



**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS**

**MARCH 31, 2015 AND 2014**

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.**

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## Independent Auditors' Report

To the Boards of Directors  
Hospital for Special Care, HSC Community Services, Inc.,  
and Hospital for Special Care Foundation, Inc.  
New Britain, Connecticut

### Report on the Financial Statements

We have audited the accompanying combined financial statements of Hospital for Special Care, HSC Community Services, Inc., and Hospital for Special Care Foundation, Inc. (collectively, the Obligated Group), which comprise the combined statements of financial position as of March 31, 2015 and 2014, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 Obligated Group'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 combined financial statements referred to above present fairly, in all material respects, the financial position of Hospital for Special Care, HSC Community Services, Inc., and Hospital for Special Care Foundation, Inc., as of March 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated July 16, 2015 on our consideration of Hospital for Special Care, HSC Community Services, Inc., and Hospital for Special Care Foundation, Inc.'s internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital for Special Care, HSC Community Services, Inc., and Hospital for Special Care Foundation, Inc.'s internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
July 16, 2015

**HOSPITAL FOR SPECIAL CARE  
AND HOSPITAL FOR SPE  
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**NET ASSETS**

	<u>2015</u>	<u>2014</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 965,000	\$ 930,000
Accounts receivable, less allowance for doubtful \$1,228,743 in 2015 and \$1,650,178 in 2014	2,523,158	4,191,937
Pledges receivable, less allowance of \$17,920 \$8,387 in 2014	6,894,289	6,920,947
Prepaid sinking fund	3,943,197	3,896,021
Prepaid expenses and other assets	3,940,743	4,177,403
Inventories of supplies	-	3,958,074
Total current assets	<u>18,266,387</u>	<u>24,074,382</u>
<b>Other Assets</b>	51,396,696	52,361,696
Investments	5,556,761	5,767,540
Pledges receivable, less allowance and discount and \$15,334 in 2014, less current portion	<u>56,953,457</u>	<u>58,129,236</u>
Debt Service Reserve Fund		
Debt obligations issuance expense, net of amount	68,626,170	62,552,972
Insurance funds	1,607,397	1,346,502
Other assets	443,630	439,311
Total other assets	<u>70,677,197</u>	<u>64,338,785</u>
<b>Property, Plant and Equipment, Net</b>		
<b>Total Assets</b>	<u>\$ 145,897,041</u>	<u>\$ 146,542,403</u>

The accompanying notes are a

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Net revenues from services to patients	\$ 90,693,886	\$ 89,324,653
Other operating revenues	3,327,434	3,396,845
Bad debts	(164,020)	(44,413)
Net assets released from restrictions	462,442	309,898
Total revenues	<u>94,319,742</u>	<u>92,986,983</u>
<b>Operating Expenses</b>		
Salaries, wages and employee benefits	71,613,788	68,975,210
Supplies and other	20,085,567	19,104,002
Interest	2,151,308	2,212,451
Depreciation and amortization	3,695,187	3,630,935
Total operating expenses	<u>97,545,850</u>	<u>93,922,598</u>
Loss from operations	(3,226,108)	(935,615)
<b>Nonoperating Gains</b>		
Other income, primarily investment income	2,844,492	3,689,117
Excess (deficiency) of revenues over expenses	<u>(381,616)</u>	<u>2,753,502</u>
<b>Other Changes in Unrestricted Net Assets</b>		
Change in net unrealized gains on investments	512,827	144,149
Net assets released for capital additions	1,933,338	7,439,653
Change in minimum pension liability, net	4,008,649	1,596,052
Increase in unrestricted net assets	<u>6,073,198</u>	<u>11,933,356</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	2,365,867	2,545,304
Net realized gains on investments	154,585	220,344
Change in net unrealized gains (losses) on investments	(4,140)	79,017
Net assets released from restrictions used for purchase of capital	(1,933,338)	(7,439,653)
Net assets released from restrictions used for operations	(322,079)	(238,786)
Transfer of assets to another entity	-	(30,133)
Increase (decrease) in temporarily restricted net assets	<u>260,895</u>	<u>(4,863,907)</u>
<b>Permanently Restricted Net Assets</b>		
Contributions	4,319	3,287
Transfer of assets to another entity	-	(20,045)
Increase (decrease) in permanently restricted net assets	<u>4,319</u>	<u>(16,758)</u>
<b>Change in Total Net Assets from Continuing Operations</b>	6,338,412	7,052,691
<b>Loss from Discontinued Operations</b>	<u>-</u>	<u>(776,563)</u>
<b>Change in Net Assets</b>	6,338,412	6,276,128
<b>Net Assets - Beginning of Year</b>	<u>64,338,785</u>	<u>58,062,657</u>
<b>Net Assets - End of Year</b>	<u>\$ 70,677,197</u>	<u>\$ 64,338,785</u>

The accompanying notes are an integral part of the combined financial statements

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities</b>		
Change in total net assets	\$ 6,338,412	\$ 6,276,128
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	3,695,187	3,630,935
Bad debt expense	193,801	14,481
Gain on disposal of property, plant and equipment	(8,297)	(7,500)
Net unrealized gains on investments	(508,687)	(223,166)
Change in minimum pension liability	(3,958,074)	605,396
Restricted contributions	(2,370,186)	(2,548,591)
(Increase) decrease in operating assets:		
Accounts receivable	(1,527,712)	1,318,292
Pledges receivable, net	263,803	208,236
Prepaid sinking fund and debt service reserves	(135,245)	(76,336)
Prepaid expenses and other assets	207,510	(28,290)
Insurance funds	166,384	53,644
Inventories of supplies	(40,820)	62,977
Other assets	210,779	(878,052)
Increase (decrease) in operating liabilities:		
Accounts payable	(894,284)	(471,461)
Salaries, wages, payroll taxes and amounts withheld from employee compensation	(26,658)	(590,273)
Accrued insurance costs	47,176	212,211
Other long-term liabilities	(210,779)	878,053
Accrued interest and other liabilities	(236,660)	(823,310)
Net cash provided by operating activities	1,205,650	7,613,374
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(46,512,277)	(21,147,125)
Sales of investments	37,566,735	19,049,224
Purchases of property, plant and equipment	(5,761,237)	(9,546,784)
Proceeds from sale of property, plant and equipment	(9,901)	(7,500)
Increase (decrease) in accounts payable related to construction	(774,495)	1,801,844
Net cash used in investing activities	(15,491,175)	(9,850,341)
<b>Cash Flows from Financing Activities</b>		
Payments on long-term debt	(930,000)	(890,000)
Restricted contributions	2,370,186	2,548,591
Net cash provided by financing activities	1,440,186	1,658,591
<b>Net Decrease in Cash and Cash Equivalents</b>	(12,845,339)	(578,376)
<b>Cash and Cash Equivalents - Beginning of Year</b>	16,719,864	17,298,240
<b>Cash and Cash Equivalents - End of Year</b>	\$ 3,874,525	\$ 16,719,864
<b>Cash Paid During the Year for Interest</b>	\$ 2,161,141	\$ 2,220,294

The accompanying notes are an integral part of the combined financial statements

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Hospital for Special Care (the Hospital) is a voluntary association incorporated under the General Statutes of the State of Connecticut and is licensed as a chronic disease hospital.

HSC Community Services, Inc., is committed to developing, operating, managing and evaluating community-based and community-oriented chronic disease. HSC Community Services, Inc., has established subsidiary corporations known as CSI Residential, Inc. (CSI Residential) and Manes & Motions Therapeutic Riding Center, Inc. (Manes & Motions). CSI Residential develops housing for persons with chronic physical and medical conditions. Manes & Motions was established to promote the well-being of persons with disabilities through the benefits of therapeutic horseback riding.

Hospital for Special Care Foundation, Inc. (the Foundation) provides charitable, scientific and educational services, in particular to operate exclusively for the benefit of and to receive, raise, allocate, invest and expend funds in support of the mission of Center of Special Care, Inc. (the Center) and its subsidiaries and legal affiliates.

The Hospital, HSC Community Services, Inc., and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Hospital and HSC Community Services, Inc., are wholly owned subsidiaries of the Center. The Hospital and HSC Community Services, Inc., are governed by a Board of Directors elected by the Center's Board of Directors.

**Basis of Presentation** - The organizations included in the combined financial statements are the Hospital, HSC Community Services, Inc., and the Foundation (collectively, the Obligated Group). The combined financial statements were prepared for the purpose of complying with the Obligated Group requirements of the loan agreements between the State of Connecticut Health and Educational Facilities Authority (CHEFA), Manufacturers and Traders Trust, and US Bank Corporate Trust Services, as Master Trustees, and the Obligated Group members. All intercompany transactions have been eliminated.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement areas where management applies the use of estimates consist primarily of accounts receivable reserves, the estimated net realizable value of pledges receivable from contributions, accrued insurance costs, accrued pension costs and contractual allowances on revenues. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.



**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents** - The Obligated Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Obligated Group maintains deposits in financial institution accounts that, at times, may exceed federal depository limits. However, management believes that its deposits are not subject to significant credit risk.

**Accounts Receivable** - Accounts receivable are considered delinquent and written off when all attempts to collect from individuals or other payor sources have been exhausted.

**Inventories of Supplies** - Inventories are stated at the lower of cost (principally first-in, first-out method) or market.

**Investment Valuation and Income Recognition** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 13 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized investment income or loss (including realized gains and losses, interest and dividends) from investments are included in other income in the combined statements of activities and changes in net assets unless the income or loss is restricted by donor or law.

**Debt Obligations Issuance Expense** - CHEFA obligations issuance expense represents costs incurred in connection with the issuance of the revenue bonds (see Note 9). These costs are being amortized on a straight-line basis over the terms of the associated bonds.

Amortization of bond obligation issuance expense totaled \$104,422 for the years ended March 31, 2015 and 2014. The expected yearly amortization of bond issuance expense will be \$104,422 for each of the next five years, and thereafter \$1,801,916.

**Property, Plant and Equipment** - Property, plant and equipment assets are recorded on the basis of cost. Major improvements and betterments to existing plant and equipment in excess of \$500 are capitalized. Expenditures for maintenance and repairs that do not extend the life of the applicable asset are charged to expense as incurred. Upon disposition or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gains and losses are included in the results of operations.

Depreciation is provided for using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings, building improvements and land improvements	5-30 years
Furniture, fixtures and equipment	3-20 years
Vehicles	4 years

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Pledges Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate discount. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**Revenues and Expenses** - Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses.

**Investments in Foundation** - Investments in Foundation represents the entities' interest in the temporarily and permanently restricted net assets of the Foundation.

**Nonoperating Gains** - Activities other than in connection with providing healthcare services are considered to be nonoperating. Nonoperating gains consist primarily of income earned on invested funds and realized gains and losses on marketable securities.

**Pension Plan** - The Hospital has a defined contribution pension plan that covers substantially all eligible employees. The Hospital had a defined benefit plan that was frozen during fiscal year 2005 and liquidated in fiscal year 2015 (see Note 10). Brittany Farms has a 403(b) defined contribution plan and a money purchase pension plan that cover substantially all eligible employees. In addition, the Hospital has a nonqualified supplemental employee retirement plan for certain executives.

**Temporarily and Permanently Restricted Net Assets** - Temporarily restricted net assets include those assets whose use by the Obligated Group has been limited by donors to a specific time frame or purpose. Permanently restricted net assets include those assets whose use by the Obligated Group has been restricted by donors to be maintained by the Obligated Group in perpetuity (see Note 6).

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Asset Retirement Obligations** - GAAP requires that a liability be recognized for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Certain of the Obligated Group's buildings contain asbestos, and the Obligated Group also maintains underground fuel tanks that must be removed upon demolition or extensive renovations. The Obligated Group expects to and has the ability to continue to maintain and operate these buildings without undertaking any activities that would require removal of the asbestos or underground fuel tanks. As a result, the Obligated Group is not able to estimate the date or range of potential dates of settlements of these obligations. Accordingly, the liabilities associated with these obligations are not reasonably estimable, and the accompanying combined statements of financial position do not include a liability for asset retirement obligations.

**Income Taxes** - The Obligated Group are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes pursuant to Section 501(a) of the Code.

**Discontinued Operations** - The Center sold Brittany Farms Health Center (Brittany Farms) on October 1, 2012. This transaction meets the GAAP criteria for recording as discontinued operations in the combined financial statements. As a result, the activities, including results of operations for 2014, of Brittany Farms are reflected as loss from discontinued operations.

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The revenues and expense of the discontinued operations for the year ended March 31, 2014 is as follows:

Revenues:	
Other operating revenues	\$ 3,892
Bad debts	<u>(151,392)</u>
Total revenues	<u>(147,500)</u>
Operating expenses:	
Salaries, wages and employees benefits	499,174
Supplies and other	<u>136,127</u>
Total operating expenses	<u>635,301</u>
Operating loss	(782,801)
Nonoperating gains:	
Other income, primarily investment income	<u>591</u>
Deficiency of revenues over expenses	<u>(782,210)</u>
Temporarily restricted net assets:	
Change in equity interest in Foundation	(24,486)
Permanently restricted net assets:	
Change in equity interest in Foundation	<u>(20,045)</u>
Change in total net assets from discontinued operations	(826,741)
Net assets - beginning of year	<u>869,438</u>
Net Assets - End of Year	<u>\$ 42,697</u>

During 2015, all remaining activities of Brittany Farms were collapsed into HSC Community Services, Inc. Consolidated.

**Subsequent Events** - In preparing these combined financial statements, management has evaluated subsequent events through July 16, 2015, which represents the date the combined financial statements were available to be issued.

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 2 - REVENUE CONCENTRATIONS**

During 2015 and 2014, approximately 68% and 70%, respectively, of net patient revenue was received under the Medicaid program; 9% and 12%, respectively, under the Medicare program; and 23% and 18%, respectively, from other third parties and managed Medicare. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Management believes that the Hospital is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicaid and Medicare programs. Changes in the Medicaid and Medicare programs and the reduction of funding levels could have an adverse impact on the Hospital.

Revenues derived from federal and state medical assistance programs were based, in part, on cost-reimbursement principles and are subject to audit.

The following table summarizes net revenues from services to patients for the years ended March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Gross revenues from patients:		
Routine services	\$ 97,431,170	\$ 95,175,700
Special services	<u>48,004,418</u>	<u>45,204,736</u>
	145,435,588	140,380,436
Allowances (primarily Medicare and Medicaid)	<u>54,741,702</u>	<u>51,055,783</u>
Net Revenues from Services to Patients	<u>\$ 90,693,886</u>	<u>\$ 89,324,653</u>

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from certain payors are different from established billing rates of the Hospital and other providers, and the differences are accounted for as allowances.

Net revenues from services to patients at the Hospital and other providers are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

It is the Obligated Group's policy to provide service to all patients within the reasonable limits of available resources. Patients who apply for admission or seek outpatient services but lack a source of payment are considered on an individual basis for charity care.

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 3 - ENDOWMENT NET ASSETS**

The Obligated Group's endowment consists of several funds established for a variety of purposes, mainly designated by donor restrictions. As required by GAAP, net assets associated with endowment funds are classified and reported as permanently restricted net assets, temporarily restricted net assets or unrestricted net assets based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Board of Directors of the Center has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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, the Obligated Group 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 organization in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 3 - ENDOWMENT NET ASSETS (Continued)**

Changes in endowment net assets for the years ended March 31, 2015 and 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - March 31, 2013	\$ -	\$ 87,380	\$ 456,069	\$ 543,449
Investment return:				
Investment income	-	21,331	-	21,331
Investment gains	-	15,890	-	15,890
Total investment return	-	37,221	-	37,221
Contributions	-	-	3,287	3,287
Transfer of assets	-	-	(20,045)	(20,045)
Appropriation of endowment assets for expenditure	-	(6,342)	-	(6,342)
Endowment net assets - March 31, 2014	-	118,259	439,311	557,570
Investment return:				
Investment income	-	26,808	-	26,808
Investment losses	-	(5,885)	-	(5,885)
Total investment return	-	20,923	-	20,923
Contributions	-	-	4,319	4,319
Appropriation of endowment assets for expenditure	-	(3,658)	-	(3,658)
Endowment Net Assets - March 31, 2015	\$ -	\$ 135,524	\$ 443,630	\$ 579,154

With the sale of Brittany Farms, the Obligated Group no longer provides Alzheimer's patient care or Alzheimer's research. During 2014, the Obligated Group petitioned the State of Connecticut Court of Probate to allow the Obligated Group to deviate from administrative terms of restricted funds and transfer to another entity that can accomplish the charitable intent of the two funds. The State of Connecticut did not object to the Petition of Deviation and the Obligated Group transferred the two funds to the Alzheimer's Resource Center of Connecticut, Inc., who will accomplish the charitable intent of the two funds. Temporarily and permanently restricted net assets transferred amounted to \$30,133 and \$20,045, respectively, during 2014.

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 4 - PLEDGES RECEIVABLE**

The Obligated Group's pledges receivable consist of unconditional promises to give and are expected to be collected as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 228,515	\$ 338,184
Receivable in one to five years	110,772	265,562
Total pledges receivable	<u>339,287</u>	<u>603,746</u>
Less allowance for uncollectible promises	18,209	11,165
Less discounts to net present value	<u>4,856</u>	<u>12,556</u>
Net Pledges Receivable	<u>\$ 316,222</u>	<u>\$ 580,025</u>

The discount rate used in calculating the present value of pledges receivable for each of the years ended March 31, 2015 and 2014, was 3.00%.

**NOTE 5 - INVESTMENTS**

The composition of investments at March 31, 2015 and 2014, is set forth below. Investments are stated at market value.

	<u>2015</u>			
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>
Bond funds	\$ 558,412	\$ 565,230	\$ 8,987	\$ (2,169)
Mutual funds:				
Domestic equity	28,839,930	31,381,316	2,638,828	(97,443)
Fixed income	20,304,322	20,085,048	256,505	(475,780)
International equity	1,525,667	1,564,714	52,306	(13,260)
Alternative investments	<u>1,900,000</u>	<u>1,917,992</u>	<u>17,992</u>	<u>-</u>
	<u>\$ 53,128,331</u>	<u>\$ 55,514,300</u>	<u>\$ 2,974,618</u>	<u>\$ (588,652)</u>



**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
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NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 5 - INVESTMENTS (Continued)**

	2014			
	Cost	Market Value	Unrealized Gain	Unrealized Loss
Bond funds	\$ 740,859	\$ 747,735	\$ 13,484	\$ (6,608)
Mutual funds:				
Domestic equity	21,093,910	23,042,267	2,048,586	(100,229)
Fixed income	21,459,512	21,476,215	242,169	(225,466)
International equity	723,253	793,854	70,601	-
	<u>\$ 44,017,534</u>	<u>\$ 46,060,071</u>	<u>\$ 2,374,840</u>	<u>\$ (332,303)</u>

Investment income (including realized gains and losses, interest and dividends, net of investment fees) earned on investments amounted to \$2,999,077 and \$3,906,738 during the years ended March 31, 2015 and 2014, respectively. This is included in nonoperating gains and temporarily restricted net assets in the combined statements of activities and changes in net assets.

At March 31, 2015, investments with market value below cost for 12 months or more included certain mutual funds with a market value of \$7,527,820 and an unrealized loss of \$229,568. At March 31, 2015, investments with market value below cost for less than 12 months included bond funds with a market value of \$9,525,021 and an unrealized loss of \$359,084.

At March 31, 2014, investments with market value below cost for 12 months or more included certain investments with a market value of \$3,984,910 and an unrealized loss of \$152,604. At March 31, 2014, investments with market value below cost for less than 12 months included bond funds with a market value of \$6,832,913 and an unrealized loss of \$179,699.

Management continually reviews its investment portfolio and evaluates whether declines in the market value of securities should be considered other-than-temporary. Factored into this evaluation are general market conditions, the recommendation of advisors and the length of time and extent to which the market value has been less than cost. The Obligated Group's investments are mainly in mutual funds managed by an outside investment manager. The Investment Subcommittee of the Board oversees the activities of the investment manager. The Obligated Group has the ability to and intends to hold the mutual funds until such time that the market losses recover. As a result, there were no declines in market value deemed to be other-than-temporary in fiscal year 2015 or 2014.

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**NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets at March 31, 2015 and 2014, are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Sports and fitness programs	\$ 351,286	\$ 363,020
Florence Timura Med Student Fund	259,923	-
ALS Clinic/Neuromuscular Fund	157,974	109,384
The Harper Fund for Autism	95,254	44,266
Other	68,272	58,998
Timura Management Informations Systems Scholarship Fund	63,534	57,000
Aquatic Rehab	63,272	56,212
Pulmonary	60,153	37,610
Paul Sutula Nursing Scholarship Fund	57,744	54,122
Gold Star Timura Health Professionals Scholarship Fund	55,537	52,142
Dr. Michael Timura III Nursing Scholarship Fund	53,384	-
Pediatric	48,776	40,052
Adaptive Equipment	41,153	42,240
Respiratory therapist education	31,722	29,303
Horticultural	30,699	28,633
Gustin Lecture	27,726	26,427
H.R. Gossling Lecture Fund	27,006	27,865
Research	21,564	19,651
Manes & Motion Rider Assistance Programs	17,670	24,351
Joy of Art	16,633	12,817
Gait & Balance Training Fund	16,287	15,377
Patient Recreation Center	15,446	14,252
Energy Independence Fund	8,348	-
Lobby Renovations	7,912	7,098
Resource Center	3,473	8,607
Satellite	3,397	3,048
Dental clinic	3,252	2,824
Manes & Motion Capital Campaign	-	211,203
	<u>\$ 1,607,397</u>	<u>\$ 1,346,502</u>

The Obligated Group maintains policies related to its permanently restricted net assets. The policy indicates that all earnings are spent in the year earned. Permanently restricted net assets of \$443,630 and \$439,311 at March 31, 2015 and 2014, respectively, are to be held in perpetuity, the income from which is used for unrestricted and temporarily restricted Obligated Group activities and is expendable to support healthcare services.

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**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of the following at March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Buildings	\$ 66,028,695	\$ 58,471,340
Fixed and moveable equipment	37,908,498	34,917,637
Land and land improvements	3,407,312	3,212,268
	<u>107,344,505</u>	<u>96,601,245</u>
Less accumulated depreciation	59,714,850	56,249,346
	<u>47,629,655</u>	<u>40,351,899</u>
Construction in progress	3,491,216	8,580,302
	<u>51,120,871</u>	<u>48,932,201</u>
Net Property, Plant and Equipment	<u>\$ 51,120,871</u>	<u>\$ 48,932,201</u>

Depreciation expense was \$ 3,590,765 and \$ 3,526,513 for the years ended March 31, 2015 and 2014, respectively.

**NOTE 8 - SELF-INSURED PROGRAMS**

**Medical Malpractice** - The Hospital self-insures the deductible portion of its medical malpractice insurance. The deductible limits are \$1,000,000 per claim and \$3,000,000 in the aggregate for the years ended March 31, 2015 and 2014. The Hospital has excess insurance in the form of an umbrella policy for claims settled in excess of \$1,000,000.

The malpractice liability was actuarially determined to be \$1,539,291 and \$1,531,097 for the years ended March 31, 2015 and 2014, respectively, and is included in accrued insurance costs on the combined statements of financial position. This amount was calculated at a confidence level of 75% of the expected level for the years ended March 31, 2015 and 2014, with a 3% and 4% discount rate in 2015 and 2014, respectively. Management considers these reserves to be adequate as of March 31, 2015 and 2014. However, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded.

The Hospital established an irrevocable trust for the purpose of setting aside assets to be used for the payment of malpractice losses, related expenses and the cost of administering the trust. The trust balance was \$1,724,573 and \$1,750,957 at March 31, 2015 and 2014, respectively, and is based on actuarial funding recommendations and active claims. These assets are included in insurance funds on the combined statements of financial position.

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**NOTE 8 - SELF-INSURED PROGRAMS (Continued)**

**Workers' Compensation** - The Obligated Group is self-insured for the deductible portion of workers' compensation claims. The deductible amount per claim was \$750,000 and \$500,000 at March 31, 2015 and 2014, respectively. The Obligated Group has purchased excess insurance from a commercial carrier that would cover claims settled above \$500,000. The self-insurance workers' compensation liability was determined to be \$3,462,622 and \$4,062,687 at March 31, 2015 and 2014, respectively. The current portion of \$973,356 and \$1,122,988 at March 31, 2015 and 2014, respectively, is included in accrued insurance costs on the combined statements of financial position. The long-term portion of \$2,489,266 and \$2,939,699 at March 31, 2015 and 2014, respectively, is included in other long-term liabilities on the combined statements of financial position. Receivables related to workers' compensation claims totaled \$2,856,098 and \$3,175,250 at March 31, 2015 and 2014, respectively. The current portion of \$366,832 and \$235,551 at March 31, 2015 and 2014, respectively, is included in prepaid expenses and other assets on the combined statements of financial position. The long-term portion of \$2,489,266 and \$2,939,699 at March 31, 2015 and 2014, respectively, is included in other assets on the combined statements of financial position.

A letter of credit with a bank of \$858,000 at March 31, 2015 and 2014, was established to cover the funding requirements of the self-insurance program. The letter of credit has a variable per annum rate of interest equal to the prime rate plus 5%. As of March 31, 2015 and 2014, the Obligated Group had not drawn on the letter of credit.

**Health Insurance** - The Obligated Group is self-insured for its health insurance and carries a stop-loss policy for individual claims in excess of \$250,000. The self-insurance liability was determined to be \$1,430,550 and \$1,241,936 for the years ended March 31, 2015 and 2014, respectively, and is included in accrued insurance costs on the combined statements of financial position.

**NOTE 9 - LONG-TERM DEBT OBLIGATIONS**

On June 28, 2007, the Hospital issued Series C CHEFA revenue bonds (Series C) in the amount of \$46,635,000. The Hospital received funds to repay its Series B CHEFA revenue bonds, to fund the required Debt Service Reserve Fund, to pay for cost of bond issuance and for future construction and renovations related to its existing facilities. The Series C debt is secured by a pledge of the gross receipts of the Obligated Group, which is now defined as the Hospital, HSC Community Services, Inc., and the Foundation, and a mortgage on the capital assets of the Obligated Group, subject to permitted encumbrances, and Series C debt is insured under a financial guaranty insurance policy.

The Series C debt is fixed-interest debt with the following maturities:

- Yearly on July 1 from 2015-2022 in the total amount of \$9,210,000 with interest rates ranging from 4%-5.25%
- July 1, 2027 in the amount of \$8,000,000 with a 5.25% interest rate
- July 1, 2032 in the amount of \$10,330,000 with a 5.25% interest rate
- July 1, 2037 in the amount of \$13,345,000 with a 5.25% interest rate

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NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued)**

On July 14, 2010, the Hospital issued Series E CHEFA revenue bonds (Series E) in the amount of \$20,185,000. The Hospital received funds to repay its Series D CHEFA revenue bonds, to fund the required Debt Service Reserve Fund, to pay for cost of bond issuance, and to finance and refinance construction and renovations related to its existing facilities. Interest shall be paid in consecutive monthly installments at the Weekly Rate, which is the rate of interest borne by Bonds during any Weekly Rate period, which shall be determined by the Remarketing Agent on each Rate Determination Date for a Weekly Rate Bond as provided in the Indenture. The interest rate at March 31, 2015 was 0.04%. The Series E debt is secured by a pledge of the gross receipts of the Obligated Group, which is now defined as the Hospital, HSC Community Services, Inc., and the Foundation, and a mortgage on the capital assets of the Obligated Group, subject to permitted encumbrances. The Series E debt is secured by a letter of credit issued by the Federal Home Loan Bank of Boston in the amount of \$10,706,082.

Monthly payments by the Obligated Group to the trustee are based on the agreement and correspond in time and amount to the payments of principal and interest on the Series C and E bonds.

The Obligated Group is also required to maintain debt service reserve funds for the Series C bonds. The Debt Service Reserve Fund is equal in amount to the largest total debt service to be paid within a year. During 2013, this amount was increased as the Center has agreed to post \$4,000,000 as restricted cash to reduce future Series C long-term debt payments. In 2014, the Center was approved to use this \$4,000,000 to purchase its own Series C bonds back. The fair value of these bonds is included in the debt service reserve fund on the combined statements of financial position until they can be redeemed. The bonds are subject to redemption prior to maturity annually on July 1 thereafter by operation of a sinking fund.

The Series C and Series E debt contains certain financial debt covenant requirements, including maintenance of a debt service coverage ratio in excess of 1.25, maintenance of a debt-to-capital ratio not to exceed 75%, maintenance of fixed charge coverage ratio not to fall below 1.00 and days cash on hand in excess of 60 days.

In addition, the Hospital has a \$3,000,000 line of credit with a bank. Interest on the line accrues at the bank's prevailing prime rate, and amounts drawn are repayable on demand. The line of credit has a revolving credit termination date of October 1, 2015.

The availability of the line is reduced by the self-insurance letter of credit in place (see note 8). In addition, the Hospital escrowed \$1,075,000 in the form of a letter of credit for a three-year period to satisfy any potential indemnification claims resulting from the sale of Brittany Farms. The letter of credit has a termination date of October 1, 2015.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued)**

During fiscal years 2015 and 2014, interest expense was \$2,151,308 and \$2,212,451, respectively.

During fiscal year 2002, HSC Community Services, Inc., entered into a Capital Advance Program Mortgage Note with the United States Department of Housing and Urban Development (HUD) for \$926,696 in connection with the acquisition of certain housing properties by CSI Residential. This note matures on March 29, 2041, does not bear interest, and repayment is not required as long as the housing remains available for very low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959 or Section 811 of the National Affordable Housing Act of 1990 until the maturity date.

Principal payments and annual sinking fund payments for the next five years and thereafter are as follows:

<u>Year Ending March 31</u>	<u>Series C</u>	<u>Series E</u>	<u>HUD Mortgage</u>	<u>Total</u>
2015	\$ 965,000	\$ -	\$ -	\$ 965,000
2016	1,005,000	-	-	1,005,000
2017	1,060,000	-	-	1,060,000
2018	1,115,000	-	-	1,115,000
2019	1,170,000	-	-	1,170,000
Aggregate thereafter	<u>35,570,000</u>	<u>10,550,000</u>	<u>926,696</u>	<u>47,046,696</u>
	40,885,000	10,550,000	926,696	52,361,696
Less current portion	<u>965,000</u>	<u>-</u>	<u>-</u>	<u>965,000</u>
Total Long-Term Debt	<u>\$ 39,920,000</u>	<u>\$ 10,550,000</u>	<u>\$ 926,696</u>	<u>\$ 51,396,696</u>

**NOTE 10 - PENSION PLAN**

**General** - The Hospital has a defined benefit plan covering many of its employees. The benefits are based upon years of service, and employees are fully vested in the company contribution after five years of service. The Hospital's policy is to contribute an amount sufficient to cover benefits to be paid as required by ERISA funding standards. Contributions are intended to provide benefits attributed to service to date.

GAAP requires companies to record a liability on the statements of financial position for the underfunded portion of its postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair value of the plan assets.

**Obligations and Funded Status** - The plan was amended to freeze future benefit accruals in the plan effective June 30, 2004. The effect of this amendment was a plan curtailment.

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NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 10 - PENSION PLAN (Continued)**

The following table sets forth the plan's funded status and amounts recognized in the accompanying combined statements of financial position as of March 31, 2015 and 2014:

	<u>Pension Benefits</u>	
	<u>2015</u>	<u>2014</u>
Change in benefit obligation:		
Projected benefit obligation at beginning of year	\$ (14,939,224)	\$ (22,852,234)
Interest cost	(340,443)	(907,090)
Impact of assumption changes	(580,142)	922,354
Experience loss	(58,249)	(15,230)
Benefits paid	-	902,332
Settlement amount	15,918,058	7,010,644
Projected benefit obligation at end of year	<u>-</u>	<u>(14,939,224)</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	10,981,150	19,499,556
Actual return on plan assets	59,163	294,629
Employer contributions	3,915,000	-
Benefits paid	-	(902,332)
Settlement purchase	(14,955,313)	(7,910,703)
Fair value of plan assets at end of year	<u>-</u>	<u>10,981,150</u>
Unfunded Status	<u>\$ -</u>	<u>\$ (3,958,074)</u>

Net periodic pension costs for 2015 and 2014 included the following components:

	<u>Pension Benefits</u>	
	<u>2015</u>	<u>2014</u>
Components of net periodic benefit cost:		
Interest cost	\$ -	\$ 907,090
Expected return on plan assets	-	(1,023,095)
Amortization of net loss	-	359,791
Net Periodic Pension Cost	<u>\$ -</u>	<u>\$ 243,786</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 10 - PENSION PLAN (Continued)**

**Assumptions** - The following assumptions were used in accounting for the plan.

Assumptions used to determine benefit obligations and net periodic benefit cost at March 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Discount rate	4.32%	4.54%
Long-term rate of return	3%	6%

The expected rate of return on plan assets is determined by adding expected inflation to expected long-term real returns of various asset classes, taking into account expected volatility and correlation between the returns of various asset classes.

**Plan Assets** - The percentage of the fair value of total plan assets held as of March 31, 2015 and 2014, by asset category is as follows:

	<u>2015</u>	<u>2014</u>
Fixed income mutual funds	-	100%

The Board approved the termination of the pension plan. The termination of the plan took place in two stages. The first stage of the termination took place during fiscal year 2014 by purchasing annuities with pension plan assets for the benefit of the current retirees. The second stage took place during fiscal year 2015, with the purchase of the benefits of plan beneficiaries not currently retired. The purchase of benefits was done in part with the remaining plan assets and in part with funds provided by the Hospital. The first stage resulted in the Hospital recognizing a loss of \$2,201,448 in salaries, wages and employee benefits on the combined statements of activities and changes in net assets. The loss was offset by a gain of \$1,596,052 in change in minimum pension liability on the combined statements of activities and changes in net assets. As part of the second stage, the Hospital recognized a loss of \$3,965,575 in salaries, wages and employee benefits on the combined statements of activities and changes in net assets.

**Other Information** - The Hospital also has a defined contribution 403(b) tax-free annuity savings plan covering all full-time and permanent part-time employees with at least 1 year of service and 1,000 hours worked. Employees are allowed to contribute up to the maximum contribution allowable each year under Internal Revenue Service regulations. The Hospital matches biweekly employee contributions at varying percentages based on age and years of service (maximum match is 40%). The Hospital's expense amounted to \$497,209 and \$494,359 for the years ended March 31, 2015 and 2014, respectively.



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**NOTE 10 - PENSION PLAN (Continued)**

The Hospital also has a capital accumulation 457(f) deferred compensation plan for certain executives. The Hospital is not required to make any contributions to this plan. In addition, the Hospital has a supplemental employee retirement plan for certain executives. The plan provides for a targeted benefit and is funded through insurance policies and the 457(f). The Hospital's expense amounted to \$203,958 and \$233,868 in 2015 and 2014, respectively. Assets and liabilities relating to this plan were \$3,067,495 and \$2,827,841 at 2015 and 2014, respectively, and are included in other assets and other long-term liabilities.

Brittany Farms has a defined contribution pension plan that covers substantially all eligible nonunion employees. Upon sale of Brittany Farms on October 1, 2012, the plan was frozen and participants became fully vested. The Board has approved the termination of the plan, which took place during fiscal year 2015.

**NOTE 11 - FUNCTIONAL EXPENSES**

Functional expenses for the Obligated Group are as follows:

	<b>2015</b>	<b>2014</b>
Health care services	\$ 84,864,890	\$ 81,712,660
General and administrative	12,680,960	12,209,938
	\$ 97,545,850	\$ 93,922,598

**NOTE 12 - COMMITMENTS**

The Obligated Group leases certain office space and equipment under operating leases.

The future minimum annual payments under these agreements as of March 31, 2015 are as follows:

<u>Year Ending March 31</u>	
2016	\$ 874,266
2017	759,575
2018	514,753
2019	453,930
2020	243,442
Thereafter	82,109
	\$ 2,928,075

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**NOTE 12 - COMMITMENTS (Continued)**

Rent expense recorded by the Obligated Group for the years ended March 31, 2015 and 2014, was \$1,453,993 and \$1,420,359, respectively.

**Capital Commitments** - The Obligated Group entered into a contract to purchase new software for electronic medical records. The contract is estimated to be completed in fiscal year 2016 and is estimated to cost \$3.6 million. As of March 31, 2015, approximately \$3.5 million in costs has been incurred and is included in construction in progress. Related to this contract are licenses and support fees of approximately \$530,000 that will be incurred over a seven-year period.

**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

**Level 2** - Inputs to the valuation methodology include:

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

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

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

The 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. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

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**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**Mutual Funds** - Mutual funds are valued at the quoted net asset value of shares held by the Obligated Group at March 31, 2015.

**Bonds** - Certain bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

**Insurance Funds** - Insurance funds are stated at their net unit values as reported by the trustee of the fund based on the fair value of the underlying assets and liabilities at the measurement date.

**Investment in Limited Partnership** - The interest in the investment in limited partnership is valued by an external investment manager taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuation involves assumptions and methods that are reviewed by the Hospital's Finance Committee. Because investment in this partnership is not readily marketable, the estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investment existed.

**Pledges Receivable** - The fair value of pledges receivable is estimated based upon the net present value of estimated cash flows discounted at a treasury rate commensurate with the timing of the estimated cash flow.

**Long-Term Debt** - The carrying amounts of the Series E bonds and HUD Mortgage approximate fair value based on yields currently available on comparable securities of issuers with similar durations and credit ratings. The Series C bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings. The inputs are, therefore, Level 2.

The carrying amounts reflected in the accompanying combined statements of financial position for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to short maturities of those instruments. The inputs are, therefore, Level 1.

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**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The following is a summary of the source of fair value measurements for assets that are measured at fair value as of March 31, 2015 and 2014:

<u>Description</u>	<u>Fair Value March 31, 2015</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Bond funds	\$ 565,230	\$ 267,246	\$ 297,984	\$ -
Mutual funds:				
Domestic equity	31,381,316	31,381,316	-	-
Fixed income	20,085,048	20,085,048	-	-
International equity	1,564,714	1,564,714	-	-
Insurance funds	1,724,573	-	-	1,724,573
Investment in limited partnership	1,917,992	-	1,917,992	-
Pledges receivable	316,222	-	-	316,222
Total	<u>\$ 57,555,095</u>	<u>\$ 53,298,324</u>	<u>\$ 2,215,976</u>	<u>\$ 2,040,795</u>

<u>Description</u>	<u>Fair Value March 31, 2014</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Bond funds	\$ 747,735	\$ 321,708	\$ 426,027	\$ -
Mutual funds:				
Domestic equity	23,042,267	23,042,267	-	-
Fixed income	21,476,215	21,476,215	-	-
International equity	793,854	793,854	-	-
Insurance funds	1,890,957	-	-	1,890,957
Pledges receivable	580,025	-	-	580,025
Total	<u>\$ 48,531,053</u>	<u>\$ 45,634,044</u>	<u>\$ 426,027</u>	<u>\$ 2,470,982</u>

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)** - The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs for the years ended March 31, 2015 and 2014:

	<u>Insurance Funds 2015</u>	<u>Insurance Funds 2014</u>
Balance - beginning	\$ 1,890,957	\$ 1,944,601
Contributions	857,000	-
Fees	(41,395)	(12,403)
Income	57,224	25,759
Withdrawals	<u>(1,039,213)</u>	<u>(67,000)</u>
Balance - Ending	<u>\$ 1,724,573</u>	<u>\$ 1,890,957</u>
	<u>Pledges Receivable 2015</u>	<u>Pledges Receivable 2014</u>
Balance - beginning	\$ 580,025	\$ 788,261
New pledges receivable	387,885	478,048
Collections	(626,345)	(730,784)
Direct write-offs	(25,999)	(6,081)
Change in allowance and discount	<u>656</u>	<u>50,581</u>
Balance - Ending	<u>\$ 316,222</u>	<u>\$ 580,025</u>

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS**

**NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The carrying amounts and estimated fair values of the Obligated Group's long-term debt at March 31, 2015 are as follows:

<u>Description</u>	<u>Carrying Amount at March 31, 2015</u>	<u>Fair Value at March 31, 2015</u>
Financial liabilities:		
Series C revenue bonds	\$ 40,885,000	\$ 43,335,191
Series E revenue bonds	10,550,000	10,550,000
HUD mortgage	926,696	926,696

The carrying amounts and estimated fair values of the Obligated Group's long-term debt at March 31, 2014 are as follows:

<u>Description</u>	<u>Carrying Amount at March 31, 2014</u>	<u>Fair Value at March 31, 2014</u>
Financial liabilities:		
Series C revenue bonds	\$ 41,815,000	\$ 43,368,056
Series E revenue bonds	10,550,000	10,550,000
HUD mortgage	926,696	926,696

**NOTE 14 - HEALTHCARE INDUSTRY**

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Obligated Group is in compliance with fraud and abuse regulations, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation.

Additionally, the Obligated Group is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Obligated Group's financial position.

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## Independent Auditors' Report on Supplementary Information

To the Board of Directors  
Hospital for Special Care, HSC Community Services, Inc.,  
and Hospital for Special Care Foundation, Inc.  
New Britain, Connecticut

We have audited the combined financial statements of Hospital for Special Care, HSC Community Services, Inc., and Hospital for Special Care Foundation, Inc. (collectively, the Obligated Group) as of and for the years ended March 31, 2015 and 2014, and our report thereon dated July 16, 2015, which expressed an unmodified opinion on those combined financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on the following pages is presented for the purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
July 16, 2015

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
COMBINING STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2015**

	Hospital for Special Care	HSC Community Services, Inc. Consolidated	Hospital for Special Care Foundation, Inc.	Elimination	Combined
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,742,400	\$ 395,323	\$ 736,802	\$ -	\$ 3,874,525
Accounts receivable, less allowance of \$1,228,743	14,314,967	18,480	-	-	14,333,447
Pledges receivable, net of allowance and discount of \$17,920	-	5,111	205,484	-	210,595
Prepaid sinking fund	1,493,116	-	-	-	1,493,116
Prepaid expenses and other assets	1,790,615	9,279	3,914	-	1,803,808
Inventories of supplies	548,989	-	-	-	548,989
Due from affiliates	125,816	25,515	-	(151,331)	-
Total current assets	21,015,903	453,708	946,200	(151,331)	22,264,480
Other assets:					
Investments	48,559,830	-	6,954,470	-	55,514,300
Pledges receivable, net of allowance and discount of \$5,145, less current portion	-	-	105,627	-	105,627
Investments in Foundation	5,143,021	415,799	-	(5,558,820)	-
Debt Service Reserve Fund	7,286,402	-	-	-	7,286,402
Debt obligations issuance expense, net of amortization	2,324,027	-	-	-	2,324,027
Insurance funds	1,724,573	-	-	-	1,724,573
Other assets	5,556,761	-	-	-	5,556,761
Total other assets	70,594,614	415,799	7,060,097	(5,558,820)	72,511,690
Property, plant and equipment, net	49,889,465	1,231,406	-	-	51,120,871
<b>Total Assets</b>	<b>\$ 141,499,982</b>	<b>\$ 2,100,913</b>	<b>\$ 8,006,297</b>	<b>\$ (5,710,151)</b>	<b>\$ 145,897,041</b>

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**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**MARCH 31, 2015**

	Hospital for Special Care	HSC Community Services, Inc. Consolidated	Hospital for Special Care Foundation, Inc.	Elimination	Combined
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities:</b>					
Current portion of long-term debt	\$ 965,000	\$ -	\$ -	\$ -	\$ 965,000
Accounts payable	2,481,448	41,710	-	-	2,523,158
Salaries, wages, payroll taxes and amounts withheld from employee compensation	6,894,289	-	-	-	6,894,289
Accrued insurance costs	3,756,427	186,770	-	-	3,943,197
Due to affiliates	-	45,687	105,644	(151,331)	-
Accrued interest and other liabilities	3,839,493	22,830	78,420	-	3,940,743
Total current liabilities	<u>17,936,657</u>	<u>296,997</u>	<u>184,064</u>	<u>(151,331)</u>	<u>18,266,387</u>
<b>Long-term liabilities:</b>					
Long-term debt, less current portion	50,470,000	926,696	-	-	51,396,696
Other long-term liabilities	5,556,761	-	-	-	5,556,761
Total long-term liabilities	<u>56,026,761</u>	<u>926,696</u>	<u>-</u>	<u>-</u>	<u>56,953,457</u>
<b>Net assets:</b>					
Unrestricted net assets	65,863,689	499,068	2,490,081	(226,668)	68,626,170
Temporarily restricted net assets	1,229,245	378,152	4,888,522	(4,888,522)	1,607,397
Permanently restricted net assets	443,630	-	443,630	(443,630)	443,630
Total net assets	<u>67,536,564</u>	<u>877,220</u>	<u>7,822,233</u>	<u>(5,558,820)</u>	<u>70,677,197</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 141,499,982</u>	<u>\$ 2,100,913</u>	<u>\$ 8,006,297</u>	<u>\$ (5,710,151)</u>	<u>\$ 145,897,041</u>

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
COMBINING STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2014**

	Hospital for Special Care	HSC Community Services, Inc. Consolidated	Hospital for Special Care Foundation, Inc.	Elimination	Combined
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 14,355,449	\$ 802,555	\$ 1,561,860	\$ -	\$ 16,719,864
Accounts receivable, less allowance of \$1,650,178	12,955,153	44,383	-	-	12,999,536
Pledges receivable, net of allowance of \$8,387	-	11,951	317,846	-	329,797
Prepaid sinking fund	1,479,292	-	-	-	1,479,292
Prepaid expenses and other assets	1,976,600	30,527	4,191	-	2,011,318
Inventories of supplies	508,169	-	-	-	508,169
Due from affiliates	1,543,778	12,412	-	(1,556,190)	-
Total current assets	32,818,441	901,828	1,883,897	(1,556,190)	34,047,976
Other assets:					
Investments	39,498,691	-	6,561,380	-	46,060,071
Pledges receivable, net of allowance and discount of \$15,334, less current portion	-	-	250,228	-	250,228
Investments in Foundation	4,456,796	423,111	-	(4,879,907)	-
Debt Service Reserve Fund	7,164,981	-	-	-	7,164,981
Debt obligations issuance expense, net of amortization	2,428,449	-	-	-	2,428,449
Insurance funds	1,850,957	40,000	-	-	1,890,957
Other assets	5,767,540	-	-	-	5,767,540
Total other assets	61,167,414	463,111	6,811,608	(4,879,907)	63,562,226
Property, plant and equipment, net	47,939,094	993,107	-	-	48,932,201
<b>Total Assets</b>	<b>\$ 141,924,949</b>	<b>\$ 2,358,046</b>	<b>\$ 8,695,505</b>	<b>\$ (6,436,097)</b>	<b>\$ 146,542,403</b>

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**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)  
MARCH 31, 2014**

**LIABILITIES AND NET ASSETS**

	Hospital for Special Care	HSC Community Services, Inc. Consolidated	Hospital for Special Care Foundation, Inc.	Elimination	Combined
Current liabilities:					
Current portion of long-term debt	\$ 930,000	\$ -	\$ -	\$ -	930,000
Accounts payable	4,154,835	37,102	-	-	4,191,937
Salaries, wages, payroll taxes and amounts withheld from employee compensation	6,920,947	-	-	-	6,920,947
Accrued insurance costs	3,597,168	298,853	-	-	3,896,021
Due to affiliates	-	88,221	1,467,969	(1,556,190)	-
Accrued interest and other liabilities	4,072,443	60,912	44,048	-	4,177,403
Accrued pension cost	3,958,074	-	-	-	3,958,074
Total current liabilities	23,633,467	485,088	1,512,017	(1,556,190)	24,074,382
Long-term liabilities:					
Long-term debt, less current portion	51,435,000	926,696	-	-	52,361,696
Other long-term liabilities	5,767,540	-	-	-	5,767,540
Total long-term liabilities	57,202,540	926,696	-	-	58,129,236
Net assets:					
Unrestricted net assets	59,910,251	339,140	2,530,249	(226,668)	62,552,972
Temporarily restricted net assets	739,380	607,122	4,213,928	(4,213,928)	1,346,502
Permanently restricted net assets	439,311	-	439,311	(439,311)	439,311
Total net assets	61,088,942	946,262	7,183,488	(4,879,907)	64,338,785
<b>Total Liabilities and Net Assets</b>	<b>\$ 141,924,949</b>	<b>\$ 2,358,046</b>	<b>\$ 8,695,505</b>	<b>\$ (6,436,097)</b>	<b>\$ 146,542,403</b>

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2015**

	Hospital for Special Care	HSC Community Services, Inc. Consolidated	Hospital for Special Care Foundation, Inc.	Elimination	Combined
Revenues:					
Net revenues from services to patients	\$ 90,709,620	\$ 172,047	\$ -	(187,781)	\$ 90,693,886
Other operating revenues	3,051,151	564,761	25,834	(314,312)	3,327,434
Bad debts	(162,572)	(1,448)	-	-	(164,020)
Net assets released from restrictions	93,598,199	11,086	451,356	-	462,442
Total revenues		746,446	477,190	(502,093)	94,319,742
Operating expenses:					
Salaries, wages and employees benefits	70,778,548	540,762	482,259	(187,781)	71,613,788
Supplies and other	19,327,114	393,694	675,750	(310,991)	20,085,567
Interest	2,151,308	-	-	-	2,151,308
Depreciation and amortization	3,624,702	70,485	-	-	3,695,187
Total operating expenses	95,881,672	1,004,941	1,158,009	(498,772)	97,545,850
Loss from operations	(2,283,473)	(258,495)	(680,819)	(3,321)	(3,226,108)
Nonoperating gains:					
Other income, primarily investment income	2,536,821	670	99,189	207,812	2,844,492
Excess (deficiency) of revenues over expenses	253,348	(257,825)	(581,630)	204,491	(381,616)
Other changes in unrestricted net assets:					
Change in equity interest in Foundation	195,147	3,772	-	(198,919)	512,827
Change in net unrealized gains on investments	519,598	-	(1,199)	(5,572)	1,933,338
Net assets released for capital additions	1,675,977	257,361	-	-	4,008,649
Change in minimum pension liability	4,008,649	-	-	-	-
Transfer among affiliates	(699,281)	156,620	542,661	-	-
Increase (decrease) in unrestricted net assets	5,953,438	159,928	(40,168)	-	6,073,198
Temporarily restricted net assets:					
Contributions	1,610,745	50,408	841,758	(137,044)	2,365,867
Net realized gains on investments	-	154	362,243	(207,812)	154,585
Change in net unrealized gains on investments	-	-	(9,712)	5,572	(4,140)
Change in equity interest in Foundation	486,758	(11,085)	-	(475,673)	-
Net assets released from restrictions used for purchase of capital	(1,607,638)	(257,361)	(68,339)	-	(1,933,338)
Net assets released from restrictions used for operations	489,865	(11,086)	(451,356)	140,363	(322,079)
Increase (decrease) in temporarily restricted net assets		(228,970)	674,594	(674,594)	260,895
Permanently restricted net assets:					
Contributions	4,319	-	4,319	-	4,319
Change in equity interest in Foundation	4,319	-	-	(4,319)	-
Increase (decrease) in permanently restricted net assets			4,319	(4,319)	4,319
Change in total net assets from continuing operations	6,447,622	(69,042)	638,745	(678,913)	6,338,412
Net assets - beginning of year	61,088,942	946,262	7,183,488	(4,879,907)	64,338,785
Net Assets - End of Year	\$ 67,536,564	\$ 877,220	\$ 7,822,233	\$ (5,558,820)	\$ 70,677,197

**HOSPITAL FOR SPECIAL CARE, HSC COMMUNITY SERVICES, INC.,  
AND HOSPITAL FOR SPECIAL CARE FOUNDATION, INC.,  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2014**

	Hospital for Special Care	HSC Community Services, Inc. Consolidated	Hospital for Special Care Foundation, Inc.	Elimination	Combined
<b>Revenues:</b>					
Net revenues from services to patients	\$ 89,284,308	\$ 161,958	\$ -	\$ (121,613)	\$ 89,324,653
Other operating revenues	3,045,830	478,514	39,633	(167,132)	3,396,845
Bad debts	(44,197)	(216)	-	-	(44,413)
Net assets released from restrictions	-	6,388	303,510	-	309,898
Total revenues	<u>92,285,941</u>	<u>646,644</u>	<u>343,143</u>	<u>(288,745)</u>	<u>92,986,983</u>
<b>Operating expenses:</b>					
Salaries, wages and employee benefits	68,296,375	473,659	326,789	(121,613)	68,975,210
Supplies and other	18,600,226	292,458	444,024	(232,706)	19,104,002
Interest	2,212,451	-	-	-	2,212,451
Depreciation and amortization	3,589,219	41,716	-	-	3,630,935
Total operating expenses	<u>92,698,271</u>	<u>807,833</u>	<u>770,813</u>	<u>(354,319)</u>	<u>93,322,598</u>
Income (loss) from operations	(412,330)	(161,189)	(427,670)	65,574	(935,615)
<b>Nonoperating gains (losses):</b>					
Other income, primarily investment income	3,406,198	3,083	83,659	196,177	3,689,117
Excess (deficiency) of revenues over expenses	<u>2,993,868</u>	<u>(158,106)</u>	<u>(344,011)</u>	<u>261,751</u>	<u>2,753,502</u>
<b>Other changes in unrestricted net assets:</b>					
Change in equity interest in Foundation	304,144	28,160	-	(332,304)	-
Change in net unrealized gains on investments	23,735	-	49,871	70,543	144,149
Net assets released for capital additions	7,150,335	289,318	-	-	7,439,653
Change in minimum pension liability	1,596,052	-	-	-	1,596,052
Transfer to affiliates	(359,722)	(138,078)	497,800	-	-
Increase (decrease) in unrestricted net assets	<u>11,708,412</u>	<u>21,294</u>	<u>203,660</u>	<u>(10)</u>	<u>11,933,356</u>
<b>Temporarily restricted net assets:</b>					
Contributions	1,484,270	239,812	957,600	(136,378)	2,545,304
Net realized gains on investments	-	602	415,919	(196,177)	220,344
Net unrealized gains on investments	-	-	149,560	(70,543)	79,017
Change in equity interest in Foundation	(4,862,586)	10,061	(5,740,108)	4,852,525	-
Net assets released from restrictions used for purchase of capital	(1,410,227)	(289,318)	(303,510)	71,112	(7,439,653)
Net assets released from restrictions used for operations	-	(6,388)	(30,133)	-	(238,786)
Transfer of assets to another entity	(4,788,543)	-	(4,550,672)	-	(30,133)
Increase (decrease) in temporarily restricted net assets	<u>(4,788,543)</u>	<u>(45,231)</u>	<u>(4,550,672)</u>	<u>4,520,539</u>	<u>(4,863,907)</u>
<b>Permanently restricted net assets:</b>					
Contributions	-	-	3,287	-	3,287
Transfer of assets to another equity	-	-	(20,045)	-	(20,045)
Change in equity interest in Foundation	3,287	-	-	(3,287)	-
Increase (decrease) in permanently restricted net assets	<u>3,287</u>	<u>-</u>	<u>(16,758)</u>	<u>(3,287)</u>	<u>(16,758)</u>
Change in total net assets from continuing operations	6,923,156	(23,937)	(4,363,770)	4,517,242	7,052,691
Loss from discontinued operations	-	(826,741)	-	50,178	(776,563)
Net assets - beginning of year	54,165,786	1,796,940	11,547,258	(9,447,327)	58,062,657
Net Assets - End of Year	<u>\$ 61,088,942</u>	<u>\$ 946,262</u>	<u>\$ 7,183,488</u>	<u>\$ (4,879,907)</u>	<u>\$ 64,338,785</u>