Griffin Health Services Corporation and Subsidiaries

Consolidated Financial Statements and Consolidating Information
September 30, 2014 and 2013

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Independent Auditor's Report

To the Board of Directors of
Griffin Health Services Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of Griffin Health Services Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of operations, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Griffin Health Services Corporation and its subsidiaries at September 30, 2014 and 2013 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

February 6, 2015

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Griffin Health Services Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 13,616,313	$ 10,022,977
Investments	31,664,235	33,424,704
Assets limited as to use	718,522	710,605
Patient accounts receivable, less allowance for doubtful accounts of approximately $4,339,000 and $5,256,000 , respectively	13,166,233	14,743,574
Other current assets	8,302,092	8,105,659
Total current assets	67,467,395	67,007,519
Assets limited as to use		
Board-designated investments	1,255,429	1,191,763
Collateral deposit	855,927	855,461
Under indenture agreement	4,289,408	4,289,166
Total assets limited as to use	6,400,764	6,336,390
Reinsurance recoverable	10,499,409	10,921,703
Contributions receivable	834,002	858,521
Long-term investments	3,927,719	3,413,527
Property, plant and equipment, net	59,480,054	60,381,974
Estimated third party settlements, long-term	765,169	480,486
Beneficial interest in trusts	3,760,171	3,670,942
Other long-term assets	3,136,264	3,121,105
	82,402,788	82,848,258
Total assets	$ 156,270,947	$ 156,192,167

	2014	2013
Liabilities and Net Deficit		
Current liabilities		
Current portion of long-term debt and capital lease obligations	$ 6,247,526	$ 5,724,617
Accounts payable	17,011,984	20,262,935
Accrued expenses	9,713,159	7,913,382
Accrued interest payable	295,828	316,307
Deferred revenue	2,045,325	2,499,799
Accrued postretirement benefit liability	447,000	389,000
Total current liabilities	35,760,822	37,106,040
Estimated third party settlements	5,697,567	3,424,484
Professional and general liability loss reserves	28,873,954	32,175,028
Workers compensation loss reserves	2,178,810	2,317,779
Accrued pension liability	35,030,914	30,640,516
Accrued postretirement benefit liability, net of current portion	8,517,526	7,605,700
Conditional asset retirement obligations	109,412	114,445
Long-term debt, net of current portion	45,213,706	46,821,566
Capital lease obligations, net of current portion	-	110,886
Deferred revenue, long term	1,233,709	2,288,213
Interest rate swap agreements	6,436,499	6,022,007
Total liabilities	169,052,919	168,626,664
Net deficit		
Unrestricted operating net assets	23,134,402	17,677,818
Minority interest in HAIC	(1,284,550)	(565,562)
Cumulative unrecognized pension charges	(44,104,298)	(38,051,834)
Total unrestricted	(22,254,446)	(20,939,578)
Temporarily restricted net assets	3,552,041	2,673,878
Permanently restricted net assets	5,920,432	5,831,203
Total net deficit	(12,781,973)	(12,434,497)
Total liabilities and net deficit	$ 156,270,947	$ 156,192,167

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

Griffin Health Services Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2014 and 2013

	2014	2013
Operating revenues		
Net patient service revenue	$ 140,783,254	$ 129,041,051
Other operating revenue	12,677,437	14,910,925
Net assets released from restrictions for operations	115,867	947,997
Total operating revenues	153,576,558	144,899,973
Operating expenses		
Employee compensation and related expenses	83,196,262	81,540,212
Supplies and other expenses	58,422,506	58,800,407
Depreciation and amortization	6,094,741	6,333,451
Interest	3,685,864	2,680,812
Provision for doubtful accounts, net of recoveries	72,504	30,000
Total operating expenses	151,471,877	149,384,882
Gain (loss) from operations	2,104,681	(4,484,909)
Nonoperating gains (losses)		
Investment income	2,020,394	2,475,312
Net realized and unrealized gains (losses) on interest rate swaps	(1,723,375)	1,803,353
Net gain on equity investment	1,073,140	1,042,119
Unrestricted contributions, gifts and bequests	314,372	519,852
Fund raising expenses	(709,665)	(821,438)
Research grant revenues	2,018,220	2,258,246
Research grant expenses	(1,990,549)	(2,212,379)
Total nonoperating gains	1,002,537	5,065,065
Minority interest	1,501,046	574,943
Excess of revenues over expenses	4,608,264	1,155,099
Other changes in unrestricted net assets		
Change in net unrealized gains and losses on investments	129,332	(450,630)
Net assets released from restrictions for capital	-	500,000
Pension and other post-retirement related charges other than net periodic benefit cost	(6,052,464)	14,637,527
(Decrease) increase in unrestricted net assets	$ (1,314,868)	$ 15,841,996

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

Griffin Health Services Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2014 and 2013

	2014	2013
Unrestricted net assets		
Excess of revenues over expenses	$ 4,608,264	$ 1,155,099
Change in net unrealized gains and losses on investments	129,332	(450,630)
Net assets released from restrictions for capital	-	500,000
Pension and other post-retirement related charges other than net periodic benefit cost	(6,052,464)	14,637,527
(Decrease) increase in unrestricted net assets	(1,314,868)	15,841,996
Temporarily restricted net assets		
Contributions and private grants	952,755	1,040,790
Investment income	202,695	183,002
Net assets released from restrictions for capital	-	(500,000)
Net assets released from restrictions for operations	(277,287)	(304,739)
Increase in temporarily restricted net assets	878,163	419,053
Permanently restricted net assets		
Change in beneficial interest in trusts	89,229	20,849
Increase in permanently restricted net assets	89,229	20,849
Increase in net assets	(347,476)	16,281,898
Net deficit		
Beginning of year	(13,473,377)	(29,755,275)
End of year	$ (13,820,853)	$ (13,473,377)

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

Griffin Health Services Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ (347,476)	$ 16,281,898
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Non-cash correction of an error	1,157,727	-
Pension and other post-retirement related changes other than net periodic benefit cost	6,052,464	(14,637,517)
Depreciation and amortization	6,033,112	5,333,762
Change in unrealized and realized gains and losses on investments	1,266,851	770,563
Loss on joint venture investment	26,864	57,884
Change in beneficial interest in trusts	(89,229)	(20,849)
Minority interest		-
Provision for bad debts, net of recoveries	1,179,965	2,517,760
Change in fair value of interest rate swap	414,492	(3,131,346)
Changes in assets and liabilities		
Patient accounts receivable	397,376	(4,150,789)
Other current assets	(410,734)	3,776,947
Contributions receivable and other	(709,470)	(1,041,160)
Reinsurance recoverable	422,294	(2,668,618)
Accounts payable, accrued expenses and other liabilities	(6,223,706)	(7,417,598)
Estimated third-party settlements	1,988,400	967,895
Deferred revenue	(1,535,842)	(306,381)
Accrued pension and postretirement benefit liabilities	(692,240)	1,925,002
Total adjustments	9,278,324	(18,024,445)
Net cash provided by (used in) operating activities	8,930,848	(1,742,547)
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(3,554,537)	(2,629,674)
Purchases of investments	(15,613,205)	(18,918,855)
Proceeds from sales and maturities of investments	15,520,340	26,656,772
Net cash (used in) provided by investing activities	(3,647,402)	5,108,243
Cash flows from financing activities		
Contributions restricted for capital acquisitions	733,989	1,027,777
Proceeds from borrowing	735,000	-
Principal payments on debt	(2,108,220)	(3,092,505)
Principal payments on capital lease obligations	(1,050,879)	(1,909,679)
Net cash used in financing activities	(1,690,110)	(3,974,407)
Net increase (decrease) in cash and cash equivalents	3,593,336	(608,711)
Cash and cash equivalents		
Beginning of year	10,022,977	10,631,688
End of year	$ 13,616,313	$ 10,022,977
Supplemental disclosures of cash flow information		
Interest paid	$ 3,876,449	$ 4,039,610
Supplemental disclosure of noncash financing activities		
Property, plant and equipment included in accounts payable and accrued expenses	1,765,010	587,722

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

1. Organization

Griffin Hospital Services Corporation ("GHSC") is the parent corporation for a group of subsidiaries which consists of The Griffin Hospital (the "Hospital"), a licensed 160-bed acute care hospital located in Derby, Connecticut; the Griffin Hospital Development Fund ("GHDF"), the fund raising organization for GHSC and the other GHSC tax-exempt subsidiaries; G.H. Ventures, Inc. ("GHV"), a for profit organization currently managing medical office buildings; Planetree, Inc. ("Planetree"), a not-for-profit entity assisting hospitals and other health care facilities in the development and implementation of a patient centered model of care; the Griffin Faculty Practice Plan, Inc. ("FPP"), a not-for-profit entity and subsidiary of the Hospital, incorporated for the purpose of providing medical services and to charge for services performed by physicians as supervisors of interns; and Healthcare Alliance Insurance Company, Ltd. ("HAIC"), a GHSC controlled off-shore captive insurance company.

Healthcare Alliance Insurance Company, Ltd.
HAIC offers professional and general liability coverage to the Hospital and to the Greater Waterbury Health Network and its subsidiaries (including Waterbury Hospital), and to nonemployed attending physicians on the medical staffs of Griffin and Waterbury Hospitals.

Effective July 1, 2013, HAIC and Milford Hospital entered into a share redemption agreement under which HAIC redeemed all of the shares issued to Milford of $1 per share. Additionally, contributed surplus and retained deficit attributed to Milford were extinguished as part of the transaction.

GHSC holds 120,000 shares of Class A Stock and maintains seven seats on the HAIC Board of Directors and the Great Waterbury Health Network holds 120,000 shares of Class C Stock and maintains three seats on the HAIC Board of Directors. GHSC is responsible for management of the HAIC's operations as the managing partner.

During the preparation of the September 30, 2014 financial statements, the Hospital identified two prior period errors in accounting. The first is for a capital equipment lease the Hospital entered into in Fiscal 2010 where the lease obligation amount capitalized was not correctly amortized. The second is the purchase of a perpetual software license entered into in Fiscal 2012 where the amounts capitalized were not correct. The Company has corrected the errors by charging $123,744 to depreciation expense and $1,104,486 to interest expense in the year ended September 30, 2014 financial statements. The Hospital also increased its capital lease obligation and accrued liabilities by $1,489,468 and its property, plant and equipment balance by $261,238. Correction of the errors had the effect of decreasing net assets as of October 1, 2013 by $1,228,230. The Hospital has evaluated the errors and does not believe the amounts are material to any of the periods impacted.

2. Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of GHSC and its subsidiaries (the "Corporation"). All significant intercompany accounts and transactions are eliminated in consolidation. Minority interest represents Waterbury's proportionate share of their equity in HAIC.

Basis of Presentation
The consolidated financial statements have been prepared on the accrual basis of accounting.

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

Permanently Restricted
Net assets subject to explicit donor-imposed stipulations that they be maintained by the Corporation in perpetuity are classified as permanently restricted. Generally, the donors of these assets permit the Corporation to use all or part of the investment return on these assets for operating purposes.

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

Unrestricted
Net assets that are not subject to explicit donor-imposed stipulations are classified as unrestricted. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Revenues from sources other than contributions are reported as increases to unrestricted net assets. Contributions are reported as increases in the applicable category of net assets, consistent with donor designation. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Grants revenues and expenses relating to Corporation operations are included within operating revenues and expenses. Grant revenues and expenses relating to research are included within nonoperating gains and losses.

Contributions, including unconditional promises to give, are recognized as increases in net assets at the date the gift or promise is received. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Accretion of the discount is recorded as additional contribution revenue in accordance with the donor-imposed stipulations, if any, on the contributions.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted support. These contributions are reclassified to unrestricted net assets when the capital asset is acquired or placed in service.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Corporation's significant estimates include allowances for patient accounts receivable, contractual

allowances and estimated final settlements due to or from third party payors, professional and general liability loss reserves, and pension assumptions.

Cash and Cash Equivalents
Cash and cash equivalents include investments in highly liquid instruments with a maturity of three months or less when purchased, excluding amounts whose use is limited by the Corporation's Board of Trustees designation or other restrictive arrangements.

The majority of the Corporation's banking activity, including cash and cash equivalents, is maintained with a regional bank and from time to time exceeds federal insurance limits. It is the Corporation's policy to monitor the bank's financial strength on an ongoing basis.

Beneficial Interest in Trusts
The fair value of contributions received from perpetual trust assets held by third parties is measured at the Corporation's proportionate share of the fair value of the trust's assets at the time the Corporation is notified of the trust's existence and periodically adjusted for changes in value. Distributions received by the Corporation may be restricted by the donor. These assets are classified as permanently restricted net assets.

Inventories
Inventories which are included in other current assets are stated at the lower of cost, using the first-in, first-out method, or market. Inventories are included in other current assets.

Fair Value Measurements
Fair value standards define fair value and establish a framework for measuring fair value. The framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this principle are as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

The fair value of the Corporation's investments is determined based on quoted market values or significant observable or unobservable inputs.

The fair value of the Corporation's interest rate swaps liability is based on observable inputs other than quoted prices for similar instruments.

Investments and Investment Income
Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value at the balance sheet date. Investments of donor restricted funds are classified as long-term investments. Investment income or loss (including realized gains and losses, interest and dividends and unrealized gains and losses of GHSC, the Hospital and GHDF) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Corporation's Board of Trustees in a depreciation fund for future capital improvements, restricted cash, and assets held by a trustee under an indenture agreement.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost or in the case of donated property at the fair value at the date of gift. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Uniform useful lives assigned to assets are based upon the American Hospital Association estimated useful lives of depreciable hospital assets guidelines and range from 3 to 40 years. Maintenance and repairs are charged to expense as incurred, and betterments and major renewals are capitalized. Upon sale or disposal of property, plant or equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Equipment under capital lease assets is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization. Interest cost incurred on borrowed funds during the construction period of capital assets is capitalized as a component of the cost of acquiring those assets.

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

Equity Method Joint Venture Investment
The Hospital, through its Prevention Research Center, developed a nutritional food scoring algorithm, Overall Nutritional Quality Index ("ONQI"). The algorithm is patent pending, and all intellectual property rights associated with ONQI belong to the Hospital.

In February 2008, G. H. Ventures entered into a joint venture arrangement, NuVal, LLC ("NuVal") with Topco Associates, LLC ("Topco"), an unrelated company, for the purpose of pursuing commercial opportunities associated with the ONQI technology. The Hospital and Topco agreed that the Hospital would capitalize the joint venture by granting NuVal an exclusive, worldwide license (agreed-upon fair value of $11,000,000) and Topco would contribute $5,500,000 in cash. Both the Hospital and Topco would have initial 50% ownership interests in NuVal. During 2008, the Hospital transferred its interest in this investment to GHV. As GHV does not have control, but does exercise significant influence, this investment is recorded using the equity method. GHV's ownership was approximately .5% and 1.1% as of September 30, 2014 and 2013, respectively.

The Corporation recorded its initial investment at its cost of the contributed ONQI technology which was $0. During 2008, the Corporation received a return of its investment of $2,200,000 in cash and $800,000 to be held in escrow by Topco in the event the joint venture requires additional financing. These amounts were recorded as a reduction of its investment in NuVal. This resulted in a difference between the amount at which the investment is carried and the amount of the underlying equity in net assets of NuVal of $11,000,000. The Corporation is amortizing this difference over the estimated life of the intellectual property of ten years. Approximately $1,100,000 was amortized in both 2014 and 2013, which was included in nonoperating gains (losses) in the consolidated statement of operations.

In 2014 and 2013, the Corporation recorded its proportionate loss on its equity investment in NuVal of approximately $27,000 and $58,000, respectively, (included in nonoperating gains (losses) in the consolidated statement of operations. As a result of the above, the Corporation's investment in NuVal at September 30, 2014 and 2013 is a liability of approximately $1,233,000 and $2,306,000, respectively. This amount is reported in the consolidated balance sheet in deferred revenue.

Asset Retirement Obligation

The Corporation accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the Corporation will recognize a gain or loss for any difference between the settlement amount and the liability recorded.

Cost of Borrowing

Issuance costs and premiums related to the Hospital's bonds are being amortized/accreted using the effective interest method over the life of the debt. Net amortization expense, which is included in interest expense, was $123,064 and $144,540 for 2014 and 2013, respectively.

The discount from face value at which debt has been issued is reflected as a reduction of the carrying value of such debt. The premium from face value of which debt has been issued is reflected as an addition to the carrying value of such debt. Discounts and premiums are amortized or accreted over the life of the debt using the effective interest method.

Reinsurance Recoverable

HAIC records amounts recoverable from reinsurers for claims submitted to reinsurers and the reinsured portion of reserves for losses and loss adjustment expenses on the reinsured policies. Reinsurance receivables reflect only the amount ultimately recoverable from the reinsurer.

Professional and General Liability Loss Reserves
The liability for claims is determined by management based on data processed by independent loss adjusters. The liability for adverse claims development and the liability for claims incurred but not reported are determined by management based on actuarial studies of related data prepared by independent actuaries.

Due to the nature of the underlying insurance risks and the general uncertainty surrounding medical malpractice claims settlements, the liability for losses is an estimate and could vary significantly from the amount ultimately paid. However, the liability for losses reflects the best estimate of ultimate loss based on historical experience and actuarial projections.

Included in the 2014 and 2013 balance sheet is an increase in assets and liabilities attributed to the recognition of both an accrued liability and a receivable relative to claim exposure in excess of excess liability coverage.

Excess of Revenues Over Expenses
The statement of operations includes a deficiency of revenues over expenses. Changes in unrestricted net assets, which are excluded from deficiency of revenues over expenses, consistent with industry practice, include net unrealized gains and losses on investments for HAIC, pension and other post retirement related changes other than net periodic benefit cost, capital infusion, and 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).

New Accounting Pronouncement
The Corporation adopted Accounting Standard Update (“ASU”) No. 2011-7, which requires health care entities to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally those health care entities are required to provide enhanced disclosures about their policies for recognizing revenue, assessing bad debts, and disclosures of patient service revenue (net of contractual allowances and discounts).

Net Patient Service Revenue
The Corporation has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges per diem payments, fee schedule payments and capitated fees. 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 due to future audits, reviews and investigations.

Contractual allowance adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews or investigations. Contracts and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the future. During 2014 and 2013, the Corporation recorded several adjustments for amounts recognized related to prior years, including adjustments to prior year estimates. The net effect of such adjustments was a decrease in net patient service revenue of approximately $1,034,000 and $196,000 in 2014 and 2013, respectively.

Free Care
The Corporation provides care to patients who meet certain criteria under its free care policy without charge or at amounts less than its established and contractual rates. Because the Corporation does not pursue collection of amounts determined to qualify as free care, they are not reported as revenue. Free care of approximately $3,785,000 and $4,850,000 measured at the Corporation's respective established rates was provided in fiscal 2014 and 2013, respectively.

Income Taxes
The Corporation and its subsidiaries, with the exception of GHV, are not-for-profit organizations and are exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

GHV has unused net operating loss carry forwards of approximately $4,881,000 and $4,819,000 available to offset future taxable income as of September 30, 2014 and 2013, respectively. These carry forwards expire in various years through 2015. Deferred tax assets relate primarily to the tax effects of this net operating loss carry forwards. Because there is no assurance that GHV will have taxable income in the future, the deferred tax assets have been fully offset by a valuation allowance. There is no current tax provision in fiscal 2014 and 2013.

HAIC, located in the Cayman Islands, is not subject to income, estate, corporation, capital gains or other taxes payable under current Cayman Islands law.

Subsequent Events
Management has evaluated subsequent events for the period after September 30, 2014 through February 6, 2015, the date the financial statements were issued.

Reclassifications
Certain amounts in the 2013 consolidating financial statements have been reclassified to conform to the 2014 financial statement presentation.

3. Net Patient Service Revenue

Net patient service revenue for the years ended September 30, 2014 and 2013 is comprised as follows:

	2014	2013
Patient service charges	$ 489,804,116	$ 445,038,123
Contractual allowances	(347,914,401)	(313,509,312)
Net patient service revenue (less contractuals)	141,889,715	131,528,811
Provision for doubtful accounts, net of recoveries	(1,107,461)	(2,787,760)
Net patient service revenue	$ 140,782,254	$ 128,741,051

The Corporation has agreements with the Federal Medicare Program ("Medicare"), the State of Connecticut ("State") Medicaid Program ("Medicaid"), and certain indemnity and managed care programs that determine payments for services rendered to patients covered by these programs.

A summary of the payment arrangements with major third-party payors is as follows:

Medicare
The Corporation is reimbursed for services rendered to nonpsychiatric inpatients under the prospective payment system ("PPS"), under which payments are based on standard national and regional amounts depending on patient diagnosis (Diagnosis Related Group or "DRG") and without regard to the Corporation's actual costs. PPS permits additional payments, within specified limitations, to be made for atypical cases (outliers) and graduate medical education. Inpatient psychiatric services are also paid under a prospective per diem payment system established by Medicare.

The Corporation is reimbursed for most outpatient services under a prospective payment methodology based on ambulatory payment classifications ("APC") which are paid on standard national and regional amounts for procedures rendered to the patients and without regard to the Corporation's actual costs. The remaining outpatient services (e.g., routine clinical lab, physical therapy) are reimbursed on a fee schedule.

The Corporation is reimbursed for cost reimbursable items at a tentative rate with final settlement after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year the examination is substantially complete. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2011.

Medicaid
Inpatient services rendered to Medicaid program beneficiaries, except for those beneficiaries in the State's Aid to Families with Dependent Children ("AFDC") population, are reimbursed under a cost reimbursement methodology. The Corporation is reimbursed a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the State. Outpatient services are reimbursed at predetermined fee schedules or percent of charges.

Other Payors
The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, fee schedule payments and capitated fees.

Future Reimbursement
Current trends in the health care industry include mergers and other forms of affiliations among providers, increasing shifts to managed care, an overall reduction in inpatient average length of stay, increasingly restrictive reimbursement policies by governmental and private payors, and the prospect of significant changes in legislation at the State and national level. The Corporation cannot assess or project the ultimate effect of these or other items that may have an impact on the future operations of the Corporation.

4. Investments

Assets Limited as to Use

The composition of assets limited as to use at September 30, 2014 and 2013 is set forth as follows:

	2014 Cost	2014 Fair Value	2013 Cost	2013 Fair Value
Board designated				
Internally designated for capital acquisition				
Cash and cash equivalents	$ 30,866	$ 30,866	$ 43,179	$ 43,179
Cash collateral deposits	855,927	855,927	855,461	855,461
Internally designated for scholarships, professional and general liabilities				
Cash and cash equivalents	1,060,652	1,224,563	1,026,794	1,148,584
	1,947,445	2,111,356	1,925,434	2,047,224
Held by trustee under indenture agreement				
U.S. Treasury obligations	5,007,632	5,007,332	4,999,286	4,998,664
Accrued interest receivable	598	598	1,107	1,107
	5,008,230	5,007,930	5,000,393	4,999,771
Less: Current portion	(718,522)	(718,522)	(710,605)	(710,605)
	4,289,708	4,289,408	4,289,788	4,289,166
	$ 6,237,153	$ 6,400,764	$ 6,215,222	$ 6,336,390

Investments

Investments, at fair value, at September 30 include:

	2014 Cost	2014 Fair Value	2013 Cost	2013 Fair Value
Cash and cash equivalents	$ 1,125,691	$ 1,125,693	$ 2,811,818	$ 2,811,818
Fixed income securities	19,380,434	20,443,939	19,941,364	19,754,062
Marketable equity securities	12,697,519	14,022,322	12,146,175	14,272,351
	$ 33,203,644	$ 35,591,954	$ 34,899,357	$ 36,838,231

Investment income and unrealized gains and losses for assets limited as to use, cash equivalents and other investments are comprised of the following for 2014 and 2013:

	2014	2013
Income		
Interest and dividend income	$ 882,875	$ 951,955
Net realized gain	585,406	1,182,132
Change in net unrealized gains and loss on investments	552,113	321,206
	$ 2,020,394	$ 2,455,293
Other changes in unrestricted net assets		
Change in net unrealized gains and losses on HAIC investments	$ 129,332	$ (450,630)

The following table represents the Corporation's financial assets and liabilities by fair value hierarchy as of September 30, 2014:

		Fair Value Measurements		
September 30, 2014	**Fair Value**	**Quoted Prices in in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments				
Cash and cash equivalents	$ 1,125,691	$ 1,125,691	$ -	$ -
Fixed income securities	20,443,943	6,050,959	14,392,984	
Marketable equity securities	14,022,321	9,411,799	4,610,522	
Total investments	35,591,955	16,588,449	19,003,506	-
Beneficial interest in trusts	3,760,171	3,760,171		
Contributions receivable	834,002			834,002
Total assets at fair value	$ 40,186,128	$ 20,348,620	$ 19,003,506	$ 834,002
Liabilities				
Interest rate swaps liability	$ 6,436,499	$ -	$ 6,436,499	$ -
Total liabilities at fair value	$ 6,436,499	$ -	$ 6,436,499	$ -

The following table sets forth a summary of changes in the fair value of the Corporation's Level 3 assets for the year ended September 30, 2014:

Beginning balance at September 30, 2013	$ 4,529,463
Net change in unrealized value of interest in trusts	89,229
New contributions	733,989
Payments on contributions receivable	(751,008)
Assets released from restriction	-
Change in discount and allowance on contributions receivable	(7,500)
Balance at September 30, 2014	$ 4,594,173

There were no transfers between any levels during 2014 or 2013.

The following table represents the Corporation's financial assets and liabilities by fair value hierarchy as of September 30, 2013:

		Fair Value Measurements		
September 30, 2013	**Fair Value**	**Quoted Prices in in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments				
Cash and cash equivalents	$ 2,811,818	$ 2,811,818	$ -	$ -
Fixed income securities	19,754,062	7,052,011	12,702,051	-
Marketable equity securities	14,272,351	8,996,247	5,276,104	-
Total investments	36,838,231	18,860,076	17,978,155	-
Beneficial interest in trusts	3,670,942	3,670,942	-	-
Contributions receivable	858,521	-	-	858,521
Total assets at fair value	$ 41,367,694	$ 22,531,018	$ 17,978,155	$ 858,521
Liabilities				
Interest rate swaps liability	$ 6,022,007	$ -	$ 6,022,007	$ -
Total liabilities at fair value	$ 6,022,007	$ -	$ 6,022,007	$ -

The following table sets forth a summary of changes in the fair value of the Corporation's Level 3 assets for the year ended September 30, 2013:

Beginning balance at September 30, 2012	$ 4,491,906
Net change in unrealized value of interest in trusts	131,432
New contributions	1,027,777
Payments on contributions receivable	(1,030,092)
Assets released from restriction	(110,582)
Change in discount and allowance on contributions receivable	19,022
Balance at September 30, 2013	$ 4,529,463

There were no transfers between any levels during 2013 or 2012.

5. Contributions Receivable

Unconditional promises to give in the gross amount of $883,971 and $900,991 were outstanding as of September 30, 2014 and 2013, respectively. The discount rate used to calculate the present value of contributions receivable was 4% at September 30, 2014 and September 30, 2013.

Contributions receivable, net, at September 30, 2014 and 2013 are as follows:

	2014	2013
Contributions receivable	$ 883,972	$ 900,991
Less:		
Allowance for uncollectible pledges	(31,863)	(24,363)
Discounts on pledges receivable	(18,107)	(18,107)
	$ 834,002	$ 858,521

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation as of September 30, 2014 and 2013 are summarized as follows:

	2014	2013
Land and improvements	$ 5,633,473	$ 5,633,473
Buildings and improvements	79,608,167	78,588,394
Fixed and movable equipment	76,750,211	74,149,376
	161,991,851	158,371,243
Less: Accumulated amortization and depreciation	(103,189,081)	(98,199,515)
	58,802,770	60,171,728
Construction-in-progress	677,284	210,246
	$ 59,480,054	$ 60,381,974

Depreciation and amortization expense was $5,263,987 and $5,095,249 in 2014 and 2013, respectively.

Included in property, plant and equipment as of September 30, 2014 and 2013 are capital lease assets for major movable equipment with a cost of $9,344,268. Accumulated amortization on the respective capital lease assets was $6,576,125 and $5,727,151 as of September 30, 2014 and 2013, respectively.

Amortization expense on capital lease assets was $835,984 and $1,238,202 for 2014 and 2013, respectively.

7. Insurance Liability Loss Reserves

HAIC insures the professional and general liabilities of the Hospital under a claims-made policy with a retroactive date of October 1, 1986. There are known claims and incidents that may result in the assertion of additional claims as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital has utilized independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice reserves for professional and general liability have been discounted at 3.25% at September 30, 2014 and 3.25% at September 30, 2013. The Hospital has purchased insurance coverage to cover claims in excess of $1,500,000 and $4,500,000 in the aggregate. In management’s opinion these reserves provide an adequate reserve for loss contingencies.

Effective January 1, 2003 Griffin Hospital began retaining the first $250,000 of all loss and allocated loss adjustment expense per accident for its workers compensation exposure. Excess coverage above $250,000 per accident was purchased. Beginning January 1, 2007 the per occurrence retention was increased to $300,000. Annual aggregate coverage was also purchased which provides $1 million of coverage above a maximum limit of retained losses within the per occurrence retention. Beginning October 1, 2010 the per occurrence retention was increased to $400,000 and the annual aggregate coverage was discontinued. The workers' compensation reserves have been discounted at 2.5% and 2.5% at September 30, 2014 and 2013, respectively, and in management's opinion provide an adequate reserve for loss contingencies.

The Hospital also has recorded self-insurance reserves for its employee health plan, for the deductible portion of workers' compensation indemnity losses from January 1, 1999 and prior, and for the medical cost component of its workers' compensation losses prior to January 1, 2003, subject to certain umbrella and stop-loss coverage limits. The Hospital accrues its best estimate of its retained liability for occurrences through each balance sheet date.

Effective March 28, 2013 the Hospital entered into a novation agreement with American Insurance Group Inc., where it legally transfers all exposure relating to primary layer professional liability and physicians professional liability policies issued to the Hospital in the years 2006/07, 2007/08, 2009/10, 2010/11 and 2011/12, by making a onetime premium payment of $7,400,000. The loss portfolio transfer effectively transfers the liabilities and subsequent adverse claim development risk to a third party insurer. As a result of the transaction, cash of $3,900,000 became unrestricted and was transferred from HAIC to the Hospital. In addition, a loss of $818,214 was realized on the transaction. The loss was the result of the premium payment exceeding the amount of loss reserves previously recorded at HAIC. The loss is included in the fiscal year 2013 operating expenses of the Hospital.

8. Long-Term Debt

Long-term debt consists of the following at September 30, 2014 and 2013:

	2014	2013
Mortgage note payable in monthly installments of $6,002, including interest at 4.5%, through December 2037	$ 1,013,631	$ 1,035,034
Mortgage note payable in monthly installments of $11,172, including interest at 4.5%, through December 2037	1,886,703	1,933,520
Loan payable	735,000	-
State of Connecticut Health and Educational Facilities Authority		
Series B	14,725,000	15,990,000
Series C	21,025,000	21,575,000
Series D	10,125,000	10,350,000
Premiums and discount on bonds, net of accumulated accretion and amortization of $477,391 and $401,323, respectively	364,634	440,712
	49,874,968	51,324,266
Less: Current portion	(4,661,262)	(4,502,700)
	$ 45,213,706	$ 46,821,566

The State of Connecticut Health and Educational Facilities Authority ("CHEFA") Revenue Bonds, The Griffin Hospital Issue, Series B, totaling $24,800,000 were issued in February 2005. The Series B bonds bear interest at rates ranging from 2.4% to 5.0%. Interest is due semi-annually on January 1 and July 1. A bond premium of $969,815 and bond issuance costs of $1,196,512 are amortized over the life of the bond using the effective interest rate method. The Series B bonds are insured by Radian Asset Guaranty Corporation. The bonds are payable annually each July 1 through 2015 and the Term bonds mature on July 1, 2020 and July 1, 2023 in the amounts of $7,750,000 and $5,640,000, respectively. The Series B bonds maturing after July 1, 2015 are subject to redemption prior to maturity commencing July 1, 2015. The estimated fair value of the Series B bond was approximately $14,841,000 and $15,960,000 at September 30, 2014 and 2013, respectively.

In May 2007, CHEFA issued $23,125,000 variable rate revenue bonds, The Griffin Hospital Issue, Series C, and $10,925,000 variable rate revenue bonds, The Griffin Hospital Issue, Series D.

In May 2008, the Hospital refunded The Griffin Hospital Issue 2007 Series C and The Griffin Hospital Issue 2007 Series D bonds, which were initially issued as auction rate bonds and issued $23,125,000 Griffin Hospital Issue 2008 Series C Variable Rate Demand Bonds and $10,925,000 Griffin Hospital 2008 Series D Variable Rate Demand Bonds (together referred to as "Series 2008 Bonds"). The Series 2008 Bonds are insured by Radian Asset Guaranty Corporation.

In order to provide liquidity for the Series 2008 Bonds, the Hospital has a standby letter of credit with Wells Fargo Bank N.A. for $34,050,000 which expires in May 2016. Should the Series 2008 Bonds be put back, and the standby letter of credit be called, the Hospital would be required to repay the principal ratably over a 5-year period, beginning 180 days following the put.

Under the terms of the CHEFA bonds, the Obligated Group (the Hospital, GHSC and GHDF) are required to maintain 50 days operating cash on hand, an average payment period days of less than 110 days and a debt service coverage ratio of 1.2 to 1. Additionally, the Obligated Group is required to maintain a capitalization ratio excluding any realized or unrealized gain or loss on the interest rate swap instrument of less than .65.

The obligated group was in compliance with all debt covenants in fiscal year 2014.The CHEFA bonds are collateralized by the gross receipts of the Obligated Group and certain real property of the Hospital.

In August 2014 the Hospital entered into a loan in the amount of $735,000 to finance certain diagnostic equipment. The loan is for five years at a rate of 4.5% payable monthly in a fixed amount of $13,703 per month.

Aggregate scheduled principal payments on all long-term debt are approximately as follows:

2015	$ 2,346,262
2016	2,445,966
2017	2,576,118
2018	2,716,735
2019	2,827,842
Thereafter	36,597,411
	$ 49,510,334

To the extent the Hospital is unable to remarket the Series 2008 bonds, the Hospital would be obligated to repurchase these bonds from the proceeds of the Hospital's standby letter of credit. The previous debt maturities table reflects the payment of principal on these bonds according to their scheduled maturity dates. If the Series 2008 bonds were fully tendered by the bondholders to the Hospital as of September 30, 2014, the table of annual principal payments would become:

2015	$ 4,661,262
2016	7,850,966
2017	7,931,118
2018	8,021,735
2019	8,107,842
Thereafter	12,937,411
	$ 49,510,334

Under the terms of the bond agreements, the Hospital is required to maintain certain funds with a trustee for specified purposes and time periods. These funds can be used only for the purposes specified in the Trust Indenture. Required payments to the trustee are made by the Hospital in amounts sufficient to provide for the payment of principal, interest and sinking fund installments as they become due, and certain other payments. Assets held by the trustees pursuant to the indentures as of September 30, 2014 and 2013 are as follows:

	2014	2013
Debt service reserve fund	$ 4,288,555	$ 4,288,126
Debt service fund	184,260	199,829
Principal fund	535,119	511,955
Accrued interest receivable	598	1,107
	$ 5,008,532	$ 5,001,017

Derivative Instruments

The Hospital initially issued its Series 2007 Series C and 2007 Series D bonds bearing interest at a variable rate. In May 2007, the Hospital entered into two interest rate swap agreements to manage interest rate risk. These agreements involve payments of fixed rate interest payments by the Hospital in exchange for receipt of variable rate interest payments from the counterparties, based on a percentage of the London Interbank Offered Rate (LIBOR). In 2008, the Hospital refinanced the Series 2007 bonds and issued Series 2008 Bonds. These bonds also bear interest at a variable rate. The two original swap agreements continue to be utilized by the Hospital to manage its interest rate risk. At September 30, 2014, the notional amount of the derivative financial instruments for currently outstanding debt entered into by the Hospital was $21,575,000 (Series 2008 Issue C nontaxable bonds) and $10,350,000 (Series 2008 Issue D taxable bonds), respectively.

Upon the occurrence of certain events of default or termination events identified in the derivative contracts, either the Hospital or the counterparty could terminate the contract in accordance with its terms. Termination would result in the payment of a termination amount by one party to compensate the other party for its economic losses. The cost of termination would depend, in major part, on the then current interest rate levels, and if the interest rate levels were then lower than those specified in the derivative contract, the cost of termination to the Hospital could be significant.

The fair value of these derivatives was a liability of $6,436,499 and $6,022,007 as of September 30, 2014 and 2013, respectively, which is included in long-term liabilities. The impact of the change in fair value was a loss of $1,723,375 and a gain of $3,131,346 for the years ended September 30, 2014 and 2013, respectively. This change is included in the net realized and unrealized losses on interest rate swap agreements, which also includes the net periodic settlement payments related to the swap agreements of $1,308,883 and $1,327,993 for 2014 and 2013, respectively. The following table lists the fair value of derivatives by contract type included in the consolidated balance sheet at September 30, 2014 and 2013.

September 30, 2014	**Notional**	**Fair Value**
Derivatives not designated as hedging instruments interest rate swaps	$ 34,050,000	$ (6,436,499)

September 30, 2013	**Notional**	**Fair Value**
Derivatives not designated as hedging instruments interest rate swaps	$ 34,050,000	$ (6,022,007)

The following table indicates the realized and unrealized gains and losses by contract type, as included in the consolidated statements of operations for the years ended September 30, 2014 and 2013.

Year Ended September 30, 2014	**Location of Gain or (Loss) on Derivatives**	**Gain or (Loss) on Derivatives**
Derivatives not designated as hedging instruments interest rate swaps	Net realized and unrealized gains on interest rate swaps	$ (1,723,375)

Year Ended September 30, 2013	**Location of Gain or (Loss) on Derivatives**	**Gain or (Loss) on Derivatives**
Derivatives not designated as hedging instruments interest rate swaps	Net realized and unrealized gains on interest rate swaps	$ 1,803,353

9. Lease Commitments

Capital Leases

The Hospital leases certain equipment under capital leases which extend through 2015.

Future minimum rental payments, by year and in aggregate, under capital leases consist of the following as of September 30, 2014:

2015	$ 1,611,040
	1,611,040
Less: Amounts representing interest	24,776
Present value of minimum lease payments	1,586,264
Less: Current portion	1,586,264
Capital lease obligation, net of current portion	$ -

Operating Leases

The Corporation leases various equipment and office space under operating leases, expiring at various dates through 2019. Some of these leases contain renewal options. Rent expense under such leases was $1,065,965 and $985,323 for the years ended September 30, 2014 and 2013, respectively.

Future minimum rental payments as of September 30, 2014 under noncancelable operating leases are as follows:

2015	$ 1,056,736
2016	1,037,056
2017	1,024,225
2018	1,003,972
2019	954,316
	$ 5,076,305

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of September 30, 2014 and 2013:

	2014	2013
Unspent income and appreciation on endowment funds to be used for specified healthcare service	$ 857,112	$ 769,249
Change in the unspent income and appreciation on GHDF endowment funds	202,695	183,001
Restricted for purchase of equipment	1,773,159	885,564
Restricted for health education	68,569	68,569
Restricted for specified healthcare services	650,506	767,495
	$ 3,552,041	$ 2,673,878

Permanently restricted net assets at September 30, 2014 and 2013 are comprised as follows:

	2014	2013
Investments to be held in perpetuity, the income of which is expendable to support health care services	$ 2,160,261	$ 2,160,261
Beneficial interest in trusts	3,760,171	3,670,942
	$ 5,920,432	$ 5,831,203

11. Other Debt Arrangements and Guarantees

On March 5, 2005, the Hospital entered into a $262,500 letter of credit agreement with Wells Fargo Bank. On February 23, 2009, the Hospital also entered into an additional $750,000 letter of credit with Wells Fargo Bank. On January 21, 2010, the letter of credit agreement for $262,500 was reduced to $50,000.

12. Pension and Other Postretirement Benefits

Pension Benefits
The Hospital sponsors a noncontributory defined benefit pension plan that covers substantially all of its employees and provides for retirement and death benefits. The Hospital's policy is to fund actuarially determined pension costs as accrued.

Effective May 1, 2010, credited service accruals under the Retirement Plans for Employees of the Griffin Hospital were frozen for the April 1, 2010 to March 31, 2012 period. Participants continued to earn vesting service during the freeze period and pay increases during the freeze period will be reflected in participants' final earnings calculations; however no credited service was earned for the period from April 1, 2010 to March 31, 2012. Effective April 1, 2012 the plan freeze was terminated and credit service accruals were reestablished at a reduced rate.

The Hospital's accumulated benefit obligation was $103,002,425 and $93,064,814 at September 30, 2014 and 2013, respectively.

Other Postretirement Benefits
The Hospital also provides certain health care and life insurance benefits for eligible retired employees and their dependents. Substantially all of the Hospital's full-time employees may become eligible for these benefits upon retirement if certain age and service criteria are met. Effective January 1, 2004, employees will need to be at least age 62 at retirement to be eligible for coverage. Employees who are eligible for these benefits at the time of their retirement and who meet the requirements to receive an immediate pension plan benefit are provided continued health and life insurance coverage throughout their retirement. The plan is unfunded.

Pertinent information relating to these plans is as follows, based on a September 30 measurement date:

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Change in benefit obligation				
Benefit obligation at beginning of year	$ 93,895,229	$ 100,982,447	$ 7,994,700	$ 8,919,801
Service cost	1,612,645	1,639,334	273,974	307,509
Interest cost	4,326,274	3,866,724	367,395	339,544
Adjustments		-		-
Actuarial (gain) loss	8,658,086	(8,810,774)	779,450	(1,065,776)
Benefits paid	(4,100,441)	(3,782,502)	(450,993)	(506,378)
Benefit obligation at end of year	104,391,793	93,895,229	8,964,526	7,994,700
Change in plan assets				
Fair value of plan assets at beginning of year	63,254,713	58,554,517	-	-
Actual return on plan assets	6,338,435	5,440,386		-
Employer contributions	3,868,172	3,042,312	450,993	506,378
Benefits paid	(4,100,441)	(3,782,502)	(450,993)	(506,378)
Fair value of plan assets at end of year	69,360,879	63,254,713	-	-
Unfunded status - recognized as a liability	$ (35,030,914)	$ (30,640,516)	$ (8,964,526)	$ (7,994,700)

Components of net periodic benefit cost are as follows:

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Service cost	$ 1,612,645	$ 1,639,334	$ 273,974	$ 307,509
Interest cost	4,326,274	3,866,724	367,395	339,544
Expected return on plan assets	(5,194,767)	(4,891,312)		-
Amortization of unrecognized prior service cost (credit)		-	(112,992)	(389,620)
Amortization of transition obligation	(1,121,883)	(1,121,883)		-
Net actuarial loss	3,181,284	5,309,432	294,995	413,974
Net periodic benefit cost	$ 2,803,553	$ 4,802,295	$ 823,372	$ 671,407

Amounts in the consolidated balance sheets consist of:

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Current liabilities	$ -	$ -	$ 447,000	$ 389,000
Noncurrent liabilities	35,030,914	30,640,516	8,517,526	7,605,700
	$ 35,030,914	$ 30,640,516	$ 8,964,526	$ 7,994,700

Pension Plan

Amounts recognized in consolidated unrestricted net assets that are not yet recognized on a component of net periodic benefit cost are as follows:

	2014	2013
Negative prior service cost	$ (7,296,357)	$ (8,418,240)
Net actuarial loss	46,877,703	42,544,569
	$ 39,581,346	$ 34,126,329

Other changes in plan assets and benefit obligations recognized in other changes in unrestricted net assets:

	2014	2013
Net actuarial (gain) loss	$ 7,514,418	$ (9,359,848)
Amortization of		
Actuarial loss	(3,181,284)	(5,309,432)
	$ 4,333,134	$ (14,669,280)

Expected amounts to be amortized from unrestricted net assets into net periodic benefit cost for the next fiscal year:

Actuarial loss	$ 2,059,401

Post-Retirement Plan

Amounts recognized in consolidated unrestricted net assets that are not yet recognized on a component of net periodic benefit cost are as follows:

	2014	2013
Net prior service credit	$ -	$ (112,992)
Net actuarial loss	4,522,953	4,038,498
	$ 4,522,953	$ 3,925,506

Other changes in plan assets and benefit obligation included in unrestricted net assets not yet recognized in periodic benefit cost are:

	2014	2013
Net actuarial (gain) loss	$ 779,450	$ (1,065,776)
Amortization of		
Prior service cost	112,992	389,620
Actuarial loss	(294,995)	(413,974)
	$ 597,447	$ (1,090,130)

Expected amounts to be amortized from unrestricted net assets into net periodic benefit cost for the next fiscal year:

Prior service credit	$ -
Actuarial loss	334,556

Actuarial assumptions are as follows:

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Weighted average assumptions used to determine year end benefit obligation				
Discount rate	4.13 %	4.72 %	4.13 %	4.72 %
Rate of compensation increase	4.00 %	4.00 %	N/A	N/A

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Weighted average assumptions used to determine net periodic benefit cost				
Discount rate	4.72 %	3.91 %	4.72 %	3.91 %
Expected long-term return on plan assets	8.22 %	8.22 %	N/A	N/A
Rate of compensation increase	4.00 %	4.00 %	N/A	N/A

	Pre-65		Post-65	
	2014	**2013**	**2014**	**2013**
Health care cost trend rate assumed for next year	7.00 %	7.50 %	7.00 %	7.50 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2019	2019	2019	2019

A one-percentage-point change in assumed health care cost trend rates would save the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
Service and interest cost components	$ 26,557	$ (22,843)
Postretirement benefit obligation	184,711	(166,473)

Contributions
The Hospital expects to contribute approximately $5,293,000 to its pension plan and $447,000 to its other postretirement benefit plan in fiscal year 2015.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of September 30:

	Pension Benefits	Other Benefits
2015	$ 4,416,000	$ 447,000
2016	4,747,000	528,000
2017	4,969,000	572,000
2018	5,290,000	636,000
2019	5,519,000	605,000
2020-2024	31,114,000	3,101,000

Pension plan assets are invested as follows:

	2014	2013
Asset category		
Cash and cash equivalents	1 %	2 %
U.S. Large Cap	38	37
U.S. Small Cap	8	8
International equity	13	13
Alternative investments	6	7
Fixed income	30	29
Real estate	4	4
	100 %	100 %

	2014	2013
Target asset allocations		
U.S. Large Cap	0 %	0 %
U.S. Small Cap	27	27
International equity	7	7
Fixed income	12	12
Commodities/TIPS	10	10
Alternatives	40	40
Real estate	4	4
	100 %	100 %

The fair value of plan assets as of September 30, 2014, by asset category were as follows:

	September 30, 2014			
(in thousand)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Cash and cash equivalents	$ 703	$ -	$ -	$ 703
U.S. Large Cap	25,863			25,863
U.S. Small Cap	5,302			5,302
International equity	8,813			8,813
Alternative investments	1,936		2,831	4,767
Fixed income	21,094			21,094
Real estate mutual funds	2,820			2,820
	$ 66,530	$ -	$ 2,831	$ 69,361

The fair value of plan assets as of September 30, 2013, by asset category were as follows:

	September 30, 2013			
(in thousand)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Cash and cash equivalents	$ 1,206	$ -	$ -	$ 1,206
U.S. Large Cap	23,116	-	-	23,116
U.S. Small Cap	5,047	-	-	5,047
International equity	8,103	-	-	8,103
Alternative investments	1,807	-	2,712	4,519
Fixed income	18,767	-	-	18,767
Real estate mutual funds	2,497	-	-	2,497
	$ 60,543	$ -	$ 2,712	$ 63,255

Asset Investment Strategy

Investments shall be made solely in the interest of the participants and beneficiaries of the Trust, The Hospital has adopted a liability driven investment (“LDI”) strategy. Primary focus is to minimize the volatility of the funding ratio by aligning the Plan’s assets with its liabilities in terms of how both respond to interest rate changes; this is then followed by an investment objective strategy to achieve a satisfactory rate of return based on the asset allocation profile in the long term and satisfy the plan’s benefit obligations, while incurring an acceptable pension cost to the sponsor in the long run. The objective will result in a prescribed asset mix between return seeking assets and a LDI bond portfolio.

Concentrations of Credit Risk

The Corporation grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix in patient accounts receivable as of September 30, 2014 and 2013 before allowances for doubtful accounts, consisted of the following:

	2014	2013
Medicare and Medicaid	26 %	21 %
Commercial insurance	21	19
Managed care	35	27
Self-pay patients	18	33
	100 %	100 %

13. Functional Expenses

The Corporation provides general healthcare services to residents within its geographic location. Expenses relating to providing these services at September 30, 2014 and 2013 are as follows:

	2014	2013
Patient care and clinical	$ 116,310,243	$ 112,685,742
General and administrative	35,161,634	36,699,140
	$ 151,471,877	$ 149,384,882

14. Endowments

The Corporation's endowment funds consist of donor restricted funds to be invested in perpetuity to provide a permanent source of income. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Corporation has interpreted the Connecticut UPMIFA statute as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the 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 by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund.

(2) The purposes of the Corporation and the donor restricted endowment fund.

(3) General economic conditions.

(4) The possible effect of inflation and deflation.

(5) The expected total return from income and the appreciation of investments.

(6) Other resources of the corporation.

(7) The investment policies of the corporation.

Endowment net asset composition by type of fund as of September 30 is as follows:

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 1,088,006	$ 2,160,261	$ 3,248,267
Total endowment funds	$ 1,088,006	$ 2,160,261	$ 3,248,267

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 974,579	$ 2,160,261	$ 3,134,840
Total endowment funds	$ 974,579	$ 2,160,261	$ 3,134,840

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 974,579	$ 2,160,261	$ 3,134,840
Investment return			
Investment income and net appreciation (realized and unrealized)	138,991		138,991
Appropriation of endowment assets for expenditure			
Healthcare services	(25,564)		(25,564)
Endowment net assets, end of year	$ 1,088,006	$ 2,160,261	$ 3,248,267

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 912,340	$ 2,160,261	$ 3,072,601
Investment return			
Investment income and net appreciation (realized and unrealized)	85,718	-	85,718
Appropriation of endowment assets for expenditure			
Healthcare services	(23,479)	-	(23,479)
Endowment net assets, end of year	$ 974,579	$ 2,160,261	$ 3,134,840

The primary long-term management objective for the Corporation's endowment funds is to maintain the permanent nature of each endowment fund, while providing a predictable, stable, and constant stream of earnings. Consistent with that objective, the primary investment goal is to earn annual interest and dividends.

15. Commitments and Contingencies

The Corporation is involved in various legal matters arising in the normal course of activities. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of these pending matters will not have a material adverse effect, individually or in the aggregate, upon the consolidated financial statements.

During May, 2014, the Hospital became aware of a safety concern related to the use of multi-dose insulin pens on more than one patient. On investigation, it was discovered that in a small number of cases, multi-dose insulin pen cartridges intended for single patient use may have been used for more than one patient, either after installing a new, sterile safety needle on the cartridge, or by drawing up insulin with a new sterile syringe. Through improper use of the insulin pens there is a remote possibility that patients could have been exposed to certain blood-borne infections.

In response, the Hospital decided to offer all of the approximately 3,149 patients for whom an insulin pen was ordered during their hospitalization on or after September 1, 2008 and before May 7, 2014, free and confidential testing for hepatitis B, hepatitis C, and HIV. The testing protocol was determined after consultation with the Infectious Disease and Gastroenterology division chiefs and in accordance with the current CDC guidelines.

As of January 12, 2015, 7 patients have been identified as in need of further treatments and testing. The Hospital has established a reserve in the amount of $1,050,000 for cost associated with the testing, treatment of patients and any litigation associated with the potential claims as of September 30, 2014.

Consolidating Information

Independent Auditor's Report on Accompanying Consolidating Information

To the Board of Directors of
Griffin Health Services Corporation and Subsidiaries

The report on our audits of the consolidated financial statements of Griffin Health Services Corporation and subsidiaries as of September 30, 2014 and 2013 and for the years then ended appears on page 1 of this document. Those audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following consolidating information as of September 30, 2014 and 2013 and for the years then ended 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 companies. Accordingly, we do not express an opinion on the financial position and results of operations of the individual companies. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

February 6, 2015

Griffin Health Services Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2014

	Griffin Health Services Corporation	The Griffin Hospital	The Griffin Hospital Development Fund, Inc.	Eliminations	Total Obligated Group	Planetree Inc.	Healthcare Alliance Insurance Company, Ltd.	Griffin Faculty Practice Plan	G.H. Ventures, Inc.	Eliminations	Total
Assets											
Current assets											
Cash and cash equivalents	$ 779,469	$ 7,492,599	$ 2,631,568	$ -	$ 10,903,636	$ 1,015,126	$ 1,350,442	$ 251,295	$ 95,814	$ -	$ 13,616,313
Investments	1,818,813	8,062,643	2,141,098	-	12,022,554	-	19,641,681	-	-	-	31,664,235
Assets limited as to use	-	718,522	-	-	718,522	-	-	-	-	-	718,522
Patient accounts receivable, net	-	12,651,193	-	-	12,651,193	-	-	515,040	-	-	13,166,233
Other current assets	1,047,257	5,073,574	8,328	-	6,129,159	1,059,108	811,200	141,895	164,737	(4,007)	8,302,092
Total current assets	3,645,539	33,998,531	4,780,994	-	42,425,064	2,074,234	21,803,323	908,230	260,551	(4,007)	67,467,395
Assets limited as to use											
Board-designated investments	-	30,866	-	-	30,866	1,224,563	-	-	-	-	1,255,429
Collateral deposit	855,927	-	-	-	855,927	-	-	-	-	-	855,927
Under indenture agreement	-	4,289,408	-	-	4,289,408	-	-	-	-	-	4,289,408
Total assets limited as to use	855,927	4,320,274	-	-	5,176,201	1,224,563	-	-	-	-	6,400,764
Reinsurance recoverable	-	3,205,696	-	-	3,205,696	-	10,499,409	-	-	(3,205,696)	10,499,409
Contributions receivable	-	-	834,002	-	834,002	-	-	-	-	-	834,002
Long-term investments	-	1,274,463	2,653,256	-	3,927,719	-	-	-	-	-	3,927,719
Property, plant and equipment, net	255,151	53,137,742	-	-	53,392,893	507,798	-	1,592,304	3,987,059	-	59,480,054
Due from affiliates	-	6,230,012	-	(785,706)	5,444,306	-	-	-	-	(5,444,306)	-
Interest in net assets of affiliate	-	8,188,186	-	(8,188,186)	-	-	-	-	-	-	-
Investment in affiliate	1,350,156	1,283,136	-	-	2,633,292	-	-	-	-	(2,633,292)	-
Estimated third party settlements, long-term	-	765,169	-	-	765,169	-	-	-	-	-	765,169
Beneficial interest in trusts	-	3,760,171	-	-	3,760,171	-	-	-	-	-	3,760,171
Other long-term assets	-	2,931,686	-	-	2,931,686	-	-	-	204,578	-	3,136,264
	1,605,307	80,776,261	3,487,258	(8,973,892)	76,894,934	507,798	10,499,409	1,592,304	4,191,637	(11,283,294)	82,402,788
Total assets	$ 6,106,773	$ 119,095,066	$ 8,268,252	$ (8,973,892)	$ 124,496,199	$ 3,806,595	$ 32,302,732	$ 2,500,534	$ 4,452,188	$ (11,287,301)	$ 156,270,947

Griffin Health Services Corporation and Subsidiaries
Consolidating Balance Sheet, Continued
September 30, 2014

	Griffin Health Services Corporation	The Griffin Hospital	The Griffin Hospital Development Fund, Inc.	Eliminations	Total Obligated Group	Planetree Inc.	Healthcare Alliance Insurance Company, Ltd.	Griffin Faculty Practice Plan	G.H. Ventures, Inc.	Eliminations	Total
Liabilities and Net (Deficit) Assets											
Current liabilities											
Current portion of long-term debt and capital lease obligations	$ -	$ 6,170,364	$ -	$ -	$ 6,170,364	$ -	$ -	$ -	$ 77,162	$ -	$ 6,247,526
Accounts payable	483,392	15,842,410	16,282	-	16,342,084	12,762	105,560	479,991	71,588	-	17,011,984
Accrued interest payable	-	295,828	-	-	295,828	-	-	-	-	-	295,828
Accrued expenses	9,449	8,557,183	6,923	-	8,573,555	124,132	212,677	698,615	104,180	-	9,713,159
Deferred revenue	-	39,289	-	-	39,289	2,006,036	-	-	-	-	2,045,325
Accrued postretirement benefit liability	-	447,000	-	-	447,000	-	-	-	-	-	447,000
Due to affiliates	728,845	-	56,859	(785,704)	-	1,505,823	-	38,792	1,944,953	(3,489,568)	-
Total current liabilities	1,221,686	31,352,074	80,064	(785,704)	31,868,120	3,648,753	318,237	1,217,398	2,197,883	(3,489,568)	35,760,822
Estimated third party settlements payable, long-term	-	5,697,567	-	-	5,697,567	-	-	-	-	-	5,697,567
Professional and general liability loss reserves	-	4,048,289	-	-	4,048,289	-	29,990,106	-	-	(5,164,441)	28,873,954
Workers compensation loss reserves	-	2,178,810	-	-	2,178,810	-	-	-	-	-	2,178,810
Accrued pension liability	-	35,030,914	-	-	35,030,914	-	-	-	-	-	35,030,914
Accrued postretirement benefit liability, net of	-		-	-	-	-	-	-	-	-	-
current portion	-	8,517,526	-	-	8,517,526	-	-	-	-	-	8,517,526
Conditional asset retirement obligations	-	109,412	-	-	109,412	-	-	-	-	-	109,412
Long-term debt, net of current portion	-	42,390,534	-	-	42,390,534	-	-	-	2,823,172	-	45,213,706
Capital lease obligations, net of current portion	-	-	-	-	-	-	-	-		-	-
Deferred revenue, long term	-		-	-	-	-	-	-	1,233,709	-	1,233,709
Interest rate swap agreements	-	6,436,499	-	-	6,436,499	-	-	-		-	6,436,499
Total liabilities	1,221,686	135,761,625	80,064	(785,704)	136,277,671 -	3,648,753 -	30,308,343 -	1,217,398 -	6,254,764	(8,654,009)	169,052,919
Net (deficit) assets											
Unrestricted operating net assets	4,885,087	17,997,763	3,783,139	(3,783,139)	22,882,850	125,345	1,994,389	1,283,136	(1,802,576)	(1,348,742)	23,134,402
Minority interest in HAIC	-	-	-	-	-	-	-	-	-	(1,284,550)	(1,284,550)
Cumulative pension adjustment	-	(44,104,298)	-	-	(44,104,298)	-	-	-	-	-	(44,104,298)
Total unrestricted	4,885,087	(26,106,535)	3,783,139	(3,783,139)	(21,221,448)	125,345	1,994,389	1,283,136	(1,802,576)	(2,633,292)	(22,254,446)
Temporarily restricted net assets	-	3,519,544	2,662,433	(2,662,433)	3,519,544	32,497	-	-	-	-	3,552,041
Permanently restricted net assets	-	5,920,432	1,742,616	(1,742,616)	5,920,432	-	-	-	-	-	5,920,432
Total net (deficit) assets	4,885,087	(16,666,559)	8,188,188	(8,188,188)	(11,781,472)	157,842	1,994,389	1,283,136	(1,802,576)	(2,633,292)	(12,781,973)
Total liabilities and net (deficit) assets	$ 6,106,773	$ 119,095,066	$ 8,268,252	$ (8,973,892)	$ 124,496,199	$ 3,806,595	$ 32,302,732	$ 2,500,534	$ 4,452,188	$ (11,287,301)	$ 156,270,947

\Griffin Health Services Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2013

	Griffin Health Services Corporation	The Griffin Hospital	The Griffin Hospital Development Fund, Inc.	Eliminations	Total Obligated Group	Planetree Inc.	Healthcare Alliance Insurance Company, Ltd.	Griffin Faculty Practice Plan	G.H. Ventures, Inc.	Eliminations	Total
Assets											
Current assets											
Cash and cash equivalents	$ 774,626	$ 5,178,405	$ 1,724,583	$ -	$ 7,677,614	$ 1,081,922	$ 1,034,597	$ 130,706	$ 98,138	$ -	$ 10,022,977
Investments	1,696,122	9,040,563	2,211,342	-	12,948,027	-	20,476,677	-	-	-	33,424,704
Assets limited as to use	-	710,605	-	-	710,605	-	-	-	-	-	710,605
Patient accounts receivable, net	-	14,419,423	-	-	14,419,423	-	-	324,151	-	-	14,743,574
Other current assets	1,040,640	5,290,594	17,855	-	6,349,089	1,183,669	246,686	135,985	190,230	-	8,105,659
Total current assets	3,511,388	34,639,590	3,953,780	-	42,104,758	2,265,591	21,757,960	590,842	288,368	-	67,007,519
Assets limited as to use											
Board-designated investments	-	43,179	-	-	43,179	1,148,584	-	-	-	-	1,191,763
Collateral deposit	855,461		-	-	855,461	-	-	-	-	-	855,461
Under indenture agreement	-	4,289,166	-	-	4,289,166	-	-	-	-	-	4,289,166
Total assets limited as to use	855,461	4,332,345	-	-	5,187,806	1,148,584	-	-	-	-	6,336,390
Reinsurance recoverable	-	3,423,224	-	-	3,423,224	-	10,921,703	-	-	(3,423,224)	10,921,703
Contributions receivable	-	-	858,521	-	858,521	-	-	-	-	-	858,521
Long-term investments	-	1,186,601	2,226,926	-	3,413,527	-	-	-	-	-	3,413,527
Property, plant and equipment, net	260,377	55,610,872	-	-	55,871,249	554,173	-	457,829	3,498,723	-	60,381,974
Due from affiliates	-	3,659,921	-	(420,543)	3,239,378	-	-	-	-	(3,239,378)	-
Interest in net assets of affiliate	-	6,969,447	-	(6,969,447)	-	-	-	-	-	-	-
Investment in affiliate	1,350,156	465,940	-	-	1,816,096	-	-	-	-	(1,816,096)	-
Estimated third party settlements, long-term	-	480,486	-	-	480,486	-	-	-	-	-	480,486
Beneficial interest in trusts	-	3,670,942	-	-	3,670,942	-	-	-	-	-	3,670,942
Other long-term assets	-	2,856,215	-	-	2,856,215	-	-	-	264,890	-	3,121,105
	1,610,533	78,323,648	3,085,447	(7,389,990)	75,629,638	554,173	10,921,703	457,829	3,763,613	(8,478,698)	82,848,258
Total assets	$ 5,977,382	$ 117,295,583	$ 7,039,227	$ (7,389,990)	$ 122,922,202	$ 3,968,348	$ 32,679,663	$ 1,048,671	$ 4,051,981	$ (8,478,698)	$ 156,192,167

Griffin Health Services Corporation and Subsidiaries
Consolidating Balance Sheet, Continued
September 30, 2013

	Griffin Health Services Corporation	The Griffin Hospital	The Griffin Hospital Development Fund, Inc.	Eliminations	Total Obligated Group	Planetree Inc.	Healthcare Alliance Insurance Company, Ltd.	Griffin Faculty Practice Plan	G.H. Ventures, Inc.	Eliminations	Total
Liabilities and Net (Deficit) Assets											
Current liabilities											
Current portion of long-term debt and capital lease obligations	$ -	$ 5,679,417	$ -	$ -	$ 5,679,417	$ -	$ -	$ -	$ 45,200	$ -	$ 5,724,617
Accounts payable	880,274	18,863,416	45,184	-	19,788,874	31,997	71,828	265,642	104,594	-	20,262,935
Accrued interest payable	-	316,307	-	-	316,307	-	-	-	-	-	316,307
Accrued expenses	6,837	7,094,150	24,595	-	7,125,582	196,510	197,709	302,797	90,784	-	7,913,382
Deferred revenue	-	194,930	-	-	194,930	2,304,869	-	-	-	-	2,499,799
Accrued postretirement benefit liability	-	389,000	-	-	389,000	-	-	-	-	-	389,000
Due to affiliates	420,542	-	-	(420,542)	-	897,177	-	14,292	1,965,441	(2,876,910)	-
Total current liabilities	1,307,653	32,537,220	69,779	(420,542)	33,494,110	3,430,553	269,537	582,731	2,206,019	(2,876,910)	37,106,040
Estimated third party settlements payable, long-term	-	3,424,484	-	-	3,424,484	-		-	-	-	3,424,484
Professional and general liability loss reserves	-	4,331,509	-	-	4,331,509	-	31,629,211	-	-	(3,785,692)	32,175,028
Workers compensation loss reserves	-	2,317,779	-	-	2,317,779	-	-	-	-	-	2,317,779
Accrued pension liability	-	30,640,516	-	-	30,640,516	-	-	-	-	-	30,640,516
Accrued postretirement benefit liability, net of	-	-	-	-	-	-	-	-	-	-	-
current portion	-	7,605,700	-	-	7,605,700	-	-	-	-	-	7,605,700
Conditional asset retirement obligations	-	114,445	-	-	114,445	-	-	-	-	-	114,445
Long-term debt, net of current portion	-	43,898,212	-	-	43,898,212	-	-	-	2,923,354	-	46,821,566
Capital lease obligations, net of current portion	-	110,886	-	-	110,886	-	-	-	-	-	110,886
Deferred revenue, long term	-	-	-	-	-	-	-	-	2,288,213	-	2,288,213
Interest rate swap agreements	-	6,022,007	-	-	6,022,007	-	-	-	-	-	6,022,007
Total liabilities	1,307,653	131,002,758	69,779	(420,542)	131,959,648	3,430,553	31,898,748	582,731	7,417,586	(6,662,602)	168,626,664
Net (deficit) assets											
Unrestricted operating net assets	4,669,729	15,872,075	3,354,700	(3,354,700)	20,541,804	505,298	780,915	465,940	(3,365,605)	(1,250,534)	17,677,818
Minority interest in HAIC	-		-	-	-	-	-	-	-	(565,562)	(565,562)
Cumulative pension adjustment	-	(38,051,834)	-	-	(38,051,834)	-	-	-	-		(38,051,834)
Total unrestricted	4,669,729	(22,179,759)	3,354,700	(3,354,700)	(17,510,030)	505,298	780,915	465,940	(3,365,605)	(1,816,096)	(20,939,578)
Temporarily restricted net assets	-	2,641,381	1,872,132	(1,872,132)	2,641,381	32,497	-	-	-	-	2,673,878
Permanently restricted net assets	-	5,831,203	1,742,616	(1,742,616)	5,831,203		-	-	-	-	5,831,203
Total net (deficit) assets	4,669,729	(13,707,175)	6,969,448	(6,969,448)	(9,037,446)	537,795	780,915	465,940	(3,365,605)	(1,816,096)	(12,434,497)
Total liabilities and net (deficit) assets	$ 5,977,382	$ 117,295,583	$ 7,039,227	$ (7,389,990)	$ 122,922,202	$ 3,968,348	$ 32,679,663	$ 1,048,671	$ 4,051,981	$ (8,478,698)	$ 156,192,167

Griffin Health Services Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2014

	Griffin Health Services Corporation	The Griffin Hospital	The Griffin Hospital Development Fund, Inc.	Eliminations	Total Obligated Group	Planetree Inc.	Healthcare Alliance Insurance Company, Ltd.	Griffin Faculty Practice Plan	G.H. Ventures, Inc.	Eliminations	Total
Operating revenues											
Net patient service revenue	$ -	$ 135,897,993	$ -	$ -	$ 135,897,993	$ -	$ -	$ 4,885,261	$ -	$ -	$ 140,783,254
Other operating revenue	4,880,719	3,270,624	114,060	(65,988)	8,199,415	3,806,275	1,383,100	715,737	481,149	(1,908,239)	12,677,437
Net assets released from restrictions for operations	-	-	115,867	-	115,867	-	-	-	-	-	115,867
Total operating revenues	4,880,719	139,168,617	229,927	(65,988)	144,213,275	3,806,275	1,383,100	5,600,998	481,149	(1,908,239)	153,576,558
Operating expenses			-								
Employee compensation and related expenses	444,047	72,458,212	-	-	72,902,259	2,974,956	-	7,319,047	-	-	83,196,262
Supplies and other expenses	4,347,135	48,535,460	115,866	(65,988)	52,932,473	1,289,564	2,652,593	2,796,160	659,955	(1,908,239)	58,422,506
Depreciation and amortization	-	5,750,673	-	-	5,750,673	46,375	-	169,666	128,027	-	6,094,741
Interest	-	3,531,142	-	-	3,531,142	-	-	-	154,722	-	3,685,864
Provision for doubtful accounts, net of recoveries	-	-	7,500	-	7,500	65,004	-	-	-	-	72,504
Total operating expenses	4,791,182	130,275,487	123,366	(65,988)	135,124,047	4,375,899	2,652,593	10,284,873	942,704	(1,908,239)	151,471,877
Gain (loss) from operations	89,537	8,893,130	106,561	-	9,089,228	(569,624)	(1,269,493)	(4,683,875)	(461,555)		2,104,681
Nonoperating (losses) gains											
Investment income	123,157	750,312	218,274	-	1,091,743	76,063	852,588	-	-	-	2,020,394
Net realized and unrealized losses on interest rate swaps	-	(1,723,375)	-	-	(1,723,375)	-	-	-	-	-	(1,723,375)
Net gain on equity investment	-	-	-	-	-	-	-	-	1,073,140	-	1,073,140
Unrestricted contributions, gifts and bequests	-	-	314,372	-	314,372	-	-	-	-	-	314,372
Fund raising expenses	-	-	(709,665)	-	(709,665)	-	-	-	-	-	(709,665)
Research grant revenues	-	1,883,920	-	-	1,883,920	134,300	-	-	-	-	2,018,220
Research grant expenses	-	(1,969,857)	-	-	(1,969,857)	(20,692)		-	-	-	(1,990,549)
Total nonoperating (losses) gains	123,157	(1,059,000)	(177,019)	-	(1,112,862)	189,671	852,588	-	1,073,140	-	1,002,537
Minority interest					-					1,501,046	1,501,046
(Deficiency) excess of revenues over expenses	212,694	7,834,130	(70,458)	-	7,976,366	(379,953)	(416,905)	(4,683,875)	611,585	1,501,046	4,608,264
Other changes in unrestricted net assets											
Change in net unrealized gains and losses	-	-	-	-	-	-	129,332	-	-	-	129,332
Change in interest in net assets of affiliate	-	1,245,634	-	(428,439)	817,195	-	-	-	-	(817,195)	-
Net assets released from restrictions for capital	-	-	-	-	-	-	-	-	-	-	-
Redemption of Shares	-	-	-	-	-	-	-	-	-	-	-
Capital infusion	-	-	-	-	-	-	1,501,047	-	-	(1,501,047)	-
Transfers between affiliates	2,664	(6,954,076)	498,897	-	(6,452,515)	-	-	5,501,071	951,444	-	-
Pension and other post-retirement related charges other than net periodic benefit cost	-	(6,052,464)	-	-	(6,052,464)	-	-	-	-	-	(6,052,464)
Increase (decrease) in unrestricted net assets	$ 215,358	$ (3,926,776)	$ 428,439	$ (428,439)	$ (3,711,418)	$ (379,953)	$ 1,213,474	$ 817,196	$ 1,563,029	$ (817,196)	$ (1,314,868)

Griffin Health Services Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2013

	Griffin Health Services Corporation	The Griffin Hospital	The Griffin Hospital Development Fund, Inc.	Eliminations	Total Obligated Group	Planetree Inc.	Healthcare Alliance Insurance Company, Ltd.	Griffin Faculty Practice Plan	G.H. Ventures, Inc.	Eliminations	Total
Operating revenues											
Net patient service revenue	$ -	$ 125,805,820	$ -	$ -	$ 125,805,820	$ -	$ -	$ 3,235,231	$ -	$ -	$ 129,041,051
Other operating revenue	4,097,057	3,603,467	127,270	-	7,827,794	6,419,366	2,115,634	630,773	537,314	(2,619,956)	14,910,925
Net assets released from restrictions for operations	-	110,583	837,414	-	947,997	-	-	-	-	-	947,997
Total operating revenues	4,097,057	129,519,870	964,684	-	134,581,611	6,419,366	2,115,634	3,866,004	537,314	(2,619,956)	144,899,973
Operating expenses											
Employee compensation and related expenses	387,091	72,402,054	-	-	72,789,145	4,362,952	-	4,388,115	-	-	81,540,212
Supplies and other expenses	3,598,851	46,423,483	837,415	-	50,859,749	1,807,405	5,946,466	3,017,836	607,121	(3,438,170)	58,800,407
Depreciation and amortization	-	6,099,345	-	-	6,099,345	45,713	-	76,501	111,892	-	6,333,451
Interest	-	2,451,658	-	-	2,451,658	-	-	-	229,154	-	2,680,812
Provision for doubtful accounts, net of recoveries	-	-	-	-	-	30,000	-	-	-	-	30,000
Total operating expenses	3,985,942	127,376,540	837,415	-	132,199,897	6,246,070	5,946,466	7,482,452	948,167	(3,438,170)	149,384,882
Gain (loss) from operations	111,115	2,143,330	127,269	-	2,381,714	173,296	(3,830,832)	(3,616,448)	(410,853)	818,214	(4,484,909)
Nonoperating (losses) gains											
Investment income	133,610	436,170	202,149	-	771,929	68,598	1,634,785	-	-	-	2,475,312
Net realized and unrealized losses on interest rate swaps	-	1,803,353	-	-	1,803,353	-	-	-	-	-	1,803,353
Net gain on equity investment	-	-	-	-	-	-	-	-	1,042,119	-	1,042,119
Unrestricted contributions, gifts and bequests	-	-	519,852	-	519,852	-	-	-	-	-	519,852
Fund raising expenses	-	-	(821,438)	-	(821,438)	-	-	-	-	-	(821,438)
Research grant revenues	-	2,147,984	-	-	2,147,984	110,262	-	-	-	-	2,258,246
Research grant expenses	-	(2,207,841)	-	-	(2,207,841)	(4,538)	-	-	-	-	(2,212,379)
Total nonoperating (losses) gains	133,610	2,179,666	(99,437)	-	2,213,839	174,322	1,634,785	-	1,042,119	-	5,065,065
Minority interest					-					574,943	574,943
(Deficiency) excess of revenues over expenses	244,725	4,322,996	27,832	-	4,595,553	347,618	(2,196,047)	(3,616,448)	631,266	1,393,157	1,155,099
Other changes in unrestricted net assets											
Change in net unrealized gains and losses	-	-	-	-	-	-	(450,630)	-	-		(450,630)
Change in interest in net assets of affiliate	-	471,884	-	(617,043)	(145,159)	-	-	-	-	145,159	-
Net assets released from restrictions for capital	-	-	500,000	-	500,000	-	-	-	-	-	500,000
Redemption of Shares					-		564,835			(564,835)	-
Capital infusion	-	-	-	-	-	-	828,322	-	-	(828,322)	-
Transfers between affiliates	2,664	(3,563,164)	89,211	-	(3,471,289)	-	-	3,471,289	-	-	-
Pension and other post-retirement related charges other than net periodic benefit cost	-	14,637,527	-	-	14,637,527	-	-	-	-	-	14,637,527
Increase (decrease) in unrestricted net assets	$ 247,389	$ 15,869,243	$ 617,043	$ (617,043)	$ 16,116,632	$ 347,618	$ (1,253,520)	$ (145,159)	$ 631,266	$ 145,159	$ 15,841,996