



**Community Health Network, Inc.  
and Affiliates**

**Consolidated Financial Statements  
December 31, 2010 and 2009**

# Community Health Network, Inc. and Affiliates

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December 31, 2010 and 2009

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## Report of Independent Auditors

To the Board of Directors  
Community Health Network, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and changes in net assets and cash flows present fairly, in all material respects, the financial position of Community Health Network, Inc. and Affiliates (the "Network") at December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Network changed the manner in which it accounts for noncontrolling interests in 2009.

*PricewaterhouseCoopers LLP*

April 20, 2011

**Community Health Network, Inc. and Affiliates**  
**Consolidated Balance Sheets (in 000's)**  
**December 31, 2010 and 2009**

	2010	2009
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 144,127	\$ 111,433
Restricted cash	2,400	1,700
Patient accounts receivable, less allowance for doubtful accounts and contractual adjustments of \$364,147 and \$327,007 in 2010 and 2009	175,904	161,992
Estimated third-party payor settlements	6,406	4,195
Assets limited as to use—held by trustee	9,530	32,754
Inventories	19,325	18,211
Other accounts receivable	18,300	22,659
Other current assets	10,684	10,655
Total current assets	386,676	363,599
Assets limited as to use		
Funds held by trustee, net of current portion	13,865	13,617
Board-designated funds	404,248	352,625
Reinsurance trust assets	11,616	11,642
Property, plant and equipment, net	650,149	630,138
Investments in unconsolidated affiliates	19,394	19,490
Intangible assets, net of accumulated amortization	7,415	7,517
Due (from) to unconsolidated affiliates and related parties, net	1,387	2,368
Prepaid pension and postretirement assets	1,943	1,636
Other assets	7,693	3,386
Total assets	\$ 1,504,386	\$ 1,406,018
<b>Liabilities and net assets</b>		
Current liabilities		
Short-term borrowings	\$ 18,646	\$ 13,500
Current portion of long-term debt	16,679	14,448
Accounts payable	70,973	59,344
Accrued salaries and wages	40,569	35,125
Accrued interest	2,710	2,782
Estimated third-party payor settlements	2,867	507
Incurred but not reported liabilities	25,335	24,651
Other current liabilities	20,153	9,105
Total current liabilities	197,932	159,462
Accrued postretirement benefit cost	4,277	3,925
Accrued benefit plans	83,193	88,086
Long-term debt, net of current portion	424,687	441,470
Pension underfunded liability- long-term	30,779	87,740
Other liabilities	6,973	4,616
Total liabilities	747,841	785,299
<b>Net assets</b>		
Unrestricted net assets		
Network unrestricted net assets	736,022	599,114
Noncontrolling interest	11,294	12,154
Total unrestricted net assets	747,316	611,268
Temporarily restricted net assets	4,987	5,353
Permanently restricted net assets	4,242	4,098
Total net assets	756,545	620,719
Total liabilities and net assets	\$ 1,504,386	\$ 1,406,018

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

**Community Health Network, Inc. and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets (in 000's)**  
**Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Change in unrestricted net assets</b>		
Revenues and gains		
Net patient service revenue	\$ 1,213,135	\$ 1,161,851
Service fee revenue	23,967	15,861
Other revenue	75,130	86,145
Equity in earnings of unconsolidated affiliates	9,868	9,720
Total unrestricted revenues and gains	<u>1,322,100</u>	<u>1,273,577</u>
Operating expenses		
Salaries and benefits	662,252	617,234
Supplies and other expenses	466,815	498,255
Depreciation and amortization	70,248	59,691
Provision for bad debts	65,269	48,030
Interest and financing costs	12,554	12,091
Total operating expenses	<u>1,277,138</u>	<u>1,235,301</u>
Income from operations	44,962	38,276
Investment income, net- realized/unrealized	51,668	91,598
Other, net	690	(40)
Excess of revenues over expenses and noncontrolling interests before income taxes	97,320	129,834
Provision for income taxes	4,991	5,570
Excess of revenues over expenses	<u>92,329</u>	<u>124,264</u>
Excess of revenues attributable to noncontrolling interest	<u>(13,052)</u>	<u>(8,599)</u>
Excess of revenues over expenses attributable to the Network	<u>\$ 79,277</u>	<u>\$ 115,665</u>

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

**Community Health Network, Inc. and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets (in 000's)**  
**Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Change in unrestricted net assets</b>		
Excess of revenues over expenses attributable to the Network	\$ 79,277	\$ 115,665
Change in funding of pension assets	57,268	18,984
Change in noncontrolling interest	(860)	(2,575)
Other changes, net	363	5,311
Increase in total unrestricted net assets	136,048	137,385
<b>Change in temporarily restricted net assets</b>		
Restricted contributions received	865	2,390
Net assets released from restrictions	(1,529)	(1,825)
Investment income	298	401
(Decrease) Increase in temporarily restricted net assets	(366)	966
<b>Change in permanently restricted net assets</b>		
Restricted contributions received	155	71
Other	(11)	(5)
Increase in permanently restricted net assets	144	66
Increase in total net assets	135,826	138,417
Total net assets, beginning of year	620,719	482,302
Total net assets, end of year	\$ 756,545	\$ 620,719

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

**Community Health Network, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows (in 000's)**  
**Years Ended December 31, 2010 and 2009**

	2010	2009
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 135,826	\$ 138,417
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	70,248	59,691
Provision for bad debts	65,269	48,030
Deferred tax benefit (expense)	(26)	1,359
Equity in earnings of unconsolidated affiliates	(9,868)	(9,720)
Other non cash charges, net	6,674	9,492
Change in (under)/overfunded pension/postretirement liabilities/assets	(57,268)	(18,984)
Distributions received from unconsolidated affiliates	9,956	10,698
Change in prepaid pension cost	(4,893)	28,671
Investment income received	5,857	(7,959)
Other adjustments	886	(23)
Changes in operating assets and liabilities		
Patient accounts receivable	(79,181)	(53,083)
Other assets	(1,612)	7,586
Accounts payable	5,688	10,843
Estimated third-party payor settlements	149	(9,665)
Other liabilities	19,813	6,296
Net cash provided by operating activities	<u>167,518</u>	<u>221,649</u>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment	(50,894)	(50,064)
Acquisitions of property, plant and equipment-CHS Expansion	(40,753)	(56,731)
Proceeds from sale (purchase of) property, plant and equipment	418	27
(Purchases)/sales of investments, net	(34,504)	(125,851)
Investments in unconsolidated affiliates	(152)	(9,035)
Distributions received from unconsolidated affiliates	160	3,956
Due to unconsolidated affiliates and related parties, net	981	(17,076)
Net cash used in investing activities	<u>(124,744)</u>	<u>(254,774)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	5,146	100,000
Repayments of debt	(14,552)	(31,537)
Changes in restricted contributions and investment income	(674)	8,546
Cash flows (used in) provided by financing activities	<u>(10,080)</u>	<u>77,009</u>
Net increase in cash and cash equivalents	32,694	43,884
Cash and cash equivalents, beginning of year	111,433	67,549
Cash and cash equivalents, end of year	<u>\$ 144,127</u>	<u>\$ 111,433</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for		
Interest	\$ 13,608	\$ 15,008
Income taxes	\$ 5,332	\$ 5,439
Acquisition of property, plant and equipment included in accounts payable at December 31	<u>\$ 5,941</u>	<u>\$ 7,225</u>

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

# Community Health Network, Inc. and Affiliates

## Notes to Consolidated Financial Statements (in 000's)

### December 31, 2010 and 2009

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#### 1. Organization and Summary of Significant Accounting Policies

##### Organization

Community Health Network, Inc (“CHNw”), an Indiana non-profit corporation and its non-profit and for-profit affiliates (collectively the “Network”) comprise a full-service integrated health delivery system in central Indiana. The Network operates four acute care hospitals as well as a specialty hospital, nine immediate care centers, a primary care physician organization, forty ambulatory care centers, ten freestanding surgery centers, seven outpatient imaging centers, two ambulatory endoscopy centers, four nursing homes and an assisted living facility.

##### Basis of Presentation and Consolidation

The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP” or “GAAP”) and include the assets, liabilities, revenues and expenses of all wholly owned subsidiaries, majority owned subsidiaries and when applicable, entities for which the Network has a controlling interest.

The consolidated financial statements include the following wholly owned entities:

- Community Hospitals of Indiana, Inc. (“Community”), a non-profit corporation which operates two acute care hospital facilities on the northeast and eastern sides of Indianapolis;
- Community Hospital South, Inc. (“CHS”), a non-profit corporation which operates an acute care hospital facility on the south side of Indianapolis; Community and CHS are collectively referred to as (“CHI”);
- Community Hospitals of Anderson and Madison County, Inc. (“CHA”), a non-profit corporation which provides acute health care services to residents of Anderson, Indiana and surrounding communities;
- Community Physicians of Indiana, Inc. (“CPI”), a non-profit corporation which employs the Network’s primary care physicians;
- Community Health Network Foundation, Inc. (“Foundation”), a non-profit corporation established to raise and expend funds for the benefit of CHI and other related organizations;
- Visionary Enterprises, Inc. (“VEI”), a taxable, for-profit subsidiary corporation which consists primarily of ambulatory surgery center development in Indiana and Michigan, and management and other consulting services.
- Community Home Health Services, Inc. (“CHHS”), a non-profit corporation whose operations consist primarily of providing home health care and hospice services to patients in thirteen central Indiana counties;
- Indiana ProHealth Network, Inc. (“ProHealth”), a provider association consisting of physicians and hospital members in central Indiana and the primary vehicle by which the Network contracts for risk with payors.
- Indiana Heart Hospital, LLC (“IHH”) d/b/a Community Heart and Vascular, a non-profit corporation which operates a specialty hospital specializing in cardiac care as well as provides cardiac services to CHI. IHH also employs the Network’s cardiac physicians. Effective January 1, 2009, CHI purchased the remaining units of IHH and became the sole member of IHH. Additionally, effective January 1, 2009, IHH became a non-profit corporation.

# **Community Health Network, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements (in 000's)**

### **December 31, 2010 and 2009**

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In addition, the Network consolidates its interest in the South Campus Surgery Center, LLC ("SCSC"), the North Campus Surgery Center, LLC ("NCSC"), Surgicare LLC ("Surgicare"), Community Business Innovations, Inc. ("CBI"), Community Health Services, Inc., Long-Term Care ("LTC"), and CHN Assurance Company, Ltd. ("Captive"). Additionally, effective October 1, 2009, the Network consolidated its interest in the East Campus Surgery Center, LLC ("ECSC") and the Hamilton Surgery Center, LLC ("Noblesville"). Effective December 31, 2010, CBI was merged into CHNw and is no longer a separate legal entity.

The Captive is wholly owned by CHI and reinsures a primary hospital professional liability policy including doctor's professional liability as well as a general liability policy. The professional liability policy is on claims made basis and includes prior acts coverage for various entities owned by the Network, while the general liability policy is on an occurrence basis. On an annual basis, the Captive's ceding insurer requires the Captive to maintain an outstanding letter of credit to address any potential exposure between premiums paid and expected losses. Due to favorable claims experience and adequate funding, the fronting company no longer requires a letter of credit for the policy years beginning March 1, 2010 and 2011, respectively.

Significant intercompany accounts and transactions have been eliminated.

On March 23, 2011, CHNw signed a letter of intent to affiliate with Indianapolis Osteopathic Hospital, Inc. d/b/a Westview hospital ("Westview"). Westview is a non-profit corporation which operates an acute care osteopathic hospital facility in the center of Indianapolis.

#### **Use of Estimates in the Preparation of Financial Statements**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but not limited to: (a) allowance for contractual revenue adjustments, (b) allowance for doubtful accounts; (c) depreciation lives of long-lived assets and (d) reserves for professional, workers' compensation and comprehensive general insurance liabilities risk. Future events and their effects cannot be predicated with certainty; accordingly the accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. The Network evaluates and updates its assumptions and estimates on an ongoing basis and may employ outside experts to assist in its evaluation, as considered necessary. Actual results could differ from those estimates.

#### **Reclassifications**

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

#### **Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and funds invested temporarily in money market accounts that are purchased with original maturities of three months or less.

The Network has entered into overnight sweep transaction agreements to purchase and resell direct obligations of, or obligations that are insured as to principal and interest by, U.S. Government agencies. At December 31, 2010 and 2009, cash and cash equivalents include \$47,175 and \$36,090, respectively, of overnight sweep transaction agreements.

# Community Health Network, Inc. and Affiliates

## Notes to Consolidated Financial Statements (in 000's)

### December 31, 2010 and 2009

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#### **Restricted Cash**

As of December 31, 2010 and 2009, CHI has restricted cash of \$2,400 and \$1,700, respectively, related to collateral calls on its 1995 Series debt. The monies are held in a separate cash account and can only be used to fund the collateral call requirements issued by the bank. As the fair value of the debt outstanding increases, the monies are released by the bank into the CHI's operating cash account.

#### **Inventories**

Inventories consist primarily of medical and surgical supplies and pharmaceuticals. All inventories are valued at the lower-of-cost or market. Cost is determined by the Network using a weighted average cost method, which approximates cost under the first-in, first-out method.

#### **Assets Limited as to Use**

Assets limited as to use consist of cash and cash equivalents, U.S. Government obligations, corporate bonds, and marketable equity securities, and are stated at fair value. The fair values of these investments are based on quoted market prices. The investments are classified as trading securities. The trading securities classification is based on the Network's investment strategy and investment philosophies which permits investment managers to execute purchases and sales of investments without prior approval of Network management. All unrestricted unrealized holding gains and losses are recorded in investment income in the period in which they occur.

Reinsurance trust assets are maintained by the Captive. All realized and unrealized gains or losses are recorded in income. For reinsurance trust assets, fair value is determined as described in Note 3. Realized gains and losses on sales of investments are determined using the specific identification cost method and are included in excess of revenues over expenses.

#### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost or, if donated, at the fair value at date of donation. Assets under capital lease obligations are recorded at the present value of the aggregate future minimum lease payments at the beginning of the lease term. For financial statement purposes, the Network primarily uses the straight-line method of computing depreciation over the shorter of the estimated useful lives of the respective assets or the life of the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured.

Costs of maintenance and repairs are charged to expense when incurred; costs of renewals and betterments are capitalized. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the consolidated statements of operations and changes in net assets.

Long-lived assets are evaluated for possible impairment whenever circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from future estimated cash flows. Fair value estimates are derived from independent appraisals, established market values of comparable assets or internal calculations of future estimated cash flows.

#### **Investments in Unconsolidated Affiliates**

Investments in affiliates not controlled by the Network are reported under the equity method of accounting. Under the equity method, the investments are initially recorded at cost, increased or decreased by the investor's share of the profits or losses of the investee and reduced by cash distributions received. Distributions received from investees that represent a return on investment are classified as operating cash flows on the consolidated statement of cash flows. Those distributions that represent a return of investment are classified as investing cash flows.

# Community Health Network, Inc. and Affiliates

## Notes to Consolidated Financial Statements (in 000's)

### December 31, 2010 and 2009

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#### **Intangible Assets**

Bond discounts and other costs associated with the issuance of long-term debt, principally underwriters' fees, are carried at cost, net of accumulated amortization. These amounts are amortized to interest expense using the effective interest method over the life of the bonds.

#### **Self-Insured Risk**

A substantial portion of the Network's professional and general liability risks are insured through a self-insured retention program written by the Network's consolidated wholly-owned offshore captive insurance subsidiary, the Captive, as previously described.

Reserves for professional and general liability risks, including incurred but not reported claims, were \$11,723 and \$11,796 at December 31, 2010 and 2009, respectively. These amounts are recorded and included in the Captive's incurred but not reported liabilities in the accompanying consolidating balance sheets.

Provisions for the self-insured risks are based upon actuarially determined estimates. Loss and loss expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The changes to the estimated reserve amounts are included in current operating results.

The Network is self-insured for employee medical benefit risks through ProHealth. Reserves for medical claims liabilities and estimated incurred but not reported claims were \$14,576 and \$15,472 at December 31, 2010 and 2009, respectively. These amounts are recorded and included in ProHealth's incurred but not reported liabilities in the accompanying consolidating balance sheets. Incurred but not reported claims reserves represent estimates for claims that are incurred but not reported. These estimates are determined using individual case-basis data and are continually reviewed and adjusted as new experienced information becomes known. The changes in estimated reserve amounts are included in current operating results.

Although considerable variability is inherent in reserve estimates, management believes the reserves for losses and loss expenses are adequate; however, there can be no assurance that the ultimate liability will not exceed management's estimates.

#### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity.

#### **Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. The Network has agreements with third-party payors that provide for payments to the Network at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, cost reimbursement, discounted charges, and per diem payments. Excluding CHA, the Network offers a 30% discount to uninsured patients. This discount is recorded in other allowances/adjustments, which are netted against net patient service revenue. 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.

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
**December 31, 2010 and 2009**

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**Charity Care**

The Network maintains records to identify and monitor the level of charity care it provides. The Network provides charity care to patients whose income level is below 200% of the Federal Poverty Level. Charity care includes the amount of charges forgone for services and supplies furnished under its charity care policy and was \$69,641 and \$76,215 for the years ended December 31, 2010 and 2009, respectively.

**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 contributions 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 statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

The following is a summary of pledge receivables as of December 31, 2010 and 2009.

	<b>2010</b>	<b>2009</b>
Pledge receivables in less than one year	\$ 788	\$ 1,237
Pledge receivables in one to five years	1,291	1,600
Pledge receivables in more than five years	55	116
	<u>2,134</u>	<u>2,953</u>
Less: allowance for doubtful accounts and discounts	342	338
	<u>\$ 1,792</u>	<u>\$ 2,615</u>

**Tax Status**

Community, CHS, CHA, CHHS and CPI and IHH are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and the Foundation is exempt from federal income taxes under Section 501a(c)(3) of the Code. IHH filed its Form 1023 application timely and is awaiting determination from the Internal Revenue Service. VEI is a for-profit taxable entity and is subject to federal and state income taxes. NCSC, SCSC, ECSC, Noblesville, Surgicare and MSI are generally not subject to federal or state income taxes as income earned flows through to its members. ProHealth is a taxable membership organization under the provisions of Section 11(a) and 7701(a)(3) of the Code and is subject to federal and state income taxes.

**Fair Value of Financial Instruments/Measurements**

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and other current liabilities approximate fair value because of the relatively short maturities of these financial instruments. The fair value of long-term debt was determined using discounted future cash flows, with a discount rate equal to interest rates for similar types of borrowing arrangements.

The fair value of the Network's long-term debt instruments and related interest approximates \$429,724 and \$447,533 as compared to carrying values of \$441,366 and \$455,918 as of December 31, 2010 and 2009, respectively.

The Network measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

# Community Health Network, Inc. and Affiliates

## Notes to Consolidated Financial Statements (in 000's)

### December 31, 2010 and 2009

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The Network uses also a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Network uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1- Observable inputs such as quoted prices in active markets;
- Level 2- Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3- Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach- Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach- Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach- Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models.)

#### **Subsequent Events**

The Network evaluated subsequent events through April 20, 2011, the date the Network consolidated financial statements were issued. All material matters are disclosed in the footnotes to the consolidated financial statements.

#### **New Accounting Pronouncements**

Effective January 1, 2010, the Network adopted Accounting Standards Update ("ASU") No. 2010-23, "Health Care Entities (Topic 954): Measuring Charity Care for Disclosure." This amendment to the FASB Accounting Standards Codification ("ASC") requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. The amendment is effective for fiscal years beginning after December 15, 2010. The Network elected to early adopt this amendment and applied the amendment retrospectively to 2009.

Effective January 1, 2009, the Network adopted ASC 810 related to non controlling interests in the consolidated financial statements. The Network's for profit entity was required to adopt this new standard. The adoption of this standard had no impact on the Network's financial position, results of the operations or cash flows. The adoption did impact the Network's financial statement presentation as minority interests for the Network's for profit entity are now presented as a noncontrolling interest as a separate component of net assets in the Network's consolidated balance sheets at December 31, 2009. Additionally, the noncontrolling interest income (loss) is reported below excess of revenues over expenses in the Network's consolidated statements of operations. Effective January 1, 2010, the Network adopted ASC 958 which required the Network's not for profit entities to conform to the same presentation for noncontrolling interests. The adoption of ASC 958 had no impact on the Network's financial position, results of operations or cash flow.

# Community Health Network, Inc. and Affiliates

## Notes to Consolidated Financial Statements (in 000's)

### December 31, 2010 and 2009

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Effective January 1, 2010, the Network adopted ASU No. 2010-07, "Not for Profit Entities (Topic 958): Mergers and Acquisitions." This amendment to ASC 958 establishes principles to assist not for profit entities in determining if a combination is to be accounted for as a merger or an acquisition. This amendment applies the carryover (similar to pooling) method to accounting for mergers and the purchase accounting method to accounting for acquisitions. The adoption of the amendment did not have an impact on the Network's financial position, results of operations or cash flow.

Effective January 1, 2010, the Network adopted ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements." This amendment to ASC 820 requires new disclosures for significant transfers in and out of Levels 1 and 2 investments as well as activity with Level 3 investments. The adoption of the amendment did not have an impact on the Network's financial position, results of operations or cash flow.

Effective January 1, 2010, the Network adopted the revised authoritative guidance (Topic 810) related to the consolidation criteria for variable interest entities ("VIE"). The guidance, among other things, requires a qualitative rather than quantitative analysis to determine the primary beneficiary of a VIE; requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE; enhances disclosures regarding an enterprise's involvement with a VIE; and amends certain guidance for determining whether an entity is a VIE. Under the guidance, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impacts the entity's economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The guidance applies to the Network's for profit subsidiary and the adoption of the revised guidance did not have a material impact on the Network's business, financial position, results of operations or cash flow.

## 2. Net Patient Service Revenue and Concentrations of Credit Risk

The Network has agreements with third-party payors that provide for payments to the Network at amounts different from its established rates. Payment arrangements with major third-party payors include:

- Medicare—Inpatient acute care services, outpatient services and home health services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. The Network is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Network and audits thereof by the Medicare fiscal intermediary. The Network's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Network. The Network's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2009. The Network is awaiting final audit reports to be issued. Laws and regulations governing the Medicare program are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates could change by a material amount in the near term. Adjustments to revenue related to prior period cost reports increased net patient service revenue by approximately \$5,013 and \$1,800 for the years ended December 31, 2010 and 2009, respectively. Medicare patients account for approximately 39.1% and 40.5% of gross patient charges for years ended December 31, 2010 and 2009, respectively.

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- Medicaid—Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on prospectively determined rates per discharge and outpatient services are reimbursed based on a fee for service basis, based on predetermined fee schedules. Medicaid patients account for approximately 11.3% and 11.0% of gross patient charges for years ended December 31, 2010 and 2009, respectively.

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

Provisions have been made in the consolidated financial statements for estimated contractual adjustments, representing the difference between the established charges for services and estimated total payments to be received from third-party payors. Estimated settlements are accrued in the period the related services are rendered and adjusted in future periods as settlements are determined.

The Network has qualified as a Medicaid Disproportionate Share (“DSH”) provider under Indiana Law (IC 12-15-16(1-3)) and, as such, is eligible to receive DSH payments for the most recently determined state fiscal year 2010. The amount of these additional DSH funds is dependent on regulatory approval by agencies of the federal and state governments, and is determined by the level, extent and cost of uncompensated care as well as other factors. For the years ended December 31, 2010 and 2009, DSH payments have been made by the State of Indiana and amounts received were recorded as revenue based on data acceptable to the State of Indiana less any amounts management believes may be subject to adjustment. DSH payments are recorded by the Network after eligibility is determined by the State of Indiana and the payments are determined to be earned. If payments are received prior to eligibility being determined, the payments are recorded as current deferred revenue and recorded in current other liabilities until eligibility is determined.

Net patient service revenue, as reflected in the accompanying consolidated statements of operations and changes in net assets, consist of the following for the years ended December 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Gross patient service revenue	\$ 2,912,132	\$ 2,693,185
Deductions from gross patient service revenue		
Medicare/Medicaid contractual adjustments	1,050,327	918,013
Other adjustments	579,029	537,106
Charity discounts for patient care	69,641	76,215
Net patient service revenue	<u>\$ 1,213,135</u>	<u>\$ 1,161,851</u>

The Network grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. A significant portion of the Network’s revenue is concentrated by payor mix. The concentration of gross receivables by payor class for both patients and third-party payors at December 31, 2010 and 2009 is as follows:

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	2010	2009
Medicare	27 %	27 %
Medicaid	13	12
Managed care and commercial insurance	42	45
Self pay	18	16
	<u>100 %</u>	<u>100 %</u>

Adjustments to the allowance for doubtful accounts are made after the Network has analyzed historical cash collections and considered the impact of any known material events. Uncollectible accounts are written-off against the allowance for doubtful accounts after exhausting collection efforts. Any subsequent recoveries are recorded against the provision for bad debts.

**3. Assets Limited as to Use**

**Funds Held by Trustee**

The following is a summary of assets limited as to use, which are held by trustees, at December 31, 2010 and 2009:

	2010	2009
Cash and cash equivalents	\$ 23,395	\$ 46,371
Less amount classified as current assets to meet current obligations	<u>9,530</u>	<u>32,754</u>
Noncurrent asset	<u>\$ 13,865</u>	<u>\$ 13,617</u>

The Hospital Revenue Bond Agreements (Note 7) require that the initial bond proceeds be held by a bank trustee until such funds are expended for eligible assets. Certain other funds are also held by the bank trustee as additional security for the bondholders and the periodic deposits of principal and interest requirements. These amounts, including interest earned from temporary investments, are segregated in accounts maintained by a bank trustee. Use of the funds is restricted to debt service requirements. All funds are cash and cash equivalents which approximate fair value and are designated as Level 1 in accordance with ASC 820.

**Board-designated Funds**

The Network classifies its Board designated funds and reinsurance trust assets as trading securities. Those investments are marked to market each month.

The following is a summary of the investments limited as to use, which are board-designated funds, at December 31, 2010 and 2009:

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	<b>2010 Cost</b>	<b>2010 Market</b>
Cash and cash equivalents	\$ 1,461	\$ 1,461
U.S. Treasury bonds	55,278	56,006
Corporate bonds	45,064	45,042
Equity securities	201,302	219,537
Hedge fund of funds	15,870	16,533
REITS/other	58,092	65,669
	<u>\$ 377,067</u>	<u>\$ 404,248</u>
	<b>2009 Cost</b>	<b>2009 Market</b>
Cash and cash equivalents	\$ 1,368	\$ 1,368
U.S. Treasury bonds	46,366	44,718
Corporate bonds	45,066	43,018
Equity securities	224,287	221,064
Hedge fund of funds	15,870	15,494
REITS/other	28,718	26,963
	<u>\$ 361,675</u>	<u>\$ 352,625</u>

<u>2010</u> Description	<u>Fair Value Measurements at Reporting Date Using</u>			
	2010	Level 1	Level 2	Level 3
Fixed Income	\$ 87,996	\$ 87,996	\$ -	\$ -
Equity–Domestic Large Cap	85,809	51,990	33,819	-
Equity–Domestic Small Cap	33,303	19,007	14,296	-
Equity–International	110,568	110,568	-	-
Hedge Fund of Funds	16,534	-	-	16,534
REITS/Other	70,038	70,038	-	-
Total	<u>\$ 404,248</u>	<u>\$ 339,599</u>	<u>\$ 48,115</u>	<u>\$ 16,534</u>

<u>2009</u> Description	<u>Fair Value Measurements at Reporting Date Using</u>			
	2009	Level 1	Level 2	Level 3
Fixed Income	\$ 75,986	\$ 75,986	\$ -	\$ -
Equity–Domestic Large Cap	92,139	58,417	33,722	-
Equity–Domestic Small Cap	33,681	3,013	30,668	-
Equity–International	90,631	90,631	-	-
Hedge Fund of Funds	15,494	-	-	15,494
REITS/Other	44,694	44,694	-	-
Total	<u>\$ 352,625</u>	<u>\$ 272,741</u>	<u>\$ 64,390</u>	<u>\$ 15,494</u>

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	<b>Rollforward of Level 3 Investments</b>
<b>Balance as of January 1, 2010</b>	\$ 15,494
Purchases	-
Investment gain-unrealized	1,040
<b>Balance as of December 31, 2010</b>	<b>\$ 16,534</b>
	<b>Rollforward of Level 3 Investments</b>
<b>Balance as of January 1, 2009</b>	\$ 8,832
Purchases	5,400
Investment gain-unrealized	1,262
<b>Balance as of December 31, 2009</b>	<b>\$ 15,494</b>

The fair values of the board designated funds are provided the Network's investment manager and are determined as follows:

- a) The funds designated as level 1 inputs represent equity securities and investable mutual fund shares that are traded on major stock exchanges. Thus, the fair value is determined based on quoted prices in an active market.
- b) The funds designated as level 2 inputs represent publicly traded securities held in separate institutional investment accounts managed by a professional money manager. The individual securities are traded on major stock exchanges but the blended portfolio is not investable as a unit. The fair value is determined by reviewing the underlying valuation of each individual publicly traded stock that comprises the holdings of the fund.
- c) The funds designated as level 3 inputs represents hedge funds. The fair values of the hedge funds are obtained from individual hedge fund managers and custodians. The hedge fund of fund manager employs best practices controls and due diligence to ensure the valuations are reflective of fair value. Additionally, the individual hedge funds are audited annually and an audit report issued.

Investment income for 2010 and 2009 related to Board-designated funds consists of the following:

	<b>2010</b>	<b>2009</b>
Interest and dividend income	\$ 11,061	\$ 8,940
Unrealized gain	35,561	90,267
Net realized gain (loss) on sales of investment securities	4,558	(7,949)
<b>Total investment income</b>	<b>\$ 51,180</b>	<b>\$ 91,258</b>

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**Reinsurance Trust Assets**

The assets in the trust consist of cash and cash equivalents and are maintained in a domestic trust account. These assets are restricted and may not be withdrawn or used without the consent of the trust administrator.

The following is a summary of the investments limited as to use, which are reinsurance trust assets, at December 31, 2010 and 2009:

	2010		2009	
	Cost	Market	Cost	Market
U.S. Treasury bonds	\$ -	\$ -	\$ 499	\$ 508
Corporate bonds	4,630	4,825	3,268	3,374
Federal Government Agency mortgage backed securities	4,621	4,821	4,832	5,017
Cash and cash equivalents held in trust	1,970	1,970	2,743	2,743
	<u>\$ 11,221</u>	<u>\$ 11,616</u>	<u>\$ 11,342</u>	<u>\$ 11,642</u>

2010 Description	Fair Value Measurements at Reporting Date Using			
	2010	Level 1	Level 2	Level 3
Federal Government Agency and mortgage backed securities	\$ 4,821	\$ -	\$ 4,821	\$ -
Corporate bonds	4,825	-	4,825	-
U.S. Treasury bonds	-	-	-	-
Money Market Funds	1,970	1,970	-	-
Total	<u>\$ 11,616</u>	<u>\$ 1,970</u>	<u>\$ 9,646</u>	<u>\$ -</u>

2009 Description	Fair Value Measurements at Reporting Date Using			
	2009	Level 1	Level 2	Level 3
Federal Government Agency and mortgage backed securities	\$ 5,017	\$ -	\$ 5,017	\$ -
Corporate bonds	3,374	-	3,374	-
U.S. Treasury bonds	508	508	-	-
Money Market Funds	2,743	2,743	-	-
Total	<u>\$ 11,642</u>	<u>\$ 3,251</u>	<u>\$ 8,391</u>	<u>\$ -</u>

The fair values of the reinsurance trust assets are provided by the Captive's investment manager and are determined as follows:

- a) The fair value of fixed income securities including corporate debt are generally determined on the basis of valuations provided by a pricing service which will typically utilize industry accepted valuation models and observable market inputs to determine valuation; some valuations or model inputs provided/used by the pricing service may be, or be based upon, broker quotes.
- b) The fair value of investments in money market funds is determined based on the net asset value per share provided by the administrators of the funds.

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Investment income for 2010 and 2009 related to reinsurance trust assets consists of the following:

	<b>2010</b>	<b>2009</b>
Interest income	\$ 392	\$ 428
Net realized/unrealized gains on investment securities	96	36
Total investment income	<u>\$ 488</u>	<u>\$ 464</u>

**4. Property, Plant and Equipment**

Property, plant and equipment and accumulated depreciation consist of the following at December 31, 2010 and 2009:

	<b>Estimated Useful Lives</b>	<b>2010</b>	<b>2009</b>
Land and land improvements	0-20 years	\$ 27,593	\$ 27,390
Buildings and improvements	10-40 years	767,170	677,610
Equipment	3-20 years	536,207	519,967
Construction in progress		9,628	53,584
		<u>1,340,598</u>	<u>1,278,551</u>
Less: accumulated depreciation		<u>690,449</u>	<u>648,413</u>
		<u>\$ 650,149</u>	<u>\$ 630,138</u>

Depreciation expense was \$69,599 and \$59,632 for 2010 and 2009, respectively. The increase in depreciation expense over the prior year is primarily attributable to the opening of the CHS expansion in late summer 2010 as well as an acceleration of depreciation related to a one time write off of a clinical information system. The decrease in construction in progress and the increase in buildings and improvements and equipment is primarily attributable to the CHS expansion described above.

Property, plant and equipment include \$1,093 and \$1,040 of net capitalized interest at December 31, 2010 and 2009, respectively.

**5. Investments in Unconsolidated Affiliates**

The Network has equity investments in various surgery centers, Mid America Clinical Laboratory ("MACL") and other entities. The following is a summary of the Network's investments in unconsolidated affiliates for the years ended December 31, 2010 and 2009:

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	<b>Surgery Centers</b>	<b>MACL</b>	<b>Other</b>	<b>Total</b>
<b>Balance, December 31, 2008</b>	\$ 18,979	\$ 3,979	\$ 1,923	\$ 24,881
Capital contributions	8,685	-	350	9,035
Distributions	(8,508)	(2,010)	(4,136)	(14,654)
Change from equity method to consolidation	(9,492)	-	-	(9,492)
Equity in net income	5,433	2,024	2,263	9,720
<b>Balance, December 31, 2009</b>	<u>\$ 15,097</u>	<u>\$ 3,993</u>	<u>\$ 400</u>	<u>\$ 19,490</u>
Capital contributions	152	-	-	152
Distributions	(5,598)	(1,364)	(3,154)	(10,116)
Equity in net income	4,978	2,048	2,842	9,868
<b>Balance, December 31, 2010</b>	<u>\$ 14,629</u>	<u>\$ 4,677</u>	<u>\$ 88</u>	<u>\$ 19,394</u>

Summarized and aggregated financial statement information for the surgery centers, MACL and the other unconsolidated affiliates is as follows (in thousands):

	<b>Surgery Centers</b>	<b>MACL</b>	<b>Other</b>	<b>Total</b>
Total assets	\$ 25,887	\$ 34,876	\$ 20,165	\$ 80,928
Total liabilities	11,871	13,507	11,738	37,116
Net assets	14,016	21,369	8,427	43,812
Revenues	56,039	79,756	44,495	180,290
Operating income	11,728	9,305	13,569	34,602
Net income	11,122	9,308	13,020	33,450
Network's equity in net income of unconsolidated affiliates	4,996	2,048	2,824	9,868

**6. Transactions with Unconsolidated Affiliates and Related Parties**

The Network provides services to and makes purchases on behalf of various unconsolidated affiliated entities. The range of ownership in unconsolidated affiliates is 2 to 70 percent. Amounts due to unconsolidated affiliates and related parties consist of the following at December 31, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Notes payable–North Campus Office Associates (NCOA)	\$ 1,114	\$ 1,113
Receivables from physicians	(758)	(437)
Due (from)/to Spec Prime/MedPrime	225	(1,828)
Due (from)/to Indiana Surgery Centers	(2,118)	(1,684)
Other receivables/payables, net	150	468
Due (from)/to unconsolidated affiliates and related parties, net	<u>\$ (1,387)</u>	<u>\$ (2,368)</u>

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**7. Debt**

**Short-term Borrowings**

Short-term borrowings represent outstanding borrowings under bank lines of credit. At December 31, 2010 and 2009 the following amounts were outstanding:

	Maximum Borrowings	Outstanding Balance	
		2010	2009
CHI	\$ 50,000	\$ 5,146	\$ -
VEI	13,500	13,500	13,500
CHA	2,000	-	-
		<u>\$ 18,646</u>	<u>\$ 13,500</u>

The bank lines of credit are due on demand. Interest is payable monthly on VEI's line of credit. VEI's short-term debt is collateralized by mortgages on six properties and is also guaranteed by CHI. Interest is at a floating rate, and the weighted-average effective rate on short-term borrowings was 1.02% and 1.66% for the years ended December 31, 2010 and 2009, respectively. CHI's short-term debt is collateralized under the same terms as the Master Indentures described below. Interest is at a floating rate. The weighted-average effective rate on CHI's short term borrowings was .59% for the year ended December 31, 2010.

**Long-term debt**

Long-term debt at December 31, 2010 and 2009 is summarized as follows:

	Obligated Entity	2010	2009
Indiana Finance Authority, Adjustable Rate Hospital Revenue Bonds, Series 2009 A; interest payable monthly (.41% effective rate at December 31, 2010) due July 1, 2011 to July 1, 2039	CHI	\$ 40,000	\$ 40,000
Unamortized discount		(140)	(146)
		<u>39,860</u>	<u>39,854</u>
Indiana Finance Authority, Adjustable Rate Hospital Revenue Bonds, Series 2009 B; interest payable monthly (.32% effective rate at December 31, 2010) due July 1, 2011 to July 1, 2039	CHI	60,000	60,000
Unamortized discount		(211)	(218)
		<u>59,789</u>	<u>59,782</u>

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	Obligated Entity	2010	2009
Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Series 2005A; interest payable semiannually 4.50% serial bonds due May 1, 2008 to May 1, 2025 5.00% term bonds due May 1, 2035 Unamortized premium	CHI	\$ 65,560 78,970 3,790 <u>148,320</u>	\$ 68,460 78,970 3,945 <u>151,375</u>
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 2005B; interest payable monthly (.33% effective rate at December 31, 2010) due May 1, 2008 to May 1, 2035	CHI	17,400	17,900
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 2005C; interest payable monthly (.71% effective rate at December 31, 2010) due May 1, 2008 to May 1, 2035	CHI	17,500	17,900
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 2000A and 2000B; interest payable monthly (.42% effective rate at December 31, 2010) due July 1, 2002 to July 1, 2028	CHI	38,200	38,400
Indiana Health Facility Financing Authority, Adjustable Rate Hospital Revenue Bonds, Series 1997A and 1997B; interest payable monthly (.33% effective rate at December 31, 2010) due July 1, 2020 to July 1, 2027	CHI	30,000	30,000
Indiana Health Facility Financing Authority, Hospital Revenue Refunding and Improvement Bonds, Series 1995; interest payable semiannually 5.6% term bonds due May 15, 2014 5.7% term bonds due May 15, 2022 Unamortized discount	CHI	6,030 37,368 (287) <u>43,111</u>	6,105 37,368 (311) <u>43,162</u>

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	Obligated Entity	2010	2009
Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Series 1993; interest payable semiannually 6.00% term bonds, due January 1, 2023	CHA	\$ 13,855	\$ 14,735
		<u>13,855</u>	<u>14,735</u>
Indiana Health Facility Financing Authority, Hospital Revenue Refunding and Improvement Bonds, Series 1992; interest payable semiannually: 6.40% term bonds due May 1, 2012 with mandatory redemption from May 1, 2006 to 2012 Unamortized discount	CHI	13,210	19,225
		(16)	(24)
		<u>13,194</u>	<u>19,201</u>
Indiana Health Facility Financing Authority, Hospital Revenue Bonds, Series 1992A; interest payable semiannually 6.85% term bonds due July 1, 2022	CHI	12,230	13,115
		<u>12,230</u>	<u>13,115</u>
Hospital Authority of Madison County, Inc., Hospital Revenue Bonds, Series 1988A; interest payable semiannually 8.00% term bonds, due January 1, 2014	CHA	3,340	4,025
		<u>3,340</u>	<u>4,025</u>
Other long-term debt		<u>4,567</u>	<u>6,469</u>
		441,366	455,918
Less: current portion of long-term debt		<u>16,679</u>	<u>14,448</u>
Long-term debt, net of current portion		<u>\$ 424,687</u>	<u>\$ 441,470</u>

**Series 2009 A and 2009 B**

On June 30, 2009, the Indiana Finance Authority ("IFA") issued Adjustable Rate Hospital Revenue Bonds, Series 2009 A and 2009 B, in the aggregate amount of \$100,000 for the purpose of making a loan to CHI. The proceeds of this loan from IFA are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHI. As credit support for the 2009 A and 2009 B bonds, the Network has two outstanding letters of credit with banks for a maximum aggregate principal draw amount of \$100,000 plus accrued interest as of December 31, 2010. The letters of credit expire for the 2009 A and 2009 B Series on May 29, 2013 and June 30, 2013, respectively. The Series 2009 A and Series 2009 B bonds are subject to redemption prior to their stated maturity at the option of CHI on a thirty day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

**Series 2005A, 2005B and 2005C**

On May 1, 2005, the Indiana Health Financing Authority, (the "Authority") issued Hospital Revenue Bonds, Series 2005A and Adjustable Rate Hospital Revenue Bonds, Series 2005B and 2005C, in the aggregate amount of \$190,320 for the purpose of making a loan to CHI. The proceeds of this loan from the Authority are available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHI. As credit support for the 2005B and 2005C bonds, the Network has two outstanding letters of credit with banks for a

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maximum aggregate principal draw amount of \$34,900 plus accrued interest as of December 31, 2010. The letters of credit expire May 4, 2013. The Series 2005A bonds maturing on or after May 1, 2016 are subject to redemption prior to their respective stated maturities, by the Authority, upon the direction of CHI at a redemption price equal to 100% of the principal amount plus accrued interest thereon to the date fixed for redemption. The Series 2005B and Series 2005C bonds are subject to redemption prior to their stated maturity at the option of CHI on a thirty day notice in whole or in part, at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

#### **Series 2000A and 2000B**

On November 1, 2000, the Authority issued Adjustable Rate Hospital Revenue Bonds, Series 2000A and 2000B, in the aggregate amount of \$40,000 for the purpose of making a loan to the Network. The proceeds of this loan from the Authority were available to finance, refinance or reimburse the costs of constructing, acquiring, renovating or equipping certain health facility property used by CHI. As of December 31, 2010, the outstanding letter of credit with the bank associated with this debt is the principal amount of \$38,200 plus accrued interest. The letter of credit expires May 29, 2013. The Series 2000A and 2000B bonds are subject to redemption at the option of CHI on a thirty day notice at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

#### **Series 1997A and 1997B**

On August 1, 1997, the Authority issued its Adjustable Rate Hospital Revenue Bonds, Series 1997A and Series 1997B in the aggregate amount of \$30,000 for the purpose of making a loan to the Network. The proceeds of this loan from the Authority were used for the financing of certain health facility property. As of December 31, 2010, the outstanding letter of credit with the bank associated with this debt is the principal amount of \$30,000 plus accrued interest. The letter of credit expires May 1, 2013. The Series 1997A and 1997B bonds are subject to redemption at the option of CHI on a thirty day notice at a redemption price equal to 100% of the principal amount plus interest at the date of redemption.

#### **Series 1995**

On November 15, 1995, the Authority issued \$75,050 of Hospital Revenue Refunding and Improvement Bonds (Series 1995 Bonds). Concurrent with the issuance of the bonds, the Network and the Authority entered into a loan agreement (the "Agreement") in which the Network agreed to make loan payments to meet the terms of the hospital revenue bonds. The Agreement restricts the amount of indebtedness that the Network may incur and provides to the Authority an interest in the Network's gross revenues sufficient to meet principal and interest obligations. The Series 1995 Bonds are callable in accordance with the provisions of the Agreement commencing May 15, 2006 at prepayment prices ranging from 102 percent to 100 percent of the principal outstanding.

In May 2007, CHI made a tender offer to existing 1995 Series Bondholders for a 102 percent tender price. At the end of the offer, CHI called and redeemed the remaining \$2,067 in bonds outstanding at a price of 101 percent.

A bank purchased the tendered bonds for par value. Simultaneously, CHI and the bank entered into an interest rate swap agreement (the "1995 swap"), the purpose of which was to synthetically convert the tendered bonds from a fixed rate to a variable rate based on the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA") plus .30 percent. In September 2010, the 1995 swap was renewed and the variable rate is based on SIFMA plus 1.25 percent. The 1995 swap matures between July and September 2013. The variable rate at December 31, 2010 was 1.59%. The swap is a fair value hedge recognized on the consolidated balance sheets at its fair value with changes, as a result of ineffectiveness since inception, being recorded in

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interest expense. The swap is in place throughout the term of the outstanding bonds, but may be terminated by CHI or the bank with 30 and 180 days notice, respectively. Neither the terms nor conditions of the original bonds were altered in any way. The fair value and net gain associated with the 1995 swap were immaterial.

**Series 1993, 1992, 1992A, and 1988A**

With respect to the Series 1993, 1992, 1992A, and 1988A Hospital Revenue Bonds, there are loan agreements between CHI, CHA and the conduit issuing authorities with similar terms as described for the Series 1995 Hospital Revenue Bonds except the bonds are callable as follows: January 1, 2007 for Series 1993; May 1, 2002 for Series 1992; July 1, 2002 for Series 1992A; and January 1, 2001 for Series 1988A.

In February 2004, CHI made a tender offer to existing 1992 and 1992A Series Bondholders for a 102 percent tender price. At the end of the offer, CHI called and redeemed the remaining \$7,250 in bonds outstanding at a price of 101 percent.

A bank purchased the tendered bonds for par value. Simultaneously, CHI and the bank entered into an interest rate swap agreement (the "1992 swap"), the purpose of which was to synthetically convert the tendered bonds from a fixed rate to a variable rate based on the Bond Market Association Municipal Swap Index plus .40 percent. In September 2010, the 1992 swap was renewed and the variable rate is based on SIFMA plus 1.25 percent. The 1992 swap matures between January 2012 and September 2013. The variable rate at December 31, 2010 was 1.59%. The swap is a fair value hedge recognized on the consolidated balance sheet at its fair value with changes as a result of ineffectiveness since inception being recorded in interest expense. The swap is in place throughout the term of the outstanding bonds, but may be terminated by CHI or the bank with 30 and 180 days notice, respectively. Neither the terms nor conditions of the original bonds were altered in any way. The fair value and net gain associated with the 1992 swap were immaterial.

In general, the various Network debt agreements restrict the amount of indebtedness that the Network may incur, the sale, lease or other disposition of operating assets, and the acceptable investments of the trust funds. In addition, these agreements require a debt service ratio at the end of any fiscal year of at least 1.10. The Network was in compliance with all debt covenants at December 31, 2010.

Scheduled principal repayments on long-term debt are as follows:

2011	\$ 16,679
2012	16,878
2013	16,233
2014	16,422
2015	17,105
Thereafter	<u>354,913</u>
	438,230
Plus: unamortized premium, net	<u>3,136</u>
	<u>\$ 441,366</u>

For 2010 and 2009, interest cost incurred and capitalized in connection with the construction of capital assets aggregated \$129 and \$290, respectively.

# Community Health Network, Inc. and Affiliates

## Notes to Consolidated Financial Statements (in 000's)

### December 31, 2010 and 2009

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#### 8. Employee Benefit Plans

##### **Defined Benefit and Other Postretirement Benefit Plans**

The Network has defined benefit retirement plans covering substantially all employees of CHI, CHA, CHHS, IHH, and CBI. Effective December 27, 2010, all Network employees excluding CHA employees, are employed by CHNw and leased to the Network's respective subsidiaries and/or affiliates rather than being employed by individual employers. Effective with the adoption of the single Network employer on December 27, 2010, CHNw also became the sponsor for all of the Network's defined benefit and defined contributions plans, excluding the CHA plan.

The Network's funding policy is to contribute the equivalent of the minimum funding required by the Employee Retirement Income Security Act of 1974, as amended. The benefits for these plans are based primarily on years of service and the 60-consecutive-month period of employment producing the highest total income. The measurement date for the Network's plan is December 31 except for the Replacement Plan which is January 1.

The CHI Retirement Plan is a defined benefit plan. The provisions of this plan relate to all employees of CHI, CHA, CHHS, IHH, CPI and CBI. These employees are eligible to participate in the plan after one year of eligible service as defined by the plan document. Participants are 100% vested after five years of service. Effective May 27, 2006, CHA froze the accrual of benefits and participation in the CHI Retirement Plan and established its own 403(b) plan. Effective March 8, 2010, the CHI Retirement Plan was amended to limit the maximum benefit that may be accrued by individuals who choose to remain participants in the CHI Retirement Plan after March 7, 2010. Additionally, participants in the CHI Retirement Plan were offered a onetime choice between continued participation in the Retirement Plan, and, if applicable, CHI's 403(b) plan, or participation in the Network's 401(k) plan as of March 8, 2010. All participants who remained in the CHI Retirement Plan and CHI 403(b) plan as of March 8, 2010 will cease participation in those plans effective as of December 25, 2011 and begin participation in the Network's 401(k) plan effective as of December 26, 2011. In conjunction with the freeze of benefits in the CHI Retirement Plan, the Network recognized a curtailment gain of \$6,774. CHI made contributions to the plan of \$4,981 and \$0 during 2010 and 2009, respectively.

The Replacement plan is both a defined benefit and a defined contribution plan. The fair value of the plan assets was \$10,553 and \$8,423 at January 1, 2010 and 2009, respectively. The defined benefit provisions of the plan apply to all employees of the Network hired prior to January 1, 1984. The plan was originally established on that date to provide such employees those benefits otherwise available under the Federal Insurance Contributions Act during the period January 1, 1981 to December 31, 1983 when the Network withdrew coverage of its employees under the Act. Pursuant to the Social Security Amendment Act of 1983, the Network reentered the Social Security system on January 1, 1984. As a result funding of the plan was terminated during 1985. The actuarial present value of accumulated plan benefits was \$7,524 and \$7,386 for 2010 and 2009, respectively. If authorized by the Network's Board of Directors, each Replacement plan participant may elect to contribute to the plan an amount each pay period, subject to the maximum established by the Board of Directors. Such authorization was not granted during 2010 and 2009.

The Network also has other postretirement benefit plans covering substantially all of its employees, providing retirees' health insurance benefits for the same premium as the Network pays for active employees. The Network funds the plan on a cash basis.

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
**December 31, 2010 and 2009**

**Effect on Operations**

The components of net periodic pension expense for defined benefit retirement plans and the postretirement benefit plan for the year ended December 31 were as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Service cost	\$ 7,459	\$ 19,620	\$ 292	\$ 278
Interest cost	24,467	25,087	123	117
Expected return on plan assets	(44,509)	(65,246)	-	-
Amortization of prior service cost, net	19,408	49,059	(91)	(81)
Net pension expense	<u>\$ 6,825</u>	<u>\$ 28,520</u>	<u>\$ 324</u>	<u>\$ 314</u>

**Obligations and Funded Status**

The change in benefit obligations, plan assets and funded status for the Network's defined benefit retirement plans are as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Change in benefit obligation</b>				
Benefit obligation, beginning of period	\$ 499,450	\$ 437,815	\$ 3,925	\$ 3,598
Service cost	7,459	19,620	324	314
Interest cost	24,467	25,087	-	-
Amendments	(3,259)	-	-	-
Actuarial gain (loss)	32,977	30,156	-	-
Curtailement	(39,275)	-	-	-
Change in discount rate	(37,664)	-	-	-
Benefits paid—estimated	(14,587)	(13,228)	28	13
Benefit obligation, end of period	<u>\$ 469,568</u>	<u>\$ 499,450</u>	<u>\$ 4,277</u>	<u>\$ 3,925</u>

	<u>Pension Benefits</u>	
	<u>2010</u>	<u>2009</u>
<b>Change in plan assets</b>		
Fair value of plan assets, beginning of year	\$ 325,322	\$ 273,304
Actual return on plan assets	44,509	65,246
Contributions	4,981	-
Benefit paid—actual	(14,587)	(13,228)
Fair value of plan assets, end of year	<u>\$ 360,225</u>	<u>\$ 325,322</u>

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
**December 31, 2010 and 2009**

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Reconciliation of Funded status</b>				
Accrued pension cost	\$ (81,458)	\$ (86,388)	\$ (4,277)	\$ (3,925)
Prepaid pension asset (liability)	(27,884)	(87,740)	1,943	1,635
Funded status	(109,342)	(174,128)	(2,334)	(2,290)
Unrecognized net actuarial loss (gain)	34,324	98,466	(2,095)	(1,805)
Unrecognized prior service cost	(6,440)	(10,726)	152	170
Accrued pension cost	\$ (81,458)	\$ (86,388)	\$ (4,277)	\$ (3,925)

**Accumulated Benefit Obligation**

Selected information from the plans with accumulated benefit obligation in excess of plan assets at December 31, were as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Projected benefit obligation	\$ 469,568	\$ 499,450	\$ 4,277	\$ 3,925
Accumulated benefit obligation	\$ 469,144	\$ 453,477	\$ 2,334	\$ 2,290
Fair value of plan assets	\$ 360,225	\$ 325,322	\$ -	\$ -

**Actuarial Assumptions**

Weighted average assumptions used to determine benefit obligations as of December 31:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Discount rate	5.48%	5.44%	5.60%	5.44%
Rate of compensation increase	3.50%	3.50%	-	-

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Discount rate	5.93%	5.80%	5.44%	5.80%
Rate of compensation increase	3.50%	3.50%	-	-
Expected long-term rate of return on plan assets	7.60%	7.60%	-	-

The expected long term rate of return assumes targeted allocations are maintained and returns fall within standard deviation derived from simulation of ten year range of returns on each plan's assets. The rate is reevaluated based on actual returns in the current period. The rate was 7.6% for 2010 and 2009, respectively.

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
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**Assumed Health Care Costs**

In establishing the net periodic postretirement benefit expense and year end benefit obligation, a 9 percent annual rate of increase in per capital cost of covered health benefits was assumed for 2010 and 2009. The rate was assumed to decrease gradually to 6 percent over an 18-year period. Changing the assumed health care cost trend rates by one percentage point in each year would cause an incremental increase in the accumulated postretirement benefit obligation of less than \$279 and \$278 in 2010 and 2009, respectively. In addition, changing the assumed health care cost trend rates by one percentage point in each year would cause an incremental increase in the service cost and interest cost components of the net periodic post retirement benefit cost of \$44 and \$58 in 2010 and 2009, respectively.

**Plan Assets**

The weighted-average allocation of the defined benefit plans at December 31, 2010 and 2009, by asset category are as follows:

	Retirement Plan		2009 Actual Allocation	Replacement Plan		2009 Actual Allocation
	2010 Target Allocation	2010 Actual Allocation		2010 Target Allocation	2010 Actual Allocation	
Equity securities	42%	42%	42%	54%	56%	61%
Fixed income securities	42%	37%	40%	25%	22%	22%
Real estate	3%	5%	4%	6%	6%	4%
Other	13%	16%	14%	15%	16%	13%
Total	100%	100%	100%	100%	100%	100%

The plans are administered under a single investment policy statement, which outlines objectives and guidelines for supervising investment strategy and evaluating the investment performance for all investment assets of CHI. The policy seeks to preserve principal, emphasizing long-term growth without undue exposure to risk. Investment performance return targets are based on consumer price, corporate bond and stock indexes as well as volatility standards (beta) and positive risk-adjusted performance (alpha). The plan fiduciaries oversee the investment allocation process, which includes selecting investment managers, setting long-term strategic targets and monitoring asset allocations. Target allocation ranges are guidelines, not limitations, and plan fiduciaries may occasionally approve allocations above or below a target range.

2010 Description	Fair Value Measurements at Reporting Date Using			
	2010	Level 1	Level 2	Level 3
Fixed income	\$ 135,767	\$ 39,539	\$ 96,228	\$ -
Equity - Domestic Large Cap	53,150	30,428	22,722	-
Equity - Domestic Small Cap	20,629	10,404	10,225	-
Equity - International	74,263	74,263	-	-
Hedge Fund of Funds	16,574	-	-	16,574
REITS/other	59,842	59,842	-	-
Total	\$ 360,225	\$ 214,476	\$ 129,175	\$ 16,574

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
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	<b>Rollforward of Level 3 Investments</b>
<b>Balance as of January 1, 2010</b>	\$ 16,255
Purchases	(750)
Investment gain-realized/unrealized	1,069
<b>Balance as of December 31, 2010</b>	<u>\$ 16,574</u>

**Cash Flows**

The Network expects to make a contribution of \$25,308 to the CHI Retirement Plan in fiscal 2011.

**Estimated Future Benefit Payments**

Plan benefit payments, which reflect expected future service, are expected to be paid as follows:

	<b>Pension Benefits</b>	<b>Postretirement Benefits</b>
2011	\$ 15,116	26
2012	16,108	51
2013	17,330	79
2014	18,860	103
2015	20,372	133
2016-2020	128,857	1,228

**Other**

The Network sponsors defined contribution plans covering certain employees. As mentioned above, CHNw became the employer of all employees throughout the Network except for CHA. Effective with the adoption of the single employer on December 27, 2010, CHNw became the sponsor of all the Network's defined benefit and defined contributions plans except for the CHA plan. Employer contributions are made to these plans based on a percentage of employee compensation. The cost of the Network's defined contribution plans was approximately \$18,701 and \$8,379 for 2010 and 2009, respectively.

One of the defined contribution plans relates to VEI's profit sharing 401(k) plan, in which employees are eligible to participate immediately upon hire and after attaining 21 years of age. Effective January 1, 2011, VEI's plan was amended to remove the retirement that an employee must be 21 years of age to participate in the plan. Participants may contribute from 1% to 50% of compensation, as defined. Each year, VEI's Board of Directors may elect to match a portion of participant contributions through a discretionary profit sharing contribution.

IHH has a 401(k) plan, in which employees are eligible to participate immediately upon hire and after attaining 21 years of age. Participants may contribute from 1% to 100% of compensation, as defined. IHH matches 50% of participant contributions up to 5% of the participants' compensation.

CPI has a defined contribution profit sharing plan in which employees who are designated as CPI physicians and are paid on the compensation model are eligible to participate after the completion of one year of service. This plan is an employer funded plan whereby the funding is charged to the participating physician's practice as an overhead expense. The year ending December 31, 2009

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
**December 31, 2010 and 2009**

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was the final year that employer contributions were made to the plan. CPI is currently waiting on a final determination letter from the IRS to terminate the plan effective December 31, 2009.

Effective May 28, 2006, CHA established a defined contribution 403(b) plan. Employees are eligible to participate immediately upon employment. Participants may contribute up to 100% of compensation, as defined. CHA is permitted to match 100% of participant contributions up to 3% of the participant's compensation. CHA elected to cease matching participant contributions effective May 10, 2009.

Effective January 1, 2009, the Network established a 401(k) plan on behalf of CHI. Employees of the Network hired after February 9, 2008 are eligible to participate immediately upon employment. Participants may contribute up to 100% of compensation, as defined. The Network matches 100% of participant contributions up to 6% of the participant's compensation. Each year, the Network may elect to provide a discretionary employer contribution to plan participants.

**9. Income Taxes**

For 2010 and 2009, federal taxable income originating in the Network's for-profit entities was approximately \$12,000 and \$15,200, respectively. Income tax expense of \$4,991 and \$5,570 respectively, has been provided thereon. The primary difference between income tax expense and taxes computed at the federal statutory rate of 34 percent is state income taxes.

At December 31, 2010, ProHealth has unused federal income tax operating loss carry forwards of approximately \$17,400, which expire at various dates through 2030. The tax benefits from these net operating losses of \$5,916 have been fully offset by valuation allowances of \$5,916 and \$5,814 at December 31, 2010 and 2009, respectively.

**10. Operating Leases**

The Network leases certain of its facilities and equipment under noncancelable operating lease agreements. The leases contain various renewal options and clauses for escalation based on increases in interest costs, as defined. Rental expense for these leased facilities and equipment aggregated \$31,635 and \$32,459 for 2010 and 2009, respectively.

Future minimum rental payments for each of the next five years at December 31, 2010 are as follows:

2011	\$ 29,606
2012	25,020
2013	19,567
2014	17,023
2015	13,773
Thereafter	45,669
	<u>\$ 150,658</u>

**11. Functional Expenses**

The Network provides services to residents within its geographic locations. Expenses related to providing these services are as follows:

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
**December 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
Nursing services	\$ 301,598	\$ 314,023
Other professional services	395,886	371,634
General services	103,545	94,060
Fiscal services	159,693	150,003
Administrative services	100,276	105,566
Employee health and welfare	84,188	86,713
Health service claims expense	(16,119)	(6,510)
Depreciation and amortization	70,248	59,691
Provision for bad debts	65,269	48,030
Interest	12,554	12,091
	<u>\$ 1,277,138</u>	<u>\$ 1,235,301</u>

**12. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time period or purpose. Temporarily restricted net assets as of December 31, 2010 and 2009 are available for the following purposes:

	<b>2010</b>	<b>2009</b>
Medical education	\$ 1,737	\$ 1,532
Clinical/patient support	641	565
Capital improvements	2,609	3,256
	<u>\$ 4,987</u>	<u>\$ 5,353</u>

Permanently restricted net assets have been restricted by donors to be maintained by the Network in perpetuity. Permanently restricted net assets as of December 31, 2010 and 2009 are as follows, with a description of how the investment income is to be used:

	<b>2010</b>	<b>2009</b>
Medical education	\$ 2,375	\$ 2,293
Clinical/patient support	196	136
Capital improvements	1,671	1,669
	<u>\$ 4,242</u>	<u>\$ 4,098</u>

The Network is an income beneficiary of certain irrevocable trusts. The aggregated income from these trusts was \$298 and \$402 for the years ended December 31, 2010 and 2009, respectively.

# Community Health Network, Inc. and Affiliates

## Notes to Consolidated Financial Statements (in 000's)

### December 31, 2010 and 2009

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#### 13. Commitments and Contingencies

##### **Community Hospital of Anderson and Madison County**

On August 9, 1996, Community entered into an affiliation agreement with CHA. The agreement provides that if Community merges, affiliates, or is acquired by another health care organization, Community must deposit \$31,900 into a foundation to fund health care programs and initiatives in Madison County, Indiana.

##### **Pending Litigation and Medical Malpractice Insurance Coverage**

Claims for employment matters, medical malpractice and breach of contract have been asserted against the Network by various claimants, and provision for such claims is made in the financial statements when management considers the likelihood of loss from the contingency to be probable and reasonably estimable. The claims are in various stages of processing and some will ultimately be brought to trial. There are known incidents occurring through December 31, 2010 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past.

The Network is in compliance with the Indiana Medical Malpractice Act which limits the amount of recovery to \$1,250 for individual malpractice claims, \$250 of which would be paid by the Network and the balance being paid by the State of Indiana Patient Compensation Fund. Management believes the ultimate disposition of existing medical malpractice and other claims will not have a material effect on the consolidated financial position or results of operations of the Network.

##### **Purchase Commitments**

As of December 31, 2010, the Network had purchase commitments for various equipment and services of \$21,993.

#### 14. Community Benefits (unaudited)

The Network defines community benefit as a planned, managed, organized, and measured approach to a health care organization's participation in meeting identified community health needs, particularly of the poor and other underserved groups, by improving health status and quality of life. The Network maintains records to identify and monitor the level of charity care it provides, and provides charity care to patients whose income level is below 200% of the Federal Poverty Level.

The Network segregates its community benefits into benefits for the poor and benefits for the community.

Benefits for the poor include traditional charity and unpaid cost of Medicaid and other indigent care programs. Traditional charity care includes free or discounted health and health-related services provided to persons who cannot afford to pay. Unpaid cost of Medicaid and other indigent care programs represents the uncompensated cost of services provided to persons covered by public programs for the poor.

Benefits for the community include unpaid cost of Medicare, uninsured discounts and other community benefits. Unpaid cost of Medicare represents the uncompensated cost of services provided to persons covered by the Medicare program. Other community benefit represents activities or services to improve community health.

The net cost to the Network of providing benefits for the poor and the community is as follows:

**Community Health Network, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements (in 000's)**  
**December 31, 2010 and 2009**

	2010	2009
<b>Benefits for the poor</b>		
Traditional charity care	\$ 25,693	\$ 31,098
Unpaid cost of Medicaid and other indigent care programs	57,948	53,479
	<u>83,641</u>	<u>84,577</u>
<b>Benefits for the community</b>		
Unpaid cost of Medicare	101,615	119,029
Other community benefits	22,229	14,223
	<u>123,844</u>	<u>133,252</u>
Total community benefits	<u>\$ 207,485</u>	<u>\$ 217,829</u>

The benefits provided are measured at total cost net of any offsetting revenues or subsidy payments received. Charity care cost, unpaid cost of Medicaid and other indigent care programs and unpaid of cost of Medicare were determine based on the application of the associated cost-to-charge ratios. Other community benefits represent actual costs.

Costs forgone for services and supplies furnished under the Network's uninsured discount policy approximated \$5,417 and \$5,351 for the years ended December 31, 2010 and 2009, respectively. Uninsured discounts represent a standard discount on charges as it relates to patients who have no insurance coverage. Uninsured discount cost was determined based on the application of the associated cost-to-charge ratios to charges.

Total community benefits were 16.25% and 17.63% of total operating expenses in 2010 and 2009 and, respectively.

## **Additional Consolidating Information**



**Report of Independent Auditors  
on Accompanying Consolidating Information**

To the Board of Directors  
Community Health Network, Inc.

The report on our audits of the consolidated financial statements of Community Health Network and affiliates, (the "Network") at December 31, 2010 and 2009 and for the years then ended appears on page 1 of this document. These audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating balance sheets at December 31, 2010 and 2009 and the consolidating statements of operations and changes in net assets for the years then ended are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations and changes in net assets of individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations and changes in net assets of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

As discussed in Note 1 to the consolidated financial statements, the Network changed the manner in which it accounts for noncontrolling interests in 2010.

*PricewaterhouseCoopers LLP*

April 20, 2011

**Community Health Network**  
**Consolidating Balance Sheet (in 000's)**  
**December 31, 2010**

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	CHN	CBI
<b>Assets</b>												
<b>Current assets</b>												
Cash and cash equivalents	\$ 144,127	\$ -	\$ 57,637	\$ 1,735	\$ 10,236	\$ 56,060	\$ 1,436	\$ 1,052	\$ 6,233	\$ 9,452	\$ 286	\$ -
Restricted cash	2,400	-	2,400	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net	175,904	(6,436)	112,801	8,138	22,551	11,352	-	5,405	-	22,093	-	-
Estimated third-party payor settlements	6,406	-	6,340	-	66	-	-	-	-	-	-	-
Assets limited as to use—held by trustee	9,530	-	7,306	-	2,224	-	-	-	-	-	-	-
Inventories	19,325	-	10,189	-	2,585	4,046	-	260	-	2,245	-	-
Other accounts receivable	18,300	(442)	7,409	79	92	6,107	1,023	53	3,845	43	91	-
Other current assets	10,684	-	7,045	1,596	144	1,065	13	106	62	468	185	-
<b>Total current assets</b>	<b>386,676</b>	<b>(6,878)</b>	<b>211,127</b>	<b>11,548</b>	<b>37,898</b>	<b>78,630</b>	<b>2,472</b>	<b>6,876</b>	<b>10,140</b>	<b>34,301</b>	<b>562</b>	<b>-</b>
<b>Assets limited as to use</b>												
Funds held by trustee, net of current portion	13,865	-	13,865	-	-	-	-	-	-	-	-	-
Board-designated funds	404,248	-	336,323	-	33,980	-	33,945	-	-	-	-	-
Reinsurance trust assets	11,616	-	-	-	-	-	-	-	-	-	11,616	-
Property, plant and equipment, net	650,149	-	509,793	12,900	45,795	37,981	4,093	2,134	172	37,281	-	-
Investments in unconsolidated affiliates	19,394	(151,205)	166,595	-	406	3,598	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	7,415	-	7,108	-	258	-	-	-	-	-	49	-
Due (to) from unconsolidated affiliates and related parties	1,387	(31)	115,515	(36,716)	(2,623)	(3,662)	(3,250)	(9,716)	(12,935)	(29,750)	-	(15,445)
Prepaid pension and postretirement assets	1,943	-	1,943	-	-	-	-	-	-	-	-	-
Other assets	7,693	(1,518)	2,970	350	-	4,542	1,209	140	-	-	-	-
<b>Total assets</b>	<b>\$ 1,504,386</b>	<b>\$ (159,632)</b>	<b>\$ 1,365,239</b>	<b>\$ (11,918)</b>	<b>\$ 115,714</b>	<b>\$ 121,089</b>	<b>\$ 38,469</b>	<b>\$ (566)</b>	<b>\$ (2,623)</b>	<b>\$ 41,832</b>	<b>\$ 12,227</b>	<b>\$ (15,445)</b>
<b>Liabilities and net assets</b>												
<b>Current liabilities</b>												
Short-term borrowings	\$ 18,646	\$ -	\$ 5,146	\$ -	\$ -	\$ 13,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term debt	16,679	-	13,738	-	1,894	1,000	-	-	-	47	-	-
Accounts payable	70,973	(473)	56,430	2,265	1,831	6,184	74	631	-	3,988	43	-
Accrued salaries and wages	40,569	-	22,740	2,672	4,977	1,151	-	1,412	-	7,617	-	-
Accrued interest	2,710	-	2,130	-	549	31	-	-	-	-	-	-
Estimated third-party payor settlements	2,867	-	2,407	-	460	-	-	-	-	-	-	-
Incurred but not reported	25,335	(6,436)	4,863	-	457	152	-	-	14,576	-	11,723	-
Other current liabilities	20,153	(1,518)	12,359	892	2,413	4,395	-	-	7	1,264	341	-
<b>Total current liabilities</b>	<b>197,932</b>	<b>(8,427)</b>	<b>119,813</b>	<b>5,829</b>	<b>12,581</b>	<b>26,413</b>	<b>74</b>	<b>2,043</b>	<b>14,583</b>	<b>12,916</b>	<b>12,107</b>	<b>-</b>
Accrued postretirement benefit cost	4,277	-	4,277	-	-	-	-	-	-	-	-	-
Accrued pension costs	83,193	-	71,411	-	-	1,710	-	9,343	-	729	-	-
Long-term debt, net of current portion	424,687	-	405,984	-	18,609	21	-	-	-	73	-	-
Pension underfunded liability- long-term	30,779	-	30,779	-	-	-	-	-	-	-	-	-
Other liabilities	6,973	-	2,870	661	-	-	-	-	-	3,442	-	-
<b>Net assets</b>												
<b>Unrestricted net assets</b>												
Network unrestricted net assets	736,022	(141,791)	723,593	(18,408)	84,524	78,749	29,166	(11,952)	(17,206)	24,672	120	(15,445)
Noncontrolling interest	11,294	(9,414)	6,512	-	-	14,196	-	-	-	-	-	-
<b>Total unrestricted net assets</b>	<b>747,316</b>	<b>(151,205)</b>	<b>730,105</b>	<b>(18,408)</b>	<b>84,524</b>	<b>92,945</b>	<b>29,166</b>	<b>(11,952)</b>	<b>(17,206)</b>	<b>24,672</b>	<b>120</b>	<b>(15,445)</b>
Temporarily restricted net assets	4,987	-	-	-	-	-	4,987	-	-	-	-	-
Permanently restricted net assets	4,242	-	-	-	-	-	4,242	-	-	-	-	-
<b>Total net assets</b>	<b>756,545</b>	<b>(151,205)</b>	<b>730,105</b>	<b>(18,408)</b>	<b>84,524</b>	<b>92,945</b>	<b>38,395</b>	<b>(11,952)</b>	<b>(17,206)</b>	<b>24,672</b>	<b>120</b>	<b>(15,445)</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,504,386</b>	<b>\$ (159,632)</b>	<b>\$ 1,365,239</b>	<b>\$ (11,918)</b>	<b>\$ 115,714</b>	<b>\$ 121,089</b>	<b>\$ 38,469</b>	<b>\$ (566)</b>	<b>\$ (2,623)</b>	<b>\$ 41,832</b>	<b>\$ 12,227</b>	<b>\$ (15,445)</b>

**Community Health Network**  
**Consolidating Balance Sheet (in 000's)**  
**December 31, 2009**

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	CHN	CBI
<b>Assets</b>												
<b>Current assets</b>												
Cash and cash equivalents	\$ 111,433	\$ -	\$ 26,278	\$ 7,946	\$ 9,343	\$ 53,084	\$ 1,498	\$ 1,332	\$ 5,029	\$ 6,669	\$ 254	\$ -
Restricted cash	1,700	-	1,700	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net	161,992	(8,027)	107,361	6,140	22,223	11,201	-	4,937	-	18,157	-	-
Estimated third-party payor settlements	4,195	-	4,167	-	28	-	-	-	-	-	-	-
Assets limited as to use—held by trustee	32,754	-	30,679	-	2,075	-	-	-	-	-	-	-
Inventories	18,211	-	9,591	-	1,944	3,416	249	270	-	2,741	-	-
Other accounts receivable	22,659	(478)	8,098	158	64	7,867	1,419	55	4,646	732	98	-
Other current assets	10,655	-	6,707	1,521	261	1,794	24	28	30	204	86	-
<b>Total current assets</b>	<b>363,599</b>	<b>(8,505)</b>	<b>194,581</b>	<b>15,765</b>	<b>35,938</b>	<b>77,362</b>	<b>3,190</b>	<b>6,622</b>	<b>9,705</b>	<b>28,503</b>	<b>438</b>	<b>-</b>
<b>Assets limited as to use</b>												
Funds held by trustee, net of current portion	13,617	-	13,617	-	-	-	-	-	-	-	-	-
Board-designated funds	352,625	-	292,777	-	30,660	-	29,188	-	-	-	-	-
Reinsurance trust assets	11,642	-	-	-	-	-	-	-	-	-	11,642	-
Property, plant and equipment, net	630,138	-	490,133	5,813	46,986	40,597	5,103	2,067	185	39,254	-	-
Investments in unconsolidated affiliates	19,490	(119,309)	133,971	-	483	4,252	-	-	93	-	-	-
Intangible assets, net of accumulated amortization	7,517	-	7,188	-	283	-	-	-	-	-	46	-
Due (to) from unconsolidated affiliates and related parties	2,368	-	103,024	(31,092)	(1,520)	(3,278)	(3,422)	(8,481)	(11,327)	(36,651)	-	(4,885)
Prepaid pension and postretirement assets	1,636	-	1,636	-	-	-	-	-	-	-	-	-
Other assets	3,386	(2,514)	3,022	-	-	1,233	1,505	140	-	-	-	-
<b>Total assets</b>	<b>\$ 1,406,018</b>	<b>\$ (130,328)</b>	<b>\$ 1,239,949</b>	<b>\$ (9,514)</b>	<b>\$ 112,830</b>	<b>\$ 120,166</b>	<b>\$ 35,564</b>	<b>\$ 348</b>	<b>\$ (1,344)</b>	<b>\$ 31,106</b>	<b>\$ 12,126</b>	<b>\$ (4,885)</b>
<b>Liabilities and net assets</b>												
<b>Current liabilities</b>												
Short-term borrowings	\$ 13,500	\$ -	\$ -	\$ -	\$ -	\$ 13,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term debt	14,448	-	11,716	-	1,752	980	-	-	-	-	-	-
Accounts payable	59,344	(478)	45,147	2,708	1,770	6,269	411	465	-	3,013	39	-
Accrued salaries and wages	35,125	-	19,422	2,377	5,064	2,557	-	905	-	4,800	-	-
Accrued interest	2,782	-	2,253	-	515	14	-	-	-	-	-	-
Estimated third-party payor settlements	507	-	39	-	459	-	-	-	-	9	-	-
Incurred but not reported	24,651	(8,027)	4,536	-	714	160	-	-	15,472	-	11,796	-
Other current liabilities	9,105	(2,514)	1,834	1,261	3,010	4,868	-	-	91	384	171	-
<b>Total current liabilities</b>	<b>159,462</b>	<b>(11,019)</b>	<b>84,947</b>	<b>6,346</b>	<b>13,284</b>	<b>28,348</b>	<b>411</b>	<b>1,370</b>	<b>15,563</b>	<b>8,206</b>	<b>12,006</b>	<b>-</b>
Accrued postretirement benefit cost	3,925	-	3,925	-	-	-	-	-	-	-	-	-
Accrued pension costs	88,086	-	77,660	-	-	1,697	-	8,729	-	-	-	-
Long-term debt, net of current portion	441,470	-	419,371	-	20,785	980	-	-	-	334	-	-
Pension underfunded liability- long-term	87,740	-	87,740	-	-	-	-	-	-	-	-	-
Other liabilities	4,616	-	2,722	-	-	-	-	-	-	1,894	-	-
<b>Net assets</b>												
<b>Unrestricted net assets</b>												
Network unrestricted net assets	599,114	(107,079)	556,610	(15,860)	78,761	71,731	25,702	(9,751)	(16,907)	20,672	120	(4,885)
Noncontrolling assets	12,154	(12,230)	6,974	-	-	17,410	-	-	-	-	-	-
<b>Total unrestricted net assets</b>	<b>611,268</b>	<b>(119,309)</b>	<b>563,584</b>	<b>(15,860)</b>	<b>78,761</b>	<b>89,141</b>	<b>25,702</b>	<b>(9,751)</b>	<b>(16,907)</b>	<b>20,672</b>	<b>120</b>	<b>(4,885)</b>
Temporarily restricted net assets	5,353	-	-	-	-	-	5,353	-	-	-	-	-
Permanently restricted net assets	4,098	-	-	-	-	-	4,098	-	-	-	-	-
<b>Total net assets</b>	<b>620,719</b>	<b>(119,309)</b>	<b>563,584</b>	<b>(15,860)</b>	<b>78,761</b>	<b>89,141</b>	<b>35,153</b>	<b>(9,751)</b>	<b>(16,907)</b>	<b>20,672</b>	<b>120</b>	<b>(4,885)</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,406,018</b>	<b>\$ (130,328)</b>	<b>\$ 1,239,949</b>	<b>\$ (9,514)</b>	<b>\$ 112,830</b>	<b>\$ 120,166</b>	<b>\$ 35,564</b>	<b>\$ 348</b>	<b>\$ (1,344)</b>	<b>\$ 31,106</b>	<b>\$ 12,126</b>	<b>\$ (4,885)</b>

**Community Health Network**  
**Consolidating Statement of Operations and Changes in Net Assets (in 000's)**  
**December 31, 2010**

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	CHN	CBI
<b>Change in unrestricted net assets</b>												
Revenues and gains												
Net patient service revenue	\$ 1,213,135	\$ -	\$ 730,863	\$ 82,073	\$ 133,254	\$ 87,961	\$ -	\$ 28,998	\$ -	\$ 149,986	\$ -	\$ -
Service fee revenue	23,967	(24,341)	-	-	-	45,437	-	-	-	-	2,871	-
Other revenue	75,130	(86,664)	52,246	540	6,028	31,917	2,731	239	55,939	2,762	-	9,392
Equity in earnings of unconsolidated affiliates	9,868	(7,124)	12,199	-	406	4,387	-	-	-	-	-	-
Total unrestricted revenues and gains	1,322,100	(118,129)	795,308	82,613	139,688	169,702	2,731	29,237	55,939	152,748	2,871	9,392
Operating expenses												
Salaries and benefits	662,252	(11,798)	290,788	81,358	71,503	58,481	751	20,296	-	80,791	-	70,082
Supplies and other expenses	466,815	(99,191)	252,911	25,178	45,709	74,372	2,154	7,778	50,222	43,999	3,359	60,324
Management services	-	-	81,996	5,104	343	4,922	676	1,534	6,073	9,544	-	(110,192)
Depreciation and amortization	70,248	-	49,741	2,046	6,965	4,948	70	675	18	5,785	-	-
Provision for bad debts	65,269	3,355	40,907	2,159	11,635	452	174	1,124	-	5,529	-	(66)
Interest and financing costs	12,554	(3,371)	10,889	-	1,466	439	-	31	-	3,100	-	-
Total operating expenses	1,277,138	(111,005)	727,232	115,845	137,621	143,614	3,825	31,438	56,313	148,748	3,359	20,148
Income (loss) from operations	44,962	(7,124)	68,076	(33,232)	2,067	26,088	(1,094)	(2,201)	(374)	4,000	(488)	(10,756)
Investment income- realized/unrealized	51,668		43,148	-	3,696	-	4,336	-	-	-	488	-
Other, net	690	(4,000)	4,000	(28)	-	588	-	22	74	-	-	34
Excess (deficiency) of revenues over (under) expenses before income taxes	97,320	(11,124)	115,224	(33,260)	5,763	26,676	3,242	(2,179)	(300)	4,000	-	(10,722)
Provision for income taxes	4,991	-	-	-	-	4,991	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	92,329	(11,124)	115,224	(33,260)	5,763	21,685	3,242	(2,179)	(300)	4,000	-	(10,722)
Less: Excess of revenues attributable to noncontrolling interest	(13,052)	7,124	(5,509)	-	-	(14,667)	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses attributable to the Network	79,277	(4,000)	109,715	(33,260)	5,763	7,018	3,242	(2,179)	(300)	4,000	-	(10,722)
Pension over(under) funding	57,268	-	57,268	-	-	-	-	-	-	-	-	-
Change in noncontrolling interest	(860)	2,816	(462)	-	-	(3,214)	-	-	-	-	-	-
Other changes, net	363	(30,712)	-	30,712	-	-	222	(22)	1	-	-	162
Increase (decrease) in total unrestricted net assets	136,048	(31,896)	166,521	(2,548)	5,763	3,804	3,464	(2,201)	(299)	4,000	-	(10,560)
<b>Change in temporarily restricted net assets</b>												
Restricted contributions received	865	-	-	-	-	-	865	-	-	-	-	-
Net assets released from restrictions	(1,529)	-	-	-	-	-	(1,529)	-	-	-	-	-
Investment income	298	-	-	-	-	-	298	-	-	-	-	-
Increase (decrease) in temporarily restricted net assets	(366)	-	-	-	-	-	(366)	-	-	-	-	-

**Community Health Network**  
**Consolidating Statement of Operations and Changes in Net Assets (in 000's)**  
**December 31, 2010**

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	CHN	CBI
<b>Change in permanently restricted net assets</b>												
Restricted contributions received	\$ 155	- \$	- \$	- \$	- \$	- \$	155 \$	- \$	- \$	- \$	- \$	- \$
Other	(11)	-	-	-	-	-	(11)	-	-	-	-	-
Increase in permanently restricted net assets	144	-	-	-	-	-	144	-	-	-	-	-
Increase (decrease) in total net assets	135,826	(31,896)	166,521	(2,548)	5,763	3,804	3,242	(2,201)	(299)	4,000	-	(10,560)
Total net assets, beginning of year	620,719	(119,309)	563,584	(15,860)	78,761	89,141	35,153	(9,751)	(16,907)	20,672	120	(4,885)
Total net assets, end of year	\$ 756,545	\$ (151,205)	\$ 730,105	\$ (18,408)	\$ 84,524	\$ 92,945	\$ 38,395	\$ (11,952)	\$ (17,206)	\$ 24,672	\$ 120	\$ (15,445)

**Community Health Network**  
**Consolidating Statement of Operations and Changes in Net Assets (in 000's)**  
**December 31, 2009**

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	CHN	CBI
<b>Change in unrestricted net assets</b>												
Revenues and gains												
Net patient service revenue	\$ 1,161,851	\$ -	\$ 769,252	\$ 71,145	\$ 129,342	\$ 22,774	\$ -	\$ 27,060	\$ -	\$ 142,278	\$ -	\$ -
Service fee revenue	15,861	(91,394)	-	-	-	100,931	-	-	4,159	-	2,165	-
Other revenue	86,145	(81,242)	59,722	584	5,685	29,525	5,928	190	54,325	2,731	-	8,697
Equity in earnings of unconsolidated affiliates	9,720	(6,325)	9,340	-	424	6,281	-	-	-	-	-	-
Total unrestricted revenues and gains	1,273,577	(178,961)	838,314	71,729	135,451	159,511	5,928	27,250	58,484	145,009	2,165	8,697
Operating expenses												
Salaries and benefits	617,234	(8,603)	277,361	69,783	70,647	51,990	1,469	17,926	-	69,658	-	67,003
Supplies and other expenses	498,255	(155,051)	356,049	22,621	41,977	69,091	3,831	8,157	54,614	46,128	2,629	48,209
Management services	-	-	78,495	4,821	598	4,757	609	1,449	5,718	8,770	-	(105,217)
Depreciation and amortization	59,691	-	40,309	1,562	6,892	4,568	532	713	20	5,095	-	-
Provision for bad debts	48,030	(5,457)	33,572	1,758	9,097	163	110	1,093	-	7,664	-	30
Interest and financing costs	12,091	(3,525)	10,168	-	1,559	570	-	26	-	3,293	-	-
Total operating expenses	1,235,301	(172,636)	795,954	100,545	130,770	131,139	6,551	29,364	60,352	140,608	2,629	10,025
Income (loss) from operations	38,276	(6,325)	42,360	(28,816)	4,681	28,372	(623)	(2,114)	(1,868)	4,401	(464)	(1,328)
Investment income- realized/unrealized	91,598	-	77,350	-	6,094	-	7,690	-	-	-	464	-
Other, net	(40)	(10,392)	4,397	(20)	(217)	179	5,995	22	-	(4)	-	-
Excess (deficiency) of revenues over (under) expenses before income taxes	129,834	(16,717)	124,107	(28,836)	10,558	28,551	13,062	(2,092)	(1,868)	4,397	-	(1,328)
Provision for income taxes	5,570	-	-	-	-	5,570	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses	124,264	(16,717)	124,107	(28,836)	10,558	22,981	13,062	(2,092)	(1,868)	4,397	-	(1,328)
Excess of revenues attributable to noncontrolling interest	(8,599)	6,325	(1,542)	-	-	(13,382)	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenses attributable to the Network	115,665	(10,392)	122,565	(28,836)	10,558	9,599	13,062	(2,092)	(1,868)	4,397	-	(1,328)
Pension over(under) funding	18,984	-	18,984	-	-	-	-	-	-	-	-	-
Change in noncontrolling interest	(2,575)	(12,261)	6,304	-	-	3,382	-	-	-	-	-	-
Other changes, net	5,311	46,378	-	28,056	-	-	(69,159)	(39)	-	-	-	75
Increase (decrease) in total unrestricted net assets	137,385	23,725	147,853	(780)	10,558	12,981	(56,097)	(2,131)	(1,868)	4,397	-	(1,253)
<b>Change in temporarily restricted net assets</b>												
Restricted contributions received	2,390	-	-	-	-	-	2,390	-	-	-	-	-
Net assets released from restrictions	(1,825)	-	-	-	-	-	(1,825)	-	-	-	-	-
Investment income	401	-	-	-	-	-	401	-	-	-	-	-
Increase in temporarily restricted net assets	966	-	-	-	-	-	966	-	-	-	-	-

**Community Health Network**  
**Consolidating Statement of Operations and Changes in Net Assets (in 000's)**  
**December 31, 2009**

	Consolidated	Eliminations	CHI	CPI	CHA	VEI	Foundation	CHHS	ProHealth	TIHH	CHN	CBI
<b>Change in permanently restricted net assets</b>												
Restricted contributions received	\$ 71	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71	\$ -	\$ -	\$ -	\$ -	\$ -
Other	(5)	-	-	-	-	-	(5)	-	-	-	-	-
Increase in permanently restricted net assets	66	-	-	-	-	-	66	-	-	-	-	-
Increase (decrease) in total net assets	138,417	23,725	147,853	(780)	10,558	12,981	(55,065)	(2,131)	(1,868)	4,397	-	(1,253)
Total net assets, beginning of year	482,302	(143,034)	415,731	(15,080)	68,203	76,160	90,218	(7,620)	(15,039)	16,275	120	(3,632)
Total net assets, end of year	\$ 620,719	\$ (119,309)	\$ 563,584	\$ (15,860)	\$ 78,761	\$ 89,141	\$ 35,153	\$ (9,751)	\$ (16,907)	\$ 20,672	\$ 120	\$ (4,885)