JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015 AND 2014

JOHNSON MEMORIAL MEDICAL CENTER

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Johnson Memorial Medical Center

We have audited the accompanying consolidated financial statements of Johnson Memorial Medical Center (the Organization), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Johnson Memorial Medical Center as of September 30, 2015 and 2014, and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Organization filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code on January 14, 2015. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of the reported asset amounts or adjustments relating to the establishment, settlement, and classification of liabilities that may be required in connection with Chapter 11 of the United States Bankruptcy Code.

Effective January 1, 2016, the unrestricted assets of Johnson Memorial Medical Center, Johnson Memorial Hospital, Johnson Health Care, Inc. and Home & Community Health Services, Inc. were sold and certain liabilities were assumed by Saint Francis Hospital and Medical Center (now known as Trinity Health – New England, Inc.) who will continue to provide health care services utilizing the name Johnson Memorial Medical Center through a newly formed corporation. Effective December 29, 2015, Johnson Evergreen Corporation was sold to another buyer who will operate it as a nursing facility.

The consolidated financial statements do not include any adjustments that resulted from the sales of these entities subsequent to year end or from the settlement of the Organization's liabilities in connection with these sale transactions. Our opinion is not modified with respect to these matters.

Marcum LLP

Hartford, CT
April 29, 2016

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 1,738,740	$ 1,469,221
Patient trust funds	66,862	59,530
Patients accounts receivable, net of allowances for uncollectible accounts of $6,242,000 in 2015 and $5,186,000 in 2014	12,246,951	11,658,028
Insurance and other receivables	537,387	1,078,149
Inventories	1,523,756	1,295,797
Prepaid expenses and other current assets	1,880,119	2,288,803
Total Current Assets	17,993,815	17,849,528
Assets Whose Use is Limited		
Beneficial interests in perpetual trusts	3,425,921	3,793,323
Restricted cash and board designated investments	224,917	224,048
Cash and investments restricted by donor	1,026,198	1,029,209
Total Assets Whose Use is Limited	4,677,036	5,046,580
Other Assets		
Property, plant and equipment, net	27,337,869	23,269,815
Investment in joint ventures	3,467,074	3,397,936
Investments, other	--	1,100
Deferred financing costs, net	278,507	288,663
Other noncurrent assets	1,207,547	1,610,887
Total Other Assets	32,290,997	28,568,401
	$ 54,961,848	$ 51,464,509

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS (CONTINUED)

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Liabilities and Net Assets (Deficit)		
Liabilities Not Subject to Compromise		
Current Liabilities		
Trade accounts payable and accrued expenses	$ 9,476,246	$ 8,408,688
Accrued payroll and related costs	2,677,952	2,789,581
Current portion of payments due under plan of reorganization	--	4,100,000
Patient trust funds	66,862	59,530
Senior debt under revolving line of credit	3,581,867	1,604,830
Mortgages payable	--	29,141,197
Current portion of subordinated and other debt	--	125,772
Current portion of capital lease obligations	838,274	197,299
Estimated amounts due to third-party reimbursement agencies	2,446,731	2,911,614
Other current liabilities	908,689	784,812
Total Current Liabilities	19,996,621	50,123,323
Long-Term Liabilities		
Payments due under plan of reorganization - less current portion	--	2,411,446
Subordinated debt - less current portion	--	17,435
Other long-term debt	--	2,350,000
Self-insurance liabilities and reserves for incurred but not reported professional liability claims	2,207,990	2,344,272
Other liabilities	374,702	401,097
Obligations under capital lease - less current portion	4,572,057	721,036
Total Long-Term Liabilities	7,154,749	8,245,286
Liabilities Subject to Compromise		
Payments due under 2010 plan of reorganization	6,685,593	--
Pre-petition trade accounts payable	3,176,665	--
Mortgages payable	29,141,197	--
Other debt	2,350,000	--
Total Liabilities Subject to Compromise	41,353,455	--
Total Liabilities	68,504,825	58,368,609

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED BALANCE SHEETS (CONTINUED)

SEPTEMBER 30, 2015 AND 2014

	2015	2014
Net Assets (Deficit)		
Unrestricted	$ (18,535,995)	$ (12,121,840)
Temporarily restricted	553,275	410,595
Permanently restricted	4,439,743	4,807,145
Total Net Assets (Deficit)	(13,542,977)	(6,904,100)
Total Liabilities and Net Assets (Deficit)	$ 54,961,848	$ 51,464,509

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Operating Revenue		
Net patient service revenue	$ 92,703,369	$ 96,614,360
Provision for bad debts	3,470,135	4,537,178
Net patient service revenue less provision for bad debts	89,233,234	92,077,182
Grant and other income	590,810	501,330
Other revenue	599,612	550,814
Net assets released from restriction	36,593	269,758
Total Operating Revenue	90,460,249	93,399,084
Expenses		
Salaries	40,500,652	40,435,222
Employee benefits	10,064,877	10,541,692
Professional fees	6,496,344	6,166,001
Depreciation and amortization	2,419,144	3,226,575
Outsourced staffing and contracted services	7,340,605	5,888,592
Supplies, drugs and patient care	12,485,965	12,822,617
Leases and service contracts	1,456,738	1,624,365
Occupancy costs	3,446,572	3,512,148
Insurance	1,584,957	1,669,982
Provider tax	896,980	859,088
Other expenses	6,813,061	5,964,235
Interest	1,503,067	1,985,339
Total Expenses	95,008,962	94,695,856
Loss from Operations Before Impairment Loss on Long-Lived Assets	(4,548,713)	(1,296,772)
Impairment Loss on Long-Lived Assets	--	(2,452,326)
Loss from Operations	(4,548,713)	(3,749,098)

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Nonoperating Revenue (Loss)		
Investment income	$ 159,517	$ 166,175
Loss on sale of equipment	--	(13,263)
Equity earnings in joint ventures	69,138	232,022
	228,655	384,934
Loss Before Reorganization Items	(4,320,058)	(3,364,164)
Reorganization Items		
Professional fees	2,282,699	--
Deficiency of Revenues Over Expenses	$ (6,602,757)	$ (3,364,164)

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Unrestricted Net Assets		
Deficiency of revenues over expenses	$ (6,602,757)	$ (3,364,164)
Net assets released from restriction for purchase of property and equipment	188,602	8,330
Change in Unrestricted Net Assets	(6,414,155)	(3,355,834)
Temporarily Restricted Net Assets		
Grants and other contributions	367,875	352,974
Net assets released from restriction	(225,195)	(278,088)
Change in Temporarily Restricted Net Assets	142,680	74,886
Permanently Restricted Net Assets		
(Decrease) increase in fair value of beneficial interest in perpetual trusts	(367,402)	63,596
Change in Net Assets	(6,638,877)	(3,217,352)
Net Assets (Deficit) - Beginning	(6,904,100)	(3,686,748)
Net Assets (Deficit) - End	$ (13,542,977)	$ (6,904,100)

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities and Reorganization Items		
Change in net assets	$ (6,638,877)	$ (3,217,352)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Impairment loss on long-lived assets	--	2,452,326
Depreciation and amortization	2,419,144	3,226,575
Accretion of asset retirement obligations	--	11,074
Provision for bad debt	3,470,135	4,537,178
Loss on disposal of assets	--	13,263
Equity earnings in joint ventures	(69,138)	(232,022)
Restricted grants and contributions	(367,875)	(352,974)
Change in net realized and unrealized losses (gains) on investments	367,402	(63,596)
Changes in assets and liabilities:		
Patient accounts receivable	(4,059,058)	(6,059,817)
Insurance and other receivables	540,762	948,713
Prepaid expenses and other current assets	408,684	(1,178,668)
Inventories	(227,959)	21,673
Restricted cash and board designated investments	2,142	45,682
Other noncurrent assets	403,340	(1,127,752)
Payments due under 2010 plan of reorganization	174,147	443,398
Accounts payable and accrued expenses	4,244,223	1,313,237
Accrued payroll and related costs	(111,629)	(17,639)
Estimated amounts due to third-party reimbursement agencies	(464,883)	127,549
Self-insurance liabilities	(136,282)	1,702,848
Other current liabilities	123,877	112,131
Other liabilities	(26,395)	(222,689)
Net Cash Provided by Operating Activities and Reorganization Items	51,760	2,483,138
Cash Flows From Investing Activities		
Capital expenditures	(1,750,442)	(961,673)
Net Cash Used in Investing Activities	(1,750,442)	(961,673)

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

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash Flows From Financing Activities		
Restricted grants and contributions	$ 367,875	$ 352,974
Principal payments on mortgage and subordinated debt	(143,207)	(500,483)
Draws (payments) on revolving line of credit	1,977,037	(604,028)
Principal payments on capital lease obligations	(233,504)	(106,609)
Net Cash Provided by (Used in) Financing Activities	1,968,201	(858,146)
Net Change in Cash and Cash Equivalents	269,519	663,319
Cash and Cash Equivalents - Beginning	1,469,221	805,902
Cash and Cash Equivalents - Ending	$ 1,738,740	$ 1,469,221
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 1,136,444	$ 1,258,348
Capital lease obligations - Noncash financing	$ 4,725,500	$ 965,000
Cash paid for reorganization costs	$ (1,405,895)	$ --
Cash provided by operating activities	1,457,655	2,483,138
	$ 51,760	$ 2,483,138

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

ORGANIZATION

Johnson Memorial Medical Center (the Corporation or JMMC) is a not-for-profit, non-stock holding company located in Stafford Springs, Connecticut. The Corporation through its subsidiaries provides health care services to residents throughout the Hartford and Tolland Connecticut counties. The Corporation's non-profit subsidiaries include Johnson Memorial Hospital (the Hospital or JMH), Johnson Evergreen Corporation (Evergreen or EHCC), Johnson Health Care, Inc. (Health Care or JHC), and Home & Community Health Services, Inc. (HCHS). Johnson Medical Specialists, P.C. (JMS) is a professional corporation that is controlled by the Corporation. The Hospital has controlling interests in Johnson Development Fund, Inc. (Development) and its for-profit subsidiary WellCare, Inc. and Johnson Professional Associates, P.C. (JPA). The above entities are collectively referred to as the Organization in this consolidated presentation. Development, JMS, and WellCare, Inc. were dissolved during the year ended September 30, 2015.

Effective December 29, 2015, Athena Stafford Springs Landlord LLC and Stafford Springs CT SNF LLC (collectively, Athena) acquired certain assets and assumed certain liabilities of Evergreen.

Effective January 1, 2016, Saint Francis Care, Inc. (now known as Trinity Health - New England, Inc.) acquired certain unrestricted assets and liabilities of Johnson Memorial Medical Center, Inc., Johnson Memorial Hospital, Inc., Home & Community Health Services, Inc. and Johnson Health Care, Inc. through an asset purchase agreement. A newly formed corporation will continue to provide health care services utilizing the name Johnson Memorial Medical Center. The restricted net assets of the Hospital and HCHS will be transferred to the newly formed corporation upon approval of the Attorney General of the State of Connecticut.

Effective April 8, 2016, Trinity Health - New England, Inc. entered into an agreement to acquire certain assets and assume certain contracts and unexpired leases of JPA.

The Organization's major accounting policies are as summarized below and in Note 2.

JANUARY 14, 2015 BANKRUPTCY FILING

On January 14, 2015, the Corporation, Hospital, HCHS, Health Care and JPA filed a voluntary joint petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for District of Connecticut, Hartford Division (Bankruptcy Court). Evergreen filed a separate Chapter 11 petition on January 14, 2015. The aforementioned entities are collectively referred to as the Debtors.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

JANUARY 14, 2015 BANKRUPTCY FILING (CONTINUED)

In connection with these bankruptcy filings, the Debtors filed motions with the Bankruptcy Court under Bankruptcy Code Section 363 to sell the Corporation, Hospital, Evergreen, Home and Community, and Health Care to Saint Francis Care, Inc. (Saint Francis).

On January 16, 2015, the Debtors and a lender negotiated the terms of a debtor in possession loan in the amount of up to $7 million, subject to certain limits, to finance the Debtors' operations through the bankruptcy process. The amounts outstanding were paid in full as part of the asset sales during 2016.

On May 14, 2015, the Bankruptcy Court approved the sale of certain assets and the assumption of certain liabilities of Johnson Memorial Medical Center, Inc., Johnson Memorial Hospital, Inc., Home & Community Health Services, Inc. and Johnson Health Care, Inc. to Saint Francis (now known as Trinity Health – New England, Inc.).

On August 20, 2015, the Bankruptcy Court approved the sale of certain assets and the assumption of certain liabilities of Evergreen to Athena.

Saint Francis and People's United Bank (People's) negotiated the restructuring of the People's mortgage debt owed by the Hospital and JMMC totaling $14,927,500 for the settlement amount of $10,340,000 plus accrued interest. This restructured debt was paid as part of the sale to Saint Francis in 2016.

Evergreen's mortgage debt was not assumed by the purchaser and the Corporation was ordered by the Bankruptcy Court to pay People's $5 million in 2016 from the proceeds that resulted from the sale of Evergreen.

In connection with the sale to Saint Francis, the unsecured creditors from the first bankruptcy filings received payments of approximately $3 million. Saint Francis and Athena assumed the trade accounts payable liabilities and certain other liabilities of the entities that they acquired other than those associated with the first bankruptcy filing.

The Organization prepared its 2015 consolidated financial statements in accordance with the guidance in FASB ASC Topic 852, Reorganizations, during the period from January 14, 2015 through September 30, 2015. Expenses and provisions for losses directly related to the Chapter 11 Proceedings were recorded as Reorganization Items which do not constitute an element of operating loss due to their nature and the requirement of ASC 852 that they be reported separately.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

JANUARY 14, 2015 BANKRUPTCY FILING (CONTINUED)

During the years ended September 30, 2015 and 2014, the Organization expensed legal and consulting costs of approximately $3,300,000 and $850,000, respectively, related to the bankruptcy filing and the proposed sales transactions. Of these total costs incurred, only the expenses incurred during the period from January 14, 2015 through September 30, 2015 have been presented separately in the consolidated statement of operations in accordance with ASC 852.

As of September 30, 2015, the Organization's consolidated balance sheet distinguished pre-petition liabilities subject to compromise from pre-petition liabilities not subject to compromise and from post-petition liabilities.

ORIGINAL BANKRUPTCY FILING

On November 4, 2008, the Hospital, the Corporation and Evergreen, filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code. This generally delayed payments of liabilities incurred prior to filing those petitions while the Corporation, the Hospital and Evergreen developed a joint plan of reorganization that was satisfactory to their creditors, and allowed these entities to continue as going concerns.

On August 11, 2010, the Bankruptcy Court confirmed the original plan of reorganization which was subject to the satisfaction of a number of conditions precedent. One of the conditions was that the Hospital, the Corporation, and Evergreen were required to obtain a line of credit of at least $6 million. On September 30, 2010, the plan of reorganization became effective when these debtors received financing under an $8 million line of credit and all other material conditions precedent to the plan becoming binding were resolved. The Bankruptcy Court issued a final decree on December 29, 2010.

There was no change in control as the Organization's Board of Directors immediately prior to the confirmation of the plan retained control upon emergence from the Chapter 11 proceedings, therefore, the Organization did not adopt fresh-start reporting.

As of September 30, 2015 and 2014, liabilities compromised by the confirmed plan have been recorded at the present values of amounts to be paid based on the original plan of reorganization.

The Hospital and Evergreen failed to pay the amounts owed to the unsecured creditors and the Pension Benefit Guaranty Corporation (PBGC) that were due on October 1, 2013, 2014 and 2015.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

ORIGINAL BANKRUPTCY FILING (CONTINUED)

In addition, mortgage payments were past due under the secured mortgages as of September 30, 2015 and 2014. The $29,141,197 balance of the mortgages has been classified as a current liability at September 30, 2014 based on the fact that People's Bank had the right to demand repayment.

As part of the January 14, 2015, bankruptcy filing, amounts due to unsecured creditors and the PBGC from the original bankruptcy and were renegotiated and paid at closing subsequent to September 30, 2015.

AFFILIATION WITH SAINT FRANCIS CARE, INC. (NOW KNOWN AS TRINITY HEALTH – NEW ENGLAND, INC.)

On July 12, 2012, the Corporation, along with the Hospital and Evergreen (collectively, the Johnson Entities) entered into an affiliation agreement with Saint Francis Care designed to establish a long-term stable relationship between the two systems, allowing them to work together to maintain and strengthen the Corporation's operating viability and the Hospital's presence in the community as a community hospital, expand the array of health care services available, support the Hospital's medical staff, and enhance the Corporation's efforts to fulfill its mission. Saint Francis made an initial payment to the Johnson Entities of $1,300,000 on the date of the affiliation agreement and made an additional payment of $1,050,000 on October 1, 2012, both payments to be used by the Johnson Entities to satisfy outstanding claims owed under the reorganization plan to the Pension Benefit Guaranty Corporation and the unsecured creditors.

All payments made by Saint Francis under this agreement were considered to be an unsecured loan. Under the terms of the affiliation agreement, this loan would be payable in the event that the Corporation sought the closing of an alternative transaction, if the proceeds of this alternative transaction exceeded the amounts necessary to satisfy all other secured and unsecured debt owed by the Corporation.

In connection with the $1,300,000 initial payment, Saint Francis was provided with the right to appoint three members to the Boards of Directors of Johnson Memorial Medical Center, the Hospital, and Evergreen.

On May 17, 2013, the Johnson Entities amended the affiliation agreement with Saint Francis to include additional advances of up to $1,000,000 to be used solely for general working capital purposes. Advances under this amendment are subject to interest effective at the prime rate plus 2%. As of September 30, 2015 and 2014, there were no advances under this letter of credit.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

AFFILIATION WITH SAINT FRANCIS CARE, INC. (NOW KNOWN AS TRINITY HEALTH – NEW ENGLAND, INC.) (CONTINUED)

During 2014, Saint Francis agreed to provide credit support of $2 million to the Johnson Entities in the form of a guaranty and letter of credit issued by a bank as security for the Johnson Entities' deductible under their workers' compensation policy. This credit support increased to $2.25 million in 2015. Certain fees and interest were owed to Saint Francis under this agreement. As of September 30, 2015 and 2014, there were no borrowings under this letter of credit.

Saint Francis has provided medical leadership in the Hospital's oncology program, infectious disease program, hospitalist program and management services in both case management and psychiatry in an effort to help the Hospital to attract additional volume.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. On January 14, 2015, JMMC, JMH, EHCC, HCHS, JPA, and JHC filed for relief under Chapter 11 of the U.S. Bankruptcy Code. JMH, EHCC and JMMC failed certain debt covenants and defaulted on all payments due on their mortgages during the years ended September 30, 2015 and 2014.

Effective January 1, 2016, the assets of JMMC, JMH, JHC and HCHS were sold to Saint Francis who will continue to operate these entities. In addition, EHCC was sold to Athena effective December 29, 2015 who will continue to operate it as a nursing facility.

The Organization's ability to sustain continued operations would not be possible without the relief provided by the bankruptcy filings, the restructuring of its debt and the involvement of Saint Francis.

Based on the fact that these entities will continue to operate with the new owners, the liquidation basis of accounting is not required and the going concern basis of accounting remains appropriate.

The financial statements do not include any adjustments that resulted from the sale of the Organization subsequent to year end or from the settlement of the Organization's liabilities in connection with these sale transactions.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

PRINCIPLES OF CONSOLIDATION AND PRESENTATION

The accompanying consolidated financial statements include the accounts of Johnson Memorial Medical Center, Johnson Memorial Hospital, The Johnson Evergreen Corporation, Home & Community Health Services, Johnson Health Care, Inc., Johnson Professional Associates, P.C., Johnson Medical Specialists, P.C. and Johnson Development Fund, Inc. JPA and Development are entities in which the Hospital has a controlling financial interest. All inter-company accounts have been eliminated in consolidation.

ASC 810-25, *Consolidations*, requires a not-for-profit entity, among other things, to consolidate into its financial statements the financial results of another not-for-profit in which it has a controlling financial interest and to make certain disclosures. Reference is made to Note 2.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

Unrestricted – Unrestricted net assets represent available resources which can be used for general operations of the Organization. Included in unrestricted net assets are assets set aside by the Board of Directors.

Temporarily Restricted – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. At September 30, 2015 and 2014, the Organization had temporarily restricted net assets of $553,275 and $410,595, respectively.

Permanently Restricted – Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that income earned thereon is available for operations or a specific purpose.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

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, including estimated uncollectible accounts receivable and contractual allowances and liabilities, including estimated net settlements with third-party reimbursement agencies and professional liabilities, and disclosure of contingent assets and contingent liabilities at the date of the financial statements. Estimates also affect the amounts of revenues and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

REGULATORY MATTERS

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

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 to unrestricted net assets.

CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with remaining maturities of three months or less at date of purchase to be cash equivalents. Cash and cash equivalents are held at a limited number of financial institutions and at times, the amounts on deposit exceed insured limits.

BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Hospital is the beneficiary of several trust funds. Although the principal balances in the trust funds are permanently restricted, the income earned on the trust funds is unrestricted. The increases in unrealized (losses) and gains from the trust funds were $(367,402) in 2015 and $63,596 in 2014 and are included in changes in permanently restricted net assets.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

INVESTMENTS PERMANENTLY RESTRICTED BY DONOR

Investments permanently restricted by donor (other than beneficial interests in perpetual trusts) represent the funds held to support the permanently restricted endowment funds and earnings thereon. Investments in securities with readily determinable fair values are measured at fair value in the consolidated balance sheets. Fair value is determined based upon quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the deficiency of revenue over expenses unless restricted by the donor or law.

Unrealized gains and losses on investments related to certain permanently restricted net assets (excluding beneficial interests in perpetual trusts) and certain temporarily restricted net assets are included in temporarily restricted net assets under State law which allows the Board of Directors to appropriate as much of the net appreciation of investments as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Reference is made to Note 8.

ACCOUNTS RECEIVABLE

Patient accounts receivable result from the health care services provided by the Corporation's subsidiaries. The amount of the allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators. See Note 3 for additional information relative to net patient service revenue recognition and third-party payer programs.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the deficiency of revenues over expenses unless the income or loss is restricted by donor or law.

Unrealized gains and losses on investments on the Organization's beneficial interests in perpetual trusts are recorded as changes in permanently restricted net assets.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

INVESTMENT IN JOINT VENTURES

The Hospital has joint ventures that it accounts for using the equity method. The change in the Hospital's share in the equity of these joint ventures is recorded as a component of nonoperating revenue in the consolidated statements of operations. The Hospital has a 25% interest in Northeast Regional Radiation Oncology Network, Inc. (NRRON) ($3,308,211 and $3,299,195 as of September 30, 2015 and 2014, respectively) and has a 15% ownership interest in Tolland Imaging Center, LLC ($141,726 and $81,604 as of September 30, 2015 and 2014, respectively). JMMC leases space to NRRON under the terms of an operating lease and recognized rental income of $235,000 and $232,000 for the years ended September 30, 2015 and 2014, respectively.

INVENTORIES

Inventories of drugs and supplies are stated at the lower of cost or market, determined using the first in first out method.

IMPAIRMENT OF LONG-LIVED ASSETS

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. Evergreen recorded an impairment loss of $2,452,326 during the year ended September 30, 2014. Management believes that the other entities with long-lived assets included in the consolidated financial statements will generate undiscounted cash flows that will at least recover the value in their long-lived assets at their current carrying values.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. During the year ended September 30, 2014, Evergreen reduced the carrying value of its building and improvements by $2,452,326 related to the aforementioned impairment loss. The adjusted carrying value became the new cost basis. The Organization provides for depreciation of property, plant and equipment and amortization of assets recorded under capital leases using the straight-line method over the estimated useful lives of the assets as follows:

	Useful Lives
Buildings and improvements	5 – 40 years
Land improvements	5 – 20 years
Equipment	3 – 20 years

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for renewals and betterments are capitalized.

Financial Accounting Standards Board ASC 410-20, *Accounting for Asset Retirement Obligations,* provides guidance on accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Asset retirement obligations include, but are not limited to, certain types of environmental issues which are legally required to be remediated upon an asset's retirement as well as contractually required asset retirement obligations. ASC 410-20 provides clarifying guidance on conditional asset retirement obligations. Conditional asset retirement obligations are obligations whose settlement may be uncertain. ASC 410-20's guidance requires such conditional asset retirement obligations to be estimated and recognized. Application of these pronouncements affects the Hospital with respect to required future asbestos remediation.

Conditional asset retirement obligations of $346,000 as of September 30, 2015 and 2014, were recorded in other liabilities on the balance sheets and have been fully accreted to their estimated settlement values. There were no retirement obligations incurred or settled during 2015 and 2014. Reference is made to Note 16 regarding other environmental exposures.

RISKS AND UNCERTAINTIES

The Hospital and HCHS invest in a variety of investment securities which are exposed to various risks, such as interest rate risk, financial market risk and credit risk. Due to the level of risk associated with investment securities, coupled with the current economic events, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Organization's financial statements.

NONOPERATING REVENUE

Activities, other than in connection with providing health care services, are considered to be nonoperating. Nonoperating revenue consists primarily of income on invested funds, gains and losses on sales of equipment, and the changes in the Organization's share of equity of the joint ventures accounted for under the equity method.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

DEFICIENCY OF REVENUE OVER EXPENSES

The consolidated statements of operations include the deficiency of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from the deficiency of revenue over expenses, consistent with industry practice, include 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).

INCOME TAXES

The Corporation, the Hospital, Evergreen, HCHS, Health Care, and Development are generally exempt from income taxes under Internal Revenue Code, Section 501(a), as organizations described in Section 501(c)(3). JPA is a professional corporation that has experienced losses since inception and accordingly, no provisions for federal or state income taxes have been recorded.

The Organization accounts for uncertainty in income tax positions in the consolidated financial statements by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has analyzed the tax positions taken and has concluded that as of September 30, 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Corporation and its subsidiaries are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization’s tax returns are subject to examination generally for three years from the date of filing and the current and prior three years remain subject to examination as of September 30, 2015.

ADVERTISING

The Organization expenses advertising costs as incurred. Advertising expenses for the years ended September 30, 2015 and 2014 were $100,362 and $5,039, respectively.

RECOGNITION OF GRANT REVENUE

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities. Entitlement to cost reimbursement grants is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance based grants is conditioned on the attainment of specific performance.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

CHARITY CARE

The Organization provides care to patients who meet certain criteria under its charity care policies without charge, or at amounts less than its established rates. The Organization does not pursue collection of amounts determined to be charity care and these amounts are not reported as net patient service revenue. For the year ended September 30, 2015 the charges and costs related to charity care were $231,297 and $131,000 and for the year ended September 30, 2014, the charges and costs related to charity care were $421,153 and $219,000, respectively.

ESTIMATED MEDICAL MALPRACTICE AND WORKERS' COMPENSATION COSTS

The provision for estimated medical malpractice and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

The Organization accounts for its insurance claims and related insurance recoveries in accordance with the provisions of ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which indicates that health care entities should not net insurance recoveries against the related claim liabilities.

BAD DEBTS

ASU 2011-07, *Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts*, requires certain health care entities to present the provision for bad debts associated with patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) rather than as an operating expense. Refer to Note 3 for the additional disclosures required by ASU 2011-07.

RECLASSIFICATIONS

Certain 2014 amounts have been reclassified to conform to the 2015 presentation. Such reclassifications had no effect on net assets, the total deficiency of revenues over expenses, or the change in net assets previously reported.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

SUBSEQUENT EVENTS

The Organization evaluates the impact of subsequent events, events that occur after the balance sheet date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date or for disclosure in the notes to the financial statements. The Organization evaluated events occurring subsequent to September 30, 2015 through April 29, 2016, the date on which the accompanying financial statements were available to be issued. Reference is made to Note 1 regarding the sale of the majority of the Organization's unrestricted assets and transfer of certain liabilities in a number of transactions that occurred subsequent to September 30, 2015. The consolidated financial statements do not include any adjustments that resulted from these transactions.

NOTE 2 – CONSOLIDATED ENTITIES

Johnson Memorial Hospital is an acute care hospital located in Stafford Springs, Connecticut. The Hospital is licensed for 92 beds and provides a broad range of inpatient and outpatient services primarily throughout Hartford and Tolland Connecticut counties. Admitting physicians are primarily practitioners in the same geographic area. The Hospital has a controlling interest in JPA and Development.

JPA is a medical practice that is controlled by the Hospital. Although the Hospital does not have direct ownership interests in JPA, the Hospital has a controlling voting interest in the Board of JPA, thus enabling the Hospital to control the economic activities of JPA. Also, the Hospital provides funding to JPA to fund its operating losses.

Johnson Evergreen Corporation is a subsidiary of the Corporation. Evergreen is currently licensed as a 180-bed not-for-profit, skilled nursing facility located in Stafford Springs, CT.

Home & Community Health Services, Inc. is a subsidiary of the Corporation. HCHS is a tax-exempt, non-stock corporation, which provides and administers a comprehensive, multi-disciplinary, home health care and hospice program primarily to residents in North Central Connecticut.

JMS is a medical practice that is controlled by the Corporation. Although the Corporation does not have direct ownership interests in JMS, the Corporation has a controlling voting interest in the Board of JMS, thus enabling the Corporation to control the economic activities of JMS. JMS was dissolved during the year ended September 30, 2015, as it has not rendered medical services in several years.

NOTE 2 – CONSOLIDATED ENTITIES (CONTINUED)

Johnson Health Care Inc. (d/b/a Johnson Occupational Medicine Center) is an occupational medicine practice controlled by JMMC. The facility is located in Enfield, CT to treat patients injured on the job and performs other health care services related to the workplace including physical exams, drug screenings, rehabilitation, ergonomic evaluations, medical surveillance exams and travel immunizations. All services are designed to meet the needs of business and corporate clients.

On May 19, 2015, the Johnson Memorial Hospital Development Fund, Inc., Johnson Medical Specialists, P.C.; and WellCare, Inc. filed for dissolution of their respective corporation with the Secretary of the State of Connecticut. The State approved these actions on June 26, 2015 and the corporations were dissolved during the year ended September 30, 2015.

NOTE 3 – NET REVENUE FROM SERVICES TO PATIENTS AND CHARITY CARE

The following table summarizes net revenue from services to patients during the years ended September 30, 2015 and 2014:

	2015	2014
Gross patient service revenue	$ 206,688,086	$ 208,384,764
Contractual and other allowances	113,984,717	111,770,404
Net patient service revenue	92,703,369	96,614,360
Provision for bad debts	3,470,135	4,537,178
Net patient service revenue less provision for bad debts	$ 89,233,234	$ 92,077,182

Patient accounts receivable and revenue are recorded when patient services are performed. Amounts received from most payers are different from the established billing rates of the Organization, and these differences are accounted for as allowances.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. 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. For the years ended September 30, 2015 and 2014, the Organization recorded approximately $1,704,000 and $310,000, respectively, as an increase to net patient service revenue for changes in estimates related to third-party payer settlement accruals recorded in prior years.

NOTE 3 – NET REVENUE FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

The following table represents the percentages of net revenue received from payers during the years ended September 30, 2015 and 2014:

	2015	2014
Medicare	37%	37%
Medicaid	19%	19%
Third Parties	37%	37%
Other	7%	7%

Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Organization.

The Connecticut Medicaid inpatient hospital reimbursement model of interim per diem rates and case rate settlements transitioned to an All Patient Refined Diagnosis Related Group System (APR-DRG) where hospital payments are established prospectively for inpatients, admitted on or after January 1, 2015.

The significant concentrations of net accounts receivable for services to patients by payer at September 30, 2015 and 2014 follow:

	2015	2014
Medicare	32%	38%
Medicaid	27%	23%
Third Parties	36%	36%
Other	5%	3%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Organization believes that it is in compliance with all applicable laws and regulations. Cost reports for the Hospital, which serve as a basis for final settlement with government payers, have been settled by final settlement through 2012 for Medicare and 2007 for Medicaid. Other years remain open for settlement.

The health care subsidiaries of the Corporation have agreements with various Health Maintenance Organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service payments for certain covered services based upon discounted fee schedules.

NOTE 3 – NET REVENUE FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

MEASURING CHARITY CARE

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

Self-pay revenues are derived primarily from patients who do not have any form of health care coverage. The revenues associated with self-pay patients are generally reported at the Organization's gross charges.

The Organization evaluates these patients, after the patient's medical condition is determined to be stable, for their ability to pay based upon federal and state poverty guidelines, qualifications for Medicaid or other governmental assistance programs, as well as the Organization's policy for charity care. The Organization provides care without charge to certain patients that qualify under its charity care policy. For the years ended September 30, 2015 and 2014, the Organization estimates that its costs of care provided under its charity care programs approximated $131,000 and $219,000, respectively.

The Organization's management estimates its costs of care provided under its charity care programs utilizing a calculated ratio of costs to gross charges multiplied by the Organization's gross charity care charges provided. The Organization's gross charity care charges include only services provided to patients who are unable to pay and qualify under the Organization's charity care policies. To the extent the Organization receives reimbursement through the various governmental assistance programs in which it participates to subsidize its care of indigent patients, the Organization does not include these patients' charges in its cost of care provided under its charity care program. Additionally, the Organization does not report a charity care patient's charges in revenues or in the provision for bad debts as it is the Organization's policy not to pursue collection of amounts related to these patients.

NOTE 3 – NET REVENUE FROM SERVICES TO PATIENTS AND CHARITY CARE (CONTINUED)

BAD DEBTS

The Organization's estimation of the allowance for uncollectible accounts is based primarily upon the type and age of the patient accounts receivable and the effectiveness of the Organization's collection efforts. The Organization's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, the Organization reviews its accounts receivable balances, the effectiveness of the Organization's reserve policies and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- Revenue and volume trends by payer, particularly the self-pay components;
- Changes in the aging and payer mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients; and
- Various allowance coverage statistics.

The Organization regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

A summary of the Organization's allowance for doubtful accounts activity for the years ended September 30, 2015 and 2014 is as follows:

	Balance at Beginning of Period	Additions Recorded in the Provision for Bad Debts	Accounts Written off, Net of Recoveries and Other	Balance at End of Period
Allowance for doubtful accounts:				
Year ended September 30, 2015	$ (5,186,000)	$ (3,470,135)	$ 2,414,135	$ (6,242,000)
Year ended September 30, 2014	$ (4,170,000)	$ (4,537,178)	$ 3,521,178	$ (5,186,000)

NOTE 4 – REGULATORY ENVIRONMENT

The health care industry is subject to numerous laws and regulations of federal, state and local government. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

NOTE 5 – DEFERRED FINANCING COSTS

Deferred financing costs, which were incurred in connection with the debt, are being amortized over the term of the related debt. Amortization expense for deferred financing costs amounted to $10,157 and $11,124 for the years ended September 30, 2015 and 2014, respectively.

NOTE 6 – ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited, which include beneficial interests in perpetual trusts, cash restricted for payment of workers' compensation claims, and investments permanently restricted by donors, are set forth in the following table. Investments are recorded on the consolidated balance sheets at fair value.

	September 30, 2015	
	Cost	Fair Value
Cash and cash equivalents	$ 1,350,783	$ 1,350,783
Money market funds	7,582	7,582
Mutual funds - equity	56,730	51,687
Mutual funds - fixed	42,873	39,692
Collective funds - equity	545,610	506,043
Collective funds - fixed	63,475	63,608
Investment grade taxable bonds	294,901	289,620
Equities		
U.S. large cap	939,564	933,307
U.S. mid cap	246,327	263,910
U.S. small cap	220,335	232,887
International developed	472,704	461,849
Emerging markets	194,864	172,909
Real estate	189,072	207,794
Tangible assets - commodities	144,029	95,365
	$ 4,768,849	$ 4,677,036

NOTE 6 – ASSETS WHOSE USE IS LIMITED (CONTINUED)

	September 30, 2014	
	Cost	Fair Value
Cash and cash equivalents	$ 1,386,944	$ 1,386,944
Money market funds	12,122	12,122
Mutual funds - equity	56,730	65,074
Mutual funds - fixed	44,414	44,516
Collective funds - equity	496,374	523,180
Collective funds - fixed	332,613	351,046
Equities		
U.S. large cap	783,027	864,449
U.S. mid cap	359,596	414,548
U.S. small cap	189,136	208,034
International developed	487,064	521,272
Emerging markets	256,803	264,411
Real estate	247,151	247,414
Tangible assets - commodities	168,678	143,570
	$ 4,820,652	$ 5,046,580

Investment income on investments recorded in the consolidated statements of operations for the years ended September 30 are below.

	2015	2014
Investment income		
Dividends and interest	$ 183,793	$ 210,158
Less investment management fees	(24,276)	(43,983)
Net investment income	$ 159,517	$ 166,175

NOTE 7 – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the financial statements are categorized, for disclosure purposes, based upon whether the inputs used to determine their fair values are observable or unobservable utilizing a three-level fair value hierarchy that prioritizes the inputs used to measure assets and liabilities at fair value. Level inputs are as follows:

Level 1 **–** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access on the reporting date.

Level 2 **–** Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 **–** Inputs that are unobservable for the asset or liability.

The fair values of Level 1 securities were determined through quoted market prices, while fair values of Level 2 securities were determined primarily through prices obtained from third party pricing sources, where quoted market prices for such securities were not available. The fair values of Level 3 securities were determined primarily through information obtained from the relevant counterparties for such investments, as information on which these securities' fair values are based is generally not readily available in the market.

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes fair value measurements, by level, at September 30, 2015 and 2014 for all assets and liabilities which are measured at fair value on a recurring basis in the financial statements:

	Level 1	Level 2	Level 3	Total
September 30, 2015				
Beneficial interests in perpetual trusts:				
Cash and cash equivalents	$ 99,668	$ --	$ --	$ 99,668
Money market funds	7,582	--	--	7,582
Mutual funds - equity	51,687	--	--	51,687
Mutual funds - fixed	39,692	--	--	39,692
Collective funds - equity	--	--	506,043	506,043
Collective funds - fixed	--	--	63,608	63,608
Investment grade taxable bonds	289,620			289,620
Equities				
U.S. large cap	933,307	--	--	933,307
U.S. mid cap	263,910	--	--	263,910
U.S. small cap	232,887	--	--	232,887
International developed	461,849	--	--	461,849
Emerging markets	172,909	--	--	172,909
Real estate	207,794	--	--	207,794
Tangible assets - commodities	--	--	95,365	95,365
Total Beneficial interests in perpetual trusts	2,760,905	--	665,016	3,425,921
Restricted cash and board designated investments	224,917	--	--	224,917
Cash and investments permanently restricted by donor	1,026,198	--	--	1,026,198
	$ 4,012,020	$ --	$ 665,016	$ 4,677,036

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
September 30, 2014				
Beneficial interests in perpetual trusts:				
Cash and cash equivalents	$ 133,687	$ --	$ --	$ 133,687
Money market funds	12,122	--	--	12,122
Mutual funds - equity	65,074	--	--	65,074
Mutual funds - fixed	44,516	--	--	44,516
Collective funds - equity	--	--	523,180	523,180
Collective funds - fixed	--	--	351,046	351,046
Equities				
U.S. large cap	864,449	--	--	864,449
U.S. mid cap	414,548	--	--	414,548
U.S. small cap	208,034	--	--	208,034
International developed	521,272	--	--	521,272
Emerging markets	264,411	--	--	264,411
Real estate	247,414	--	--	247,414
Tangible assets - commodities	--	--	143,570	143,570
Total Beneficial interests in perpetual trusts	2,775,527	--	1,017,796	3,793,323
Restricted cash and board designated investments	224,048	--	--	224,048
Cash and investments permanently restricted by donor	1,029,209	--	--	1,029,209
	$ 4,028,784	$ --	$ 1,017,796	$ 5,046,580

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The changes in fair value of assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	Beneficial Interests in Perpetual Trusts
Balance at September 30, 2013	$ 701,716
Purchases of investments	426,381
Sales of investments	(64,819)
Changes in fair value	(45,482)
Balance at September 30, 2014	1,017,796
Purchases of investments	49,236
Sales of investments	(293,787)
Changes in fair value	(108,229)
Balance at September 30, 2015	$ 665,016

NOTE 8 – RESTRICTED ENDOWMENTS

The Organization's endowments consist of donor-restricted endowment funds and beneficial interests in perpetual trusts. Net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

The Organization's Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. This does not apply to beneficial interests in perpetual trusts where the fair value of the investments is the basis for the amount recorded as permanently restricted net assets.

As a result of the interpretation of UPMIFA, the Organization 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, if applicable, (c) accumulations to the permanent endowment made in accordance with the related gift's donor instructions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted or unrestricted net assets based on the donors' stipulations and those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for expenditures as proscribed by UPMIFA.

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

In accordance with UPMIFA, the Organization considers the following factors in making determinations to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization 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 Organization
(7) The investment policies of the Organization

RETURN OBJECTIVES AND RISK PARAMETERS

For the permanently restricted endowment funds, the bank, acting in its capacity as trustee, determines and directs the investment policy and asset allocation. The Organization expects these endowment funds, over time, to provide an average rate of return that exceeds the rate of inflation annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

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

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO THE SPENDING POLICY

The Organization has a policy of evaluating the spending decisions for each endowment fund based upon the intentions of the donors and specific contractual agreements. In determining the annual amount to be spent, the Organization considers the long-term expected return on its endowment. The spending policy is designed to limit spending to the expected long-term real rate of return. The annual distribution from the endowment funds is expected to be contained within a range of the trusts' market value that is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

ENDOWMENT NET ASSET (DEFICIT) COMPOSITION BY TYPE OF FUND AS OF SEPTEMBER 30, 2015 AND 2014:

September 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (11,058)	$ 23,434	$ 1,013,822	$ 1,026,198
Beneficial interests in perpetual trusts	--	--	3,425,921	3,425,921
	$ (11,058)	$ 23,434	$ 4,439,743	$ 4,452,119

September 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (8,047)	$ 23,434	$ 1,013,822	$ 1,029,209
Beneficial interests in perpetual trusts	--	--	3,793,323	3,793,323
	$ (8,047)	$ 23,434	$ 4,807,145	$ 4,822,532

CHANGES IN ENDOWMENT NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2015				
Endowment net assets (deficit), beginning	$ (8,047)	$ 23,434	$ 4,807,145	$ 4,822,532
Investment return:				
Investment losses	(3,011)	--	--	(3,011)
Net unrealized losses	--	--	(367,402)	(367,402)
Total investment return	(3,011)	--	(367,402)	(370,413)
Appropriation of endowment assets for expenditure	--	--	--	--
Endowment net assets (deficit), ending	$ (11,058)	$ 23,434	$ 4,439,743	$ 4,452,119

NOTE 8 – RESTRICTED ENDOWMENTS (CONTINUED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
September 30, 2014				
Endowment net assets (deficit), beginning	$ (7,680)	$ 24,459	$ 4,743,549	$ 4,760,328
Investment return:				
Investment income	165,130	--	--	165,130
Net unrealized gains	--	--	63,596	63,596
Total investment return	165,130	--	63,596	228,726
Appropriation of endowment assets for expenditure	(165,497)	(1,025)	--	(166,522)
Endowment net assets (deficit), ending	$ (8,047)	$ 23,434	$ 4,807,145	$ 4,822,532

NOTE 9 – TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30 are as follows:

	2015	2014
Grant proceeds subject to use restrictions	$ 471,517	$ 332,881
Other receivables subject to time restrictions	45,283	35,846
Indigent, elderly women's care	12,009	12,130
Scholarships	6,831	8,937
Other	17,635	20,801
	$ 553,275	$ 410,595

Permanently restricted net assets as of September 30 are restricted in perpetuity, the income from which is expendable to support the following:

	2015	2014
Health care services and operations	$ 4,376,854	$ 4,744,256
Elderly assistance	40,261	40,261
Scholarships	22,628	22,628
	$ 4,439,743	$ 4,807,145

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

The components of cost and the related accumulated depreciation comprising property, plant and equipment as of September 30, 2015 and 2014 are as follows:

	2015	2014
Land	$ 1,122,190	$ 1,122,190
Land improvements	3,530,300	3,530,300
Building and improvements	48,971,462	48,209,844
Fixed and movable equipment	43,861,053	38,249,634
	97,485,005	91,111,968
Less accumulated depreciation	(70,147,136)	(67,842,153)
	$ 27,337,869	$ 23,269,815

Depreciation and amortization expense for property, plant and equipment amounted to $2,408,987 and $3,215,451 for the years ended September 30, 2015 and 2014, respectively. Included within depreciation and amortization expense on the statements of operations is amortization for capital leased assets of $52,867 and $21,606 for the years ended September 30, 2015 and 2014, respectively (see Note 12).

2014 IMPAIRMENT OF EVERGREEN'S LONG-LIVED ASSETS

Evergreen continued to experience operating losses and had an average occupancy below the level required to generate positive cash flows from operations and to make debt and other payments as they became due.

As a result of these factors, management performed testing to compare the carrying values of the assets to the undiscounted cash flows expected to result from the continued operations and the estimated proceeds from the potential sale of Evergreen.

Fair value was estimated by management based on a cash flow analysis which indicated that the fair value of the property and equipment was approximately $3 million as of September 30, 2014 which was less than the recorded carrying value. Evergreen recorded an impairment loss on long-lived assets of $2,452,326 during the year ended September 30, 2014. No additional impairment loss was recorded during the year ended September 30, 2015.

NOTE 11 – DEBT

On August 1, 2006, the Hospital entered into a $13,700,000 commercial construction mortgage loan with a bank. The loan was used to finance the expansion and renovation of the emergency department, three nursing units, the psychiatric unit, and two medical and surgical units, and to refinance the Hospital's existing loans (collectively, the Project). In December 2007, the loan was converted to a term loan, which is guaranteed by the United States Department of Agriculture (USDA) through the USDA Rural Development Community Facilities Program. The term loan calls for equal quarterly principal payments of $85,625 over 40 years and was scheduled to mature on January 1, 2048. Fifty percent of the loan bears interest at the bank's five year cost of borrowing plus 1.50% and fifty percent of the loan bears interest at the three month LIBOR plus 1.25%. The interest rates in effect at September 30, 2015 were 6.63% and 1.53%, respectively. The interest rates in effect at September 30, 2014 were 6.63% and 1.48%, respectively.

As of September 30, 2015 and 2014, there was a principal balance of $11,987,500 due on the Hospital’s mortgage.

The Hospital is required to meet certain financial covenants under the mortgage. During the years ended September 30, 2015 and 2014, the Hospital failed certain covenants and failed to make any mortgage principal payments. The bank had the right to demand immediate payment of the $11,987,500 balance of the mortgage which had been classified as a current liability as of September 30, 2014. This loan was restructured and interest and principal was paid on January 4, 2016 as part the asset purchase agreement with Saint Francis.

In 2006, the Hospital entered into a loan to finance certain information systems equipment at an interest rate of 5.5%. The Hospital failed to make payments in accordance with the loan terms. The Hospital’s loan to refinance information equipment was restructured to be paid in 60 monthly installments of $10,000. The present value of the settlement value of this loan was $125,002 at September 30, 2014 and the loan was repaid during the year ended September 30, 2015.

On August 28, 2007, Evergreen entered into a $15,200,000 Loan Agreement with a bank which is evidenced by a promissory note in the amount of $14,200,000 and a second note of $1,000,000. The $1,000,000 note is collateralized by a mortgage deed and security agreement from Evergreen. The $14,200,000 note is collateralized by a mortgage deed and security agreement from Evergreen and was converted from a construction loan to term loan effective November 30, 2010.

Upon conversion to a term loan, fifty percent of the outstanding principal balance of the $14,200,000 note began to accrue interest at the variable rate equal to three month LIBOR plus 1.20% (1.48% at September 30, 2015 and 1.43% at September 30, 2014).

NOTE 11 – DEBT (CONTINUED)

The remaining fifty percent of the principal will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%).

Principal was scheduled to be paid in quarterly payments in the amount of $95,946 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon was scheduled to be due and payable. Interest was payable on a quarterly basis.

The fixed rate portion of the loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid.

The $1,000,000 loan will accrue interest at the fixed rate based on the bank's ten year cost of borrowing plus 1.20% (4.73%). Principal was scheduled to be paid quarterly in the amount of $6,757 through September 1, 2047 at which time the outstanding principal balance plus accrued interest thereon was scheduled to be due and payable. Interest is also payable on a quarterly basis. This loan may be prepaid, but is subject to a prepayment fee equal to 2% of the amount prepaid.

As of September 30, 2015 and 2014, there was a balance of $14,213,697 due on Evergreen's loans.

Evergreen is required to meet certain financial covenants. During the years ended September 30, 2015 and 2014, Evergreen failed certain covenants and failed to make its loan payments. The bank had the right to demand immediate payment of the $14,213,697 balance of the loan which had been classified as a current liability as of September 30, 2014.

In August 2004, JMMC entered into a mortgage loan with a bank in the amount of $4,500,000 for the purpose of refinancing certain mortgage loans. The loan bears interest at a variable rate based on LIBOR plus 1.50% (1.70% at September 30, 2015 and 1.66% at September 30, 2014). Principal was payable in monthly installments of $15,000. The balance of the JMMC mortgage loan was $2,940,000 at September 30, 2015 and 2014. JMMC failed to make mortgage payments resulting in a delinquent balance at September 30, 2015 and 2014. The loan had been classified as a current liability as of September 30, 2014. This loan was restructured and interest and principal was paid on January 4, 2016 as part the asset purchase agreement with Saint Francis.

NOTE 11 – DEBT (CONTINUED)

The other long-term debt of $2,350,000 as of September 30, 2015 and 2014, represented the amounts owed to Saint Francis under the terms of the affiliation agreement. Reference is made to Note 1. This debt was not subject to interest.

In September 2010, the Corporation, the Hospital, Evergreen, HCHS, JHC, Development, WellCare, Inc., JPA and JMS (the Borrowers) entered into a Revolving Loan and Security Agreement (senior debt under revolving line of credit) with a lender for an amount not to exceed the lesser of $8 million or the maximum borrowing base (85% of the book value of all eligible receivables). Under the original agreement, amounts outstanding bear interest at the rate of the 3 month LIBOR rate plus 4.25% payable monthly in arrears. In the event of a default, the agreement provides for an increase in the interest rate by up to 4%. The interest rate as of September 30, 2014 was 7.75%. The Organization has granted the lender a security interest in accounts receivable.

In connection with the bankruptcy filing, on January 16, 2015, this lender entered into a debtor in possession loan agreement with the Borrowers which replaced the Revolving Loan and Security Agreement. The amount of the debtor in possession loan is not to exceed the lesser of $7 million or the maximum borrowing base (85% of the book value of all eligible receivables as defined). The amounts outstanding bear interest at the rate of the 3 month LIBOR rate plus 5.25% payable monthly in arrears. In the event of a default, the agreement provides for an increase in the interest rate. The interest rate as of September 30, 2015 was 9.00%. The Organization has granted the lender a security interest in substantially all of its unrestricted assets.

As of September 30, 2015 and 2014, there were outstanding borrowings of $3,581,867 and $1,604,830, under the debtor in possession loan and Loan and Security Agreement, respectively.

The Borrowers are subject to a number of covenants and restrictions under the debtor in possession loan and Revolving Loan and Security Agreement. These include the following affirmative and negative covenants: provision of monthly, quarterly and annual financial information, adequate insurance coverage, notice of certain events and changes, change in ownership or management, restrictions on indebtedness and lease agreements, sale of assets, protection of collateral and financial covenants prepared on a consolidated basis for the Borrowers including cash flow and debt service coverage ratio requirements.

During 2015 and 2014, the Borrowers failed to comply with various covenants under the debtor in possession loan and Revolving Loan and Security Agreement which resulted in the lender imposing an interest penalty.

NOTE 11 – DEBT (CONTINUED)

With the sale transactions described in Note 1, this loan (including accrued interest) was paid in full at the time of closing on the transactions. On December 29, 2015, the purchasers of Evergreen paid $1,328,605 and on January 4, 2016, Trinity Health – New England, Inc. paid $4,473,434 which represented the balances owed on the debtor in possession loan on the closing dates.

NOTE 12 – LEASE OBLIGATIONS

CAPITAL LEASES

The Organization has entered into non-cancelable capital lease obligations for certain equipment. The cost of the assets is being amortized over the useful lives of the assets and is summarized as of September 30, 2015 and 2014 are as follows:

	2015	2014
Equipment	$ 5,690,500	$ 1,026,398
Less accumulated amortization	(74,472)	(43,686)
	$ 5,616,028	$ 982,712

The Hospital entered into a five year capital lease agreement to lease generators with a cost of $688,000 which commenced on March 1, 2014. The monthly lease payments, including interest, will be $10,500 for the first year and $15,400 for the remainder of the lease term with total payments of $865,296. The Hospital made a security deposit of $206,000 to secure the lease that is returnable at the end of the lease period.

The Hospital entered into a three year capital lease agreement to lease a magnetic chiller with a cost of $277,000 which commenced on September 1, 2014. The monthly lease payments, including interest, will be $7,829 over the lease term with total payments of $281,844. The Hospital made a security deposit of $15,658 to secure the lease that is returnable at the end of the lease period.

The Hospital entered into a seven year lease agreement on September 1, 2015 in the amount of $4,725,500 for equipment needed for the EPIC system implementation. The monthly lease payments including interest are $64,050 over the lease term with total payments of $5,380,163.

NOTE 12 – LEASE OBLIGATIONS (CONTINUED)

CAPITAL LEASES (CONTINUED)

Future minimum lease payments under the capital leases together with the present value of future minimum lease payments, as of September 30, 2015 are as follows:

2016	$ 1,047,343
2017	1,039,514
2018	953,395
2019	858,754
2020	768,595
Thereafter	1,473,140
Total future minimum lease payments	6,140,741
Less amounts representing interest	730,410
Present value of future minimum lease payments	5,410,331
Less current portion	838,274
	$ 4,572,057

OPERATING LEASES

HCHS leases office space from an unaffiliated party in Enfield, Connecticut under a lease agreement. The lease commenced on December 1, 2011 and expires on November 30, 2016. The monthly rent is $8,301 per month under the agreement plus additional rent for HCHS's proportional share of building operating expenses. The rent expense under this lease was $147,503 and $140,762 for the years ended September 30, 2015 and 2014, respectively.

The Organization leases various computer equipment, medical equipment and office space under operating leases, which expire at various dates through 2017. Rent expense under the operating leases was $2,263,965 in 2015 and $2,368,023 in 2014. These leases have various terms and conditions.

Minimum future rental commitments on non-cancelable operating leases with initial or remaining terms of more than one year as of September 30, 2015 are as follows:

2016	$ 455,611
2017	16,602
	$ 472,213

NOTE 13 – EMPLOYEE BENEFIT PLANS

The Hospital had a defined benefit pension plan that covered certain employees. Pursuant to the plan of reorganization, the Pension Benefit Guaranty Corporation assumed control of the defined benefit plan effective September 1, 2011.

The Hospital has a defined contribution plan (the Plan) whereby all employees who have attained the age of 21 and completed one year of employment (1,000 hours of service) are eligible to participate and become fully vested after 5 years. Annually, the Hospital may contribute a defined amount of employees' salaries to the Plan. Effective January 1, 2011, the Hospital suspended the matching of non-union employee contributions; it continued to pay the match on union employees up until June 2012, at which time only those union employees that had been grandfathered in to the pension plan were matched. The total expense incurred by the Hospital for contributions to the Plan was $228,346 and $272,339 in 2015 and 2014, respectively.

Evergreen has a defined contribution plan whereby all employees who have attained the age of 21 and completed one year of employment (1,000 hours of service) are eligible to participate and become fully vested after 5 years. Annually, Evergreen may contribute a defined amount of employees' salaries to the Plan. Effective January 1, 2011, Evergreen suspended the matching of employee contributions. There were no expenses incurred by Evergreen for contributions in 2015 and 2014.

HCHS has a defined contribution pension plan covering substantially all employees who have satisfied certain eligibility requirements. As of January 1, 2011, management suspended the matching of employee contributions and no expense was recorded in the 2015 and 2014 statement of operations.

NOTE 14 – SELF-INSURANCE CLAIMS

There have been medical malpractice and workers' compensation claims that have been asserted against the Organization. In addition, there are known incidents that have occurred through September 30, 2015 that may result in the assertion of claims. Management of the Organization has accrued its best estimate of these contingent losses. Other claims may be asserted arising from services provided to patients or workers' compensation incidents in the past. Management of the Organization has provided reserves for these contingent liabilities.

NOTE 15 – PROFESSIONAL, GENERAL LIABILITY AND WORKERS' COMPENSATION INSURANCE

For claims incurred through August 31, 2009, the Organization was self-insured for professional liability and general liability claims. The Organization has an excess umbrella claims made policy for claims in excess of the Organization's self-insured limits on a claims made basis.

For claims incurred after August 31, 2009, the Organization was covered under commercial claims made policies with no deductible and coverage of $1,000,000 per claim and an annual aggregate of $3,000,000 for all of the entities covered under the policy.

The Organization's independent actuary estimated the expected costs to settle claims incurred during the self-insured period and claims that were incurred but not reported (IBNR) under its claims made insurance policy. Accrued losses have been discounted at 3%.

The Organization has recorded accrued liabilities of $691,095 and $690,063 for the estimated claims that have been incurred but not reported and cases incurred during the self-insured period for its professional liability and general liability insurance risks as of September 30, 2015 and 2014, respectively.

The Organization was also self-insured for workers compensation claims through March 16, 2009 at which time it obtained commercial insurance. The Hospital's workers' compensation policy had no deductible and policy limits of $1,000,000 per case with no aggregate limit for claims incurred after March 16, 2009 through May 30, 2014. Effective May 31, 2014, the Hospital obtained a new workers' compensation insurance policy that had a $250,000 deductible per claim and a $2,000,000 aggregate deductible. The policy provides for limits of $1,000,000 per case with no annual limit.

As of September 30, 2015 and 2014, the Organization recorded liabilities of $996,255 and $330,738, respectively, related to its estimated portion of the deductible for workers' compensation incidents.

In accordance with the provisions of ASU 2010-24, the Organization recorded recoverables from insurance companies for the estimated costs to settle fully insured malpractice and workers' compensation claims in the amounts of $1,350,960 and $2,197,508 as of September 30, 2015 and 2014, respectively. The Organization has recorded liabilities equal to these amounts as of September 30, 2015 and 2014.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Organization is a party to various lawsuits incidental to its business. The Organization also has the following environmental exposures. The Connecticut Department of Environmental Protection (DEP) issued a consent order (Sewer Order) which requires the Hospital to perform repairs or replacements to the aging wastewater treatment system at the Hospital.

The Sewer Order requires a short-term and a long-term solution. The short-term work has been completed in accordance with the Sewer Order and the Hospital has been reporting to the DEP on the status of the short-term solution. Under the long-term solution, the Hospital was required to submit to the DEP for review and approval a schedule for: (i) the investigation of and remedial action alternatives to abate any pollution at the site arising from the operation of the on-site sewage treatment system or (ii) the construction of sanitary sewers to connect the Hospital to the Stafford Water Pollution Control Facility.

The schedule originally provided for completion of the actions not later than December 31, 2014, but this deadline was extended until July 31, 2015. The Hospital signed a letter of intent with the Town of Stafford to participate in a project that will connect the Hospital to the Stafford Water Pollution Control Facility, as well as to connect it to services from Connecticut Water Company and Yankee Gas. As of September 30, 2015, funds to finance the project had not been secured.

The DEP filed a civil suit in 2007 in which the DEP sought civil penalties and temporary and permanent injunctions prohibiting the Hospital from violating the hazardous waste management regulations, preventing the Hospital from maintaining a discharge to the waters of the state and violating its air permit. Five of the six counts arose from allegations relating to the use of an underground storage tank for the storage of x-ray developer fixer and the release of the developer fixer from the tank. Use of that tank ended in April 2004 and the tank was removed. Part of the injunctive relief sought is an order requiring the investigation and remediation of the release of x-ray development fixer. The sixth count alleged that the Hospital violated its general air permit by submitting its annual compliance certification for 2005 ten months late. The Hospital has recorded a conditional retirement obligation related to the costs of an environmental investigation, but has not recorded a liability for any potential costs to remediate the site due to the fact that such costs, if any, cannot be reasonably estimated until the investigation is performed. Hospital management indicated that the Hospital previously remediated the site when the tank was originally removed.

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

By letter dated April 7, 2014, the DEP agreed with a recommendation made in the January 2014 report that the consultant cease monitoring for nitrate based on the testing results for that constituent. The DEP expressed a concern and made a request that the consultant establish background concentrations for sulfate in groundwater for the site that is unaffected by release such as the on-site septic system or from the former x-ray developer tank. In October 2014, the DEP staff concurred with the consultant's proposed plan to continue monitoring on a semiannual basis, ammonia and nitrate in the remaining monitoring wells.

The Organization submitted a letter to DEP on August 3, 2015 again requesting an extension for the fourth time over the past year. To date, DEP has yet to provide an extension nor have they made any final conclusions with respect to the Consent Order. The only representation made by DEP is that JMMC work with the Town of Stafford regarding the gas, water and sewer project. However, JMMC had not received a final draft proposal from the Town of Stafford pertaining to the project.

The Organization has hired an environmental engineering firm and an engineering consulting company to review the Hospital’s compliance with the Consent Order. Based on the report from the environmental engineering firm, the Organization is in full compliance with the Consent Order. In addition, the Organization hired an engineering consulting firm to work with the environmental engineering firm and the Hospital to facilitate the sewer project and the completion of the Consent Order. The report will be submitted to DEP once final.

NOTE 17 – CONCENTRATIONS OF CREDIT RISK

The Organization’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash, investments and accounts receivable.

The Organization places its cash deposits with high credit-quality institutions, which, at times, may exceed the Federal Deposit Insurance Corporation limits of $250,000 per bank. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 18 – FUNCTIONAL EXPENSES

The Organization provides patient care services to residents within its geographic location**.** Expenses related to providing these services are as follows for the years ended September 30:

	2015	2014
Patient care services	$ 80,023,846	$ 77,537,882
General and administrative (including depreciation and amortization, interest and operations)	14,985,116	17,157,974
Reorganization items	2,282,699	--
	$ 97,291,661	$ 94,695,856

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors
Johnson Memorial Medical Center

We have audited the consolidated financial statements of Johnson Memorial Medical Center as of and for the years ended September 30, 2015 and 2014, and our report thereon dated April 29, 2016, which contained an unmodified opinion with an emphasis of matter on those consolidated financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Marcum LLP

Hartford, CT
April 29, 2016

MARCUMGROUP
MEMBER

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JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2015

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Assets											
Current Assets											
Cash and cash equivalents	$ 1,675,853	$ --	$ --	$ 1,675,853	$ 54,643	$ 300	$ 800	$ --	$ 7,144	$ --	$ 1,738,740
Patient trust funds	--	--	--	--	--	66,862	--	--	--	--	66,862
Patients accounts receivable, net of allowances for uncollectible accounts	9,554,938	216,040	--	9,770,978	--	1,580,143	801,057	--	94,773	--	12,246,951
Insurance and other receivables	329,908	37,283	--	367,191	2,461	148,814	18,794	--	127	--	537,387
Inventories	1,497,131	--	--	1,497,131	--	26,625	--	--	--	--	1,523,756
Prepaid expenses and other current assets	1,506,354	31,180	--	1,537,534	15,091	236,586	86,587	--	4,321	--	1,880,119
Total Current Assets	14,564,184	284,503	--	14,848,687	72,195	2,059,330	907,238	--	106,365	--	17,993,815
Assets Whose Use is Limited											
Beneficial interests in perpetual trusts	3,425,921	--	--	3,425,921	--	--	--	--	--	--	3,425,921
Restricted cash and board designated investments	224,917	--	--	224,917	--	--	--	--	--	--	224,917
Cash and investments restricted by donor	843,587	--	--	843,587	--	--	182,611	--	--	--	1,026,198
Total Assets Whose Use is Limited	4,494,425	--	--	4,494,425	--	--	182,611	--	--	--	4,677,036
Other Assets											
Property, plant and equipment, net	20,673,496	74,718	--	20,748,214	3,797,338	2,766,856	25,461	--	--	--	27,337,869
Investment in joint ventures	3,467,074	--	--	3,467,074	--	--	--	--	--	--	3,467,074
Investment deficit in affiliated corporations	--	--	--	--	(3,119,194)	--	--	--	--	3,119,194	--
Investments, other	--	--	--	--	--	--	--	--	--	--	--
Due from affiliated corporations	7,627,674	--	(7,627,674)	--	3,404,867	--	--	--	--	(3,404,867)	--
Deferred financing costs, net	158,369	--	--	158,369	--	120,138	--	--	--	--	278,507
Other noncurrent assets	1,200,413	--	--	1,200,413	--	--	7,134	--	--	--	1,207,547
Total Other Assets	33,127,026	74,718	(7,627,674)	25,574,070	4,083,011	2,886,994	32,595	--	--	(285,673)	32,290,997
	$ 52,185,635	$ 359,221	$ (7,627,674)	$ 44,917,182	$ 4,155,206	$ 4,946,324	$ 1,122,444	$ --	$ 106,365	$ (285,673)	$ 54,961,848

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2015

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Liabilities and Net Assets (Deficit)											
Liabilities Not Subject to Compromise											
Current Liabilities											
Trade accounts payable and accrued expenses	$ 6,208,837	$ 78,071	$ --	6,286,908	$ 148,910	$ 2,474,593	$ 507,707	$ --	$ 58,128	$ --	$ 9,476,246
Accrued payroll and related costs	1,895,078	127,163	--	2,022,241	--	474,544	162,809	--	18,358	--	2,677,952
Current payments due under plan of reorganization	--	--	--	--	--	--	--	--	--	--	--
Patient trust funds	--	--	--	--	--	66,862	--	--	--	--	66,862
Senior debt under line of credit	3,581,867	--	--	3,581,867	--	--	--	--	--	--	3,581,867
Mortgages payable	--	--	--	--	--	--	--	--	--	--	--
Current portion of capital lease obligations	838,274	--	--	838,274	--	--	--	--	--	--	838,274
Estimated amounts due to third-party reimbursement agencies	2,212,362	--	--	2,212,362	--	174,580	59,789	--	--	--	2,446,731
Due to affiliated corporations	--	16,842,950	(16,842,950)	--	--	(170,998)	432,254	--	(203,404)	(57,852)	--
Other current liabilities	99,760	--	--	99,760	36,910	642,297	129,722	--	--	--	908,689
Total Current Liabilities	14,836,178	17,048,184	(16,842,950)	15,041,412	185,820	3,661,878	1,292,281	--	(126,918)	(57,852)	19,996,621
Long-Term Liabilities											
Due to affiliate corporations	2,533,718	--	--	2,533,718	--	--	--	--	--	(2,533,718)	--
Other long-term debt	--	--	--	--	--	--	--	--	--	--	--
Self-insurance liabilities and IBNR	2,203,705	--	--	2,203,705	--	--	--	--	4,285	--	2,207,990
Other liabilities	346,001	--	--	346,001	28,701	--	--	--	--	--	374,702
Obligations under capital lease - less current portion	4,572,057	--	--	4,572,057	--	--	--	--	--	--	4,572,057
Total Long-Term Liabilities	9,655,481	--	--	9,655,481	28,701	--	--	--	4,285	(2,533,718)	7,154,749
Liabilities Subject to Compromise											
Payments due under 2010 plan of reorganization	6,461,107	--	--	6,461,107	--	224,486	--	--	--	--	6,685,593
Pre-petition trade accounts payable	2,652,945	40,768	--	2,693,713	--	263,509	183,195	--	36,248	--	3,176,665
Mortgages payable	11,987,500	--	--	11,987,500	2,940,000	14,213,697	--	--	--	--	29,141,197
Other debt	2,350,000	--	--	2,350,000	--	--	--	--	--	--	2,350,000
Total Liabilities Subject to Compromise	23,451,552	40,768	--	23,492,320	2,940,000	14,701,692	183,195	--	36,248	--	41,353,455
Total Liabilities	47,943,211	17,088,952	(16,842,950)	48,189,213	3,154,521	18,363,570	1,475,476	--	(86,385)	(2,591,570)	68,504,825

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2015

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Net Assets (Deficit)											
Unrestricted	$ (498,600)	$ (16,729,731)	$ 9,215,276	$ (8,013,055)	$ 983,050	$ (13,417,246)	$ (587,391)	$ --	$ 192,750	$ 2,305,897	$ (18,535,995)
Temporarily restricted	471,516	--	--	471,516	17,635	--	64,124	--	--	--	553,275
Permanently restricted	4,269,508	--	--	4,269,508	--	--	170,235	--	--	--	4,439,743
Total Net Assets (Deficit)	4,242,424	(16,729,731)	9,215,276	(3,272,031)	1,000,685	(13,417,246)	(353,032)	--	192,750	2,305,897	(13,542,977)
	$ 52,185,635	$ 359,221	$ (7,627,674)	$ 44,917,182	$ 4,155,206	$ 4,946,324	$ 1,122,444	$ --	$ 106,365	$ (285,673)	$ 54,961,848

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET

SEPTEMBER 30, 2014

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Assets											
Current Assets											
Cash and cash equivalents	$ 444,722	$ 1,062	$ --	$ 445,784	$ 765,196	$ 300	$ 800	$ 1,673	$ 255,468	$ --	$ 1,469,221
Patient trust funds	--	--	--	--	--	59,530	--	--	--	--	59,530
Patients accounts receivable, net of allowances for uncollectible accounts	8,595,481	180,780	--	8,776,261	--	1,598,868	1,230,587	--	52,312	--	11,658,028
Insurance and other receivables	580,488	27,430	--	607,918	3,960	414,903	51,368	--	--	--	1,078,149
Inventories	1,295,797	--	--	1,295,797	--	--	--	--	--	--	1,295,797
Prepaid expenses and other current assets	1,653,559	76,290	--	1,729,849	14,965	426,302	113,043	--	4,644	--	2,288,803
Total Current Assets	12,570,047	285,562	--	12,855,609	784,121	2,499,903	1,395,798	1,673	312,424	--	17,849,528
Assets Whose Use is Limited											
Beneficial interests in perpetual trusts	3,793,323	--	--	3,793,323	--	--	--	--	--	--	3,793,323
Restricted cash and board designated investments	224,048	--	--	224,048	--	--	--	--	--	--	224,048
Cash and investments restricted by donor	843,587	--	--	843,587	--	--	185,622	--	--	--	1,029,209
Total Assets Whose Use is Limited	4,860,958	--	--	4,860,958	--	--	185,622	--	--	--	5,046,580
Other Assets											
Property, plant and equipment, net	16,413,662	95,534	--	16,509,196	3,715,717	3,000,000	44,902	--	--	--	23,269,815
Investment in joint ventures	3,397,936	--	--	3,397,936	--	--	--	--	--	--	3,397,936
Investment deficit in affiliated corporations	--	--	--	--	(3,119,194)	--	--	--	--	3,119,194	--
Investments, other	--	--	--	--	1,100	--	--	--	--	--	1,100
Due from affiliated corporations	6,495,322	(1,687)	(6,493,635)	--	2,289,450	--	--	--	--	(2,289,450)	--
Deferred financing costs, net	165,616	--	--	165,616	--	123,047	--	--	--	--	288,663
Other noncurrent assets	1,600,194	--	--	1,600,194	--	--	10,693	--	--	--	1,610,887
Total Other Assets	28,072,730	93,847	(6,493,635)	21,672,942	2,887,073	3,123,047	55,595	--	--	829,744	28,568,401
	$ 45,503,735	$ 379,409	$ (6,493,635)	$ 39,389,509	$ 3,671,194	$ 5,622,950	$ 1,637,015	$ 1,673	$ 312,424	$ 829,744	$ 51,464,509

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2014

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Liabilities and Net Assets (Deficit)											
Current Liabilities											
Trade accounts payable and accrued expenses	$ 5,855,188	$ 397,162	$ --	$ 6,252,350	$ 95,585	$ 1,572,806	$ 450,777	$ --	$ 37,170	$ --	$ 8,408,688
Accrued payroll and related costs	1,753,717	111,116	--	1,864,833	--	702,831	204,729	--	17,188	--	2,789,581
Current payments due under plan of reorganization	3,895,000	--	--	3,895,000	--	205,000	--	--	--	--	4,100,000
Patient trust funds	--	--	--	--	--	59,530	--	--	--	--	59,530
Senior debt under line of credit	1,604,830	--	--	1,604,830	--	--	--	--	--	--	1,604,830
Mortgages payable	11,987,500	--	--	11,987,500	2,940,000	14,213,697	--	--	--	--	29,141,197
Current portion of subordinated debt	107,587	--	--	107,587	18,185	--	--	--	--	--	125,772
Current portion of capital lease obligations	197,299	--	--	197,299	--	--	--	--	--	--	197,299
Estimated amounts due to third-party reimbursement agencies	2,675,513	--	--	2,675,513	--	187,353	48,748	--	--	--	2,911,614
Due to affiliated corporations	--	--	--	--	--	163,187	678,239	--	9,562	(850,988)	--
Other current liabilities	254,953	--	--	254,953	--	332,908	196,951	--	--	--	784,812
Total Current Liabilities	28,331,587	508,278	--	28,839,865	3,053,770	17,437,312	1,579,444	--	63,920	(850,988)	50,123,323
Long-Term Liabilities											
Due to affiliate corporations	695,633	15,640,134	(14,462,620)	1,873,147	--	--	--	--	--	(1,873,147)	--
Payments due under plan of reorganization - less current portion	2,406,796	--	--	2,406,796	--	4,650	--	--	--	--	2,411,446
Subordinated debt - less current portion	17,435	--	--	17,435	--	--	--	--	--	--	17,435
Other long-term debt	2,350,000	--	--	2,350,000	--	--	--	--	--	--	2,350,000
Self-insurance liabilities and IBNR	2,344,272	--	--	2,344,272	--	--	--	--	--	--	2,344,272
Other liabilities	346,001	--	--	346,001	53,408	--	--	--	--	1,688	401,097
Obligations under capital lease - less current portion	721,036	--	--	721,036	--	--	--	--	--	--	721,036
Total Long-Term Liabilities	8,881,173	15,640,134	(14,462,620)	10,058,687	53,408	4,650	--	--	--	(1,871,459)	8,245,286
Total Liabilities	37,212,760	16,148,412	(14,462,620)	38,898,552	3,107,178	17,441,962	1,579,444	--	63,920	(2,722,447)	58,368,609

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING BALANCE SHEET (CONTINUED)

SEPTEMBER 30, 2014

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Net Assets (Deficit)											
Unrestricted	$ 3,321,184	$(15,769,003)	$ 7,968,985	$ (4,478,834)	$ 543,215	$(11,819,012)	$ (169,577)	$ 1,673	$ 248,504	$ 3,552,191	$(12,121,840)
Temporarily restricted	332,881	--	--	332,881	20,801	--	56,913	--	--	--	410,595
Permanently restricted	4,636,910	--	--	4,636,910	--	--	170,235	--	--	--	4,807,145
Total Net Assets (Deficit)	8,290,975	(15,769,003)	7,968,985	490,957	564,016	(11,819,012)	57,571	1,673	248,504	3,552,191	(6,904,100)
	$ 45,503,735	$ 379,409	$ (6,493,635)	$ 39,389,509	$ 3,671,194	$ 5,622,950	$ 1,637,015	$ 1,673	$ 312,424	$ 829,744	$ 51,464,509

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Operating Revenue											
Net patient service revenue	$ 68,501,734	$ 2,294,050	$ --	$ 70,795,784	$ --	$ 16,405,205	$ 5,087,397	$ --	$ 501,136	$ (86,153)	$ 92,703,369
Provision (recoveries) for bad debts	3,114,000	198,989	--	3,312,989	--	(25,876)	183,022	--	--	--	3,470,135
Net patient service revenue less provision for bad debts	65,387,734	2,095,061	--	67,482,795	--	16,431,081	4,904,375	--	501,136	(86,153)	89,233,234
Grant and other income	590,810	--	--	590,810	--	--	--	--	--	--	590,810
Other revenue	--	--	--	--	1,146,668	110,810	78,286	--	--	(736,152)	599,612
Net assets released from restriction	23,905	--	--	23,905	--	--	12,688	--	--	--	36,593
Total Operating Revenue	66,002,449	2,095,061	--	68,097,510	1,146,668	16,541,891	4,995,349	--	501,136	(822,305)	90,460,249
Expenses											
Salaries	24,833,219	1,411,902	585,799	26,830,920	--	10,324,426	3,041,942	--	303,364	--	40,500,652
Employee benefits	6,111,895	207,105	89,280	6,408,280	--	2,826,424	795,063	--	35,110	--	10,064,877
Professional fees	5,672,435	421,400	--	6,093,835	27,665	309,902	54,036	--	10,906	--	6,496,344
Depreciation and amortization	1,804,654	20,820	--	1,825,474	277,727	296,504	19,439	--	--	--	2,419,144
Outsourced staffing and contracted services	6,716,769	501,492	(675,079)	6,543,182	13,810	369,950	340,968	--	72,695	--	7,340,605
Supplies, drugs and patient care	10,665,670	41,809	--	10,707,479	--	1,015,507	713,839	--	49,140	--	12,485,965
Leases and service contracts	1,407,805	4,323	--	1,412,128	--	26,526	13,034	--	5,050	--	1,456,738
Occupancy costs	3,130,604	122,809	--	3,253,413	270,846	468,006	147,499	--	42,960	(736,152)	3,446,572
Insurance	1,234,038	188,417	--	1,422,455	7,879	99,830	41,898	--	12,895	--	1,584,957
Provider tax	--	--	--	--	--	896,980	--	--	--	--	896,980
Other expenses	5,720,960	124,247	--	5,845,207	58,954	738,866	234,077	500	21,610	(86,153)	6,813,061
Interest	975,626	--	--	975,626	49,947	477,494	--	--	--	--	1,503,067
Total Expenses	68,273,675	3,044,324	--	71,317,999	706,828	17,850,415	5,401,795	500	553,730	(822,305)	95,008,962
Loss from Operations Before Impairment Loss on Long-Lived Assets	(2,271,226)	(949,263)	--	(3,220,489)	439,840	(1,308,524)	(406,446)	(500)	(52,594)	--	(4,548,713)
Impairment Loss on Long-Lived Assets	--	--	--	--	--	--	--	--	--	--	--
Income (Loss) from Operations	(2,271,226)	(949,263)	--	(3,220,489)	439,840	(1,308,524)	(406,446)	(500)	(52,594)	--	(4,548,713)

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Nonoperating Revenue (Loss)											
Investment income	$ 159,418	$ --	$ --	$ 159,418	$ --	$ --	$ 99	$ --	$ --	$ --	$ 159,517
Loss on sale of equipment	--	--	--	--	--	--	--	--	--	--	--
Equity earnings in joint ventures	69,138	--	--	69,138	--	--	--	--	--	--	69,138
	228,556	--	--	228,556	--	--	99	--	--	--	228,655
Income (Loss) Before Reorganization Items	(2,042,670)	(949,263)	--	(2,991,933)	439,840	(1,308,524)	(406,347)	(500)	(52,594)	--	(4,320,058)
Reorganization Items											
Professional fees	1,966,388	11,467	--	1,977,855	--	289,710	11,467	--	3,667	--	2,282,699
Excess (Deficiency) of Revenues over Expenses	$ (4,009,058)	$ (960,730)	$ --	$ (4,969,788)	$ 439,840	$ (1,598,234)	$ (417,814)	$ (500)	$ (56,261)	$ --	$ (6,602,757)

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Operating Revenue											
Net patient service revenue	$ 70,768,074	$ 3,090,178	$ --	$ 73,858,252	$ --	$ 16,587,545	$ 5,638,621	$ --	$ 529,942	$ --	$ 96,614,360
Provision for bad debts	4,119,249	192,430	--	4,311,679	--	107,536	113,657	--	4,306	--	4,537,178
Net patient service revenue less provision for bad debts	66,648,825	2,897,748	--	69,546,573	--	16,480,009	5,524,964	--	525,636	--	92,077,182
Grant and other income	414,887	404,334	(366,332)	452,889	--	--	48,441	--	--	--	501,330
Other revenue	--	--	--	--	1,210,840	132,823	52,876	--	--	(845,725)	550,814
Net assets released from restriction	235,925	--	--	235,925	--	--	33,833	--	--	--	269,758
Total Operating Revenue	67,299,637	3,302,082	(366,332)	70,235,387	1,210,840	16,612,832	5,660,114	--	525,636	(845,725)	93,399,084
Expenses											
Salaries	25,111,602	1,991,064	649,653	27,752,319	--	9,138,995	3,256,456	--	287,452	--	40,435,222
Employee benefits	6,443,788	252,227	130,118	6,826,133	--	2,812,886	863,794	--	38,879	--	10,541,692
Professional fees	4,471,642	1,335,480	(47,432)	5,759,690	28,137	281,426	51,021	--	45,727	--	6,166,001
Depreciation and amortization	2,314,387	26,803	--	2,341,190	288,025	585,708	11,652	--	--	--	3,226,575
Outsourced staffing and contracted services	5,179,000	829,439	(1,091,126)	4,917,313	13,579	551,550	356,751	--	49,399	--	5,888,592
Supplies, drugs and patient care	10,615,125	95,821	--	10,710,946	--	1,152,088	913,521	--	46,062	--	12,822,617
Leases and service contracts	1,568,797	20,812	(7,545)	1,582,064	--	27,971	12,830	--	1,500	--	1,624,365
Occupancy costs	3,157,963	199,222	--	3,357,185	267,227	549,739	140,762	--	42,960	(845,725)	3,512,148
Insurance	1,285,657	166,507	--	1,452,164	7,980	133,428	63,427	--	12,983	--	1,669,982
Provider tax	--	--	--	--	--	859,088	--	--	--	--	859,088
Other expenses	4,854,260	127,462	--	4,981,722	42,293	695,512	225,835	250	18,623	--	5,964,235
Interest	1,454,502	--	--	1,454,502	48,784	482,053	--	--	--	--	1,985,339
Total Expenses	66,456,723	5,044,837	(366,332)	71,135,228	696,025	17,270,444	5,896,049	250	543,585	(845,725)	94,695,856
Loss from Operations Before Impairment Loss on Long-Lived Assets	842,914	(1,742,755)	--	(899,841)	514,815	(657,612)	(235,935)	(250)	(17,949)	--	(1,296,772)
Impairment Loss on Long-Lived Assets	--	--	--	--	--	(2,452,326)	--	--	--	--	(2,452,326)
Income (Loss) from Operations	842,914	(1,742,755)	--	(899,841)	514,815	(3,109,938)	(235,935)	(250)	(17,949)	--	(3,749,098)

See independent auditors' report on supplementary information.

JOHNSON MEMORIAL MEDICAL CENTER

CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hospital	JPA	Elimination	Consolidated JMH	JMMC	EHCC	HCHS	JMS	JHC	Elimination	Total
Nonoperating Revenue (Loss)											
Investment income	$ 165,497	$ --	$ --	$ 165,497	$ --	$ --	$ 678	$ --	$ --	$ --	$ 166,175
Loss on sale of equipment	(13,263)	--	--	(13,263)	--	--	--	--	--	--	(13,263)
Equity earnings in joint ventures	232,022	--	--	232,022	--	--	--	--	--	--	232,022
	384,256	--	--	384,256	--	--	678	--	--	--	384,934
Excess (Deficiency) of Revenues over Expenses	$ 1,227,170	$ (1,742,755)	$ --	$ (515,585)	$ 514,815	$ (3,109,938)	$ (235,257)	$ (250)	$ (17,949)	$ --	$ (3,364,164)

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