



STATE OF INDIANA
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June 22, 2009

Board of Directors
Porter
814 LaPorte Avenue
Valparaiso, IN 46383

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2007 to April 30, 2007. 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 Porter, as of April 30, 2007, 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



COMBINED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

APRIL 30, 2007

CPAs / ADVISORS



PORTER MEMORIAL HOSPITAL

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Porter Memorial Hospital
Valparaiso, Indiana

We have audited the accompanying combined balance sheet of Porter Memorial Hospital (Porter) as of April 30, 2007 and the related combined statements of revenues, expenses and changes in net assets and cash flows for the four month period from January 1, 2007 through April 30, 2007. These combined financial statements are the responsibility of Porter's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit 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 audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Porter's financial statements do not include the financial activity of its discrete component unit, Porter Memorial Hospital Foundation. In our opinion, inclusion of the financial activity of Porter Memorial Hospital Foundation is required to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of the financial activity of Porter Memorial Hospital Foundation discussed in the preceding paragraph, the combined financial statements referred to above, present fairly, in all material respects, the combined financial position of Porter as of April 30, 2007, and the combined results of its operations, changes in net assets and cash flows for the four month period from January 1, 2007 through April 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees
Porter Memorial Hospital
Valparaiso, Indiana

Management's discussion and analysis on pages i through vi is not a required part of the basic combined financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. This information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

Blue & Co., LLC

June 2, 2009

REQUIRED SUPPLEMENTARY INFORMATION

PORTER MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) APRIL 30, 2007

This section of Porter Memorial Hospital's (Porter) combined financial statements presents background information and management's discussion and analysis of Porter's financial performance as of April 30, 2007 and for the four month period from January 1, 2007 through April 30, 2007. This MD&A does include a discussion and analysis of the activities and results of Porter and its blended component units, Porter Health Services, Inc. and Northwest Indiana Occupational Medicine Services, LLC. Please read it in conjunction with Porter's financial statements that follow this MD&A.

FINANCIAL HIGHLIGHTS

- Porter's combined assets totaled approximately \$199 million at April 30, 2007 compared to \$207 million at December 31, 2006. The decrease of approximately \$8 million is related to current assets, investments and capital assets.
- Porter reported a change in net assets from January 1, 2007 through April 30, 2007 of approximately \$14,000 compared to \$12 million for the year ended December 31, 2006. This change relates mainly to a full year of 2006 activity compared to a partial year in 2007 plus additional government subsidy payments received in 2006 that were not received in short period audit 2007.

USING THIS ANNUAL REPORT

Porter's combined financial statements consist of three combined 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 Porter.

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

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

Finally, the combined statement of cash flows' purpose is to provide information about Porter'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 what was the change in cash balance during the year.

PORTER MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) APRIL 30, 2007

PORTER'S NET ASSETS

Table 1: Assets, Liabilities, and Net Assets

	April 30, 2007	December 31, 2006
Assets		
Current assets	\$ 64,666,553	\$ 68,989,960
Assets whose use is limited	48,007,281	50,010,029
Capital assets, net	81,574,260	83,911,869
Other assets	4,400,967	4,560,821
Total assets	<u>\$ 198,649,061</u>	<u>\$ 207,472,679</u>
Liabilities		
Current liabilities	\$ 24,534,761	\$ 32,031,378
Derivative liability	690,000	-0-
Long-term debt	27,495,000	29,526,076
Total liabilities	<u>52,719,761</u>	<u>61,557,454</u>
Net Assets		
Invested in capital assets, net of related debt	50,064,260	50,420,793
Restricted		
For debt service - held by trustee	2,023,007	2,106,672
Unrestricted	93,842,033	93,387,760
Total net assets	<u>145,929,300</u>	<u>145,915,225</u>
Total liabilities and net assets	<u>\$ 198,649,061</u>	<u>\$ 207,472,679</u>

Total assets at April 30, 2007 approximated \$199 million, total liabilities totaled \$53 million and net assets approximated \$146 million. Total assets at December 31, 2006 approximated \$207 million, total liabilities totaled \$61 million and net assets approximated \$146 million.

PORTER MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) APRIL 30, 2007

OPERATING RESULTS AND CHANGES IN PORTER'S NET ASSETS

Table 2: Operating Results and Changes in Net Assets

Operating results for the four month period from January 1, 2007 through April 30, 2007 and the year ended December 31, 2006:

	<u>2007</u>	<u>2006</u>
Revenues		
Net patient service revenue	\$ 70,944,524	\$ 212,567,574
Other operating revenue	2,239,765	6,004,312
Total revenues	<u>73,184,289</u>	<u>218,571,886</u>
Expenses		
Salaries and benefits	37,819,103	86,617,528
Supplies	15,470,872	46,421,261
Depreciation and amortization	5,089,871	14,534,359
Other operating expenses	16,412,980	63,933,849
Total expenses	<u>74,792,826</u>	<u>211,506,997</u>
Operating income (loss)	(1,608,537)	7,064,889
Non-operating revenue (expense), net	<u>1,622,612</u>	<u>5,063,952</u>
Change in net assets	14,075	12,128,841
Net assets		
Beginning of year	145,915,225	133,786,384
End of year	<u>\$ 145,929,300</u>	<u>\$ 145,915,225</u>

SOURCES OF REVENUE

During 2007, Porter 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 48% of Porter's gross revenues in 2007 but only 29% of Porter's net patient service revenues.

PORTER MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) APRIL 30, 2007

Following is a table of Porter's sources of gross patient revenues for 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Medicare	41%	43%
Medicaid	7%	8%
Commercial	46%	43%
Self Pay	6%	6%
	<u>100%</u>	<u>100%</u>

Inpatient revenue accounted for 46% of gross revenue in 2007. Outpatient revenue was 54% of total gross revenue in 2007. In 2006 gross inpatient revenue accounted for 47% of gross revenue while outpatient revenue represented 53% of gross revenue.

OPERATING AND FINANCIAL PERFORMANCE

Porter had an operating loss of \$1.6 million for the four month period January 1, 2007 through April, 30 2007. For the year ended 2006, Porter had operating income of approximately \$7 million.

This following section highlights Porter's financial factors for 2007 for Porter, excluding the component units:

- Porter's discharges for the period from January 1, 2007 through April 30, 2007 totaled 4,079. Patient days for the same period were 18,265.
- Operating expenses totaled approximately \$75 million in 2007.
- Salaries and wages and benefits expense totaled \$38 million in 2007 which is 51% of total operating expenses.
- Medical and professional fees totaled \$2.7 million in 2007 which consisted of various consulting and medical fees.
- Total supplies expense approximated \$15 million in 2007. Purchased services totaled \$6 million.

PORTER MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) APRIL 30, 2007

The following section highlights Porter's financial factors for 2007 for its component units:

- Porter Health Services operating revenue totaled \$1.6 million while total operating expenses were \$2.3 million resulting in a \$700,000 operating loss for the four month period from January 1, 2007 through April 30, 2007. Total assets approximated \$2.3 million as of April 30, 2007.
- Northwest Indiana Occupational Medicine Services, LLC operating revenue totaled \$300,000 while total operating expenses were \$440,000 resulting in a \$140,000 operating loss for the four month period from January 1, 2007 through April 30, 2007. Total assets approximated \$343,000 as of April 30, 2007.

CAPITAL ASSETS

During 2007, Porter invested \$3.3 million in capital assets along with retirements and transfers from construction in progress of \$3.7 million. The majority of the amount invested in capital assets was for the purchase of equipment. The capital assets are outlined in the following table:

	<u>2007</u>	<u>2006</u>
Land and land improvements	\$ 9,270,292	\$ 9,270,292
Buildings and improvements	123,767,355	123,192,791
Equipment	81,091,239	80,818,261
Construction in progress	<u>4,272,104</u>	<u>5,593,023</u>
Total property and equipment	218,400,990	218,874,367
Less accumulated depreciation	<u>136,826,730</u>	<u>134,962,498</u>
Capital assets, net	<u>\$ 81,574,260</u>	<u>\$ 83,911,869</u>

DEBT

Porter has debt outstanding in the IHFFA bonds payable. More detailed information about Porter's long-term debt is presented in the notes to the combined financial statements.

PORTER MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) APRIL 30, 2007

ECONOMIC OUTLOOK

Management believes that the healthcare industry's and Porter's operating margins will continue to be under immense pressure because of negative 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 healthcare services. The ongoing challenge facing Porter 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 Porter is the increase in labor costs due to the increasing competition for quality healthcare workers.

SUBSEQUENT EVENT

On May 1, 2007, Porter completed an asset purchase agreement with Community Health Systems, Inc. (CHS). CHS is a for-profit corporation that is one of the nation's leading operators of acute-care hospitals. CHS purchased substantially all of the assets of Porter and assumed certain liabilities for approximately \$80 million. A portion of the proceeds from the purchase transaction has been placed into an escrow account, which will be used to extinguish the remaining bonds payable.

CONTACTING PORTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of Porter's finances and to show Porter's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Porter's Administration Department, at 814 LaPorte Avenue, Valparaiso, Indiana 46383.

PORTER MEMORIAL HOSPITAL

COMBINED BALANCE SHEET APRIL 30, 2007

ASSETS

Current assets

Cash and cash equivalents	\$ 16,909,756
Patient accounts receivable, net of allowance for uncollectible accounts of \$17,977,301	32,680,786
Inventory and other current assets	11,061,011
Current portion of assets whose use is limited	<u>4,015,000</u>
Total current assets	64,666,553

Assets whose use is limited

Internally designated	49,999,274
Held by trustee for debt service and capital	<u>2,023,007</u>
Total assets whose use is limited	52,022,281
Less current portion	<u>4,015,000</u>
Noncurrent assets whose use is limited	48,007,281

Capital assets, net

81,574,260

Other assets, net

4,400,967

Total assets

\$ 198,649,061

See accompanying notes to combined financial statements.

PORTER MEMORIAL HOSPITAL

COMBINED BALANCE SHEET
APRIL 30, 2007

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 11,682,129
Accrued wages and related liabilities	8,705,266
Estimated third-party settlements	132,366
Current portion of revenue bonds payable	<u>4,015,000</u>
Total current liabilities	24,534,761

Derivative liability

690,000

Long term debt, net of current portion

27,495,000

Total liabilities

52,719,761

Net assets

Invested in capital assets, net of related debt	50,064,260
Restricted for debt service and capital	2,023,007
Unrestricted	<u>93,842,033</u>
Total net assets	<u>145,929,300</u>

Total liabilities and net assets

\$ 198,649,061

See accompanying notes to combined financial statements.

PORTER MEMORIAL HOSPITAL

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FOUR MONTH PERIOD FROM JANUARY 1, 2007 THROUGH APRIL 30, 2007

Revenues

Net patient service revenue	\$ 70,944,524
Other revenue	<u>2,239,765</u>
Total revenues	<u>73,184,289</u>

Expenses

Salaries and wages	28,611,124
Employee benefits	9,207,979
Medical professional fees	2,715,552
Supplies	15,470,872
Purchased services	6,505,406
Repairs and maintenance	3,523,219
Utilities	1,576,907
Insurance	727,986
Depreciation and amortization	5,089,871
Other expenses	<u>1,363,910</u>
Total expenses	<u>74,792,826</u>
Operating loss	(1,608,537)

Nonoperating revenues (expenses)

Investment income	2,728,337
Unrealized loss on derivatives	(690,000)
Interest expense	(388,808)
Other non-operating revenues (expenses)	<u>(26,917)</u>
Nonoperating revenues (expenses), net	<u>1,622,612</u>
Change in net assets	14,075

Net assets

Beginning of year	<u>145,915,225</u>
End of year	<u><u>\$ 145,929,300</u></u>

See accompanying notes to combined financial statements.

PORTER MEMORIAL HOSPITAL

COMBINED STATEMENT OF CASH FLOWS FOR THE FOUR MONTH PERIOD FROM JANUARY 1, 2007 THROUGH APRIL 30, 2007

Operating activities

Cash received from patient services	\$ 73,035,344
Cash paid for salaries, wages and benefits	(42,874,934)
Cash paid to vendors and suppliers	(38,420,352)
Other receipts, net	<u>3,089,618</u>
Net cash flows from operating activities	(5,170,324)

Capital and related financing activities

Payments on long term debt	(2,010,000)
Interest on long term debt	(388,808)
Purchases of property and equipment	(3,300,126)
Other capital and related financing activities	<u>2,118</u>
Net cash flows from capital and related financing activities	(5,696,816)

Investing activities

Investment income	2,728,337
Other changes in assets whose use is limited, net	<u>685,995</u>
Net cash flows from investing activities	<u>3,414,332</u>
Net change in cash and cash equivalents	(7,452,808)

Cash and cash equivalents:

Beginning of year	<u>26,680,812</u>
End of year	<u><u>\$ 19,228,004</u></u>

Reconciliation of cash and cash equivalents to the consolidated balance sheet

Cash and cash equivalents	
In current assets	\$ 16,909,756
In assets whose use is limited - internally designated	295,241
In assets whose use is limited - held by trustee	<u>2,023,007</u>
Total cash and cash equivalents	<u><u>\$ 19,228,004</u></u>

See accompanying notes to combined financial statements.

PORTER MEMORIAL HOSPITAL

COMBINED STATEMENT OF CASH FLOWS FOR THE FOUR MONTH PERIOD FROM JANUARY 1, 2007 THROUGH APRIL 30, 2007

Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (1,608,537)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization	5,089,871
Bad debts	9,490,508
Changes in operating assets and liabilities	
Patient accounts receivable	(7,754,388)
Inventory and other current assets	(3,915,466)
Other assets	159,853
Accounts payable and accrued expenses	(2,623,152)
Accrued wages and related liabilities	(4,365,831)
Estimated third-party settlements	356,818
Net cash flows from operating activities	<u>\$ (5,170,324)</u>
Supplemental cash flows information	
Cash paid for interest	\$ 388,808

See accompanying notes to combined financial statements.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Porter Memorial Hospital (Porter) is an acute-care hospital located in Valparaiso, Indiana, organized for the purpose of providing healthcare services to the residents of Porter County and the surrounding communities. Porter is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. Porter provides short-term inpatient and outpatient health services in Valparaiso, Portage, Chesterton, Demotte and Hebron.

The County Commissioners of Porter County appoint the governing board of Porter and a financial benefit/burden relationship exists between the County and Porter. Porter is thus considered a component unit of Porter County.

Accounting principles generally accepted in the United States require that these combined financial statements present Porter and its significant component units, collectively referred to as the "primary government." The blended component units discussed below are included in Porter's reporting entity because of the significance of their operational or financial relationships with Porter. 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 combined with data of the primary government. Discretely presented component units are involved in activities of an operational nature and are independent from the government; their transactions are reported in a separate column in the combined financial statements.

Blended Component Units

Porter Health Services, Inc. (PHS) and Northwest Indiana Occupational Medicine Services, LLC (NIOMS) are blended component units of Porter. Their results and financial activity are included with the combined financial statements of Porter. PHS, an Indiana not-for-profit organization, employs primary care physicians who provide healthcare services to patients of Porter and to other area residents. NIOMS provides occupational health services to patients of Porter and other area residents. PHS and NIOMS are considered blended component units as a result of Porter's governing control over PHS and NIOMS as well as their respective financial dependency on Porter to fund operations.

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

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

Discrete Component Unit

Porter Memorial Hospital Foundation (Foundation), an Indiana not-for-profit corporation, is a discrete component unit of Porter. The Foundation was created to conduct fundraising and other related development activities to promote and support the interests and purposes of Porter.

The Foundation operates independently from Porter and under accounting principles generally accepted in the United States of America should be included in Porter's combined financial statements due to its support of Porter through its fundraising activities.

However, the combined financial statements do not include the financial activity of the Foundation as of April 30, 2007 and for the four month period from January 1, 2007 through April 30, 2007 as required by accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of combined 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 combined 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

Porter 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, Porter 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.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

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 fair 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. Money market investments that mature within one year or less at the date of their acquisition are reported at fair value. Other money market investments are reported at fair value.

Other investments are generally reported at fair value.

Investment income, including changes in the fair value of investments, is reported as nonoperating income in the combined 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. Porter is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). Porter is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping (DRG). Porter 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 Porter's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2005 with differences reflected as deductions from revenue in 2007. Amounts from the unresolved cost report for 2006 are reflected in estimated third-party settlements on the combined balance sheets.

During 2007, Porter did not recognize any differences due to original estimates and subsequent revisions for the final settlement of cost reports.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

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

Charity Care

Porter provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Porter does not collect amounts deemed to be charity care, they are not reported as revenue.

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.

Assets Whose Use is Limited

Assets whose use is limited are stated at fair market value in the combined financial statements. These assets include investments designated by Porter 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, US government securities and mutual funds. Investment interest, dividends, gains and losses, both realized and unrealized are included in nonoperating revenues (expenses) in the combined statements of revenues, expenses and changes in net assets.

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 \$5,000 and meet certain useful life thresholds. Maintenance, repairs and minor renewals are expensed as incurred. Porter 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.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

The range of useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	15-40 years
Buildings and improvements	15-40 years
Equipment	3-10 years

Net Assets

Net assets of Porter 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 Porter, including amounts deposited with trustees as required by revenue bond indentures. 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.

Combined Statements of Revenues, Expenses and Changes in Net Assets

Porter's combined statement 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, 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.

Combined Statement of Cash Flows

For the purposes of the combined 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.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

Bond Issue Costs

Porter provides for the amortization of costs incurred for the issuance of bonds over the life of the debt. Bond issue costs were approximately \$660,000. Issue costs are amortized utilizing the straight-line method. Accumulated amortization as of April 30, 2007 was \$88,851. Bond issue costs are recorded in other assets on the combined balance sheet.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, assets whose use is limited, accounts payable, accrued liabilities, estimated third-party settlements and long-term debt. The carrying amounts reported in the combined balance sheets for cash and cash equivalents, patient accounts receivable, accounts payable, accrued liabilities and estimated third-party settlements approximate fair value.

The fair values of assets whose use is limited are estimated based on quoted market prices for those or similar investments. The fair value of Porter's long-term debt is estimated based on market prices for similar issues on current rates offered to Porter. As of April 30, 2007, the carrying value of Porter long-term debt approximated its fair value.

Federal or State Income Taxes

Porter is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. Porter 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 unit of Porter Health Services, Inc. is a tax-exempt organization under Internal Revenue Code 501(c)(3), but is subject to tax on unrelated business income.

The blended component unit of Northwest Indiana Occupational Medicine Services (NIOMS) is organized as a limited liability company, whereby net taxable income is taxed directly to the members and not NIOMS. Thus, the financial statements do not include any provision for Federal or State income taxes.

Compensated Absences

Porter'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 696 hours. Compensated absences are accrued when incurred and reported as a liability on the combined balance sheet.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

Advertising

Porter expenses advertising costs as they are incurred. Advertising expense for 2007 was \$19,872.

Litigation

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

Risk Management

Porter 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.

2. NET PATIENT SERVICE REVENUE

Porter has agreements with third-party payors that provide for reimbursement to Porter at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between Porter'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 Porter's 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. Porter'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 Porter to perform such reviews. Medicare outpatient services are primarily reimbursed on predetermined rates based on the services provided.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

Medicaid

Porter 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.

Porter is eligible for the Indiana Medicaid Supplemental programs including Medicaid Disproportionate Share Hospital and Municipal Upper Payment Limit programs. Porter did not recognize any reimbursement from these programs within net patient revenue during the 2007. These programs are Federal programs administered by the State of Indiana.

Other Payors

Porter also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to Porter 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 2007:

Patient service revenue	
Inpatient	\$ 87,321,114
Outpatient	<u>101,976,698</u>
Gross patient service revenue	189,297,812
Deductions from revenue	
Contractual allowances	107,176,646
Charity care	1,686,134
Bad debts	<u>9,490,508</u>
Total deductions from revenue	<u>118,353,288</u>
Net patient service revenue	<u><u>\$ 70,944,524</u></u>

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

3. CHARITY CARE

Porter maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. The charity care provided during 2007 was \$1,686,134.

4. ASSETS WHOSE USE IS LIMITED

The classification "Assets whose use is limited" includes:

Internally Designated – Amounts transferred by Porter'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 Porter buildings as authorized by IC 16-22-3-13.

Funds Held by Trustee for Debt Service and Capital – Funds deposited with a trustee and limited to use in accordance with the requirements of a trust indenture and funds from long-term debt borrowings to be expended for capital asset acquisition and 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 April 30:

Internally designated	
Cash and cash equivalents	\$ 295,241
Mutual funds - equities	28,016,896
Mutual funds - fixed income	<u>21,687,137</u>
Total designated	49,999,274
Held by trustee	
US Government securities	<u>2,023,007</u>
Total assets whose use is limited	<u><u>\$ 52,022,281</u></u>

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

5. 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. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Funded depreciation investments consist of cash equivalents and US Government securities. Market value approximated cost as of April 30, 2007.

Porter's investments generally are reported at fair value, as discussed in Note 1. As of April 30, 2007, Porter had the following investments and maturities, all of which were held in Porter's name by custodial banks that are agents of Porter:

	Carrying Amount	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
US Government securities	\$ 2,023,007	\$ 2,023,007	\$ -0-	\$ -0-	\$ -0-
Mutual funds - equities	28,016,896	28,016,896	-0-	-0-	-0-
Mutual funds - fixed income	21,687,137	21,687,137	-0-	-0-	-0-
	<u>\$ 51,727,040</u>	<u>\$ 51,727,040</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

Deposits and investments consist of the following as of April 30, 2007:

Carrying amount	
Deposits	\$ 17,204,997
Investments	51,727,040
	\$ 68,932,037
Included in the balance sheet captions	
Cash and cash equivalents	\$ 16,909,756
Internally designated	49,999,274
Held by trustee for debt service and capital	2,023,007
	\$ 68,932,037

6. CAPITAL ASSETS

Capital Assets, Net

A summary of property and equipment, including assets under capital leases for 2007 follows:

	December 31, 2006	Additions	Retirements/ Transfers	April 30, 2007
Land and land improvements	9,270,292	\$ -0-	\$ -0-	\$ 9,270,292
Buildings and improvements	123,192,791	-0-	574,564	123,767,355
Equipment	80,818,261	424,225	(151,247)	81,091,239
Construction in progress	5,593,023	2,875,901	(4,196,820)	4,272,104
Total property and equipment	218,874,367	3,300,126	(3,773,503)	218,400,990
Less accumulated depreciation				
Land improvements	2,002,481	39,011	-0-	2,041,492
Buildings and improvements	76,488,234	1,774,325	-0-	78,262,559
Equipment	56,471,783	3,249,026	(3,198,130)	56,522,679
Total accumulated depreciation	134,962,498	5,062,362	(3,198,130)	136,826,730
Capital assets, net	\$ 83,911,869	\$ (1,762,236)	\$ (575,373)	\$ 81,574,260

Depreciation expense for 2007 amounted to \$5,062,362.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

7. LONG TERM DEBT

A summary of long term debt as of April 30, 2007 is as follows:

- The 1997 IHFFA Hospital Revenue Refunding Bonds are due in installments of \$295,000 to \$530,000, at interest rates ranging from 3.75% to 5.70% through 2010. As part of Porter's overall debt restructuring, Porter defeased the remaining outstanding balance of the 1997 bonds by placing approximately \$2 million into an escrow account for the future maturity of the bond principal and interest. Because the transaction was an in-substance defeasance of the debt, the bonds continue to be reported as a liability of Porter and the funds in escrow are included in assets whose use is limited. After the bond restructuring, the bonds are now due in 2007.
- The 2005A IHFFA Adjustable Rate Demand Revenue Bonds are due in installments of \$1,625,000 to \$2,335,000, plus variable interest (3.73% at April 30, 2007) through 2019.
- The 2005B IHFFA Taxable Adjustable Rate Demand Revenue Bonds are due in installments of \$385,000 to \$580,000, plus variable interest (3.96% at April 30, 2007) through 2019.

The bonds require Porter to maintain certain financial ratios. As of April 30, 2007, Porter believed was in compliance with the ratios.

The following represents a progression for long term debt for 2007:

	December 31, 2006	Additional Borrowings	Payments	April 30, 2007	Current Portion
Revenue bonds					
1997 IHFFA Bonds	\$ 1,955,000	\$ -0-	\$ -0-	\$ 1,955,000	\$ 1,955,000
2005A IHFFA Bonds	25,420,000	-0-	(1,625,000)	23,795,000	1,670,000
2005B IHFFA Bonds	6,145,000	-0-	(385,000)	5,760,000	390,000
Total long term debt	<u>\$ 33,520,000</u>	<u>\$ -0-</u>	<u>\$ (2,010,000)</u>	<u>\$ 31,510,000</u>	<u>\$ 4,015,000</u>

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

Scheduled principal and interest repayments on long term debt and payments on capital lease obligations for the years succeeding April 30, 2007 are as follows:

Years Ending April 30,	Principal	Interest	Total Payments
2008	\$ 4,015,000	\$ 1,336,728	\$ 5,351,728
2009	2,120,000	1,243,718	3,363,718
2010	2,190,000	1,147,948	3,337,948
2011	2,260,000	1,048,993	3,308,993
2012	2,335,000	946,853	3,281,853
2013 - 2017	12,855,000	3,079,578	15,934,578
2018 - 2019	5,735,000	391,705	6,126,705
	<u>\$ 31,510,000</u>	<u>\$ 9,195,523</u>	<u>\$ 40,705,523</u>

The Series 2005A and 2005B bonds are secured by letters of credit in amounts equal to the outstanding balances of these bonds as of April 30, 2007. The Series 2005A and 2005B bonds are remarketed on a weekly basis. Should the remarketing agent be unable to remarket the bonds based on its best efforts, the bonds would be "put" back on the bond trustee, who would draw on the letter of credit as a liquidity advance. The reimbursement agreement between the letter of credit bank and Porter calls for Porter to reimburse the letter of credit bank for any liquidity advances based on a payment schedule outlined in the reimbursement agreement.

Porter entered into an interest rate swap agreement with a financial institution. Porter's objective is to provide protection against market driven increases in variable interest rates. The fair value of the agreement was determined by the financial institution using the present value of the estimated projected cash flows. Porter is in a liability position as of April 30, 2007 due to the present value of its estimated projected cash flows being more than the financial institution's present value of estimated projected cash flows.

The swap agreement matures at the time of the related bonds, and contains outstanding notional amounts of \$9,021,625 and \$5,760,000 on the Series 2005A and 2005B bonds, respectively. The agreement effectively changes Porter's interest rate exposure on \$14,781,625 variable rate bonds to a fixed 4.25% and 5.65% on the Series 2005A and 2005B bonds, respectively. Porter recorded a derivative liability of \$690,000 at April 30, 2007. The total derivative unrealized loss recognized on the financial statements was \$690,000 for 2007.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

8. PENSION PLAN

Plan Description

Porter has three defined contribution plans, as authorized by the State of Indiana. The plans provided retirement, disability and death benefits to plan members and beneficiaries. The plans were established by written agreement between Porter's board of trustees and the plan administrator, Great West. The plan administrator issues publicly available financial reports that include financial statements and required supplementary information.

Funding Policy

The contribution requirements are established by the written agreements between Porter's board of trustees and the plan administrator. Plan members may contribute an amount up to certain limits as specified within the plan documents and in accordance with applicable Department of Labor and Internal Revenue Service guidelines. Porter may contribute a discretionary amount, which is currently 4% of annual covered payroll. PHS may contribute a discretionary amount, which is 2% of annual covered payroll. Employer contributions to the retirement plans was \$1,002,870 for the period ended April 30, 2007.

9. CONCENTRATIONS OF CREDIT RISK

Porter grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third party payors at April 30, 2007 was as follows:

Medicare	27%
Medicaid	10%
Blue Cross	40%
Self-pay	23%
	<u>100%</u>

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

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

10. INVESTMENT IN AFFILIATES

Porter has investments in various affiliated companies and joint ventures that are included in other assets on the combined balance sheet. The investments in joint ventures are recorded on the equity method of accounting. A summary of the significant investments follows.

- Northern Indiana Oncology Center (NIOC) – Porter is a member of a limited liability corporation established to operate an oncology center. Porter's investment in NIOC approximated \$2.1 million at April 30, 2007.
- Northwest Indiana PET/CT Center, LLC (NIPC) – In March 2004, the board of trustees approved Porter's participation in a PET/CT joint venture. Porter's investment in NIPC approximated \$472,000 at April 30, 2007.
- Northwest Ambulatory Surgery Center, LLC, d/b/a Chandana Surgery Center (Chandana) – In October 2001, Porter purchased a membership interest in Chandana. Porter initially invested \$1,030,000 for a 20% equity interest in the limited liability company. In August 2006, Porter purchased additional units in the partnership, thus increasing its ownership percentage to 43%.
- Sleep Disorder Institute of Northwest Indiana, LLC (Sleep Lab) – In December 2005, Porter invested \$465,000 for a 100% interest in the Sleep Lab. The Sleep Lab opened on December 11, 2005. During 2006, Porter sold portions of the investment to a number of physicians and currently has a 71% interest in the Sleep Lab; however, Porter's interest is noncontrolling.

11. ESTIMATED MALPRACTICE COSTS

Porter maintains claims-made coverage with a commercial carrier for claims exposure up to \$250,000 per claim and \$7,500,000 annual aggregate. Porter is also a qualified provider participating in the Indiana Patient Compensation Fund. The Fund provides \$1,000,000 additional coverage for malpractice.

PORTER MEMORIAL HOSPITAL

NOTES TO COMBINED FINANCIAL STATEMENTS APRIL 30, 2007

12. RISK MANAGEMENT

Medical Benefits to Employees and Dependents

Porter is self insured for risks associated with employee health claims up to \$250,000 per claim. Porter has purchased an excess policy through commercial insurance which covers individual claims up to \$1 million per year and \$4 million in the aggregate. Porter provides for expected claims to be incurred and maintains an accrual that represents the estimated amount of claims incurred but not paid at April 30, 2007. Self funded health insurance and related expenses were \$4,843,966 at April 30, 2007.

13. SUBSEQUENT EVENT

On May 1, 2007, Porter completed an asset purchase agreement with Community Health Systems, Inc. (CHS), a for-profit corporation which is one of the nation's leading operators of general acute-care hospitals. The asset purchase agreement between Porter and CHS resulted in CHS purchasing substantially all of the assets, other than cash, investments, and cost report settlements, and assuming certain liabilities of Porter for approximately \$80 million. Excluded liabilities that CHS did not assume include medical malpractice claims occurring prior to the close date, liabilities related to the health insurance and retirement plans, and the existing long-term debt, as well as various other liabilities described in the purchase agreement. A portion of the proceeds from the purchase transaction were placed into an escrow account which will be used to extinguish the existing bonds payable.

All remaining cash and investments were transferred to the County of Porter.

In connection with the purchase, Porter adopted all financial policies of CHS. In addition, Porter froze its 403(b), 401(a), and 457 pension plans. All participants, regardless of hire date or date of participation, became 100% vested. Upon receipt of a letter of determination from the IRS, associates will have the ability to transfer their respective funds out of the plans.

SUPPLEMENTARY INFORMATION

PORTER MEMORIAL HOSPITAL

COMBINING BALANCE SHEET APRIL 30, 2007

ASSETS	Porter	Porter Health Services, Inc.	NIOMS, LLC	Eliminations	Total
Current assets					
Cash and cash equivalents	\$ 16,569,768	\$ 336,463	\$ 3,525	\$ -0-	\$ 16,909,756
Patient accounts receivable, net	31,356,497	1,009,072	315,217	-0-	32,680,786
Related party receivable	16,220,232	-0-	-0-	(16,220,232)	-0-
Inventory and other current assets	10,222,326	820,993	17,692	-0-	11,061,011
Current portion of assets whose use is limited	4,015,000	-0-	-0-	-0-	4,015,000
Total current assets	78,383,823	2,166,528	336,434	(16,220,232)	64,666,553
Assets whose use is limited					
Internally designated	49,999,274	-0-	-0-	-0-	49,999,274
Held by trustee for debt service and capital	2,023,007	-0-	-0-	-0-	2,023,007
Total assets whose use is limited	52,022,281	-0-	-0-	-0-	52,022,281
Less current portion	(4,015,000)	-0-	-0-	-0-	(4,015,000)
Noncurrent assets whose use is limited	48,007,281	-0-	-0-	-0-	48,007,281
Capital assets, net	81,478,344	88,858	7,058	-0-	81,574,260
Other assets	(10,165,222)	-0-	-0-	14,566,189	4,400,967
Total assets	\$ 197,704,226	\$ 2,255,386	\$ 343,492	\$ (1,654,043)	\$ 198,649,061

See report of independent auditors on pages 1 and 2.

PORTER MEMORIAL HOSPITAL

COMBINING BALANCE SHEET APRIL 30, 2007

LIABILITIES AND NET ASSETS	Porter	Porter Health Services, Inc.	NIOMS, LLC	Eliminations	Total
Current liabilities					
Accounts payable and accrued expenses	\$ 10,946,793	\$ 207,233	\$ 528,103	\$ -0-	\$ 11,682,129
Related party payable	-0-	15,443,663	776,569	(16,220,232)	-0-
Accrued wages and related liabilities	8,495,767	209,499	-0-	-0-	8,705,266
Estimated third-party settlements	132,366	-0-	-0-	-0-	132,366
Current portion of long-term debt					-0-
Revenue bonds payable	4,015,000	-0-	-0-	-0-	4,015,000
Total current liabilities	23,589,926	15,860,395	1,304,672	(16,220,232)	24,534,761
Derivative liability	690,000	-0-	-0-	-0-	690,000
Long term debt, net of current portion					
Revenue bonds payable	27,495,000	-0-	-0-	-0-	27,495,000
Total long term debt	27,495,000	-0-	-0-	-0-	27,495,000
Total liabilities	51,774,926	15,860,395	1,304,672	(16,220,232)	52,719,761
Net assets					
Invested in capital assets net of related debt	49,968,344	88,858	7,058	-0-	50,064,260
Restricted					
For debt service and capital	2,023,007	-0-	-0-	-0-	2,023,007
Unrestricted	93,937,949	(13,693,867)	(968,238)	14,566,189	93,842,033
Total net assets	145,929,300	(13,605,009)	(961,180)	14,566,189	145,929,300
Total liabilities and net assets	\$ 197,704,226	\$ 2,255,386	\$ 343,492	\$ (1,654,043)	\$ 198,649,061

See report of independent auditors on pages 1 and 2.

PORTER MEMORIAL HOSPITAL

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FOUR MONTH PERIOD FROM JANUARY 1, 2007 THROUGH APRIL 30, 2007

	Porter	Porter Health Services, Inc.	NIOMS, LLC	Eliminations	Total
Revenue					
Net patient service revenue	\$ 69,114,803	\$ 1,531,472	\$ 298,249	\$ -0-	\$ 70,944,524
Other	2,126,845	112,920	-0-	-0-	2,239,765
Total revenue	<u>71,241,648</u>	<u>1,644,392</u>	<u>298,249</u>	<u>-0-</u>	<u>73,184,289</u>
Expenses					
Salaries and wages	26,799,947	1,547,142	264,035	-0-	28,611,124
Employee benefits	8,963,537	222,862	21,580	-0-	9,207,979
Medical and professional fees	2,631,744	220	83,588	-0-	2,715,552
Supplies	15,361,223	81,216	28,433	-0-	15,470,872
Purchased services	6,231,745	273,661	-0-	-0-	6,505,406
Repairs and maintenance	3,519,786	2,078	1,355	-0-	3,523,219
Utilities	1,561,029	12,447	3,431	-0-	1,576,907
Insurance	722,807	-0-	5,179	-0-	727,986
Depreciation and amortization	5,081,922	6,717	1,232	-0-	5,089,871
Other expenses	1,163,442	170,364	30,104	-0-	1,363,910
Total expenses	<u>72,037,182</u>	<u>2,316,707</u>	<u>438,937</u>	<u>-0-</u>	<u>74,792,826</u>
Operating income (loss)	(795,534)	(672,315)	(140,688)	-0-	(1,608,537)
Nonoperating revenues (expenses)					
Investment income	1,915,334	-0-	-0-	813,003	2,728,337
Unrealized loss on derivatives	(690,000)	-0-	-0-	-0-	(690,000)
Interest expense	(388,808)	-0-	-0-	-0-	(388,808)
Other nonoperating revenues (expenses)	(26,917)	-0-	-0-	-0-	(26,917)
Nonoperating revenues (expenses), net	<u>809,609</u>	<u>-0-</u>	<u>-0-</u>	<u>813,003</u>	<u>1,622,612</u>
Transfer to (from) affiliate	-0-	673,580	-0-	(673,580)	-0-
Change in net assets	14,075	1,265	(140,688)	139,423	14,075
Net assets					
Beginning of year	145,915,225	(13,606,274)	(820,492)	14,426,766	145,915,225
End of year	<u>\$ 145,929,300</u>	<u>\$ (13,605,009)</u>	<u>\$ (961,180)</u>	<u>\$ 14,566,189</u>	<u>\$ 145,929,300</u>

See report of independent auditors on pages 1 and 2.