



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Greenwich Health Care Services, Inc. and Subsidiaries
Years Ended September 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

Greenwich Health Care Services, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplemental Information

Years Ended September 30, 2013 and 2012

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Report of Independent Auditors

Board of Trustees
Greenwich Health Care Services, Inc.

We have audited the accompanying consolidated financial statements of Greenwich Health Care Services, Inc. and Subsidiaries (“GHCS”), which comprise the balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greenwich Health Care Services, Inc. and Subsidiaries at September 30, 2013 and 2012, and the results of its operations and changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Change in Presentation of the Provision for Bad Debts

As discussed in Note 1 to the accompanying consolidated financial statements, in 2013, the Hospital adopted the provisions of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, which resulted in a change to the presentation of the provision for bad debts in the accompanying consolidated statements of operations and changes in net assets effective October 1, 2011. Our opinion is not modified with respect to this matter

Ernst + Young LLP

December 23, 2013

Greenwich Healthcare Services, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2013	2012
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,569	\$ 14,053
Short-term investments <i>(Note 4)</i>	36,063	33,533
Accounts receivable for services to patients, less allowance for uncollectible accounts, charity and free care of approximately \$19,616,690 in fiscal 2013 and \$19,914,000 in fiscal 2012 <i>(Note 2)</i>	37,281	39,760
Other receivables <i>(Note 9)</i>	4,935	4,382
Professional liabilities insurance recoverable receivable – current portion	6,570	2,173
Other current assets	10,094	8,985
Total current assets	124,512	102,886
Assets limited as to use <i>(Note 4)</i>	90,376	89,433
Long-term investments <i>(Note 4)</i>	59,347	53,112
Other assets <i>(Note 1)</i>	15,784	16,072
Professional liabilities insurance recoverable receivable – non-current <i>(Note 9)</i>	13,962	8,751
Property, plant and equipment: <i>(Note 1)</i>		
Land and land improvements	23,477	23,477
Buildings and fixtures	283,763	278,219
Equipment	166,450	161,191
	473,690	462,887
Less accumulated depreciation	(212,355)	(194,746)
	261,335	268,141
Construction in progress	153	1,354
	261,488	269,495
Total assets	\$ 565,469	\$ 539,749

	September 30	
	2013	2012
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 6,083	\$ 6,304
Accrued expenses <i>(Note 12)</i>	23,964	23,632
Current portion of long-term debt <i>(Note 7)</i>	2,505	2,430
Professional liabilities – current portion <i>(Note 9)</i>	6,570	2,173
Other current liabilities	14,047	21,044
Total current liabilities	53,169	55,583
Long-term debt, net of current portion <i>(Note 7)</i>	37,710	40,215
Accrued pension and postretirement benefit obligations <i>(Note 8)</i>	23,880	54,164
Interest rate swap <i>(Note 7)</i>	4,166	6,417
Other long-term liabilities <i>(Note 2)</i>	15,896	16,291
Professional liabilities <i>(Note 9)</i>	19,717	14,202
Total liabilities	154,538	186,872
Commitments and contingencies		
Net assets: <i>(Note 6)</i>		
Unrestricted	351,359	299,329
Temporarily restricted	36,543	29,999
Permanently restricted	22,236	21,789
Total Greenwich Healthcare Services, Inc. net assets	410,138	351,117
Non-controlling interest in Orthopedic & Neurosurgery Center of Greenwich LLC	793	1,760
Total net assets including non-controlling interest	410,931	352,877
Total liabilities and net assets	\$ 565,469	\$ 539,749

See accompanying notes.

Greenwich Health Care Services, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Year Ended September 30	
	2013	2012
	<i>(In Thousands)</i>	
Operating revenue:		
Net patient service revenue <i>(Note 2)</i>	\$ 343,529	\$ 327,382
Less: Provision for bad debts	<u>(14,733)</u>	<u>(14,027)</u>
Net patient service revenue, less provision for bad debts	328,796	313,355
Other revenue <i>(Note 13)</i>	<u>13,960</u>	<u>13,249</u>
Total operating revenue	342,756	326,604
 Operating expenses:		
Salaries and benefits	152,763	152,672
Supplies and other	151,278	140,367
Depreciation	22,533	20,506
Interest <i>(Note 7)</i>	476	364
Total operating expenses	<u>327,050</u>	<u>313,909</u>
Income from operations	15,706	12,695
 Non-operating losses and gains:		
Change in fair value of swap, including counterparty payments <i>(Note 7)</i>	1,011	(1,713)
Change in unrealized gains and losses on investments	5,019	7,889
Other non-operating gains and losses, net <i>(Note 13)</i>	89	(2,123)
Excess of revenue over expenses, before non-controlling interest	<u>21,825</u>	<u>16,748</u>
 Less: Income attributable to non-controlling interest	<u>(2,849)</u>	<u>(6,671)</u>
Excess of revenue over expenses	18,976	10,077

(Continued on next page)

Greenwich Health Care Services, Inc. and Subsidiaries

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

	Year Ended September 30	
	2013	2012
	<i>(In Thousands)</i>	
Unrestricted net assets:		
Excess of revenue over expenses (continued)	\$ 18,976	\$ 10,077
Amortization on interest rate swap agreement <i>(Note 7)</i>	(72)	(79)
Transfer from Yale New Haven Health Services Corporation	700	700
Net assets released from restrictions used for purchases of fixed assets	9	12
Pension and other postretirement liability adjustments <i>(Note 8)</i>	32,327	(8,397)
Other changes in net assets	90	-
Increase in unrestricted net assets	52,030	2,313
Temporarily restricted net assets:		
Net realized gains and income from investments	805	1,338
Change in net unrealized gains and losses on investments	5,187	3,778
Bequests and contributions	4,187	4,218
Net assets released from restrictions for purchases of fixed assets <i>(Note 6)</i>	(9)	(12)
Net assets released from restrictions for operations	(3,621)	(3,759)
Net assets released from restrictions for non-operating activities, net	(5)	(139)
Contributed property released from restriction	-	-
Increase in temporarily restricted net assets	6,544	5,424
Permanently restricted net assets:		
Bequest, contributions, and grants	125	100
Net realized gains on investments	23	7
Change in net unrealized gains and losses on investments	299	1,290
Increase in permanently restricted net assets	447	1,397
Increase in GHCS net assets	59,021	9,134
Non-controlling interest:		
Investment by non-controlling members	-	-
Income attributable to non-controlling interest	2,849	6,671
Distributions to non-controlling members	(3,816)	(6,047)
(Decrease)increase in non-controlling interest	(967)	624
Increase in net assets including non-controlling interest	58,054	9,758
Net assets at beginning of year	352,877	343,119
Net assets at end of year	\$ 410,931	\$ 352,877

See accompanying notes.

Greenwich Health Care Services, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2013	2012
	<i>(In Thousands)</i>	
Cash flows from operating activities		
Increase in net assets	\$ 58,054	\$ 9,758
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	22,533	20,506
Net realized and change in net unrealized gains and losses on investments	11,333	(14,364)
Change in fair value of interest rate swap agreements	(2,251)	423
Bequests and contributions	(4,312)	(6,198)
Pension and other postretirement liability adjustments	(32,327)	8,397
Changes in operating assets and liabilities:		
Accounts receivable for services to patients, net	2,479	(5,248)
Other receivables	(553)	(3,355)
Professional liabilities and related insurance recoveries receivable	304	(1,947)
Other assets	(821)	(8,787)
Accounts payable	(221)	(2,110)
Accrued expenses	332	2,505
Other current liabilities, accrued pension and postretirement benefit obligations, and other long-term liabilities	(5,349)	6,156
Net cash provided by operating activities	49,201	5,736
Cash flows from investing activities		
Net acquisitions of property, plant, and equipment	(14,526)	(14,787)
Net change in investments and assets limited as to use	(21,041)	(16,561)
Net cash used in investing activities	(35,567)	(31,348)
Cash flows from financing activities		
Bequests and contributions	4,312	6,198
Repayments of long-term debt	(2,430)	(2,360)
Net cash provided by financing activities	1,882	3,838
Net increase(decrease) in cash and cash equivalents	15,516	(21,774)
Cash and cash equivalents at beginning of year	14,053	35,827
Cash and cash equivalents at end of year	\$ 29,569	\$ 14,053

See accompanying notes.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2013

1. Organization and Significant Accounting Policies

Organization

Greenwich Health Care Services, Inc. (GHCS) is the sole member of Greenwich Hospital (the Hospital), The Greenwich Hospital Endowment Fund, Inc. (the Foundation), The Perryridge Corporation, Greenwich Health Services, Inc. (GHSI), and Greenwich Ambulatory Surgery Center, LLC (GASC). GHCS, the Hospital and the Foundation are an Obligated Group under the State of Connecticut Health and Educational Facilities Authority Trust Indenture. GHCS provides management and other supporting services to the Hospital. GHCS is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code. Its public charity status is based upon its support of the Hospital.

Yale-New Haven Health Services Corporation (YNHHSC) is the sole member of GHCS and two similar organizations. Each of these three tax-exempt organizations serves as the sole member/parent for its respective delivery network of regional health care providers and related entities. Under the terms of a System Affiliation Agreement by and among YNHHSC, GHCS and the Hospital dated July 24, 1997, YNHHSC approves the GHCS strategic plans, operating and capital budgets, and director appointments, however the GHCS delivery network continues to maintain separate Board of Directors, management and the Hospital continues to maintain its own medical staff.

The Foundation, a tax-exempt organization, was formed without variance power to receive and administer funds for the benefit of the Hospital, GHCS and any or all of their affiliates that are exempt from federal income tax.

GHCS is a Connecticut not-for-profit, non stock corporation established to promote and carry out charitable and scientific activities.

GASC, a Connecticut Limited Liability Company, formed on July 28, 2006.

Principles of Consolidation

The accompanying consolidated financial statements present the accounts and transactions of GHCS and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The consolidation of these entities is not necessarily indicative of the legal extent of assets available to settle liabilities of the individual entities.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, including estimated uncollectibles for accounts receivable for services to patients, and liabilities, including estimated settlements with third-party payors and professional liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts of revenue reported during the 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.

During fiscal 2013 and 2012, GHCS recorded a change in estimate of approximately \$(0.3) million and \$2.5 million, respectively. Included in the change are amounts related to third-party payor settlements at September 30, 2013 and 2012, respectively.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by GHCS has been limited by donors to a specific time period or purpose and appreciation on permanently restricted net assets. Permanently restricted net assets have been restricted by donors to be maintained by GHCS in perpetuity. GHCS is a partial beneficiary to various perpetual trust agreements. Assets recorded under these agreements are recognized at fair value.

Certain restricted funds investments are pooled with certain unrestricted investments to facilitate their management. Investment income is allocated to the restricted funds based on a percentage of total initial endowment to total corpus. The Board of Trustees approves spending for certain pooled funds based on total return. Realized gains and losses from the sale of securities are computed using the average cost method.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions receivable to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as revenue and is classified as either unrestricted or temporarily restricted in accordance with donor imposed restrictions, if any, on the contributions.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Contributions receivable, included in other receivables in the consolidated balance sheets at September 30, 2013 and 2012, are expected to be received as follows (in thousands):

	September 30	
	2013	2012
Less than one year	\$ 200	\$ –
One to five years	400	800
	<u>600</u>	<u>800</u>
Less unamortized discount on contributions receivable (0.8%)	(5)	(16)
	<u>(18)</u>	<u>(24)</u>
Allowance for uncollectible contributions	\$ 577	\$ 760

Excluded from contributions receivable are certain items, primarily letters of intent which are not legally binding and gifts conditional on events that have not yet occurred.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid financial instruments with original maturities of three months or less when purchased, which are not classified as assets limited as to use, and which are not maintained in the investment portfolios.

Cash and cash equivalents are maintained with domestic financial institutions with deposits which exceed federally insured limits. It is GHCS's policy to monitor the financial strength of these institutions.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Accounts Receivable

Patient accounts receivable result from the health care services provided by GHCS. Changes to the allowance for doubtful accounts result from changes to the provision for bad debts. Accounts written off as uncollectible are recorded as bad debt expense.

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

Investments

GHCS has designated its investment portfolio as trading. Investment income or loss (including realized gains and losses on investments, interest and dividends) and the change in net unrealized gains and losses are included in the excess of revenue over expenses unless the income or loss is restricted by donor or law.

Investments in equity securities with readily determinable fair values and investments in debt securities are measured at fair value (quoted market prices) in the accompanying consolidated balance sheets.

To diversify its investment portfolio and to enhance opportunities for increased rate of return, GHCS has invested in alternative investments. Alternative investments include investments in non-marketable and market-traded debt and equity securities. Alternative investments are accounted for under the equity method, which is estimated using the net asset values of each alternative investment. Net asset values of these investments, provided by the investment manager or general partner, are primarily based upon financial data derived from underlying securities and other financial instruments and estimates that require varying degrees of judgment. The investments may indirectly expose the Hospital 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, GHCS'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. Certain alternative investments are subject to various withdrawal restrictions regarding timing, fees and enhanced disclosure required transaction limits at September 30, 2013 and 2012. Future funding commitments for alternative investments aggregated approximately \$1.2 million at September 30, 2013.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Short-term investments represent those securities that are available for GHCS's operations and can be converted to cash within one year.

Investment in Orthopedic & Neurosurgery Center of Greenwich, LLC

On October 21, 2010, GASC entered into an agreement to operate Orthopedic & Neurosurgery Center of Greenwich, LLC (the JV), for the purpose of providing outpatient surgical services in the greater Fairfield County and Westchester County communities. GASC holds governance control of the JV and a 35% equity interest in the JV as of September 30, 2013 and 2012.

Accordingly, the accounts of the JV have been included in the balance sheets of GASC. The non-controlling interest in the JV is reported in the consolidated financial statements.

Inventories

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

Assets Limited as to Use

Assets so classified represent assets held by trustees under indenture agreements, beneficial interest in perpetual trusts and designated assets set aside by the Board of Trustees for future capital improvements and other Board approved uses. The Board of Trustees retains control and, at its discretion, may use for other purposes assets limited as to use for plant improvements and expansion. Amounts required to meet current liabilities are reported as current assets. These funds primarily consist of U.S. government securities, mutual funds, and money market funds.

Perpetual Trusts

GHCS is the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts, which are measured based on the fair value of the assets held by the trust, are recognized as assets and contribution revenues at the dates the trusts are established. Distributions from the trusts related to earnings and investment income are recorded as contributions and the carrying value of the assets is adjusted for changes in the fair value.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Interest Rate Swap Agreements

GHCS utilizes interest rate swap agreements to reduce risks associated with changes in interest rates. Interest rate swap agreements are reported at fair value. GHCS is exposed to credit loss in the event of non-performance by the counterparties to its interest rate swap agreements. GHCS is also exposed to the risk that the swap receipts may not offset its variable rate debt service. To the extent these variable rate payments do not equal variable interest payments on the bonds, there will be a net loss or net benefit to GHCS.

Beneficial Interest in Investments Held by the Foundation

GHCS has recognized its beneficial interest in the net assets of the Foundation. The investment is decreased when the Foundation makes distributions to GHCS.

Deferred Financing Costs

Issuance costs, included in other assets related to the GHCS's bond issuance, are being amortized over the term of the applicable indebtedness using the effective interest method. The accumulated amortization of deferred financing costs was approximately \$0.2 million and \$0.1 million for September 30, 2013 and 2012, respectively. Amortization, included in interest expense in the accompanying consolidated statements of operations and changes in net assets, was approximately \$30,000 for the years ended September 30, 2013 and 2012, respectively.

Beneficial Interest in Trusts

GHCS has recognized its beneficial interest in trusts held by a third party at fair value. Under these arrangements, GHCS is receiving distributions to fund free care programs. GHCS received distributions of approximately \$400,000 and \$500,000 for the years ended September 30, 2013 and 2012, respectively.

Beneficial Interest in Remainder Trusts

GHCS is the ultimate beneficiary of certain charitable remainder trusts and similar arrangements. Under most of these arrangements, GHCS is not receiving any distributions, but will be entitled to the remaining assets in the trust upon the death of the donor and any other named beneficiaries. In certain cases, use of such assets ultimately to be received by GHCS is restricted to specific purposes.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Benefits and Insurance

The Hospital provides medical, dental, hospitalization and prescription drug benefits to employees for which it is self-insured. Liabilities have been accrued for claims, including claims incurred but not reported (IBNRs), which are based on Hospital-specific experience. At September 30, 2013 and 2012, the estimated liability for self-insured employee medical, prescription and other benefit claims and IBNRs aggregated approximately \$0.9 million and \$1.2 million, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets.

The Hospital is effectively self-insured for workers' compensation claims. Estimated amounts are accrued for claims, including IBNRs, which are based on Hospital-specific experience. At September 30, 2013 and 2012, the estimated liability for self-insured workers' compensation claims and IBNRs, discounted at 2.5% in 2013 and 3.0% in 2012, aggregated approximately \$2.3 million and \$2.8 million, respectively, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

Professional Liability Insurance

GHCS participates in the YNHHS coordinated professional liability program. Based on the terms of the agreement with YNHHS, GHCS records the actuarially determined liabilities for professional and general liabilities.

Property, Plant and Equipment

Property, plant and equipment purchased are carried at cost, and those acquired by gifts and bequests are carried at fair value established at the date of contribution. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in income from operations. Depreciation of property, plant and equipment is computed by the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives ranging from 3 to 50 years. The cost of additions and improvements are capitalized and expenditures for repairs and maintenance, including the cost of replacing minor items not considered substantial enhancements, are expensed as incurred.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Excess of Revenue Over Expenses

In the accompanying consolidated statements of operations and changes in net assets, excess of revenue over expenses is the performance indicator. Peripheral or incidental transactions are included in excess of revenue over expenses. Those gains and losses deemed by management to be closely related to ongoing operations are included in other revenue; other gains and losses are classified as non-operating.

Contributions of, or restricted to, property, plant and equipment, transfers of assets to and from affiliates for other than goods and services, and pension and other postretirement liability adjustments are excluded from the performance indicator, but are included in the changes in net assets.

Income Taxes

GHCS and its subsidiaries, with the exception of GHSI and GASC, are Connecticut non-stock corporations exempt from federal and state income taxes pursuant to Section 501(a) of the Code as organizations described in Section 501(c)(3) of the Code.

As of September 30, 2013, GHSI had approximately \$25.2 million of federal net operating losses, and approximately \$22.7 million of state net operating losses. These net operating losses will expire through December 31, 2028. No deferred tax assets are reflected because management does not believe they will be realized.

As a qualifying limited liability company, GASC is treated as a partnership for Federal and Connecticut state tax purposes. Accordingly, GASC is subject to Connecticut business entity tax of \$250 annually, after which its net income or loss passes through to GHCS.

Impairment of Assets

GHCS reviews property, equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such impairment indicators are present, GHCS recognizes a loss on the basis of whether these amounts are fully recoverable.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

New Accounting Pronouncement

In July 2011, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* (“ASU No. 2011-07”). In accordance with ASU No. 2011-07, GHCS changed the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue, similar to contractual allowances and discounts. Additionally, GHCS has provided enhanced disclosures about its policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. GHCS adopted this accounting standard update as of October 1, 2012, and retrospectively applied the presentation of the provision for bad debts in the accompanying consolidated statements of operations and changes in net assets to all periods presented. The enhanced disclosure requirements are required in the period of adoption and subsequent reporting periods (see Note 2). GHCS’s adoption of this update has no effect on the previously reported excess of revenue over expenses or on net assets.

Reclassifications

Certain reclassifications have been made to the year ended September 30, 2012 balances previously reported in the financial statements in order to conform with the year ended September 30, 2013 presentation, including the reclassification of provision for doubtful accounts on the statements of operations and changes in net assets related to the adoption of ASU 2011-07.

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue

GHCS has agreements with third-party payors that provide for payments to GHCS at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service discounted charges and per-diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program, includes premium revenue and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

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.

Third-party payor receivables included in other receivables were \$2.3 million and \$2.2 million at September 30, 2013 and 2012, respectively. Third-party payor liabilities included in other current liabilities were \$3.9 million and \$3.2 million at September 30, 2013 and 2012. Third-party payor liabilities included in other long-term liabilities were \$12.1 million and \$11.3 million at September 30, 2013 and 2012, respectively.

GHCS has established estimates, based on information presently available, of amounts due to or from Medicare, Medicaid and other third-party payors for adjustments to current and prior year payment rates, based on industry-wide and hospital-specific data. Such amounts are included in the accompanying consolidated balance sheets. Additionally, certain payors' payment rates for various years have been appealed by GHCS. If the appeals are successful, additional income applicable to those years might be realized.

Revenue from Medicare and Medicaid programs accounted for approximately 26% and 3%, respectively, of GHCS's consolidated net patient service revenue for the year ended September 30, 2013 and approximately 25% and 3%, respectively, of GHCS's consolidated net patient service revenue for the year ended September 30, 2012. Inpatient discharges relating to Medicare and Medicaid programs accounted for approximately 39% and 5%, respectively, for the year ended September 30, 2013 and approximately 38% and 6%, respectively, for the year ended September 30, 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and are 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.

GHCS believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs, and the reduction of funding levels could have an adverse impact on GHCS. Cost reports for GHCS, which serve as the basis for final settlement with government payers have been settled by final settlement through 2007 for Medicare and 1995 for Medicaid. Other years remain open for settlement.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

**2. Accounts Receivable for Services to Patients and Net Patient Service Revenue
(continued)**

The significant concentrations of accounts receivable for services to patients include 29% from Medicare, 5% from Medicaid, and 66% from non-governmental payors at September 30, 2013 and 32% from Medicare, 3% from Medicaid, and 65% from non-governmental payors at September 30, 2012.

Net patient service revenue is comprised of the following for the years ended September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Gross revenue at charges	\$ 1,119,126	\$ 987,697
Deductions:		
Contractual allowances	759,746	638,439
Charity and free care (at charges)	15,851	21,876
Provision for doubtful accounts	14,733	14,027
Net patient service revenue	<u>\$ 328,796</u>	<u>\$ 313,355</u>

Patient service revenue for the year ended September 30, 2013, net of contractual allowances and discounts (but before the provision for bad debts), recognized from these major payor sources based on primary insurance designation, is as follows:

	<u>Third-Party</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
	<i>(in thousands)</i>		
Patient service revenue (net of contractual allowances and discounts)	\$335,099	\$8,430	\$343,529

Deductibles and copayments under third-party payment programs within the third-party payor amount above are the patient's responsibility and GHCS considers these amounts in its determination of the provision for bad debts based on collection experience. Accounts receivable are also reduced by an allowance for doubtful accounts. In evaluating the collectability of

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Accounts Receivable for Services to Patients and Net Patient Service Revenue (continued)

accounts receivable, GHCS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

The GHCS allowance for doubtful accounts totaled approximately \$19.6 million and \$19.9 million at September 30, 2013 and 2012, respectively. The allowance for doubtful accounts for self-pay patients was approximately 60.3% and 51.9% of self-pay accounts receivable as of September 30, 2013 and 2012, respectively. Overall, the total of self-pay discounts and write-offs did not change significantly in 2013. GHCS did not experience significant changes in write-off trends and did not change its charity care policy in 2013.

3. Uncompensated Care and Community Benefit Expense

The GHCS's commitment to community service is evidenced by services provided to the poor and benefits provided to the broader community. Services provided to the poor include services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

GHCS makes available free care programs for qualifying patients. In accordance with the established policies of the GHCS, during the registration, billing and collection process, a patient's eligibility for free care funds is determined. For patients who were determined by the Hospital to have the ability to pay, but did not, the uncollected amounts are bad debt expense. For patients who do not avail themselves of any free care program and whose ability to pay cannot be determined by the Hospital, care given but not paid for is classified as charity care.

Together, charity care and bad debt expense represent uncompensated care. The estimated cost of total uncompensated care is approximately \$11.2 million and \$13.2 million for the years ended September 30, 2013 and 2012, respectively. The estimated cost of uncompensated care is based on the Hospital's cost accounting system. This analysis calculates the actual percentage of accounts written off or designated as bad debt vs. charity care while taking into account the total costs incurred by the hospital for each account analyzed.

The estimated cost of charity care provided was \$5.8 million and \$8.1 million for the years ended September 30, 2013 and 2012, respectively. The estimated cost of charity care is determined by the Hospital's cost accounting system.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Uncompensated Care and Community Benefit Expense (continued)

For the years ended September 30, 2013 and 2012, bad debt expense, at charges, was \$14.7 million and \$14.0 million, respectively. For the years ended September 30, 2013 and 2012, bad debt expense, at cost, was \$5.4 million and \$5.2 million, respectively. The bad debt expense is multiplied by the ratio of cost to charges for purposes of inclusion in the total uncompensated care amount identified above.

The Connecticut Disproportionate Share Hospital Program (“CDSHP”) was established to provide funds to hospitals for the provision of uncompensated care and is funded, in part, by an assessment on hospital net patient service revenue. During the years ended September 30, 2013 and 2012, GHCS received \$2.8 million and \$4.6 million, respectively, in CDSHP distributions, of which approximately \$1.4 million and \$2.8 million, respectively, was related to charity care. GHCS made payments into the CDSHP of \$12.1 million for the years ended September 30, 2013 and 2012, respectively, for the assessment.

Additionally, GHCS provides benefits for the broader community, which includes services provided to other needy populations that may not qualify as poor but need special services and support. Benefits include the cost of health promotion and education of the general community, interns and residents, health screenings and medical research. The benefits are provided through community health services, some of which service non-English speaking residents, disabled children and various community support groups.

In addition to the quantifiable services defined above, GHCS provides additional benefits to the community through its advocacy of community service by employees. GHCS’s employees serve numerous organizations through Board representation, membership in associations and other related activities. GHCS also solicits the assistance of other health care professionals to provide their services at no charge through participation in various community seminars and training programs.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Investments and Assets Limited as to Use

The composition of investments, including investments held by Foundation and assets limited as to use at September 30 is set forth in the following table (in thousands):

	2013	2012
Money market funds	\$ 60,132	\$ 62,771
U.S. equity securities	33,675	23,820
U.S. equity securities – common collective trusts	4,752	3,160
International equity securities (c)	30,868	28,701
Fixed income:		
U.S. government	3,754	4,381
U.S. government – common collective trusts	6,911	7,794
International government	1,073	1,220
Corporate debt (a)	16,829	17,424
Mortgage backed securities (b)	44	250
Hedge funds:		
Absolute return (d)	16,587	16,010
Private equity (e)	7,227	6,470
Commodities	3,209	3,455
Real assets (f)	725	622
	\$ 185,786	\$ 176,078

- (a) Investments consist of PIMCO short-term and total return funds as well as bonds issued by US corporations.
- (b) Investments consist of Fannie Mae, Ginnie Mae, and Federal Home Loan Mortgage Corporation Bonds.
- (c) Investments with external international equity and bond managers that are domiciled in the United States. Investment managers may invest in American or Global Depository Receipts (ADR, GDR) or in direct foreign securities.
- (d) Investment with external multi-strategy fund of funds manager investing in publicly traded equity and credit holdings which may be long or short positions.
- (e) Investments in funds which are directly investing into private companies.
- (f) Investments made in pooled investment funds.

GHCS participates in the Yale-New Haven Health System Investment Trust (the Trust), a unitized Delaware Investment Trust created to pool assets for investment by the Health System nonprofit entities. The Hospital's ownership percentage of the Trust was approximately 1.3% and 1.4% as of September 30, 2013 and 2012, respectively.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Endowment

GHCS's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

GHCS has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GHCS 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 related to GHCS's beneficial interest in perpetual trusts made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GHCS in a manner consistent with the standard of prudence prescribed by CUPMIFA.

In accordance with CUPMIFA, GHCS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of GHCS and the donor-restricted endowment fund; (3) general economic condition; (4) the expected total return from income and the appreciation of investments; (5) other resources of GHCS; and (6) the investment and spending policy of GHCS.

Changes in endowment net assets for the year ended September 30, 2013 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 38,014	\$ 13,050	\$ 21,789	\$ 72,853
Investment return:				
Investment income	95	-	-	95
Net appreciation (realized and unrealized)	7,302	676	322	8,300
Total investment return	7,397	676	322	8,395
Contributions	-	-	125	125
Appropriation of endowment assets for expenditure	(2,400)	(69)	-	(2,469)
Endowment net assets, end of year	<u>\$ 43,011</u>	<u>\$ 13,657</u>	<u>\$ 22,236</u>	<u>\$ 78,904</u>

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Endowment (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2012 are as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 32,673	\$ 11,840	\$ 20,392	\$ 64,905
Investment return:				
Investment income	336	125	–	461
Net appreciation (realized and unrealized)	7,477	1,277	1,297	10,051
Total investment return	7,813	1,402	1,297	10,512
Contributions	–	–	100	100
Appropriation of endowment assets for expenditure	(2,472)	(192)	–	(2,664)
Endowment net assets, end of year	\$ 38,014	\$ 13,050	\$ 21,789	\$ 72,853

Return Objectives and Risk Parameters

GHCS has adopted an investment and a spending policy for endowed assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that over time provide a rate of return that meets the spending policy objectives adjusted for inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

GHCS has a policy of appropriating funds for distribution each year based on the greater of \$800,000 or 5% of the average market value of its investments for the prior 12 quarters. In establishing this policy, GHCS considered the long-term expected return on its endowment.

Net assets released from donor imposed restrictions used for operations and included in other revenue consisted of the following at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Restricted funds to support operations	\$ 3,177	\$ 3,183
Free care fund	444	576
	<u>\$ 3,621</u>	<u>\$ 3,759</u>

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Other specified capital expenditures	\$ 3,262	\$ 3,150
Indigent care	1,717	1,234
Indigent care funds held by trustee	10,410	10,507
Specified health care services and operations	18,517	12,421
Education	2,637	2,687
	<u>\$ 36,543</u>	<u>\$ 29,999</u>

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets are restricted as follows at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Principal to be held in perpetuity (held by the Foundation), with income expendable to support health care services and other activities (reported as nonoperating gains)	\$ 13,283	\$ 13,208
Principal to be held in perpetuity (held by the trustee), with income expendable to support free care programs (reported as an increase in unrestricted net assets)	1,834	1,634
Principal to be held in perpetuity, with income to be spent for restricted purposes as specified by donor (reported as additions to temporarily restricted net assets until released upon satisfaction of restriction)	7,094	6,947
	<u>\$ 22,211</u>	<u>\$ 21,789</u>

7. Long-Term Debt

Long-term debt consists of the following at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
State of Connecticut Health and Educational Facilities Authority Tax Exempt Bonds, Series C (variable interest rates with an average rate of approximately 3.22% for fiscal 2013)	\$ 40,215	\$ 42,645
Less current portion	(2,505)	(2,430)
Long-term portion	<u>\$ 37,710</u>	<u>\$ 40,215</u>

On March 1, 1996, the State of Connecticut Health and Educational Facilities Authority (CHEFA) issued \$62.9 million of its Revenue Bonds on behalf of Greenwich Hospital, Series A, consisting of \$12.8 million of serial bonds and \$50.1 million of term bonds, the proceeds of which have been loaned by CHEFA to the Hospital for the master facility renovation project.

On April 3, 2006, CHEFA issued \$56.6 million of its Revenue Bonds on behalf of Greenwich Hospital, Series B, consisting of auction rate certificates. The proceeds were utilized for the defeasance and retirement of the outstanding Series A revenue bonds at a redemption price of 102%, which occurred on July 1, 2006.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

On May 6, 2008, CHEFA issued \$53.6 million of its Revenue Bonds on behalf of Greenwich Hospital, Series C, consisting of variable rate demand bonds. The proceeds were utilized for the refunding of the outstanding Series B revenue bonds. Principal amounts related to the Series C revenue bonds mature annually each July 1 through fiscal 2026. The effective interest rate of 3.22% is the result of the variable rate paid to bondholders, disclosed as interest expense of approximately \$0.1 million, and net counterparty payments of approximately \$1.3 million in connection with the interest rate swap included in non-operating gains and losses.

The Series C bonds are required to be supported by a letter of credit, which has been executed with Bank of America. The letter of credit is scheduled to expire in May 2016.

For the years ended September 30, 2013 and 2012, the Hospital paid approximately \$0.1 million for interest related to long-term debt, exclusive of the swap agreements.

Aggregate principal and sinking fund payments required by the Hospital for the Series C revenue bonds for fiscal 2014 through fiscal 2018 and thereafter are as follows (in thousands):

2014	\$ 2,505
2015	2,605
2016	2,675
2017	2,790
2018	2,870
Thereafter	26,770
	<u>\$ 40,215</u>

Required payments on the Series C revenue bonds by the Hospital are made to a trustee in amounts sufficient to provide for the payment of principal, interest and sinking fund installments as the same become due, and certain other payments. Additionally, the Hospital has granted a collateral interest to CHEFA on its gross receipts.

Pursuant to the State of Connecticut Health and Educational Authority Trust Indenture (Trust Indenture), dated May 1, 2008, the Hospital is required to maintain a debt service fund with a trustee to cover payment of principal and interest. The Hospital is required to comply with a variety of covenants, including a debt service coverage ratio. In connection with the Bonds, the Parent is part of the Obligated Group with the Hospital (including the Hospital's Foundation).

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Long-Term Debt (continued)

At September 30, 2013 and 2012, the Obligated Group was in compliance with its debt covenants.

In connection with its Series C revenue bonds, the Hospital entered into an interest rate swap agreement (the swap) with a financial institution. Under the terms of the swap, the Hospital will receive variable interest payments and pay fixed interest payments on a notional value of \$27.4 million.

There was a favorable change in fair value of approximately \$2.3 million for the year ended September 30, 2013 and an unfavorable change in fair value of \$0.4 million for the year ended September 30, 2012, which were recorded in the excess of revenue over expenses. Although an unfavorable change in market value of the Series C swap has occurred during the year ended September 30, 2012, the terms of the swap agreement have not required the Hospital to collateralize funds to be held by the financial institution as of September 30, 2013 and 2012.

8. Retirement Plan

Defined Contribution Plan

GHCS provides a defined contribution pension plan for those employees eligible to participate. The plan contains three separate benefits. The incentive contribution, which is generally available to all non-management employees, is designed to reward employees when the Hospital meets certain predetermined quality and financial measures (if paid, this benefit varies based on service from 1% to 3% of pay). Effective January 1, 2007, a matching contribution, which is generally available to all employees no longer accruing benefits under the defined benefit plan, is designed to provide an incentive to employees to save for retirement by matching employee contributions (employees can receive up to 3% of pay on contributions equal to 5% of pay).

The length of service contribution, effective January 1, 2007, which is generally available to all employees no longer accruing benefits under the defined benefit plan, is designed to provide future retirement income that rewards continued service at the Hospital (this benefit varies based on service from 3% to 8% of pay).

In total, GHCS contributed approximately \$5.2 million and \$5.5 million to the Plan for the years ended September 30, 2013 and 2012, respectively.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Plan (continued)

Defined Benefit Plan

Prior to December 31, 2006, the Hospital provided a noncontributory defined benefit pension plan (the Plan) covering substantially all employees. The benefits provided are based on age, years of service and compensation. The Hospital's policy is to at least make annual contributions to fund the Plan's minimum required contribution as defined by the Employee Retirement Income Security Act of 1974. Effective as of December 31, 2006, the Plan was amended to freeze benefits for employees who were under age 50 with less than five years of service. This amendment is reflected in the tables below. Future retirement benefits will be provided through the defined contribution plan for those employees affected by the freeze. Employees who were age 50 or older with five years of service continue to accumulate benefits under the defined benefit plan, and do not participate in the employer matching and length of service portions of the defined contribution plan.

The Hospital is required to measure plan assets and benefit obligations at a date consistent with its fiscal year-end balance sheet. Included in unrestricted net assets at September 30, 2013 and 2012, are the following amounts that have not yet been recognized in net periodic benefit cost (in thousands):

	2013	2012
Unrecognized actuarial loss	\$ (35,339)	\$ (67,659)
Unrecognized prior service cost	(6)	(13)
	\$ (35,345)	\$ (67,672)

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

Unrecognized actuarial loss	\$ 4,592
Unrecognized prior service cost	6
	\$ 4,598

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Plan (continued)

The following table sets forth the change in benefit obligations, change in plan assets and the funded status of the Hospital's Plan at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Change in benefit obligations:		
Benefit obligation, at prior measurement date	\$ 193,078	\$ 167,284
Service cost	2,852	2,942
Interest cost	7,579	8,363
Actuarial (gain) loss	(17,328)	20,749
Benefits paid	(6,976)	(6,260)
Benefit obligation, at current measurement date	<u>\$ 179,205</u>	<u>\$ 193,078</u>
	<u>2013</u>	<u>2012</u>
Change in plan assets:		
Fair value of plan assets, at prior measurement date	\$ 138,914	\$ 121,216
Actual return on plan assets	18,087	19,258
Employer contributions	5,300	4,700
Benefits paid	(6,976)	(6,260)
Fair value of plan assets, at current measurement date	<u>\$ 155,325</u>	<u>\$ 138,914</u>
Pension liability	<u>\$ (23,880)</u>	<u>\$ (54,164)</u>

The actuarial loss in 2013 and actuarial gain in 2012 primarily relates to changes in the discount rate used to measure the benefit obligation.

The projected benefit obligation, accumulated benefit obligation and fair value of Plan assets were as follows at September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Projected benefit obligation	\$ 179,205	\$ 193,078
Accumulated benefit obligation	172,322	183,789
Fair value of plan assets	155,325	138,914

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Plan (continued)

The following table provides the components of the net periodic benefit cost for the Plan for the years ended September 30, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Service cost	\$ 2,852	\$ 2,942
Interest cost	7,579	8,363
Expected return on plan assets	(11,067)	(10,821)
Amortization of prior service cost	6	6
Amortization loss	7,974	3,908
Net periodic benefit cost	<u>\$ 7,344</u>	<u>\$ 4,398</u>

The weighted-average assumptions used in the measurement of the Hospital's net periodic benefit cost and benefit obligations for the years ended September 30, 2013 and 2012, are shown in the following table:

	Net Periodic Benefit Cost		Benefit Obligation	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Discount rate	4.00%	5.10%	4.90%	4.00%
Rate of compensation increase	3.50	3.50	3.50	3.50
Expected rate of return on plan assets	7.75	7.75	-	-

The asset allocation of the Plan at September 30, 2013 and 2012 was as follows:

	2014 Target Allocation	<u>2013</u>	<u>2012</u>
Equity securities	60% – 90%	54%	51%
Debt securities	10% – 40%	16	20
Alternative investments	0% – 25%	30	29
		<u>100%</u>	<u>100%</u>

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Plan (continued)

The plan assets carried at fair value as of September 30, 2013, are classified in the table below in one of the three categories described in Note 15 (in thousands):

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,603	\$ —	\$ —	\$ 1,603
US equity securities	21,349	23,664	—	45,013
International equity securities	—	38,332	—	38,332
Fixed income:				
Corporate debt	22,601	—	—	22,601
Commodities			4,491	4,491
Private equity	—	—	9,843	9,843
Hedge funds:				
Absolute return	—	18,452	14,990	33,442
	<u>\$ 45,553</u>	<u>\$ 80,448</u>	<u>\$ 29,324</u>	<u>\$ 155,325</u>

The plan assets carried at fair value as of September 30, 2012, are classified in the table below in one of the three categories described in Note 15 (in thousands):

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,898	\$ —	\$ —	\$ 1,898
US equity securities	18,311	22,026	—	40,337
International equity securities	—	30,433	—	30,433
Fixed income:				
Corporate debt	26,595	—	—	26,595
Commodities			4,580	4,580
Private equity	—	—	8,319	8,319
Hedge funds:				
Absolute return	—	16,173	10,579	26,752
	<u>\$ 46,804</u>	<u>\$ 68,632</u>	<u>\$ 23,478</u>	<u>\$ 138,914</u>

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Plan (continued)

The composition and presentation of financial assets categorized as Level 3 investments in the tables above for the fiscal year ended September 30, 2012 and 2011 are as follows (in thousands):

	<u>Private Equity</u>	<u>Commodities</u>	<u>Hedge Funds</u>	<u>Total</u>
Beginning balance as of October 1, 2012	\$ 8,319	\$ 4,580	\$ 10,579	\$ 23,478
Income and realized gains	643	–	503	1,146
Unrealized gains (losses)	1,487	(89)	632	2,030
Sales, distributions	(346)	–	(3,724)	(4,070)
Purchases, sales, issuance, settlements, transfers, other	(260)	–	7,000	6,740
Ending balance as of September 30, 2013	<u>\$ 9,843</u>	<u>\$ 4,491</u>	<u>\$ 14,990</u>	<u>\$ 29,324</u>

	<u>Private Equity</u>	<u>Commodities</u>	<u>Hedge Funds</u>	<u>Total</u>
Beginning balance as of October 1, 2011	\$ 7,444	\$ 4,237	\$ 9,848	\$ 21,529
Income and realized gains	678	–	45	723
Unrealized gains	578	343	915	1,836
Sales, distributions	(47)	–	(229)	(276)
Purchases, sales, issuance, settlements, transfers, other	(334)	–	–	(334)
Ending balance as of September 30, 2012	<u>\$ 8,319</u>	<u>\$ 4,580</u>	<u>\$ 10,579</u>	<u>\$ 23,478</u>

Description of Investment Policies and Strategies

The Hospital's investment strategy for its pension assets, balances the liquidity needs of the pension plan with the long-term return goals necessary to satisfy future pension obligations. The target asset allocation seeks to capture the equity premium granted by the capital markets over the long-term while ensuring security of principal to meet near term expenses and obligations through the fixed income allocation. The allocations of the investment pool to various sectors of the markets are designed to reduce volatility in the portfolio.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Retirement Plan (continued)

The Hospital's pension portfolio return assumption of 7.75% is based on the targeted weighted-average return of comparative market indices for the asset classes represented in the portfolio and discounted for pension expenses.

Cash Flows

Contributions: The Hospital expects to make cash contributions of approximately \$5.5 million to the Plan in fiscal 2014.

Estimated Future Benefit Payments: Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows (in thousands):

Years Ending:	
2014	\$ 7,730
2015	8,232
2016	8,972
2017	9,783
2018	10,549
2019 and thereafter	62,459

9. Professional Liability Insurance

Yale-New Haven Hospital ("Y-NHH") and a number of other academic medical centers formed The Medical Center Insurance Company, Ltd. ("the Captive") to insure for professional and comprehensive general liability risks. On January 1, 1999, the Hospital was added to the Y-NHH program as an additional insured. The Captive and its wholly-owned subsidiary write direct insurance and reinsurance for varying levels of per claim limit exposure. The Captive has reinsurance coverage from outside reinsurers for amounts above the per-claim limits. Premiums are based on modified claims-made coverage, and are actuarially determined based on actual experience of the Hospital and the Captive. The Hospital initially pays insurance premiums to YNHHS.

The estimate for modified claims-made professional liabilities and the estimate for incidents that have been incurred and not reported aggregated approximately \$26.3 and \$16.4 million at September 30, 2013 and 2012, respectively. The undiscounted estimate for incidents that have been incurred but not reported aggregated approximately \$6.5 million and \$6.2 million at

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Professional Liability Insurance (continued)

September 30, 2013 and 2012, respectively, and is included in professional liabilities in the accompanying consolidated balance sheets at the actuarially determined present value of approximately \$5.8 million and \$5.5 million, respectively, based on a discount rate of 2.5% and 3.0% for the years ended September 30, 2013 and 2012, respectively.

The Hospital has recorded related insurance recoveries receivable of approximately \$20.5 million and \$10.9 million at September 30, 2013 and 2012, respectively, in consideration of the expected insurance recoveries for the total discounted modified claims-made insurance. The current portion of professional liabilities and the related insurance receivable represents an estimate of expected settlements and insurance recoveries over the next 12 months.

The Hospital's estimates for professional insurance liabilities are based upon complex actuarial calculations which utilize factors such as historical claims experience for the Hospital and related industry factors, trending models, estimates for the payment patterns of future claims and present value discount factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known or when changes are anticipated.

10. Commitments and Contingencies

Leases

GHCS leases various equipment and properties under operating leases, and has long-term commitments under service contracts expiring at various dates through fiscal 2018. Expense under such leases and service contracts was approximately \$3.6 million and \$3.0 million for fiscal 2013 and 2012, respectively.

Future minimum lease payments for each of the following five years subsequent to September 30, 2013, under non-cancelable operating leases and service contracts, are as follows (in thousands):

2014	\$	3,593
2015		3,845
2016		3,666
2017		2,527
2018		515
	\$	<u>14,146</u>

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Commitments and Contingencies (continued)

The Hospital has been involved in leasing leased and owned houses and properties to Hospital employees. Expenses for the years ended September 30, 2013 and 2012 under these leases are included in supplies and other expenses. The amounts received from employees relating to these leases are included in other revenue.

Litigation

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

The Hospital has received requests for information from certain governmental agencies relating to, among other things, patient billings. These requests cover several prior years relating to compliance with certain laws and regulations. Management is cooperating with those governmental agencies in their information requests and ongoing investigations. The ultimate results of those investigations, including the impact on the Hospital, cannot be determined at this time.

11. Functional Expense

Functional expenses related to GHCS's operating activities for the years ended September 30, 2013 and 2012 are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Health care services	\$ 180,849	\$ 160,485
General and administrative	146,201	153,424
	<u>\$ 327,050</u>	<u>\$ 313,909</u>

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Related-Party Transactions

The Hospital purchased certain services from YNHHSO for the years ended September 30, 2013 and 2012, as follows (in thousands):

	2013	2012
Operating expenses:		
Professional and general liability insurance	\$ 4,573	\$ 5,575
Information systems	9,540	6,979
Management services	4,661	3,793
Other support services	19,268	15,445
Physician related strategic support	14,118	12,579
EPIC shared project	8,299	7,076
Expense recoveries	-	(2,176)
	\$ 60,459	\$ 49,271

The Hospital has amounts due to YNHHSO of approximately \$7.5 million and \$12.5 million, included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet, for the years ended September 30, 2013 and 2012, respectively.

13. Supplemental Operating Data

Other revenue consisted of the following at September 30, 2013 and 2012 (in thousands):

	2013	2012
Rental income	\$ 2,045	\$ 1,885
Dining room receipts	1,260	1,377
Purchase discounts and rebates	77	109
Telecom services	193	197
Occupational medicine	488	278
Foundation distributed income	2,400	2,472
Electronic health record incentive payment	1,742	2,043
Net assets released from restrictions for operations	3,621	3,759
Miscellaneous	2,134	1,129
	\$ 13,960	\$ 13,249

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Supplemental Operating Data (continued)

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2012 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The Hospital uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the Hospital is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. Medicare EHR incentive payment revenue was approximately \$1.6 million and \$1.9 million for the years ended September 30, 2013 and 2012, respectively, and Medicaid EHR incentive payment revenue was approximately \$0.1 million for the years ended September 30, 2013 and 2012. EHR incentive payment revenue is included in other revenue in the accompanying consolidated statement of operations and changes in net assets. Income from incentive payments is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated. Additionally, the Hospital's attestation of compliance with the meaningful use criteria is subject to audit by the federal government.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Supplemental Operating Data (continued)

Other non-operating gains and losses, net for the years ended September 30, 2013 and 2012 consisted of the following (in thousands):

	<u>2013</u>	<u>2012</u>
Income from Foundation operations, primarily investment income and net realized gains	\$ 2,020	\$ 665
Less Foundation income distributed to the Hospital included in other revenue	<u>(2,400)</u>	<u>(2,472)</u>
	(380)	(1,807)
Unrestricted contributions	3,284	1,880
Interest and investment income	304	235
Fundraising expenses	(2,424)	(1,925)
Community Health at Greenwich Hospital	(649)	(647)
Net assets released from restrictions used for non-operating activities, net	5	139
Other	<u>(51)</u>	<u>2</u>
	<u>\$ 89</u>	<u>\$ (2,123)</u>

Annually, the Foundation has committed to make a distribution to the Hospital, calculated as the greater of \$800,000 or 5% of the average market value of its investments for the prior 12 quarters.

14. Fair Value Measurements

In determining fair value, the Hospital utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Hospital also considers nonperformance risk in the overall assessment of fair value.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

ASC 820-10, *Fair Value Measurements*, establishes a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

- **Level 1:** Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority to Level 1 assets.
- **Level 2:** Observable inputs that are based on data not quoted in active markets, but corroborated by market data.
- **Level 3:** Unobservable inputs that are used when little or no market data is available. The Level 3 inputs are assigned the lowest priority.

Financial assets and liabilities carried at fair value as of September 30, 2013, are classified in the table below in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 29,569	\$ –	\$ –	\$ 29,569
Money market funds	60,131	–	–	60,131
U.S. equity securities	17,855	–	–	17,855
International equity securities	1,288	–	–	1,288
Fixed income				
U.S. government	3,754	–	–	3,754
Corporate debt	16,829	–	–	16,829
Mortgage Backed Securities	44	–	–	44
International government	528	545	–	1,073
Commodities	690	–	–	690
Real Estate	725	–	–	725
Beneficial interest in remainder trusts	1,832	–	–	1,832
Investments at fair value	\$ 133,245	\$ 545	\$ –	\$ 133,790
Common collective trusts				11,663
Alternative investments				71,734
Investments not at fair value				83,397
Total investments as of September 30, 2013				\$ 217,187
Liabilities:				
Interest rate swaps	\$ –	\$ (4,166)	\$ –	\$ (4,166)

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

The amounts reported in the table above exclude assets invested in the Hospital's defined benefit pension plan (See Note 8).

Financial assets and liabilities carried at fair value as of September 30, 2012 are classified in the table below, in one of the three categories described above (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 14,053	\$ —	\$ —	\$ 14,053
Money market funds	62,771	—	—	62,771
U.S. equity securities	15,207	—	—	15,207
International equity securities	1,816	—	—	1,816
Fixed income				
U.S. government	4,381	—	—	4,381
Corporate debt	17,424	—	—	17,424
Mortgage Backed Securities	250	—	—	250
International government	659	561	—	1,220
Commodities	769	—	—	769
Real Estate	622	—	—	622
Beneficial in remainder trusts	1,641	—	—	1,641
Investments at fair value	\$ 119,593	\$ 561	\$ —	120,154
Common collective trusts				10,954
Alternative investments				60,664
Investments not at fair value				71,618
Total investments as of September 30, 2012				\$ 191,772
Liabilities:				
Interest rate swaps	\$ —	\$ (6,417)	\$ —	\$ (6,417)

The fair value of long-term debt was approximately \$37.7 million and \$42.7 million at September 30, 2013 and 2012, respectively. The fair value of long-term debt is classified as Level 2 in the fair hierarchy as it uses a combination of quoted market prices and valuation based on current market rates.

In addition, included in the table above are investments at September 30, 2013 and 2012 in common collective trusts totaling approximately \$11.7 million and \$11.0 million, respectively, other alternative investments totaling approximately \$71.6 million and \$60.7 million, respectively, that are accounted for under the equity method of accounting. The interest rate swaps listed above are classified in the accompanying balance sheets as other long-term liabilities at September 30, 2013 and 2012.

Greenwich Health Care Services, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

The following is a summary of total investments as of September 30, 2013 with restrictions to redeem the investments at the measurement date, any unfunded capital commitments and investment strategies of the investees (in thousands):

<u>Description of Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity	\$ 7,227	1,218	N/A	N/A
Hedge funds:				
Absolute return	2,745	N/A	N/A	N/A
Global equity	7,097	N/A	30 days	3 years
Total	<u>\$ 17,069</u>			

15. Subsequent Events

Management has evaluated subsequent events through December 23, 2013, which is the date the consolidated financial statements were available to be issued. No events have occurred that require disclosure or adjustment of the consolidated financial statements.

Supplementary Information

Report of Independent Auditors on Supplementary Information

Board of Trustees
Greenwich Health Care Services, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Greenwich Health Care Services, Inc. and Subsidiaries as of and for the years ended September 30, 2013 and 2012, and have issued an unmodified opinion thereon dated December 23, 2013. The consolidating balance sheet and consolidating statement of operations and changes in unrestricted net assets are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statement as a whole.

Ernst & Young LLP

December 2013

Greenwich Health Care Services, Inc. and Subsidiaries

Consolidating Balance Sheet

September 30, 2013

(In Thousands)

	GHCS	Greenwich Hospital	The Greenwich Hospital Endowment Fund	Eliminations	Total Obligated Group	The Perryridge Corporation	Greenwich Health Services, Inc.	Greenwich Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Assets										
Current assets:										
Cash and cash equivalents	\$ 521	\$ 25,344	\$ —	\$ —	\$ 25,865	\$ 1,755	\$ 1,516	\$ 433	\$ —	\$ 29,569
Short-term investments	—	36,063	—	—	36,063	—	—	—	—	36,063
Accounts receivable for services to patients, net	—	34,799	—	—	34,799	—	1,585	897	—	37,281
Other receivables	—	21,944	—	(13,870)	8,074	306	45	—	(3,490)	4,935
Professional liabilities insurance recoveries – current portion	—	6,570	—	—	6,570	—	—	—	—	6,570
Other current assets	—	9,779	—	—	9,779	158	—	157	—	10,094
Total current assets	521	134,499	—	(13,870)	121,150	2,219	3,146	1,487	(3,490)	124,512
Assets limited as to use	—	33,475	56,901	—	90,376	—	—	—	—	90,376
Beneficial interest in net assets of the Foundation	—	56,389	—	(56,389)	—	—	—	—	—	—
Long-term investments	781	45,989	13,358	—	60,128	—	—	—	(781)	59,347
Due from affiliate	—	501	—	—	501	—	—	—	(501)	—
Other assets	—	15,773	—	—	15,773	—	—	11	—	15,784
Professional liabilities insurance recoveries receivable – non-current	—	13,962	—	—	13,962	—	—	—	—	13,962
Property, plant and equipment:										
Land and land improvements	—	8,441	—	—	8,441	15,036	—	—	—	23,477
Buildings and fixtures	—	251,020	—	—	251,020	32,743	—	—	—	283,763
Equipment	—	163,134	—	—	163,134	1,304	1,826	186	—	166,450
	—	422,595	—	—	422,595	49,083	1,826	186	—	473,690
Less accumulated depreciation	—	(194,596)	—	—	(194,596)	(17,050)	(641)	(68)	—	(212,355)
	—	227,999	—	—	227,999	32,033	1,185	118	—	261,335
Construction in progress	—	138	—	—	138	15	—	—	—	153
	—	228,137	—	—	228,137	32,048	1,185	118	—	261,488
Total assets	\$ 1,302	\$ 528,725	\$ 70,259	\$ (70,259)	\$ 530,027	\$ 34,267	\$ 4,331	\$ 1,616	\$ (4,772)	\$ 565,469

Greenwich Health Care Services, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

September 30, 2013

(In Thousands)

	GHCS	Greenwich Hospital	The Greenwich Hospital Endowment Fund	Eliminations	Total Obligated Group	The Perryridge Corporation	Greenwich Health Services, Inc.	Greenwich Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Liabilities and net assets										
Current liabilities:										
Accounts payable	\$ -	\$ 5,989	\$ -	\$ -	\$ 5,989	\$ 23	\$ 18	\$ 53	\$ -	\$ 6,083
Accrued expenses	7	22,545	-	-	22,552	243	1,106	196	(133)	23,964
Current portion of long term debt	-	2,505	-	-	2,505	-	-	-	-	2,505
Professional liabilities – current portion	-	6,570	-	-	6,570	-	-	-	-	6,570
Other current liabilities	681	12,215	13,870	(13,870)	12,896	1,600	2,853	55	(3,357)	14,047
Total current liabilities	688	49,824	13,870	(13,870)	50,512	1,866	3,977	304	(3,490)	53,169
Long-term debt, net of current portion	-	37,710	-	-	37,710	-	-	-	-	37,710
Accrued pension	-	23,880	-	-	23,880	-	-	-	-	23,880
Interest rate swap	-	4,166	-	-	4,166	-	-	-	-	4,166
Other long term liabilities	-	15,804	-	-	15,804	501	-	92	(501)	15,896
Professional liabilities	-	19,717	-	-	19,717	-	-	-	-	19,717
Total liabilities	688	151,101	13,870	(13,870)	151,789	2,367	3,977	396	(3,991)	154,538
Net assets:										
Unrestricted	614	318,845	43,011	(43,011)	319,459	31,900	354	427	(781)	351,359
Temporarily restricted	-	36,543	-	-	36,543	-	-	-	-	36,543
Permanently restricted	-	22,236	13,378	(13,378)	22,236	-	-	-	-	22,236
Total Greenwich Health Care Service net assets	614	377,624	56,389	(56,389)	378,238	31,900	354	427	(781)	410,138
Non-controlling interest in Orthopedic & Neurosurgery Center of Greenwich, LLC	-	-	-	-	-	-	-	793	-	793
Total net assets	614	377,624	56,389	(56,389)	378,238	31,900	354	1,220	(781)	410,931
Total liabilities and net assets	\$ 1,302	\$ 528,725	\$ 70,259	\$ (70,259)	\$ 530,027	\$ 34,267	\$ 4,331	\$ 1,616	\$ (4,772)	\$ 565,469

Greenwich Health Care Services, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Unrestricted Net Assets

Year Ended September 30, 2013

(In Thousands)

	GHCS	Greenwich Hospital	The Greenwich Hospital Endowment Fund	Eliminations	Total Obligated Group	The Perryridge Corporation	Greenwich Health Services, Inc.	Greenwich Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Operating revenue:										
Net patient service revenue	\$ -	\$ 327,698	\$ -	\$ -	\$ 327,698	\$ -	\$ 7,979	\$ 7,852	\$ -	\$ 343,529
Less: Provision for bad debts	-	(14,716)	-	-	(14,716)	-	-	(17)	-	(14,733)
Net patient service revenue, less provisions for bad debts	-	312,982	-	-	312,982	-	7,979	7,835	-	328,796
Other revenue	-	19,797	2,400	(2,400)	19,797	4,393	766	-	(10,996)	13,960
Total operating revenue	-	332,779	2,400	(2,400)	332,779	4,393	8,745	7,835	(10,996)	342,756
Operating expenses:										
Salaries and benefits	-	152,296	-	-	152,296	-	1,690	-	(1,223)	152,763
Supplies and other	11,784	137,021	-	-	148,805	2,007	6,831	3,408	(9,773)	151,278
Depreciation	-	21,233	-	-	21,233	1,070	193	37	-	22,533
Interest	-	469	-	-	469	-	-	7	-	476
Total operating expenses	11,784	311,019	-	-	322,803	3,077	8,714	3,452	(10,996)	327,050
Income (loss) from operations	(11,784)	21,760	2,400	(2,400)	9,976	1,316	31	4,383	-	15,706
Non-operating gains (losses):										
Equity loss in affiliates	1,514	-	-	-	1,514	-	-	-	(1,514)	-
Income from Foundation operations	-	-	(380)	380	-	-	-	-	-	-
Change in fair value of swap, including counterparty payments	-	1,011	-	-	1,011	-	-	-	-	1,011
Change in unrealized gains and losses on investments	-	5,019	5,377	(5,377)	5,019	-	-	-	-	5,019
Other non-operating gains and losses, net	-	140	-	-	140	-	(51)	-	-	89

Greenwich Health Care Services, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Unrestricted Net Assets (continued)

Year Ended September 30, 2013

(In Thousands)

	GHCS	Greenwich Hospital	The Greenwich Hospital Endowment Fund	Eliminations	Total Obligated Group	The Perryridge Corporation	Greenwich Health Services, Inc.	Greenwich Ambulatory Surgery Center, LLC	Eliminations	Consolidated
Excess (deficiency) of revenue over expenses, before non-controlling interest	\$ (10,270)	\$ 27,930	\$ 7,397	\$ (7,397)	\$ 17,660	\$ 1,316	\$ (20)	\$ 4,383	\$ (1,514)	\$ 21,825
Less: Income attributable to non-controlling interest	—	—	—	—	—	—	—	(2,849)	—	(2,849)
Excess (deficiency) of revenue over expenses	(10,270)	27,930	7,397	(7,397)	17,660	1,316	(20)	1,534	(1,514)	18,976
Transfers (to) from affiliates, net	9,988	(9,988)	(2,400)	2,400	—	—	—	—	—	—
Amortization on interest rate swap	—	(72)	—	—	(72)	—	—	—	—	(72)
Transfer from YNHHS	—	700	—	—	700	—	—	—	—	700
Net assets released from restrictions for purchase of fixed assets	—	9	—	—	9	—	—	—	—	9
Pension and other postretirement liability adjustments	—	32,327	—	—	32,327	—	—	—	—	32,327
Other Change	90	—	—	—	90	—	—	—	—	90
Increase (decrease) in unrestricted net assets	\$ (192)	\$ 50,906	\$ 4,997	\$ (4,997)	\$ 50,714	\$ 1,316	\$ (20)	\$ 1,534	\$ (1,514)	\$ 52,030

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