains	144,819	25,445
Fees	(54,861)	(57,862)
Unrealized gains	2,181,191	223,659
Purchases	5,475,369	2,000,000
Sales	(5,475,369)	-
Ending balances	<u>\$ 28,795,536</u>	<u>\$ 26,524,387</u>

Lawrence & Memorial Corporation and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2012 and 2011

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elected to participate in the Plan. Eligible employees may contribute a percentage of their salary to the Plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately \$4,270,000 and \$3,677,000 for 2012 and 2011, respectively.

The VNA has a defined contribution pension plan which covers substantially all of its employees who have met specified age and length of service requirements. Contributions to the Plan are based on 5% of eligible salaries and totaled approximately \$437,911 and \$432,537 for the years ended September 30, 2012 and June 30, 2011, respectively.

9. Functional Expenses

The Corporation and its subsidiaries provide general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2012	2011
Health care services	\$ 282,756,672	\$ 271,601,306
General and administrative	<u>86,658,819</u>	<u>84,771,474</u>
	<u>\$ 369,415,491</u>	<u>\$ 356,372,780</u>

10. Commitments and Contingencies

The Corporation and its subsidiaries are parties to various lawsuits incidental to their business. Management believes that the lawsuits will not have a material adverse effect on their financial position, results of operations, and changes in net assets or cash flows.

Westerly Hospital

During 2012, the Corporation entered into a contract to purchase Westerly Hospital. The Rhode Island court approved the acquisition on August 30, 2012. The acquisition still needs to receive regulatory review and approval, prior to the closing. The closing date is expected to be in the first quarter of calendar year 2013. Prepaid expenses of \$710,000 have been incurred towards the closing costs. Approximately \$2.5 million of expenses have been incurred in fiscal year 2012.

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2012

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets										
Current assets										
Cash and cash equivalents	\$ 13,709,499	\$ 907,448	\$ -	\$ 14,616,947	\$ -	\$ 502,009	\$ 226,549	\$ 610,510	\$ -	\$ 15,956,015
Investments	138,433,638	49,793,622	-	188,227,260	-	-	13,137,635	6,565,649	-	207,930,544
Patient accounts receivable, net	28,946,593	-	-	28,946,593	-	1,246,803	-	2,119,079	-	32,312,475
Other receivables	17,488,730	-	-	17,488,730	509,500	953,156	483,133	-	(12,536,417)	6,898,102
Inventories	4,469,470	-	-	4,469,470	-	34,239	-	-	-	4,503,709
Due from affiliates	639,799	812,417	(639,799)	812,417	1,633,327	-	-	-	(2,445,744)	-
Prepaid expenses and other current assets	2,004,576	210,000	-	2,214,576	-	531,732	2,862	345,119	-	3,094,289
Debt service fund	1,307,110	-	-	1,307,110	-	-	-	-	-	1,307,110
Total current assets	206,899,415	51,723,487	(639,799)	258,083,103	2,142,827	3,267,939	13,850,179	9,640,357	(14,982,161)	272,002,244
Assets limited as to use										
Cash	180,789	-	-	180,789	-	-	-	-	-	180,789
Construction funds	-	-	-	-	-	-	-	-	-	-
Investments held in trust	971,261	500,000	-	1,471,261	-	-	-	-	-	1,471,261
Endowment investments	16,251,376	2,946,028	-	19,197,404	-	-	-	5,377,084	-	24,574,488
Investment in subsidiaries	-	3,182,689	-	3,182,689	-	-	-	-	(3,182,689)	-
Funds held in trust by others	6,451,420	-	-	6,451,420	-	-	-	-	-	6,451,420
Contributions receivable	20,366	1,137,729	-	1,158,095	-	-	-	-	-	1,158,095
Funds held in escrow by agreement with State of Connecticut Health and Debt service reserve fund	2,247,125	-	-	2,247,125	-	-	-	-	-	2,247,125
Educational Facilities Authority and trustees	-	-	-	-	-	-	-	-	-	-
Total assets limited as to use	26,122,337	7,766,446	-	33,888,783	-	-	-	5,377,084	(3,182,689)	36,083,178
Other assets										
Deferred financing costs and other assets, net	1,857,504	-	-	1,857,504	-	-	-	-	-	1,857,504
Property, plant and equipment										
Land improvements	6,573,393	11,096,791	-	17,670,184	-	-	-	330,275	-	18,000,459
Buildings/leasehold improvements	114,978,768	148,821	-	115,127,589	-	869,622	-	2,212,783	-	118,209,994
Equipment/furniture	215,747,098	21,774	-	215,768,872	-	656,294	-	926,389	-	217,351,555
Accumulated depreciation	(224,709,996)	(82,371)	-	(224,792,367)	-	(910,368)	-	(1,702,949)	-	(227,405,684)
Construction in progress	22,337,285	-	-	22,337,285	-	-	-	-	-	22,337,285
Property, plant and equipment, net	134,926,548	11,185,015	-	146,111,563	-	615,548	-	1,766,498	-	148,493,609
	\$ 369,905,804	\$ 70,674,948	\$ (639,799)	\$ 439,940,953	\$ 2,142,827	\$ 3,883,487	\$ 13,850,179	\$ 16,783,939	\$ (18,164,850)	\$ 458,436,535

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2012

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets										
Current liabilities										
Accounts payable	\$ 25,447,380	\$ 221,394	\$ -	\$ 25,668,774	\$ -	\$ 322,235	\$ 63,701	\$ 1,327,848	\$ -	\$ 27,382,558
Accrued vacation and sick pay	12,283,930	-	-	12,283,930	-	426,227	-	-	-	12,710,157
Salaries, wages, payroll taxes and amounts withheld from employees	3,887,888	-	-	3,887,888	-	1,501,820	-	-	-	5,389,708
Due to affiliates	-	-	(639,799)	1,781,445	664,299	-	-	-	(2,445,744)	-
Due to third party payors	2,421,244	-	-	5,409,556	-	-	188,267	237,349	-	5,646,905
Other current liabilities	5,409,556	-	-	2,762,007	-	-	-	169,855	-	358,122
Current portion of long-term debt	2,762,007	-	-	-	-	-	-	-	-	2,762,007
Total current liabilities	52,212,005	221,394	(639,799)	51,793,600	664,299	2,250,282	251,968	1,735,052	(2,445,744)	54,249,457
Accrued pension and other postretirement benefits	51,185,800	-	-	51,185,800	-	-	-	-	-	51,185,800
Other liabilities	17,988,408	-	-	17,988,408	-	1,963,633	13,697,549	-	(13,274,943)	20,384,647
Long-term debt less current portion	79,507,217	-	-	79,507,217	-	-	-	-	-	79,507,217
Total liabilities	200,903,430	221,394	(639,799)	200,485,025	664,299	4,213,915	13,949,517	1,735,052	(15,720,687)	205,327,121
Net assets										
Unrestricted	143,045,328	69,190,937	-	212,236,265	1,478,528	(330,428)	(99,338)	15,021,887	(2,444,163)	225,862,751
Temporarily restricted	20,092,239	1,262,617	-	21,354,856	-	-	-	-	-	21,354,856
Permanently restricted	5,864,807	-	-	5,864,807	-	-	-	27,000	-	5,891,807
Total net assets	169,002,374	70,453,554	-	239,455,928	1,478,528	(330,428)	(99,338)	15,048,887	(2,444,163)	253,109,414
	\$ 369,905,804	\$ 70,674,948	\$ (639,799)	\$ 439,940,953	\$ 2,142,827	\$ 3,883,487	\$ 13,850,179	\$ 16,783,939	\$ (18,164,850)	\$ 458,436,535

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets										
Current assets										
Cash and cash equivalents	\$ 41,797,328	\$ 814,528	\$ -	\$ 42,611,856	\$ 399	\$ 56,951	\$ 120,000	\$ 1,105,069	\$ -	\$ 43,894,275
Investments	105,904,042	44,333,741	-	150,237,783	-	-	-	5,663,530	-	155,901,313
Patient accounts receivable, net	30,483,331	-	-	30,483,331	-	589,495	-	1,046,120	-	32,118,946
Other receivables	3,998,458	-	-	3,998,458	559,288	36,795	-	-	-	4,594,541
Inventories	4,528,017	-	-	4,528,017	-	24,594	-	-	-	4,552,611
Due from affiliates	578,161	861,458	(578,161)	861,458	1,087,749	3,754	-	-	(1,952,961)	2,340,406
Prepaid expenses and other current assets	1,739,804	-	-	1,739,804	-	283,749	-	316,853	-	1,109,892
Debt service fund	1,109,892	-	-	1,109,892	-	-	-	-	-	1,109,892
Total current assets	190,139,033	46,009,727	(578,161)	235,570,599	1,647,436	995,338	120,000	8,131,572	(1,952,961)	244,511,984
Assets limited as to use										
Cash	179,900	-	-	179,900	-	-	-	-	-	179,900
Construction funds	8,427,695	-	-	8,427,695	-	-	-	-	-	8,427,695
Investments held in trust	11,241,951	-	-	11,241,951	-	-	-	-	-	11,241,951
Endowment investments	14,398,888	2,598,927	-	16,997,815	-	-	-	4,496,092	-	21,493,907
Investment in subsidiaries	-	3,182,689	-	3,182,689	-	-	-	-	(3,182,689)	-
Funds held in trust by others	5,607,933	-	-	5,607,933	-	-	-	-	-	5,607,933
Contributions receivable	20,328	887,140	-	887,468	-	-	-	-	-	887,468
Funds held in escrow by agreement with Statement of Connecticut Health and Debt service reserve fund	2,247,370	-	-	2,247,370	-	-	-	-	-	2,247,370
Educational Facilities Authority and trustees	42,124,065	6,648,756	-	48,772,821	-	-	-	4,496,092	(3,182,689)	50,086,224
Total assets limited as to use	1,938,833	-	-	1,938,833	-	-	-	-	-	1,938,833
Other assets										
Deferred financing costs and other assets, net										
Property, plant and equipment	6,506,216	11,116,791	-	17,623,007	-	-	-	330,275	-	17,953,282
Land improvements	111,446,370	148,821	-	111,595,191	-	1,396,975	-	2,194,420	-	115,186,586
Buildings/leasehold improvements	203,329,727	21,774	-	203,351,501	-	745,052	-	920,088	-	205,016,641
Equipment/furniture	(210,414,909)	(74,691)	-	(210,489,600)	-	(1,631,229)	-	(1,524,579)	-	(213,645,408)
Accumulated depreciation	10,109,457	-	-	10,109,457	-	-	-	-	-	10,109,457
Construction in progress	120,976,861	11,212,695	-	132,189,556	-	510,798	-	1,920,204	-	134,620,558
Property, plant and equipment, net	\$ 355,178,792	\$ 63,871,178	\$ (578,161)	\$ 418,471,809	\$ 1,647,436	\$ 1,506,136	\$ 120,000	\$ 14,547,868	\$ (5,135,650)	\$ 431,157,599

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets										
Current liabilities										
Accounts payable	\$ 22,690,113	\$ 236,343	\$ -	\$ 22,926,456	\$ -	\$ 60,230	\$ -	\$ 1,219,523	\$ -	\$ 24,206,209
Accrued vacation and sick pay	11,705,811	-	-	11,705,811	-	-	-	-	-	11,705,811
Salaries, wages, payroll taxes and amounts withheld from employees	3,125,896	-	-	3,125,896	-	451,796	-	-	-	3,577,694
Due to affiliates	1,913,991	-	(578,161)	1,335,830	617,131	98,310	-	-	(1,952,961)	98,310
Due to third party payors	7,838,088	-	-	7,838,088	-	-	-	202,934	-	8,041,022
Other current liabilities	-	-	-	-	-	-	-	132,964	-	132,964
Current portion of long-term debt	2,976,493	-	-	2,976,493	-	-	-	-	-	2,976,493
Total current liabilities	50,250,394	236,343	(578,161)	49,908,576	617,131	610,336	-	1,555,421	(1,952,961)	50,738,503
Accrued pension and other postretirement benefits	43,423,221	-	-	43,423,221	-	-	-	-	-	43,423,221
Other liabilities	14,213,720	-	-	14,213,720	-	-	-	-	-	14,213,720
Long-term debt less current portion	82,249,920	-	-	82,249,920	-	-	-	-	-	82,249,920
Total liabilities	190,137,255	236,343	(578,161)	189,795,437	617,131	610,336	-	1,555,421	(1,952,961)	190,625,364
Net assets										
Unrestricted	141,736,900	62,502,889	-	204,241,789	1,030,305	895,800	120,000	12,965,447	(3,182,689)	216,070,652
Temporarily restricted	17,792,779	1,131,946	-	18,924,725	-	-	-	-	-	18,924,725
Permanently restricted	5,509,858	-	-	5,509,858	-	-	-	27,000	-	5,536,858
Total net assets	165,041,537	63,634,835	-	228,676,372	1,030,305	895,800	120,000	12,992,447	(3,182,689)	240,532,235
	\$ 355,178,792	\$ 63,871,178	\$ (578,161)	\$ 418,471,809	\$ 1,647,436	\$ 1,506,136	\$ 120,000	\$ 14,547,868	\$ (5,135,650)	\$ 431,157,599

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2012

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	\$ 329,278,379	\$ -	\$ -	\$ 329,278,379	\$ -	\$ 13,740,606	\$ -	\$ 11,023,034	\$ -	\$ 354,042,019
Other operating revenues	11,277,917	2,850,055	-	14,127,972	584,822	2,464,499	4,758,259	3,792,379	(10,955,509)	14,772,422
Net assets released from restriction	449,575	858,946	-	1,308,521	-	-	-	-	-	1,308,521
	341,005,871	3,709,001	-	344,714,872	584,822	16,205,105	4,758,259	14,815,413	(10,955,509)	370,122,962
Operating expenses										
Salaries and wages	152,912,737	-	-	152,912,737	-	19,234,424	-	9,996,589	(1,355,807)	180,787,943
Employee benefits	42,122,837	-	-	42,122,837	109,556	3,410,611	-	2,607,582	(2,330,144)	45,920,442
Supplies	46,248,498	858,934	-	47,107,432	-	763,510	-	1,247,370	(5,755)	49,112,557
Purchased services	24,623,743	2,933,053	-	27,556,796	30,391	1,125,676	198,181	371,566	(1,353,932)	27,928,678
Other	28,877,147	50,749	-	29,327,896	-	4,517,628	4,888,595	-	(6,648,397)	31,685,722
Interest	-	-	-	2,315,992	156	193	-	-	-	2,316,341
Depreciation and amortization	18,825,589	7,680	-	18,833,269	-	243,914	-	178,370	-	19,255,553
Bad debts	12,114,319	-	-	12,114,319	-	205,324	-	88,612	-	12,408,255
	328,040,862	3,850,416	-	331,891,278	140,103	29,501,280	5,086,776	14,490,089	(11,694,035)	369,415,491
Income from operations	12,965,008	(141,415)	-	12,823,594	444,719	(13,296,175)	(328,517)	325,324	738,526	707,471
Nonoperating gains										
Unrestricted investment income	160,370	-	-	160,370	-	-	-	-	-	160,370
Income/(loss) from investments	4,424,194	1,680,143	-	6,104,337	-	-	88,493	660,660	-	6,853,490
Loss on refinancing of debt	-	-	-	-	-	-	-	-	-	-
	4,584,564	1,680,143	-	6,264,707	-	-	88,493	660,660	-	7,013,860
Excess of revenues over expenses	17,549,573	1,538,728	-	19,088,301	444,719	(13,296,175)	(240,024)	985,984	738,526	7,721,331
Net unrealized (losses)/gains on investments	11,303,455	2,235,559	-	13,539,014	-	-	20,686	1,070,456	-	14,630,156
Transfer to L & M Affiliate	(16,931,534)	3,184,351	-	(13,747,183)	3,504	12,069,947	-	-	1,673,732	-
Net assets released from restrictions used for purchases of property and equipment	136,178	-	-	136,178	-	-	-	-	-	136,178
Transfer of net assets to L & M Indemnity	(10,751,244)	-	-	(10,751,244)	-	-	-	-	(1,673,732)	(12,424,976)
Pension - related changes other than periodic pension costs	-	-	-	-	-	-	-	-	-	-
Decrease in unrestricted net assets	\$ 1,306,428	\$ 6,958,638	\$ -	\$ 8,265,066	\$ 448,223	\$ (1,226,228)	\$ (219,338)	\$ 2,056,440	\$ 738,526	\$ 10,062,689

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	\$ 325,275,690	\$ -	\$ -	\$ 325,275,690	\$ -	\$ 9,653,134	\$ -	\$ 11,282,834	\$ -	\$ 346,211,658
Other operating revenues	11,091,202	4,913,892	-	16,005,094	514,414	1,445,366	-	3,466,250	(3,364,159)	18,065,967
Net assets released from restriction	394,829	531,379	-	926,208	-	-	-	-	-	926,208
	<u>336,761,721</u>	<u>5,445,271</u>	<u>-</u>	<u>342,206,992</u>	<u>514,414</u>	<u>11,098,502</u>	<u>-</u>	<u>14,749,084</u>	<u>(3,364,159)</u>	<u>365,204,833</u>
Operating expenses										
Salaries and wages	149,953,412	-	-	149,953,412	-	13,088,769	-	10,261,026	(515,730)	172,787,477
Employee benefits	41,985,784	-	-	41,985,784	252,925	2,238,134	-	2,696,894	(1,602,328)	45,531,409
Supplies	45,904,757	531,874	-	46,436,631	50	543,449	-	234,897	-	47,215,027
Purchased services	23,474,674	387,423	-	23,862,097	6,284	1,447,160	-	668,820	(1,031,273)	24,953,088
Other	29,046,249	75,670	-	29,121,919	29	1,806,420	-	625,830	(214,828)	31,339,370
Interest	2,212,181	-	-	2,212,181	-	-	-	36,011	-	2,248,192
Depreciation and amortization	17,199,566	7,680	-	17,207,246	-	270,863	-	208,349	-	17,686,458
Bad debts	14,356,474	-	-	14,356,474	-	176,603	-	78,682	-	14,611,759
	<u>324,133,097</u>	<u>1,002,647</u>	<u>-</u>	<u>325,135,744</u>	<u>259,288</u>	<u>19,571,396</u>	<u>-</u>	<u>14,770,509</u>	<u>(3,364,159)</u>	<u>356,372,780</u>
Income from operations	12,628,624	4,442,624	-	17,071,248	255,126	(8,472,896)	-	(21,425)	-	8,832,053
Nonoperating gains										
Unrestricted investment income	171,387	-	-	171,387	-	-	-	-	-	171,387
Income/(loss) from investments	5,993,369	2,233,886	-	8,227,255	-	-	-	260,915	-	8,488,170
Loss on refinancing of debt	(2,026,984)	-	-	(2,026,984)	-	-	-	-	-	(2,026,984)
	<u>4,137,772</u>	<u>2,233,886</u>	<u>-</u>	<u>6,371,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,915</u>	<u>-</u>	<u>6,632,573</u>
Excess of revenues over expenses	16,766,396	6,676,510	-	23,442,906	255,126	(8,472,896)	-	239,490	-	15,464,626
Net unrealized (losses)/gains on investments	(6,282,024)	(1,847,148)	-	(8,129,172)	-	-	-	(751,043)	-	(8,880,215)
Transfer to L & M Affiliate	(12,670,075)	3,228,509	-	(9,441,566)	178,123	9,263,443	-	-	-	-
Net assets released from restrictions used for										
Change in accounting periods										
purchases of property and equipment	176,082	-	-	176,082	-	-	-	-	-	176,082
Pension - related changes other than periodic pension costs	5,639,963	-	-	5,639,963	-	-	-	-	-	5,639,963
	<u>\$ 3,830,342</u>	<u>\$ 8,057,871</u>	<u>\$ -</u>	<u>\$ 11,888,213</u>	<u>\$ 433,249</u>	<u>\$ 790,547</u>	<u>\$ -</u>	<u>\$ (511,553)</u>	<u>\$ -</u>	<u>\$ 12,600,456</u>
Decrease in unrestricted net assets										