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September 21, 2011

Board of Directors
Major Health Partners
150 W. Washington Street
Shelbyville, IN 46176

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Major Health Partners, as of August 29, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

MHP™

MAJOR HEALTH PARTNERS

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2010 AND 2009

CPAs / ADVISORS

blue

MAJOR HEALTH PARTNERS

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blue

Blue & Co., LLC / One American Square, Suite 2200 / Box 82062 / Indianapolis, IN 46282
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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Major Health Partners
Shelbyville, Indiana

We have audited the accompanying consolidated balance sheets of Major Health Partners (MHP) as of December 31, 2010 and 2009 and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the MHP's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Guidelines for Audits of County and City Hospitals by Independent Certified Public Accountants, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of MHP as of December 31, 2010 and 2009 , and the consolidated results of its operations, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Major Health Partners
Shelbyville, Indiana

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

April 21, 2011

REQUIRED SUPPLEMENTARY INFORMATION

MAJOR HEALTH PARTNERS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2010 AND 2009

This section of Major Health Partners' (MHP) annual consolidated financial statements presents background information and management's discussion and analysis (MD&A) of MHP's financial performance. This MD&A does include a discussion and analysis of the activities and results of MHP which is the consolidated entity that consists of Major Hospital (the Hospital) and its blended component units, Major Affiliates, Inc., Major Hospital Foundation and MDSolutions, LLC. Please read it in conjunction with MHP's financial statements that follow this MD&A.

FINANCIAL HIGHLIGHTS

- MHP reported a positive change in net assets for 2010 of approximately $6.4 million compared to a positive change in net assets of approximately $7.4 million in 2009, representing a decrease of approximately $1 million in comparison to the 2009 results.

- MHP spent $3.6 million on equipment and capital projects in 2010 net of disposals. In 2010, MHP opened the Unavie Cardiology Center at the Intelliplex Medical Arts campus. Unavie provides outpatient non-invasive cardiology and pulmonology services. Major capital equipment expenditures include transcription equipment, sterilizer and washer for central sterile, digital radiography room, lab analyzer, electronic prescription system, televisions for patient rooms, and a ventilator for cardiopulmonary. MHP also invested in ongoing building and information technology upgrades.

USING THIS ANNUAL REPORT

MHP's consolidated financial statements consist of three consolidated statements – a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These financial statements and related notes provide information about the activities and the financial position of MHP.

The consolidated balance sheet includes all of MHP's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to MHP creditors (liabilities).

All of the current year's revenue earned and expenses incurred are accounted for in the consolidated statement of revenues, expenses and changes in net assets.

Finally, the consolidated statement of cash flows' purpose is to provide information about MHP's cash flows from operating activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and the change in the cash balance during the year.

THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

One of the most important questions asked about MHP's finances is, "Is MHP as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about MHP's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report MHP's net assets and changes in them. Think of MHP's net assets—the difference between assets and liabilities—as one way to measure MHP's financial health, or financial position. Over time, increases or decreases in MHP's net assets are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in MHP's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of MHP.

MAJOR HEALTH PARTNERS' NET ASSETS

Table 1: Balance Sheets

	2010	2009	2008
Assets			
Current assets	$ 19,243,479	$ 18,480,755	$ 20,518,718
Assets whose use is limited	56,157,234	50,581,047	42,431,736
Capital assets, net	44,421,983	45,192,403	40,125,219
Other assets	6,335,212	6,147,662	5,846,817
Deferred outflows	485,000	-0-	-0-
Total assets and deferred outflows	$ 126,642,908	$ 120,401,867	$ 108,922,490
Liabilities			
Current liabilities	$ 11,163,196	$ 10,850,953	$ 11,394,619
Other liabilities	1,067,683	534,828	198,967
Long-term debt	30,418,945	31,471,804	27,222,540
Total liabilities	42,649,824	42,857,585	38,816,126
Net Assets			
Invested in capital assets, net of related debt	13,032,658	12,792,431	11,236,731
Restricted	983,799	868,122	1,096,773
Unrestricted	69,976,627	63,883,729	57,772,860
Total net assets	83,993,084	77,544,282	70,106,364
Total liabilities and net assets	$ 126,642,908	$ 120,401,867	$ 108,922,490

The significant changes in Major Health Partners' assets resulted from an increase in assets whose use is limited of approximately $5.6 million. The increase primarily relates to market gains. Total liabilities decreased by $210,000 in 2010 in comparison to 2009.

OPERATING RESULTS AND CHANGES IN NET ASSETS AND CASH FLOWS

Table 2: Statements of Revenues, Expenses and Changes in Net Assets

	2010	2009	2008
Revenues			
Net patient service revenue	$ 88,996,560	$ 85,396,891	$ 84,425,977
Other operating revenue	1,272,450	1,048,197	1,453,491
Total revenues	90,269,010	86,445,088	85,879,468
Expenses			
Salaries and benefits	47,641,589	45,900,808	45,534,238
Supplies	14,657,881	13,269,864	12,760,970
Depreciation and amortization	5,075,381	4,939,930	5,053,644
Other operating expenses	19,732,081	17,654,444	18,650,389
Total expenses	87,106,932	81,765,046	81,999,241
Operating income	3,162,078	4,680,042	3,880,227
Non-operating revenue (expense), net	3,286,724	2,757,876	(4,133,412)
Change in net assets	6,448,802	7,437,918	(253,185)
Net assets			
Beginning of year	77,544,282	70,106,364	70,359,549
End of year	$ 83,993,084	$ 77,544,282	$ 70,106,364

SOURCES OF REVENUE

During 2010, Major Health Partners derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 56% of MHP's gross revenues in 2010 but only 44% of MHP's net patient service revenues.

Major Health Partners' service mix remained consistent between 2010 and 2009. Inpatient revenue accounted for 26% and 27% of gross revenue in 2010 and 2009, respectively. Outpatient revenue was 74% and 73% of total gross revenue in 2010 and 2009, respectively.

Following is a table of major sources of gross patient revenues for the past three years:

	2010	2009	2008
Medicare	41%	42%	44%
Medicaid	15%	14%	13%
Anthem	15%	17%	16%
Commercial	21%	20%	20%
Self Pay	8%	7%	7%
	100%	100%	100%

OPERATING AND FINANCIAL PERFORMANCE

Major Health Partners had a gain from operations of $3.2 million in 2010, which resulted in a return on equity of 4.0% compared to a gain from operations of $4.7 million in 2009 and return on equity of 6.0%.

This following section highlights the major financial factors for 2010 for MHP:

- The Hospital's discharges for 2010 increased from 2,688 in 2009 to 2,711 in 2010. The Hospital's adjusted patient days increased to 32,494 in 2010 compared to 31,504 in 2009. The Hospital remained profitable from operations as a result of these increases and pricing changes.

- In 2010 and 2009, Major Hospital received $2.5 million from the State for the Indiana Medicaid Municipal Hospital Payment Adjustment. These funds are treated as income when received and have a direct impact to net patient services revenue. Even though the Hospital received nearly the same State payment, inpatient volumes were relatively flat, the 6% rate increase and expanded service lines contributed to the overall net revenue increase of $3.6 million.

- Operating expenses increased $5.3 million in 2010. This increase is result of an increase in salaries, wages and benefits, supplies and repairs and maintenance. The increased expenses are due to expanded services such as outpatient rehabilitation and cardiology.

- Salaries and wages and benefits expense increased by $1.7 million or 4%. Additional positions were approved in areas that provided new or expanded services and a 2.5% increase was given to all eligible employees in July. The majority of the increase in this area is due to higher medical insurance expense. Major Hospital has a self-funded insurance program which can cause expenses to fluctuate from year to year based on actual claims paid.

- Medical Professional fees for the Hospital remained consistent between 2010 and 2009.

- Supplies increased by 10.5% or $1.4 million in 2010. This increase is mainly the result of higher priced medical oncology drugs, increased supply expense for orthopedic surgeries, and inflationary adjustments passed along from vendors.

- Purchased services increased 6.7% or $411,000 in 2010. In 2010, the Hospital hired outside consultants for strategic planning, an upfront collections program and revenue cycle initiatives.

- Repairs and maintenance increased 62% or $1.05 million. This is the result of increased lease expense for equipment that was previously considered capital

The following section highlights the major financial factors for 2010 for the component units of Major Hospital:

- Major Affiliates' total operating revenue decreased $400,000 or 2.8% from year 2009 to year 2010 for both its' patient services and office rental. This is a result of payer mix changes along with turnover of physicians.

- Operating expenses for Major Affiliates increased from year 2009 to year 2010 by $761,000. Supplies and depreciation were a majority of this increase. Depreciation expense increased due to the new reNovo building built in year 2009. Supplies expense, which includes drug expense as well, increased as a result of increased drug costs and usage.

Table 3: Statements of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

	2010	2009	2008
Cash flows from			
Operating activities	$ 8,020,097	$ 8,569,666	$ 11,624,542
Capital and related financing	(6,166,396)	(8,766,403)	(7,848,046)
Investing	1,843,706	(4,956,712)	(5,169,732)
Change in cash and cash equivalents	$ 3,697,407	$ (5,153,449)	$ (1,393,236)

Cash and cash equivalents increased $3.7 million in 2010 compared to a decrease of $5.1 million in 2009. The majority of the 2010 increase relates to operating cash flows, the classification of assets whose use is limited and decreased spending on property and equipment.

CAPITAL ASSETS

During 2010, Major Health Partners invested $4.3 million in capital assets along with retirements and transfers of $750,000. The change in capital assets is outlined in the following table:

	2010	2009	2009
Land and land improvements	$ 7,447,161	$ 7,177,428	$ 6,502,797
Leasehold improvements	1,593,517	1,595,580	1,352,179
Buildings and improvements	48,790,571	47,677,741	41,700,567
Equipment	32,587,263	29,947,340	30,535,629
Construction in progress	777,983	1,223,462	2,007,386
Total property and equipment	91,196,495	87,621,551	82,098,558
Less accumulated depreciation	46,774,512	42,429,148	41,973,339
Capital assets, net	$ 44,421,983	$ 45,192,403	$ 40,125,219

Capital Assets have decreased due to higher depreciation expense for facilities and equipment placed in service in prior years. Assets purchased during 2010 did not exceed depreciation expense for the year. As previously mentioned MHP strives to meet the needs of the community and provide high quality care by adding new equipment and facilities or by replacing or upgrading equipment as it becomes obsolete.

DEBT

Major Health Partners' has debt outstanding in the IFA Construction Bonds, capital lease obligations and notes payable. More detailed information about MHP's long-term debt is presented in the notes to the consolidated financial statements.

ECONOMIC OUTLOOK

Management believes that the health care industry's and MHP's operating margins will continue to be under pressure because of changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. The ongoing challenge facing MHP is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant cost factor affecting MHP is the increases in labor costs due to the increasing competition for quality health care workers.

CONTACTING MAJOR HEALTH PARTNERS' FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of MHP's finances and to show MHP's accountability for the money it receives. If you have questions about this report or need additional financial information, contact MHP's Administration Department, at 150 W. Washington St., Shelbyville, IN 46176.

MAJOR HEALTH PARTNERS

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	$ 5,482,174	$ 5,013,611
Investments	-0-	32,682
Patient accounts receivable, net of allowance for uncollectible accounts of $3,592,517 in 2010 and $3,199,825 in 2009	9,497,118	9,744,889
Inventory and other current assets	3,506,187	2,958,573
Current portion of assets whose use is limited	758,000	731,000
Total current assets	19,243,479	18,480,755
Assets whose use is limited		
Internally designated	55,931,435	50,395,876
Held by trustee for debt service and capital	-0-	48,049
Donor restricted funds	983,799	868,122
Total assets whose use is limited	56,915,234	51,312,047
Less current portion	(758,000)	(731,000)
Noncurrent assets whose use is limited	56,157,234	50,581,047
Capital assets, net	44,421,983	45,192,403
Property held for sale	4,576,627	4,576,627
Other assets, net	1,758,585	1,571,035
Deferred outflows	485,000	-0-
Total assets and deferred outflows	$ 126,642,908	$ 120,401,867

See accompanying notes to consolidated financial statements.

MAJOR HEALTH PARTNERS

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

LIABILITIES AND NET ASSETS

	2010	2009
Current liabilities		
Accounts payable and accrued expenses	$ 2,260,242	$ 1,902,599
Accrued wages and related liabilities	6,632,574	6,235,186
Estimated third-party settlements	1,300,000	1,785,000
Current portion of long term debt		
Loans payable and capital leases	212,380	197,168
Revenue bonds payable	758,000	731,000
Total current liabilities	11,163,196	10,850,953
Derivative liability	485,000	116,705
Other liabilities	582,683	418,123
Long term debt, net of current portion		
Loans payable and capital leases	2,229,945	2,524,804
Revenue bonds payable	28,189,000	28,947,000
Total long term debt	30,418,945	31,471,804
Total liabilities	42,649,824	42,857,585
Net assets		
Invested in capital assets, net of related debt	13,032,658	12,792,431
Restricted		
Expendable - other specific purpose	128,952	13,275
Non-expendable	854,847	854,847
Total restricted net assets	14,016,457	13,660,553
Unrestricted	69,976,627	63,883,729
Total net assets	83,993,084	77,544,282
Total liabilities and net assets	$ 126,642,908	$ 120,401,867

See accompanying notes to consolidated financial statements.

MAJOR HEALTH PARTNERS

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Revenues		
Net patient service revenue	$ 88,996,560	$ 85,396,891
Other revenue	1,272,450	1,048,197
Total revenues	90,269,010	86,445,088
Expenses		
Salaries and wages	37,469,821	36,468,733
Employee benefits	10,171,768	9,432,075
Medical professional fees	5,754,867	5,763,404
Supplies	14,657,881	13,269,864
Purchased services	6,541,755	6,130,743
Equipment rental and maintenance	2,723,906	1,682,301
Utilities	1,433,393	1,357,311
Insurance	746,838	736,414
Depreciation and amortization	5,075,381	4,939,930
Other expenses	2,531,322	1,984,271
Total expenses	87,106,932	81,765,046
Operating income	3,162,078	4,680,042
Nonoperating revenues (expenses)		
Investment income	3,997,676	3,745,058
Interest expense	(874,057)	(974,881)
Other nonoperating revenue (expense)	163,105	(12,301)
Nonoperating revenues (expenses), net	3,286,724	2,757,876
Change in net assets	6,448,802	7,437,918
Net assets		
Beginning of year	77,544,282	70,106,364
End of year	$ 83,993,084	$ 77,544,282

See accompanying notes to consolidated financial statements.

MAJOR HEALTH PARTNERS

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Operating activities		
Cash received from patient services	$ 88,759,331	$ 85,497,967
Cash paid for salaries, wages and benefits	(47,244,201)	(46,322,805)
Cash paid to vendors and suppliers	(34,534,468)	(31,425,119)
Other receipts, net	1,039,435	819,623
Net cash flows from operating activities	8,020,097	8,569,666
Capital and related financing activities		
Principal payments on long term debt	(1,010,647)	(26,797,577)
Proceeds from long term debt	-0-	30,000,000
Interest on long term debt	(874,057)	(974,881)
Purchases of property and equipment	(4,327,157)	(10,921,674)
Loss (gain) on disposal of property and equipment	45,465	(72,271)
Net cash flows from capital and related financing activities	(6,166,396)	(8,766,403)
Investing activities		
Investment income	3,997,676	3,745,058
Other investing activities	32,682	108,435
Other nonoperating expenses	(321,895)	(12,301)
Other changes in assets whose use is limited, net	(1,864,757)	(8,810,205)
Net cash flows from investing activities	1,843,706	(4,956,712)
Net change in cash and cash equivalents	3,697,407	(5,153,449)
Cash and cash equivalents:		
Beginning of year	7,196,720	12,350,169
End of year	$ 10,894,127	$ 7,196,720
Reconciliation of cash and cash equivalents to the consolidated balance sheet		
Cash and cash equivalents		
In current assets	$ 5,482,174	$ 5,013,611
In assets whose use is limited - internally designated	5,385,193	2,103,740
In assets whose use is limited - held by trustee	-0-	48,049
In assets whose use is limited - donor restricted	26,760	31,320
Total cash and cash equivalents	$ 10,894,127	$ 7,196,720

See accompanying notes to consolidated financial statements.

MAJOR HEALTH PARTNERS

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Reconciliation of operating income to net cash from operating activities		
Operating income	$ 3,162,078	$ 4,680,042
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation and amortization	5,075,381	4,939,930
Bad debts	8,254,911	8,414,682
Changes in operating assets and liabilities		
Patient accounts receivable	(8,007,140)	(9,198,606)
Inventory and other current assets	(547,614)	(159,651)
Other assets	(187,550)	(300,845)
Accounts payable and accrued expenses	357,643	(268,889)
Accrued wages and related liabilities	397,388	(421,997)
Estimated third-party settlements	(485,000)	885,000
Net cash flows from operating activities	$ 8,020,097	$ 8,569,666
Supplemental cash flows information		
Cash paid for interest	$ 874,057	$ 974,881
Non cash investing and financing activities		
Equipment acquired through capital lease	$ -0-	$ 309,061
Disposal of equipment through capital lease expiration	$ -0-	$ 1,326,591
Interest rate swap and deferred outflows	$ 485,000	$ -0-

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The consolidated financial statements of Major Health Partners (MHP) refer to Major Hospital (the Hospital) and its subsidiaries.

Major Hospital is an acute-care hospital located in Shelbyville, Indiana, organized for the purpose of providing healthcare services to the residents of Shelby County and the surrounding communities. The Hospital is a city-owned facility and operates under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides short-term inpatient and outpatient health care.

A Hospital Appointing Board, consisting of one County Commissioner, one County Council person and the Mayor of the City of Shelbyville, appoints the Governing Board of the Hospital. The Hospital is considered a component unit of Shelby County.

Accounting principles generally accepted in the United States require that these consolidated financial statements present the Hospital and its significant component units, collectively referred to as the “primary government.” The blended component units discussed below are included in the Hospital’s reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities, are in substance part of the primary government’s operations and exist solely to provide services for the primary government; data from these units is consolidated with data of the primary government.

Blended Component Units

Major Hospital Foundation (the Foundation) is a blended component unit of the Hospital. The Foundation is a separate not-for-profit entity organized to support the operations of the Hospital.

MDSolutions, LLC is a blended component unit of the Hospital. Major Hospital owns a 95% interest and Major Affiliates, Inc. owns a 5% interest in MDSolutions, LLC, a management services organization for physicians.

Major Affiliates, Inc. is a blended component unit of the Hospital. The Hospital is the sole corporate member of Major Affiliates, Inc. Although it is legally separate from the Hospital, Major Affiliates, Inc. is reported as if it were a part of the Hospital because the two Governing Boards are substantially the same.

Major Affiliates includes Southeast Indiana OB/GYN, LLC (Southeast OB/GYN), Major Sports & Musculoskeletal Care, LLC, (Major Sports) and Shelby Surgical Associates, LLC, (SSA) which are all physician practices and are wholly owned subsidiaries of Major Affiliates. These entities provide various health care services to the community.

During 2009, Southeast OBGYN and Major Sports were liquidated and became departments of Major Multi Specialty Associates, LLC which is 100% owned by MedWorks, Inc.

Major Affiliates, Inc. also owns 100% of MedWorks, Inc., which operates a pharmacy located in Shelbyville, Indiana. MedWorks owns 100% of Major Multi Specialty Associates, LLC, Family Orthopedic and Rehabilitation Center, LLC, Priority Care, LLC. MedWorks also owns 70% of Onsite Solutions, LLC. These practices provide health care services to the community. These entities have been consolidated for financial statement presentation.

The non-controlling interest of Onsite Solutions, LLC is not significant and is included in the controlling interest for financial statement reporting purposes.

All significant intercompany transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

MHP uses the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, MHP has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

Cash and cash equivalents include deposits and investments in highly liquid debt instruments with an original maturity date of three months or less from the date of purchase.

Investments

Nonparticipating certificates of deposit, demand deposits and similar negotiable instruments that are not reported as cash and cash equivalents are reported as investments at contract value.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Mutual funds are reported at fair value based on the fund's market price.

Investment income, including changes in the fair value of investments, is reported as nonoperating income in the consolidated statements of revenues, expenses and changes in net assets.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair market value in the consolidated financial statements. These assets include investments designated by the Hospital Board for internal purposes, investments restricted by donors for a specific purpose and investments held by trustees for debt service. These investments consist primarily of cash and cash equivalents, certificates of deposit, US government securities and mutual funds. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenues (expenses) in the consolidated statements of revenues, expenses and changes in net assets.

Patient Accounts Receivable and Patient Service Revenues

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. MHP is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). MHP is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG).

MHP is reimbursed for Medicare and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the MHP's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2007 with differences reflected as deductions from revenue in 2010. Amounts for unresolved cost reports for 2008 through 2010 are reflected in estimated third-party settlements on the consolidated balance sheets. MHP recognized approximately $-0- and $75,000 in 2010 and 2009, respectively, due to the differences between original estimates and subsequent revisions for the final settlement of cost reports. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

Management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to MHP's customer base.

Grants and Contributions

MHP received grant funds from Shelby County and the City of Shelbyville, Indiana. Revenues from grants and contributions are recognized when all requirements are met. Grants may be restricted for either specific operation purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Endowments

Endowments are provided to MHP through the Foundation on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, the Foundation's governing board is permitted to expend the net appreciation of the investments of endowment funds

Charity Care

MHP provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because MHP does not collect amounts deemed to be charity care, they are not reported as revenue. The charity care provided during 2010 and 2009 was $5,930,791 and $4,302,309, respectively.

Inventory

Inventory is valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method. Inventory at year-end consists mainly of pharmaceuticals and medical supplies.

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed $500 and meet certain useful life thresholds. Maintenance, repairs and minor renewals are expensed as incurred. MHP provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method. The range of useful lives in computing depreciation is as follows:

Description	Range of Useful Lives
Land improvements	15 years
Leasehold improvements	15 years
Buildings and improvements	4-50 years
Equipment	5-15 years

Net Assets

Net assets of MHP are classified in three components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors or donors outside MHP, including amounts deposited with trustees as required by revenue bond indentures and net assets held by the Foundation. Unrestricted net assets are the remaining net assets that do not meet the definition of net assets invested in capital assets net of related debt or restricted net assets.

Consolidated Statements of Revenues, Expenses and Changes in Net Assets

MHP's consolidated statements of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions such as investment activities are reported as nonoperating gains or losses.

Consolidated Statements of Cash Flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include demand deposits and investments in highly liquid debt instruments with an original maturity date of three months or less.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Bond Issue Costs

The Hospital provides for the amortization of costs incurred for the issuance of bonds over the life of the debt. Bond issue costs were $243,547 as of December 31, 2010 and 2009. Issue costs are amortized utilizing the straight-line method. Accumulated amortization as of December 31, 2010 and 2009 was $73,127 and $24,360, respectively. Bond issue costs are recorded in other assets on the consolidated balance sheets.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. The Hospital is exempt from federal income tax under Section 115 of the Internal Revenue Code of 1986 as a not-for-profit organization under Section 501(c)(3).

The blended component units of Major Hospital Foundation, Inc. and Major Affiliates, Inc. are tax-exempt organizations under Internal Revenue Code 501(c)(3). As such, the Foundation and MAI are generally exempt from income taxes. However, the Foundation and MAI are required to file Federal Form 990 – Return of Organization from Income Tax which is an informational return only.

The blended component unit of MDSolutions is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not MDSolutions. Thus, the financial statements do not include any provision for Federal or State income taxes. MDSolutions has filed its federal and state income tax returns for periods through December 31, 2009. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Compensated Absences

MHP’s policy on compensated absences (which include vacation, sick leave and holidays) allows full time employees and regular part time employees to accrue days off, to a maximum of 496 hours. Compensated absences are accrued when incurred and reported as a liability on the consolidated balance sheet.

Advertising

MHP’s policy is to expense advertising costs when the advertising first takes place. Advertising expense was $175,538 and $224,023 for 2010 and 2009, respectively.

Litigation

MHP is involved in litigation arising in the normal course of business. After consultation with MHP’s legal counsel, management estimates that these matters will be resolved without material adverse effect on MHP’s future financial position or results from operations.

Risk Management

MHP is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

Reclassifications

Certain amounts in the 2009 consolidated financial statements have been reclassified to conform to the 2010 presentation.

Subsequent Events

MHP evaluated events or transactions occurring subsequent to the consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued which is April 21, 2011.

2. CHANGE IN ACCOUNTING PRINCIPLE

MHP adopted the requirements of GASB No. 53, Accounting and Financial Reporting for Derivative Instruments. MHP is a party to interest rate swap agreements which are derivative instruments. The new guidance requires governmental entities to evaluate each derivative instrument to determine whether the instrument is an effective hedge. For those instruments deemed to be an effective hedge, governmental entities are required to practice hedge accounting and the instrument continues to be reevaluated at the end of each future reporting period. Under hedge accounting, the fair value of the instrument is recorded on the consolidated balance sheet with the offsetting entry to deferred outflows or deferred inflows, which also reported on the consolidated balance sheet.

For those instruments deemed to be an ineffective hedge, governmental entities are required to practice investment accounting and the instruments are not evaluated in future reporting periods. Once deemed ineffective, the instrument is considered ineffective for the remainder of its term. Under investment accounting, the fair value of the instrument is recorded on the consolidated balance sheet with the offsetting entry posted to investment income.

MHP's interest rate swap agreements were determined to be effective hedges as of December 31, 2010 and 2009. The new guidance requires MHP to retroactively restate the accompanying 2009 consolidated financial statements to implement hedge accounting relative to the interest rate swap agreements. However, the 2009 restatement effect of approximately $117,000 was not considered significant to the 2009 consolidated financial statements. Therefore, the 2009 consolidated financial statements were not restated.

3. NET PATIENT SERVICE REVENUE

MHP has agreements with third-party payors that provide for reimbursement to MHP at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the MHP's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement arrangements with major third-party payors is as follows:

Medicare

Medicare inpatient services are reimbursed based on a predetermined amount for each case based on the diagnosis associated with the patient (Prospective Payment Hospital). These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined rates are not subject to retroactive adjustment with the exception of a few select items, such as bad debts. MHP's classification of patients under the Prospective Payment Hospital and the appropriateness of patient admissions are subject to validation reviews by the Medicare peer review organization which is under contract with MHP to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

Medicaid

MHP is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

MHP is eligible for the Indiana Medicaid Supplemental programs including Medicaid Disproportionate Share Hospital and Municipal Upper Payment Limit programs. MHP recognized reimbursement from these programs within net patient revenue of approximately $2,500,000 for both 2010 and 2009. These programs are Federal programs administered by the State of Indiana.

Other Payors

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

The following is a summary of net patient service revenue for 2010 and 2009:

	2010	2009
Patient service revenue		
Inpatient	$ 54,929,798	$ 53,120,125
Outpatient	156,041,311	142,408,923
Gross patient service revenue	210,971,109	195,529,048
Deductions from revenue		
Contractual allowances	107,788,847	97,415,166
Charity care	5,930,791	4,302,309
Bad debts	8,254,911	8,414,682
Total deductions from revenue	121,974,549	110,132,157
Net patient service revenue	$ 88,996,560	$ 85,396,891

4. INVESTMENTS

Investments consist of mutual funds of $-0- and $32,682 as of December 31, 2010 and 2009, respectively. The mutual funds are recorded at fair value.

5. ASSETS WHOSE USE IS LIMITED

The classification “Assets whose use is limited” includes:

Internally designated – Amounts transferred by MHP’s Board of Trustees through funding depreciation expense. Such amounts are to be used for equipment and building, remodeling, repairing, replacing or making additions to MHP buildings as authorized by IC 16-22-3-13.

Funds held by trustee – MHP funds deposited with a trustee and limited as to use in accordance with the requirements of a trust indenture for debt service and capital construction.

Restricted – Amounts designated by outside parties for other specific purposes.
Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets.

The composition of assets whose use is limited includes the following as of December 31:

	2010	2009
Internally designated		
Cash and cash equivalents	$ 5,385,193	$ 2,103,740
Certificates of deposit	7,224,857	7,462,568
US Government securities	20,775,460	21,565,296
Mutual funds - fixed income	5,244,006	4,744,788
Mutual funds - equity	15,541,263	12,999,739
Corporate equity securities	1,496,545	1,292,546
Corporate debt securities	264,111	227,199
Total internally designated	55,931,435	50,395,876
Held by trustee		
Cash and cash equivalents	-0-	48,049
Donor restricted		
Cash and cash equivalents	26,760	31,320
US Government securities	49,742	65,713
Mutual funds - equity	333,155	297,788
Corporate equity securities	404,899	338,136
Corporate debt securities	169,243	135,165
Total donor restricted	983,799	868,122
Total assets whose use is limited	$ 56,915,234	$ 51,312,047

The corporate debt and equity securities are owned by the Foundation.

6. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried at fair market value except for certificates of deposit and money market funds which are carried at contract value. Net realized gains and losses on security transactions are determined on the specific identification cost basis.

MHP's investments generally are reported at fair value, as discussed in Note 1. As of December 31, 2010 and 2009, MHP had the following investments and maturities, all of which were held in MHP's name by custodial banks that are agents of MHP:

	December 31, 2010				
		Investment Maturities (in years)			
	Carrying Amount	Less than 1	1-5	6-10	More than 10
US Government securities	$ 20,825,202	$ -0-	12,921,550	5,149,004	2,754,648
Certificates of deposit	7,224,857	7,224,857	-0-	-0-	-0-
Mutual funds - fixed income	5,244,006	5,244,006	-0-	-0-	-0-
Mutual funds - equity	15,874,418	15,874,418	-0-	-0-	-0-
Corporate equity securities	1,901,444	1,901,444	-0-	-0-	-0-
Corporate debt securities	433,354	73,911	217,299	121,227	20,917
	$ 51,503,281	$ 30,318,636	$ 13,138,849	$ 5,270,231	$ 2,775,565

	December 31, 2009				
		Investment Maturities (in years)			
	Carrying Amount	Less than 1	1-5	6-10	More than 10
US Government securities	$ 21,631,009	$ 5,015,930	$ 8,643,046	$ 4,174,116	$ 3,797,917
Certificates of deposit	7,462,568	7,462,568	-0-	-0-	-0-
Mutual funds - fixed income	4,744,788	4,744,788	-0-	-0-	-0-
Mutual funds - equity	13,330,209	13,330,209	-0-	-0-	-0-
Corporate equity securities	1,630,682	1,630,682	-0-	-0-	-0-
Corporate debt securities	362,364	997	244,583	104,419	12,365
	$ 49,161,620	$ 32,185,174	$ 8,887,629	$ 4,278,535	$ 3,810,282

Interest rate risk - MHP does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk - Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by US Government or US Government Agency obligations.

Concentration of credit risk - MHP maintains its investments, which at times may exceed federally insured limits. MHP has not experienced any losses in such accounts. MHP believes that it is not exposed to any significant credit risk on investments.

Deposits and investments consist of the following as of December 31, 2010 and 2009:

	2010	2009
Carrying amount		
Deposits	$ 10,894,127	$ 7,196,720
Investments	51,503,281	49,161,620
	$ 62,397,408	$ 56,358,340
Included in the balance sheet captions		
Cash and cash equivalents	$ 5,482,174	$ 5,013,611
Investments	-0-	32,682
Internally designated	55,931,435	50,395,876
Held by trustee for debt service and capital	-0-	48,049
Restricted funds	983,799	868,122
	$ 62,397,408	$ 56,358,340

7. FAIR VALUE MEASUREMENTS

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to value techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

- Level 1 inputs are readily determinable using unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs are derived from quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009 are as follows:

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds - fixed income	$ 5,244,006	$ 5,244,006	$ -0-	$ -0-
Mutual funds - equity	15,874,418	15,874,418	-0-	-0-
US Government securities	20,825,202	20,825,202	-0-	-0-
Corporate equity securities	1,901,444	1,901,444	-0-	-0-
Corporate debt securities	433,354	-0-	433,354	-0-
	44,278,424	$ 43,845,070	$ 433,354	$ -0-
Cash and equivalents	5,411,953			
Certificates of deposit	7,224,857			
Total assets whose use is limited	$ 56,915,234			
Liabilities				
Derivative	$ 485,000	$ -0-	$ 485,000	$ -0-

	December 31, 2009			
	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds - equity	$ 32,682	$ 32,682	$ -0-	$ -0-
Assets whose use is limited				
Mutual funds - fixed income	$ 4,744,788	$ 4,744,788	$ -0-	$ -0-
Mutual funds - equity	13,297,527	13,297,527	-0-	-0-
US Government securities	21,631,009	21,631,009	-0-	-0-
Corporate equity securities	1,630,682	1,630,682	-0-	-0-
Corporate debt securities	362,364	-0-	362,364	-0-
	41,666,370	$ 41,304,006	$ 362,364	$ -0-
Cash and equivalents	2,183,109			
Certificates of deposit	7,462,568			
Total assets whose use is limited	$ 51,312,047			
Liabilities				
Derivative	$ 116,705	$ -0-	$ 116,705	$ -0-

The following methods and assumptions were used by MHP in estimating the fair value of its financial instruments:

Cash and cash equivalents, accounts payable, other current liabilities, salaries, wages and related liabilities and estimated third-party settlements: The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts payable, other current liabilities, salaries, wages and related liabilities and estimated third-party settlements approximate fair value based on short-term maturity.

Long-term debt: The carrying value of MHP's variable rate revenue bonds approximates fair value based upon current traded value. The carrying value of loans payable and capital lease obligations approximates fair value based on current fixed rates available to similar entities with similar credit ratings.

8. ENDOWMENT – RESTRICTED NON-EXPENDABLE NET ASSETS

MHP, through the Foundation, has restricted non-expendable net assets. Unless a contributor provides specific instructions, the Foundation's governing board is permitted to expend the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the governing board is required to consider the Foundation's and supported organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor. The Foundation's governing board chooses to spend the investment income (including changes in the value of investments) under the established investment policy.

Restricted non-expendable net assets as of December 31, 2010 and 2009, represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Foundation's permanent endowments are expendable to support the programs as established by the contributors.

The following is a summary of the restricted non-expendable net assets as of December 31, 2010 and 2009:

	2010	2009
Compton Endowment	$ 521,714	$ 521,714
McFadden Endowment	333,133	333,133
	$ 854,847	$ 854,847

9. CAPITAL ASSETS

Capital Assets, Net

A summary of property and equipment, including assets under capital leases for 2010 and 2009 follows:

	December 31, 2009	Additions	Disposals	Transfers	December 31, 2010
Land and land improvements	$ 7,177,428	$ 273,713	$ (3,980)	$ -0-	$ 7,447,161
Leasehold improvements	1,595,580	13,855	(15,918)	-0-	1,593,517
Buildings and improvements	47,677,741	190,120	(2,060)	924,770	48,790,571
Equipment	29,947,340	1,513,334	(730,255)	1,856,844	32,587,263
Construction in progress	1,223,462	2,336,135	-0-	(2,781,614)	777,983
Total property and equipment	87,621,551	4,327,157	(752,213)	-0-	91,196,495
Less accumulated depreciation					
Land improvements	972,640	226,766	701	-0-	1,200,107
Leasehold improvements	429,598	125,244	(6,722)	-0-	548,120
Buildings and improvements	20,902,103	1,771,043	(1,775)	-0-	22,671,371
Equipment	20,124,807	2,903,561	(673,454)	-0-	22,354,914
Total accumulated depreciation	42,429,148	5,026,614	(681,250)	-0-	46,774,512
Capital assets, net	$ 45,192,403	$ (699,457)	$ (70,963)	$ -0-	$ 44,421,983

	December 31, 2008	Additions	Disposals	Transfers	December 31, 2009
Land	$ 6,502,797	$ 604,410	$ (12,770)	$ 82,991	$ 7,177,428
Land improvements	1,352,179	241,800	-0-	1,601	1,595,580
Buildings and improvements	41,700,567	5,039,221	(424,703)	1,362,656	47,677,741
Equipment	30,535,629	2,681,251	(5,270,269)	2,000,729	29,947,340
Construction in progress	2,007,386	2,664,053	-0-	(3,447,977)	1,223,462
Total property and equipment	82,098,558	11,230,735	(5,707,742)	-0-	87,621,551
Less accumulated depreciation					
Land improvements	800,328	184,380	(12,068)	-0-	972,640
Leasehold improvements	430,628	100,059	(101,089)	-0-	429,598
Buildings and improvements	19,489,617	1,550,707	(138,221)	-0-	20,902,103
Equipment	21,252,766	3,074,085	(4,202,044)	-0-	20,124,807
Total accumulated depreciation	41,973,339	4,909,231	(4,453,422)	-0-	42,429,148
Capital assets, net	$ 40,125,219	$ 6,321,504	$ (1,254,320)	$ -0-	$ 45,192,403

Assets Under Capital Leases

The assets acquired through capital leases still in effect are as follows:

	2010	2009
Equipment	$ 309,061	$ 309,061
Less accumulated depreciation	107,667	8,275
	$ 201,394	$ 300,786

Property Held For Sale

MHP currently holds approximately 41 acres of land available for sale. The land is located in the Intelliplex Park where the Hospital's Cancer Center is located. The land is valued at cost plus improvements and will be sold in lots in varying size.

10. LONG TERM DEBT

A summary of long term debt as of December 31, 2010 is as follows:

- The $34,260,000, 2003 IHFFA Adjustable Rate Demand Revenue Bonds were retired during 2009 with a portion of the proceeds from the issuance of the $30,000,000 Indiana Finance Authority Hospital Revenue Bonds, Series 2009. The Series 2009 Bonds are variable interest rate and mature June 1, 2029. The defeasance of the Series 2003 Bonds resulted in a loss of approximately $250,000 which is amortized through July 2014.

- On June 23, 2009, the Hospital, the Indiana Finance Authority (Authority) and Regions Bank (Bank) entered into a Bond Purchase Agreement (Agreement) whereby the Bank purchased from the Authority all of the Series 2009 Bonds in a private placement. The Agreement provides that the Bank will hold the Series 2009 Bonds during the Initial Monthly Mode Period which runs through July 2014. During this Initial Monthly Mode Period, the Series 2009 Bonds bear interest at the lesser of 12% per annum or a rate of 59.5% of one month LIBOR plus 1.73% (rate as of December 31, 2010 – 1.88%). At the end of the Initial Monthly Mode Period, the Series 2009 Bonds may be converted to another interest rate mode and remarketed to another bondholder or holders or renewed for another Monthly Mode Period with the Bank. The Series 2009 Bonds could be converted to another interest rate mode to accommodate market conditions at that time. If the Series 2009 Bonds cannot be remarketed at the end of the Initial Monthly Mode Period, the Hospital would be subject to payment of the remaining principal of approximately $28,947,000 at the end of the Initial Monthly Mode Period. The Series 2009 Bonds are secured ultimately by the gross revenues of the Hospital.

- The capital lease obligations with interest of 4.5% executed for property and equipment are due in monthly installments of varying amounts from $1,881 to $6,192 including interest, due through July 2012 to August 2014.

- Loans payable of $2,300,000 with local financial institutions, due in monthly installments with a balloon payment in 2013 at an interest rate of LIBOR plus 300 basis points as of December 31, 2010 (3.26%), secured by certain Hospital assets.

- Loans payable of $628,000 with a local financial institution is due in monthly installments of $5,900 through 2022 at an interest rate of 7.7% and is secured by certain Hospital assets.

The revenue bonds require the Hospital to maintain certain financial ratios. As of December 31, 2010, the Hospital was in compliance with the financial ratios.

The following represents a progression for long term debt for 2010 and 2009:

	December 31, 2009	Additional Borrowings	Payments	December 31, 2010	Current Portion
Revenue bonds					
2009 Bonds	$ 29,678,000	$ -0-	$ (731,000)	$ 28,947,000	$ 758,000
Loans payable					
Capital lease obligations	275,782	-0-	(86,240)	189,542	90,202
Loans payable	2,446,190	-0-	(193,407)	2,252,783	122,178
Total long term debt	$ 32,399,972	$ -0-	$ (1,010,647)	$ 31,389,325	$ 970,380

	December 31, 2008	Additional Borrowings	Payments	December 31, 2009	Current Portion
Revenue bonds					
2003 Bonds	$ 25,730,000	$ -0-	$ (25,730,000)	$ -0-	$ -0-
2009 Bonds	-0-	30,000,000	(322,000)	29,678,000	731,000
Loans payable					
Capital lease obligations	525,033	309,061	(558,312)	275,782	86,240
Loans payable	2,633,455	-0-	(187,265)	2,446,190	110,928
Total long term debt	$ 28,888,488	$ 30,309,061	$ (26,797,577)	$ 32,399,972	$ 928,168

Scheduled principal and interest repayments on long term debt and payments on capital lease obligations for the years succeeding December 31, 2010 are as follows:

Years Ending December 31,	Principal	Interest	Interest Rate Swaps, Net	Total Payments
2011	$ 970,380	$ 631,113	$ 298,050	$ 1,899,543
2012	978,692	606,896	298,050	1,883,638
2013	2,422,013	539,396	298,050	3,259,459
2014	26,633,195	31,663	298,050	26,962,908
2015	42,537	28,263	-0-	70,800
2016 - 2020	269,493	84,507	-0-	354,000
2021 - 2025	73,015	3,345	-0-	76,360
	$ 31,389,325	$ 1,925,183	$ 1,192,200	$ 34,506,708

The interest rate swap agreements do not affect the obligation of MHP under the indenture to repay principal and interest on the Series 2009 Bonds. However, during the term of the swap agreements, MHP effectively pays a fixed rate on a portion of the debt. A portion of the debt service requirements to maturity for the Series 2009 Bonds are based on that fixed rate. MHP will be exposed to variable rates if the counterparty to the swaps defaults or the swap agreements are terminated. A termination of the swap agreements may also result in MHP making or receiving a termination payment. As of December 31, 2010, the variable rate on the Series 2009 Bonds was lower than the swap agreements fixed rates. Thus, the amounts reported in the interest rate swap, net column of the above table is positive. See the footnote on Derivative Instruments – Interest Rate Swaps for additional information.

11. DERIVATIVE INSTRUMENTS – INTEREST RATE SWAPS

<u>Contracts</u>

MHP has three interest rate swap agreements in effect as of December 31, 2010 for the Indiana Finance Authority Hospital Revenue Bonds, Series 2009.

<u>Objectives and Strategies for Using Derivatives</u>

As a means to manage the risk associated with interest rate risk on its variable rate debt, MHP entered into interest rate swaps agreements in connection with its Indiana Finance Authority Hospital Revenue Bonds, Series 2009. The intention of the swap agreements was to effectively change MHP's variable interest rate on the Series 2009 bonds to fixed rates ranging from 2.98% to 3.54%.

<u>Terms, Fair Values and Credit Risk</u>

The swap agreements relate to the Series 2009 bond with notional amounts totaling $16,000,000. The counter party is the same for each swap agreements. The terms and fair values of the outstanding swaps as of December 31, 2010 are as follows:

Notional Amount	Effective Date	Fixed Rate	Variable Rate	Fair Value	Termination Date
$ 10,000,000	8/19/2009	3.540%	1.880%	$ (354,237)	7/1/2014
$ 3,000,000	10/2/2009	3.335%	1.880%	(84,402)	7/1/2014
$ 3,000,000	7/1/2010	2.980%	1.880%	(46,361)	7/1/2014
				$ (485,000)	

As of December 31, 2010, the negative fair values of the agreements may be countered by reductions in total interest payments under the swap agreements should the variable rate on the 2009 Series bonds increase. The variable rate on the swaps is 59.50% of the USD-LIBOR BBA plus 1.73% and resets monthly.

The counterparty carries a guarantee by an entity ("counterparty guarantor") rated Ba2 by Moody's Investors Service (Moody's), BBB- by Standard and Poor's (S&P), and BBB by Fitch Ratings (Fitch). To mitigate the potential for credit risk, the fair value of the swap must be collateralized based on a schedule of the counterparty guarantor credit ratings classifications and exposure thresholds as provided in the agreements.

Basis Risk

The swap and the bonds interest rates are both pegged to USD-LIBOR-BBA index, therefore basis risk relating to the swap is minimal.

Termination Risk

MHP or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, MHP would be liable to the counterparty for a payment equal to the swaps' fair values.

Swap Payments and Associated Debt

Using rates as of December 31, 2010, debt service requirements of the variable rate debt and net swap payments of the Series 2009 bonds, assuming current interest rates remain the same for the term of the bonds are disclosed in the Long Term Debt note. As rates vary, variable-rate bond interest payments and net swap payments will vary.

MHP has determined the swaps to be effective hedges. Accordingly, the fair value of the swaps has been recorded and subsequent changes in fair value will be recorded only in the consolidated balance sheets while the swaps remain effective hedges. Following is an analysis of the recording of the interest rate swap agreements:

	2010	2009
Deferred outflow	$ 485,000	$ -0-
Liability		
Interest rate swap agreements	$ 485,000	$ 116,705

See Fair Value Measurements note for additional information.

12. PENSION PLAN

Plan Description

MHP has a defined contribution pension plan as authorized by IC 16-22-3-11. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report is available by contacting MHP's accounting department.

Funding Policy

The contribution requirements of plan members are established by the written agreement between MHP's Board of Trustees and the plan administrator. The current employer contribution rate is 7% of annual covered payroll. Employer contributions to the plan for 2010 and 2009 were $1,787,353 and $1,526,865, respectively. Employees are not permitted to contribute to the plan.

13. CONCENTRATIONS OF CREDIT RISK

MHP is located in Shelbyville, Indiana. MHP grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Concentrations of accounts receivable and gross revenue from patients and third party payors are as follows as of December 31:

	Receivables		Revenues	
	2010	2009	2010	2009
Medicare	28%	26%	41%	42%
Medicaid	8%	7%	15%	14%
Anthem	15%	14%	15%	17%
Other third party payors	28%	33%	21%	20%
Self-pay	21%	20%	8%	7%
	100%	100%	100%	100%

MHP maintains its cash in accounts, which at times may exceed federally insured limits. MHP has not experienced any losses in such accounts. MHP believes it is not exposed to any significant credit risk on cash and cash equivalents.

14. ESTIMATED MALPRACTICE COSTS

The Indiana Medical Malpractice Act, IC 27-12 (the Act), provides a recovery for an occurrence of malpractice and for any injury or death of a patient due to an act of malpractice in excess of certain thresholds. The Act provides for a maximum recovery of $1,250,000 per occurrence ($7,500,000 annual aggregate) with the first $250,000 covered by MHP's insurance and the remainder by the Fund. The Act requires MHP to maintain medical malpractice liability insurance on a per occurrence basis and in the annual aggregate for amounts below the thresholds of the Act. Management is not aware of any related material adverse effects to its financial condition.

15. RISK MANAGEMENT

Medical Benefits to Employees and Dependents

MHP is self funded for medical and related health benefits provided to employees and their families. A stop/loss policy through commercial insurance covers individual claims in excess of $175,000 per year. Provisions are also made for unexpected and unusual claims. Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Self funded health insurance and related expenses were $4,800,335 and $4,356,513 in 2010 and 2009, respectively. A progression of unpaid claims for 2010 and 2009 follows:

	2010	2009
Unpaid claims, beginning of year	$ 600,000	$ 935,000
Incurred claims and changes in estimates	4,800,335	4,356,513
Claim payments	(4,800,335)	(4,691,513)
Unpaid claims, end of year	$ 600,000	$ 600,000

16. RENTAL EXPENSE

MHP has leases expiring at various times through 2015. Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operating as incurred. Total rent expense for 2010 and 2009 was $1,093,740 and $264,311, respectively.

Minimum future payments on noncancelable leases for the years following December 31, 2010 are as follows:

Year Ending December 31,	
2011	$ 133,000
2012	21,000
2013	21,000
2014	21,000
Thereafter	3,500
	$ 199,500

17. COMMITMENTS AND CONTINGENCIES

The Shelby County Council and City of Shelbyville Common Council each passed an ordinance pledging a portion of their share of economic development income tax (EDIT) for the purpose of land acquisition, construction and installation of public infrastructure improvements at the Shelbyville/Shelby County Advanced Technological Industrial Park. Shelby County, the City of Shelbyville, and Major Hospital (a component unit of the City of Shelbyville) share administrative and financial responsibility for this project.

The County and City have each pledged $125,000 each calendar year through 2028 (or such earlier date as all outstanding bonds issued to finance or refinance the projects are defeased).

The Hospital recognizes the amounts as revenue when received. A schedule of expected payments is as follows:

Years Ending December 31,	
2011	$ 250,000
2012	250,000
2013	250,000
2014	250,000
2015	250,000
Thereafter	3,250,000
	$ 4,500,000

SUPPLEMENTARY INFORMATION

MAJOR HEALTH PARTNERS

CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2010

ASSETS	Hospital	Major Affiliates	Foundation	MDSolutions	Eliminations	Total
Current assets						
Cash and cash equivalents	$ 4,166,947	$ 1,205,167	$ -0-	$ 110,060	$ -0-	$ 5,482,174
Patient accounts receivable, net	8,530,381	966,737	-0-	-0-	-0-	9,497,118
Inventory and other current assets	4,504,284	620,399	97,395	77,275	(1,793,166)	3,506,187
Current portion of assets whose use is limited	758,000	-0-	-0-	-0-	-0-	758,000
Total current assets	17,959,612	2,792,303	97,395	187,335	(1,793,166)	19,243,479
Assets whose use is limited						
Internally designated	53,045,532	-0-	2,885,903	-0-	-0-	55,931,435
Donor restricted funds	-0-	-0-	983,799	-0-	-0-	983,799
Total assets whose use is limited	53,045,532	-0-	3,869,702	-0-	-0-	56,915,234
Less current portion	(758,000)	-0-	-0-	-0-	-0-	(758,000)
Noncurrent assets whose use is limited	52,287,532	-0-	3,869,702	-0-	-0-	56,157,234
Capital assets, net	30,819,036	11,391,181	15,201	2,196,565	-0-	44,421,983
Property held for sale	4,576,627	-0-	-0-	-0-	-0-	4,576,627
Other assets	4,937,680	890,337	-0-	144,685	(4,214,117)	1,758,585
Deferred outflows	485,000	-0-	-0-	-0-	-0-	485,000
Total assets and deferred outflows	$ 111,065,487	$ 15,073,821	$ 3,982,298	$ 2,528,585	$ (6,007,283)	$ 126,642,908

MAJOR HEALTH PARTNERS

CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2010

LIABILITIES AND NET ASSETS	Hospital	Major Affiliates	Foundation	MDSolutions	Eliminations	Total
Current liabilities						
Accounts payable and accrued expenses	$ 1,481,574	$ 1,580,227	$ 68,768	$ 495,350	$ (1,365,677)	$ 2,260,242
Accrued wages and related liabilities	5,377,439	1,109,175	1,977	143,983	-0-	6,632,574
Estimated third-party settlements	1,300,000	-0-	-0-	-0-	-0-	1,300,000
Current portion of long-term debt						
Loans payable and capital leases	90,202	31,408	-0-	90,770	-0-	212,380
Revenue bonds payable	758,000	-0-	-0-	-0-	-0-	758,000
Intercompany notes payable	-0-	427,489	-0-	-0-	(427,489)	-0-
Total current liabilities	9,007,215	3,148,299	70,745	730,103	(1,793,166)	11,163,196
Derivative liability	485,000	-0-	-0-	-0-	-0-	485,000
Other liabilities	-0-	582,683	-0-	-0-	-0-	582,683
Long term debt, net of current portion						
Loans payable and capital leases	99,340	494,371	-0-	1,636,234	-0-	2,229,945
Revenue bonds payable	28,189,000	-0-	-0-	-0-	-0-	28,189,000
Intercompany notes payable	-0-	3,209,535	-0-	-0-	(3,209,535)	-0-
Total long term debt	28,288,340	3,703,906	-0-	1,636,234	(3,209,535)	30,418,945
Total liabilities	37,780,555	7,434,888	70,745	2,366,337	(5,002,701)	42,649,824
Net assets						
Invested in capital assets net of related debt	1,682,494	7,228,378	15,201	469,561	3,637,024	13,032,658
Restricted						
Expendable - other specific purpose	-0-	-0-	128,952	-0-	-0-	128,952
Nonexpendable	-0-	-0-	854,847	-0-	-0-	854,847
Unrestricted	71,602,438	410,555	2,912,553	(307,313)	(4,641,606)	69,976,627
Total net assets	73,284,932	7,638,933	3,911,553	162,248	(1,004,582)	83,993,084
Total liabilities and net assets	$ 111,065,487	$ 15,073,821	$ 3,982,298	$ 2,528,585	$ (6,007,283)	$ 126,642,908

See report of independent auditors on pages 1 and 2.

MAJOR HEALTH PARTNERS

CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2010

	Hospital	Major Affiliates	Foundation	MDSolutions	Eliminations	Total
Revenue						
Net patient service revenue	$ 75,669,038	$ 13,386,358	$ -0-	$ -0-	$ (58,836)	$ 88,996,560
Other	951,029	585,809	425,001	993,012	(1,682,401)	1,272,450
Total revenue	76,620,067	13,972,167	425,001	993,012	(1,741,237)	90,269,010
Expenses						
Salaries and wages	27,387,422	9,696,265	61,676	324,458	-0-	37,469,821
Employee benefits	7,533,630	2,480,658	4,762	152,718	-0-	10,171,768
Medical professional fees	5,754,867	-0-	-0-	-0-	-0-	5,754,867
Supplies	11,101,594	3,541,990	-0-	14,297	-0-	14,657,881
Purchased services	5,362,282	1,963,059	-0-	281,935	(1,065,521)	6,541,755
Equipment rental and maintenance	2,758,155	375,476	-0-	86,824	(496,549)	2,723,906
Utilities	1,083,226	327,890	-0-	22,277	-0-	1,433,393
Insurance	420,714	325,311	-0-	813	-0-	746,838
Depreciation and amortization	4,098,469	854,323	7,033	107,466	8,090	5,075,381
Other expenses	1,908,943	313,492	315,827	180,317	(187,257)	2,531,322
Total expenses	67,409,302	19,878,464	389,298	1,171,105	(1,741,237)	87,106,932
Operating income (loss)	9,210,765	(5,906,297)	35,703	(178,093)	-0-	3,162,078
Nonoperating revenues (expenses)						
Investment income	3,748,217	-0-	457,034	-0-	(207,575)	3,997,676
Interest expense	(801,592)	(249,287)	-0-	(30,753)	207,575	(874,057)
Other nonoperating revenues (expenses)	407,702	-0-	-0-	(19,091)	(225,506)	163,105
Nonoperating revenues (expenses), net	3,354,327	(249,287)	457,034	(49,844)	(225,506)	3,286,724
Excess (deficit) of revenues over expenses	12,565,092	(6,155,584)	492,737	(227,937)	(225,506)	6,448,802
Transfers (to) from affiliates	(5,318,972)	5,318,972	-0-	81,395	(81,395)	-0-
Change in net assets	7,246,120	(836,612)	492,737	(146,542)	(306,901)	6,448,802
Net assets						
Beginning of year	66,038,812	8,475,545	3,418,816	308,790	(697,681)	77,544,282
End of year	$ 73,284,932	$ 7,638,933	$ 3,911,553	$ 162,248	$ (1,004,582)	$ 83,993,084

See report of independent auditors on pages 1 and 2.

MAJOR HEALTH PARTNERS

CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2009

ASSETS	Hospital	Major Affiliates	Foundation	MDSolutions	Eliminations	Total
Current assets						
Cash and cash equivalents	$ 3,874,976	$ 952,342	$ -0-	$ 186,293	$ -0-	$ 5,013,611
Investments	32,682	-0-	-0-	-0-	-0-	32,682
Patient accounts receivable, net	8,387,170	1,357,719	-0-	-0-	-0-	9,744,889
Inventory and other current assets	3,668,778	576,531	93,991	124,162	(1,504,889)	2,958,573
Current portion of assets whose use is limited	731,000	-0-	-0-	-0-	-0-	731,000
Total current assets	16,694,606	2,886,592	93,991	310,455	(1,504,889)	18,480,755
Assets whose use is limited						
Internally designated	47,890,147	-0-	2,505,729	-0-	-0-	50,395,876
Held by trustee for debt service and capital	48,049	-0-	-0-	-0-	-0-	48,049
Donor restricted funds	-0-	-0-	868,122	-0-	-0-	868,122
Total assets whose use is limited	47,938,196	-0-	3,373,851	-0-	-0-	51,312,047
Less current portion	(731,000)	-0-	-0-	-0-	-0-	(731,000)
Noncurrent assets whose use is limited	47,207,196	-0-	3,373,851	-0-	-0-	50,581,047
Capital assets, net	30,862,514	12,018,178	22,234	2,289,477	-0-	45,192,403
Property held for sale	4,576,627	-0-	-0-	-0-	-0-	4,576,627
Other assets	4,985,564	828,403	-0-	91,774	(4,334,706)	1,571,035
Total assets	$ 104,326,507	$ 15,733,173	$ 3,490,076	$ 2,691,706	$ (5,839,595)	$ 120,401,867

See report of independent auditors on pages 1 and 2.

MAJOR HEALTH PARTNERS

CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2009

LIABILITIES AND NET ASSETS	Hospital	Major Affiliates	Foundation	MDSolutions	Eliminations	Total
Current liabilities						
Accounts payable and accrued expenses	$ 1,310,620	$ 1,293,229	$ 64,291	$ 334,201	$ (1,099,742)	$ 1,902,599
Accrued wages and related liabilities	5,121,588	949,237	6,969	157,392	-0-	6,235,186
Estimated third-party settlements	1,785,000	-0-	-0-	-0-	-0-	1,785,000
Current portion of long-term debt						
Loans payable and capital leases	86,240	29,088	-0-	81,840	-0-	197,168
Revenue bonds payable	731,000	-0-	-0-	-0-	-0-	731,000
Intercompany notes payable	-0-	405,147	-0-	-0-	(405,147)	-0-
Total current liabilities	9,034,448	2,676,701	71,260	573,433	(1,504,889)	10,850,953
Derivative liability	116,705	-0-	-0-	-0-	-0-	116,705
Other liabilities	-0-	418,123	-0-	-0-	-0-	418,123
Long term debt, net of current portion						
Loans payable and capital leases	189,542	525,779	-0-	1,809,483	-0-	2,524,804
Revenue bonds payable	28,947,000	-0-	-0-	-0-	-0-	28,947,000
Intercompany notes payable	-0-	3,637,025	-0-	-0-	(3,637,025)	-0-
Total long term debt	29,136,542	4,162,804	-0-	1,809,483	(3,637,025)	31,471,804
Total liabilities	38,287,695	7,257,628	71,260	2,382,916	(5,141,914)	42,857,585
Net assets						
Invested in capital assets net of related debt	908,732	7,421,139	22,234	398,154	4,042,172	12,792,431
Restricted						
Expendable - other specific purpose	-0-	-0-	13,275	-0-	-0-	13,275
Nonexpendable	-0-	-0-	854,847	-0-	-0-	854,847
Unrestricted	65,130,080	1,054,406	2,528,460	(89,364)	(4,739,853)	63,883,729
Total net assets	66,038,812	8,475,545	3,418,816	308,790	(697,681)	77,544,282
Total liabilities and net assets	$ 104,326,507	$ 15,733,173	$ 3,490,076	$ 2,691,706	$ (5,839,595)	$ 120,401,867

See report of independent auditors on pages 1 and 2.

MAJOR HEALTH PARTNERS

CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

	Hospital	Major Affiliates	Foundation	MDSolutions	Eliminations	Total
Revenue						
Net patient service revenue	$ 71,405,840	$ 14,022,920	$ -0-	$ -0-	$ (31,869)	$ 85,396,891
Other	777,990	344,297	325,881	1,163,381	(1,563,352)	1,048,197
Total revenue	72,183,830	14,367,217	325,881	1,163,381	(1,595,221)	86,445,088
Expenses						
Salaries and wages	26,383,219	9,694,008	66,675	324,831	-0-	36,468,733
Employee benefits	6,803,657	2,463,943	5,331	159,524	(380)	9,432,075
Medical professional fees	5,762,604	800	-0-	-0-	-0-	5,763,404
Supplies	10,092,371	3,159,917	-0-	17,576	-0-	13,269,864
Purchased services	5,002,630	1,985,126	-0-	230,220	(1,087,233)	6,130,743
Equipment rental and maintenance	1,558,878	363,428	-0-	91,187	(331,192)	1,682,301
Utilities	1,058,338	282,926	-0-	16,047	-0-	1,357,311
Insurance	387,589	348,550	-0-	275	-0-	736,414
Depreciation and amortization	4,169,850	617,104	4,880	148,096	-0-	4,939,930
Other expenses	1,964,137	201,278	154,844	181,972	(517,960)	1,984,271
Total expenses	63,183,273	19,117,080	231,730	1,169,728	(1,936,765)	81,765,046
Operating income (loss)	9,000,557	(4,749,863)	94,151	(6,347)	341,544	4,680,042
Nonoperating revenues (expenses)						
Investment income	3,386,531	720	586,557	-0-	(228,750)	3,745,058
Interest expense	(896,275)	(272,611)	-0-	(34,745)	228,750	(974,881)
Other nonoperating revenues (expenses)	407,821	(25,002)	-0-	(99,112)	(296,008)	(12,301)
Nonoperating revenues (expenses), net	2,898,077	(296,893)	586,557	(133,857)	(296,008)	2,757,876
Excess (deficit) of revenues over expenses	11,898,634	(5,046,756)	680,708	(140,204)	45,536	7,437,918
Transfers (to) from affiliates	(9,287,934)	9,287,934	-0-	78,831	(78,831)	-0-
Change in net assets	2,610,700	4,241,178	680,708	(61,373)	(33,295)	7,437,918
Net assets						
Beginning of year	63,428,112	4,234,367	2,738,108	370,163	(664,386)	70,106,364
End of year	$ 66,038,812	$ 8,475,545	$ 3,418,816	$ 308,790	$ (697,681)	$ 77,544,282

See report of independent auditors on pages 1 and 2.