CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Union Hospital, Inc. and Subsidiary
Years Ended August 31, 2007 and 2006
With Report of Independent Auditors

0712-0898143

Union Hospital, Inc. and Subsidiary

Consolidated Financial Statements and Other Financial Information

Years Ended August 31, 2007 and 2006

Contents

Union Hospital, Inc. and Subsidiary

Consolidated Balance Sheets

	August 31	
	2007	**2006**
Assets		*(Restated)*
Current assets:		
Cash and cash equivalents	**$ 32,632,765**	$ 26,326,221
Current portion of funds held by trustee	**11,663,762**	2,707,194
Patient accounts receivable, less allowances for doubtful accounts (2007 – $6,611,000; 2006 – $8,917,000)	**47,526,106**	32,712,594
Estimated receivables from third-party payors	**354,883**	490,324
Other receivables	**93,249**	106,829
Inventories	**4,212,415**	4,170,796
Prepaid expenses and other current assets	**7,514,511**	6,005,481
Total current assets	**103,997,691**	72,519,439
Investments limited as to use, less current portion:		
Funds held by trustee	**176,939,827**	34,526,123
Board-designated capital and debt reserve funds	**19,317,225**	16,149,890
Temporarily restricted funds	**1,427,259**	1,357,825
Total investments limited as to use, less current portion	**197,684,311**	52,033,838
Property and equipment:		
Costs	**250,788,411**	212,905,236
Less allowances for depreciation	**(125,894,858)**	(117,536,211)
Total property and equipment, net	**124,893,553**	95,369,025
Other assets:		
Due from Union Hospital Foundation, Inc.	**4,956,847**	5,140,077
Notes receivable	**3,017,207**	513,968
Unamortized bond issue costs	**2,782,565**	692,722
Other	**754,465**	697,601
Total other assets	**11,511,084**	7,044,368
Total assets	**$ 438,086,639**	$ 226,966,670

	August 31 2007	2006
Liabilities and net assets		*(Restated)*
Current liabilities:		
Accounts payable and accrued liabilities	**$ 26,553,518**	$ 10,191,418
Salaries, wages, and related liabilities	**13,656,034**	15,804,750
Current portion of long-term debt	**9,126,813**	3,872,743
Total current liabilities	**49,336,365**	29,868,911
Noncurrent liabilities:		
Long-term debt, less current portion	**261,905,555**	87,421,322
Deferred revenue	**3,592,686**	1,275,222
Accrued pension cost	**9,699,706**	1,659,770
Total noncurrent liabilities	**275,197,947**	90,356,314
Total liabilities	**324,534,312**	120,225,225
Net assets:		
Unrestricted	**107,142,374**	100,244,587
Temporarily restricted	**6,409,953**	6,496,858
Total net assets	**113,552,327**	106,741,445
Total liabilities and net assets	**$ 438,086,639**	$ 226,966,670

See accompanying notes.

Union Hospital, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Year Ended August 31 2007	2006 (Restated)
Operating activities		
Increase in net assets	**$ 6,810,882**	$ 9,526,495
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**10,688,488**	9,960,575
Change in pension liability	**17,779**	(1,041,580)
Change due to adoption of new pension accounting standard	**8,022,157**	–
Loss on disposals of property	**204,123**	934,435
Restricted contributions, net	**86,905**	438,648
Net unrealized (appreciation) depreciation of investments	**(392,336)**	99,551
Changes in operating assets and liabilities:		
Patient accounts receivable, net	**(14,813,512)**	217,662
Other current and noncurrent assets	**(3,852,260)**	2,467,573
Accounts payable and accrued liabilities	**16,362,100**	(18,922)
Salaries, wages, and related liabilities	**(2,148,716)**	1,274,168
Other long-term liabilities	**2,317,464**	(9,003)
Estimated settlements to third-party payors	**135,441**	(387,296)
Net cash provided by operating activities	**23,438,515**	23,462,306
Investing activities		
Purchases of property and equipment, net of disposals	**(40,417,139)**	(23,736,164)
Change in board designated funds, net	**(2,844,433)**	(2,437,751)
Change in trustee held investments, net	**(151,370,272)**	(29,081,877)
Net cash used in investing activities	**(194,631,844)**	(55,255,792)
Financing activities		
Issuance of long-term debt, net of original issue discount	**183,354,772**	35,995,000
Bond issuance costs	**(2,151,525)**	–
Repayments of long-term debt and other	**(3,616,469)**	(1,581,557)
Decrease in restricted net assets	**(86,905)**	(438,648)
Net cash provided by financing activities	**177,499,873**	33,974,795
Increase in cash and cash equivalents	**6,306,544**	2,181,309
Cash and cash equivalents at beginning of year	**26,326,221**	24,144,912
Cash and cash equivalents at end of year	**$ 32,632,765**	$ 26,326,221

See accompanying notes.

MISSION STATEMENT

Union Hospital, Inc. strives to meet the healthcare needs of the Wabash Valley through compassionate, efficient, and high quality services.

1. Organization

Nature of Operations

Union Hospital, Inc. is an Indiana nonprofit corporation which owns and operates Union Hospital (the Hospital), a 278 staffed-bed, regional referral center hospital located in Terre Haute, Indiana. The Hospital is a full-service, acute-care hospital with medical-surgical, obstetric, pediatric, coronary care, post-coronary care, intensive care, maximum care, and medical rehabilitation units. Additionally, as the largest hospital in west central Indiana, the Hospital is a referral center for such services as its newborn intensive care unit (Level II), open heart surgery, cardiac rehabilitation clinic, radiology, cardiopulmonary services, and radiation therapy. The Hospital and its related consolidated entity provide comprehensive health care services to the residents of Terre Haute and the surrounding communities, west central Indiana, and east central Illinois through its acute and specialty care facilities and physician medical practices. Union Hospital, Inc. is exempt from federal income taxes on related function income pursuant to Section 501(c)(3) and Section 501(a) of the Internal Revenue Code.

The consolidated financial statements include the accounts of the Hospital, West Central Community Hospital (WCCH), IPACS, Inc. (IPACS), and Ash Pharmacy of Indiana, Inc. (Ash) (collectively, the Corporation and subsidiary). WCCH, a designated Medicare critical access hospital, operates as a division of the Hospital and is a 25-bed general, acute care hospital located in Clinton, Indiana. IPACS is a wholly owned, taxable subsidiary engaged in providing collection services to hospitals, hospital physicians, and other health care providers. Ash is a taxable subsidiary of IPACS that provides durable medical equipment services to the Hospital's patients.

The Corporation is related to various organizations principally through overlapping board membership. These organizations include Union Hospital Foundation, Inc., Union Hospital Health Services, Inc., and Visiting Nurse Association of the Wabash Valley, Inc. These affiliated organizations are not included in the consolidated financial statements. In addition, a majority of all fund-raising activities are conducted by Union Hospital Foundation, Inc. (the Foundation). Accordingly, unrestricted gifts and bequests received directly by the Corporation are recorded as nonoperating gains, and restricted gifts and bequests received by the Foundation for the benefit of the Corporation are recorded by the Corporation as temporarily restricted net assets until expended by the Corporation for their intended purpose.

1. Organization (continued)

Charity Care and Community Benefit

Patients are provided care regardless of their ability to pay in accordance with charity care policies of the Corporation. These policies define charity care services as those services for which no or reduced payment is anticipated and are based on federal poverty income levels and certain other factors. Such amounts are not reported as revenue. Charity care provided by the Corporation in 2007 and 2006 measured at established rates amounted to $18,977,683 and $16,151,167, respectively. The Corporation's charity care policies also extend to services provided by physicians, although records are not maintained for such services provided by the physicians.

The Corporation also provides programs and services to address the needs of the communities it serves, generally at no, or low, cost to those being served. Specific community needs being addressed by the Corporation include, among others, low-weight births and infant mortality, high incidence of, and deaths from, certain diseases and chronic illnesses, underserved populations, adequacy of the supply of physicians and other health care providers, and certain behavioral risk factors. The Corporation's programs and services include, among others, services to low-income women in need of prenatal care, health screenings for underserved women, wellness and injury prevention programs, chronic disease management assistance, educational programs, rural health care access and availability initiatives, transportation services for elderly and low-income patients, and access to support groups for critically and chronically ill patients and their families. Assistance is also provided to senior citizens and other patients and their families for the submission of forms for insurance, financial counseling, and application to the Medicare and Medicaid programs for health service coverage. The Corporation periodically reviews, modifies, and reports on its Community Health Assessment and Plan of Action for the communities served.

2. Restatement

The accompanying consolidated financial statements as of and for the year ended August 31, 2006, and the net assets at August 31, 2005, have been restated to reflect a correction in the Corporation's recorded net realizable value of accounts receivable, and correct restricted net assets and certain other matters. As a result of management's review of its methodology to estimate the net realization of patient accounts receivable, management determined that valuation allowances were not being recorded for charity care and contractual adjustments against certain patient charges, and outdated percentages for contractual allowances were being applied against other patient charges. The net realizable value of the Corporation's patient accounts receivable had been overstated by $15,584,224 at August 31, 2006 and $15,709,987 at August 31, 2005. Restricted net assets were overstated and adjusted to the underlying donor restricted net assets, with a resulting understatement of unrestricted net assets. The correction decreased restricted net assets and increased unrestricted net assets by $2,703,011 and $1,555,337 at August 31, 2006 and 2005, respectively. Certain other errors were corrected as part of the restatement, which increased accruals by $600,000 at August 31, 2006 and 2005, increased other current assets $901,528 and $792,663, respectively, and decreased other long-term assets at August 31, 2006, by $734,782. The impact of the restatement increased the excess of revenues and gains over expenses for the year ended August 31, 2006 $234,628 as originally presented. The restatement decreased unrestricted net assets by $13,314,124 and $13,961,987 at August 31, 2006 and 2005, respectively, and decreased restricted net assets by $2,703,011 and $1,555,337 at August 31, 2006 and 2005, respectively.

3. Significant Accounting Policies

Principles of Consolidation

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from management's estimates.

3. Significant Accounting Policies (continued)

Net Patient Service Revenue and Other

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A summary of the significant payment arrangements with third-party payors follows:

Medicare: Physician services, inpatient acute care services, and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Critical access hospital services are reimbursed based on cost reimbursement methodologies. Cost reimbursable services are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

Medicaid: Reimbursement for services rendered to Medicaid program beneficiaries are at prospectively determined rates per discharge for inpatient hospital services. Other services are reimbursed based on a combination of cost reimbursement methodologies and prospectively determined rates.

Other: Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, preferred provider organizations, and other payors, based on prospectively determined rates per discharge or discount of charges for inpatient hospital services and discount of charges for outpatient services.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimated settlements could change by a material amount in the near term. Management believes that adequate provisions have been made for any adjustments which may result from such final settlements. Changes in estimated allowances increased the excess of revenues over expenses by $1,396,000 in 2007 and $554,000 in 2006.

3. Significant Accounting Policies (continued)

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the consolidated statements of operations and changes in net assets follows:

	Year Ended August 31 2007	2006 (Restated)
Patient service revenue at established rates	**$ 756,725,435**	$ 590,459,065
Less charity care	**18,977,683**	16,151,167
	737,747,752	574,307,898
Less revenue deductions:		
Medicare	**206,825,270**	161,848,614
Medicaid	**77,755,502**	67,363,045
Managed care, commercial insurance, and other	**117,286,280**	75,657,521
	401,867,052	304,869,180
Net patient service revenue	**$ 335,880,700**	$ 269,438,718

A summary of patient service revenue at established rates by payor source is as follows:

	Year Ended August 31 2007	2006
Source		
Medicare	**48%**	46%
Medicaid	**13**	14
Commercial insurance	**4**	5
Other managed care	**29**	29
Self-pay and other	**6**	6
	100%	100%

There is a single insurance provider that constituted 17% and 16% of patient service revenue at established rates for the years ended August 31, 2007 and 2006, respectively.

3. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less when purchased, excluding assets limited as to use or restricted. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value.

Patients Accounts Receivable, Estimated Receivables From and Payables to Third-Party Payors, and Net Patient Service Revenue

Patients accounts receivable and net patient service revenue are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered. Net patient service revenue includes estimated retroactive adjustments under reimbursement agreements with certain third-party payors (principally for the Medicare program). Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, adjusted in future periods as final settlements are determined, and are included with estimated receivables from third-party payors.

The Corporation grants credit to patients, substantially all of whom are local residents of the communities served. The Corporation does not generally require credit or other collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, HMOs, and commercial insurance policies). At August 31, 2007 and 2006, approximately 32% and 25% of net accounts receivable, respectively, were collectible from governmental payors (including Medicare and Medicaid), with approximately 45% and 45% of net receivable, respectively, collectible from commercial insurance and managed care payors.

The allowance for doubtful accounts receivable is based on management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy for uncollectible receivables based upon the payor composition and aging of receivables as of the reporting date with consideration of the historical write-off experience by payor category. The results of these reviews are then used to make any modifications to the provision for uncollectible receivables to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, the Corporation follows established guidelines for placing past-due patient accounts with collection agencies.

3. Significant Accounting Policies (continued)

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market and principally valued using the average cost method.

Investments Limited as to Use or Restricted

Investments limited as to use or restricted are stated at fair value. The fair value of assets are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The cost of securities sold is based on the specific identification method. Dividends and interest income and realized gains and losses on sales of investments are recorded as nonoperating gains (losses). Unrealized appreciation and temporary depreciation (temporary losses) of investments are reported as other changes in net assets in the consolidated statements of operations and changes in net assets.

Investments are generally commingled for investment purposes and consist of short-term investments (principally money market mutual funds), U.S. government and governmental agency obligations, mutual and common trust funds, corporate obligations, marketable equity securities, and guaranteed investment contracts. Fair values for investments, with the exception of guaranteed investment contracts, are based on quoted market prices. Guaranteed investment contracts are valued at fair value as reported by the custodian.

Investments limited as to use include investments set aside by the Board of Directors for future capital improvements and retirement of debt over which the Board of Directors retains control and may, at its discretion, subsequently use for other purposes; investments held by trustees under bond indenture agreements; and donor-restricted funds. Amounts that are required for obligations classified as current liabilities, and other amounts previously paid from operating cash that are to be reimbursed by the applicable funds held by trustee project fund, are reported in current assets.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows: land improvements 3 to 30 years, buildings 5 to 40 years, and equipment 3 to 25 years. The Corporation's policy is to designate certain available unrestricted net assets for expansion and renovation.

3. Significant Accounting Policies (continued)

Equipment under capital lease obligations is amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation and amortization in the consolidated statements of operations and changes in net assets. Interest cost incurred on borrowed funds during the period of construction and other interest costs are capitalized as a component of the cost of constructing the assets. In addition, interest earnings on unexpended borrowed funds related to tax-exempt financings are also capitalized. Net interest costs capitalized amounted to $220,898 in 2007 and $310,927 in 2006. Repair and maintenance costs are expensed when incurred.

The Corporation periodically evaluates whether circumstances have occurred that would indicate whether the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, an estimate is made of the undiscounted cash flows over the remaining life of the assets in measuring whether the asset is recoverable in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.*

Unamortized Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt are amortized using the bonds outstanding method, which approximates the amortization under the effective interest rate method, and are included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

Medical Malpractice Insurance

The Corporation and its employed physicians with active Indiana medical licenses are qualified as health providers under the Indiana Medical Malpractice Act (the Medical Malpractice Act). The Medical Malpractice Act limits liability for malpractice claims against qualified health care providers such as the Corporation. The law provides for a mandatory State Patient's Compensation Fund (the Compensation Fund) to which qualified health care providers contribute a surcharge. The amount of the surcharge is established by the Indiana Department of Insurance on an actuarial basis. The amount contributed by each hospital must be sufficient to cover, but may not exceed, the actuarial risk posed to the Compensation Fund by such hospital

3. Significant Accounting Policies (continued)

and its employed physicians with active Indiana medical licenses. For malpractice incidents occurring after December 31, 1989, and before July 1, 1999, the Medical Malpractice Act provides for a maximum recovery of $750,000 per claim ($3,000,000 annual aggregate); the related health care provider is liable for up to $100,000 of the recovery. For malpractice incidents occurring on or after July 1, 1999, the Medical Malpractice Act provides for a maximum recovery of $1,250,000 to $1,500,000 per claim ($7,500,000 annual aggregate); the related health care provider is liable for up to $250,000 of the recovery.

Effective December 31, 2003, the Corporation became a member in a Vermont captive insurance company, Indiana Healthcare Reciprocal Risk Retention Group, Inc., to fund the Corporation's required portion of the insurance coverage pursuant to the Medical Malpractice Act, as well as its general liability insurance.

The Corporation also provides medical malpractice insurance for its employed physicians who practice in the state of Illinois with limits of $1,000,000 per occurrence and $3,000,000 in the aggregate.

Malpractice insurance coverage provided through the Compensation Fund and the captive insurance company is provided on a claims-made basis. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be uninsured.

Pension Plan

A noncontributory, defined-benefit pension plan covers substantially all employees. Plan benefits are based on years of service and the employee's compensation. Contributions to the plan include amortization of prior service costs plus interest thereon and are funded currently.

Financial Instruments

Financial instruments consist of cash and cash equivalents, patient accounts receivable, investments limited as to use or restricted, accounts payable and accrued liabilities, estimated receivables from and payables to third-party payors, and long-term debt. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, patient accounts receivable, estimated receivables from and payables to third-party payors, and accounts payable and accrued liabilities approximate fair values. The fair values for investments limited as to use or restricted and long-term debt are described in Notes 6 and 7.

3. Significant Accounting Policies (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the Corporation has been limited by donors primarily for a specified time period or purpose. When a donor restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and changes in net assets as specific purpose expenditure and transfers for property and equipment additions. Temporarily restricted net assets include $4,956,847 and $5,140,077 of agency funds held by the Foundation at August 31, 2007 and 2006, respectively. Due from Union Hospital, Inc. Foundation represent contributions received on behalf of the Corporation by the Foundation and other amounts the Foundation has granted to the Corporation.

Functional Expenses

The Corporation provides general health care services to patients. Health care services expenses related to providing these services were approximately $314,070,440 and $253,548,000 in 2007 and 2006, respectively. Administrative expenses (consisting of support services, employee benefits, patient billing, and other) amounted to $19,946,195 and $15,859,000 in 2007 and 2006, respectively.

Income Taxes

The Internal Revenue Service has determined that the Corporation and the majority of its affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code. Certain subsidiaries of the Corporation are taxable entities; the tax expense and liabilities of which are not material to the consolidated financial statements.

Operating Indicator

The Corporation's operating indicator (operating income) includes all unrestricted net income, gains and support, and expenses from Corporation operations directly related to recurring and ongoing health care operations during the reporting period. The operating indicator excludes interest, dividend, and realized gains and losses on sales of investments, contributions, and gains and losses deemed by management not to be directly related to providing health care services.

3. Significant Accounting Policies (continued)

Performance Indicator

The Corporation's performance indicator (excess of revenue and gains over expenses) includes all changes in unrestricted net assets other than net unrealized appreciation and temporary losses on investments, investment returns restricted by donors, contributions of property and equipment, and adjustments required by the adoption of new Financial Accounting Standards Board (FASB) pronouncements.

Reclassifications

Certain amounts in the 2006 consolidated financial statements have been reclassified to conform to the 2007 presentation. These reclassifications had no impact on the excess of revenue and gains over expenses and/or net assets as of August 31, 2006, as previously reported.

New Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires employers that sponsor defined-benefit pension and postretirement benefit plans to recognize previously unrecognized actuarial losses and prior service costs in the statement of financial position and to recognize future changes in these amounts in the year in which changes occur through unrestricted net assets. On August 31, 2007, the Corporation adopted the recognition provisions of SFAS No. 158 by recognizing the funded status of its defined-benefit pension plan in the consolidated balance sheet based on the August 31, 2007, measurement date. Information about the Corporation's adoption of SFAS No. 158 is included in Note 8.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management is currently evaluating the impact, if any, that FIN 48 will have on its consolidated balance sheet, statement of operations and changes in net assets, and statement of cash flows.

4. Acquisitions and Affiliations

During 1996, the Corporation entered into a sublease and operating agreement and a related management services agreement (collectively, the Sublease Agreement) with WCCH (formerly Vermillion County Hospital). Under the terms of the Sublease Agreement, the Corporation controlled and was fully responsible for the operations of WCCH. The Corporation paid rent of $720,000 per year. In December 2005, the Corporation purchased the remaining assets of WCCH consisting of land and the West Central Community Hospital building for $4,821,353, of which $2,373,935 was paid at closing. A five-year, noninterest-bearing note with monthly payments of $41,667 was entered into and is included in long-term debt in the Corporation's balance sheets.

In February 2007, the Corporation's Board of Directors decided to end discussions with Clarian Health Partners, Inc. (Clarian Health) to form a closer affiliation. The Corporation continues to have an affiliation agreement with Clarian Health to develop and share resources and to enhance the overall quality and efficiency of care to the Corporation's patients. Each of the corporations retains a separate corporate existence with separate governance and control.

On December 29, 2006, the shares of Ash, a for-profit durable medical equipment company, were transferred from its wholly owned parent, Union Hospital Foundation, Inc., to IPACS.

The Corporation has collaborated with physicians and physician groups to improve quality of services, eliminate duplication of services, and improve standards of care by entering into various so-called "under arrangement" agreements in fiscal 2007. The Corporation has under arrangement agreements for chemotherapy, ambulatory surgery, cardiac catherization laboratory, and radiation oncology therapy services. The Hospital pays a fee to the physician and/or physician group for each unit of service pursuant to these agreements, and bills and collects from the patients and third-party payors for the services provided as departments of the Hospital.

5. Property and Equipment

Costs of property and equipment are as follows:

	August 31	
	2007	**2006**
Land and improvement	**$ 21,983,976**	$ 21,545,846
Buildings and improvements	**114,310,981**	104,015,223
Equipment	**79,900,343**	74,829,099
Construction-in-progress	**34,593,111**	12,515,068
	$ 250,788,411	$ 212,905,236

A summary of the construction-in-progress projects at August 31, 2007, is as follows:

New hospital facility	$ 8,955,200
Cancer center	12,417,185
Soarian	3,001,274
Power plant	8,222,894
Other facilities and equipment	1,996,558
	$ 34,593,111

The Corporation has entered into a contract with a construction company to serve as both the construction manager and general contractor to build a new 500,000 square-foot building to include a 236-bed facility featuring all private rooms, fully integrated wireless technology, and additional parking, as well as to provide certain renovations to the existing Hospital facility. Certain services currently provided in the existing Hospital facility will be relocated to the new facility. Construction-in-progress is anticipated to extend through early calendar 2010. Commitments for all remaining construction project costs total $182,000,000 at August 31, 2007.

6. Investments Limited as to Use

The Corporation does not engage in trading activities for investment purposes. The composition of investments, at fair value, is set forth in the following table:

	August 31	
	2007	**2006**
Cash and short-term investments	**$ 12,537,594**	$ 7,750,737
U.S. government and government agency obligations	**11,105,387**	11,885,100
Mutual and common trust funds	**2,507,175**	1,118,490
Marketable equity securities	**6,931,807**	6,063,545
Corporate obligations	**403,926**	503,160
Guaranteed investment contracts	**175,862,184**	27,420,000
	209,348,073	54,741,032
Less current portion	**11,663,762**	2,707,194
	$ 197,684,311	$ 52,033,838

The composition of investment return included in the consolidated statements of operations and changes in net assets is as follows:

	Year Ended August 31	
	2007	**2006**
Investment income included with nonoperating gains:		
Dividend income	**$ 225,050**	$ 162,829
Interest income	**2,564,025**	1,632,204
Realized net gain on the sale of investments	**293,174**	248,809
	3,082,249	2,043,842
Other changes in net assets:		
Unrealized appreciation (depreciation) of investments	**392,336**	(99,551)
	$ 3,474,585	$ 1,944,291

At August 31, 2007, the Corporation held $4,145,721 of securities in a gross unrealized loss position totaling $245,564. At August 31, 2006, the Corporation held $8,822,267 of securities in an unrealized loss position totaling $376,609.

6. Investments Limited as to Use (continued)

In June 1995, the Corporation entered into a contract to receive the present value of expected earnings on certain required trustee-held funds in exchange for actual investment earnings. Approximately $2,000,000 was deposited into trustee-held funds and is being amortized to income over the period of the agreement, which expires in 2015. $802,593 remains unamortized at August 31, 2007.

7. Long-Term Debt and Leases

Obligated Group

A Master Trust Indenture, as amended, provides for the issuance of long-term debt under an obligated group structure. The Obligated Group currently consists of Union Hospital, Inc. and does not anticipate any other entities will become members of the Obligated Group. This Obligated Group is required to meet certain covenants under the Master Trust Indenture. The Obligated Group is subject to certain financial performance covenants, among other compliance requirements, that require the maintenance of debt service ratios. As of August 31, 2007, management of the Obligated Group believes that it is in compliance with all financial covenants.

Issuance of Debt

During July 2007, the Hospital issued, through the Hospital Authority of Vigo County (Indiana), Hospital Revenue Bonds, Series 2007 (tax-exempt bonds) in the aggregate amount of $176.5 million principally to finance, or reimburse the Corporation for, the costs of acquisition, construction, furnishing, and equipping of a new 500,000 square-foot hospital building, and certain renovations of the existing hospital facility, bond issuance cost, debt service reserve fund, and capitalized interest during the construction period. The interest rate is fixed and ranges from 5.50% to 5.80%. Term bonds expire in 2027 ($7.4 million), 2037 ($52.2 million), 2042 ($50.3 million), and 2047 ($66.6 million) with principal payment beginning in 2024.

7. Long-Term Debt and Leases (continued)

Long-term debt is summarized as follows:

	August 31 2007	August 31 2006
Indiana Health and Educational Facility Financing Authority or Hospital Authority of Vigo County (Indiana):		
Series 2007, tax-exempt demand revenue bonds payable in annual installments commencing in fiscal 2024 through 2048. Interest rate is fixed (payable semiannually) during the term the bonds are outstanding and ranges from 5.50% to 5.80% and averages 5.75%.	$ 176,054,772	$ –
Series 2006A, tax-exempt variable rate demand revenue bonds payable in annual principal installments commencing in fiscal 2009 through fiscal 2037. Interest rate is set weekly (payable semiannually) and averaged 3.67% in fiscal 2007.	19,000,000	19,000,000
Series 2006B, taxable variable rate demand revenue bonds, payable in annual principal installments commencing in fiscal 2009 through fiscal 2037. Interest rate is set weekly (payable semiannually) and averaged 5.36% in fiscal 2007.	13,000,000	13,000,000
Series 2002, tax-exempt variable rate demand revenue bonds, payable in annual principal installments commencing in fiscal 2004 through fiscal 2028. Interest rate set weekly (payable semiannually) and averaged 3.69% in fiscal year 2007.	14,365,000	14,800,000
Series 2004, adjustable rate taxable securities payable in annual principal installments commencing in fiscal 2006 through fiscal 2026. Interest in fiscal year 2007 (payable monthly) is based on LIBOR's seven-day floating rate and averaged 5.38%.	7,490,000	7,750,000
Series 1993, tax-exempt serial and term bonds, payable in annual principal installments commencing in fiscal 1996 through fiscal 2024. Interest (payable semiannually) ranges from 5.125% to 5.250%. Series 1993 is subject to a swap transaction, with interest rate set weekly at BMA plus 40 basis points (payable semiannually) and averaged 4.04% in fiscal 2007.	30,620,000	31,810,000
Other	10,502,596	4,934,065
Total long-term debt	271,032,368	91,294,065
Less current portion	9,126,813	3,872,743
Long-term debt, less current portion	$ 261,905,555	$ 87,421,322

7. Long-Term Debt and Leases (continued)

The scheduled maturities and mandatory redemptions of long-term debt are as follows:

Year	
2008	$ 9,162,813
2009	3,665,263
2010	3,339,170
2011	3,050,896
2012	2,989,604
Thereafter	248,824,622
	$ 271,032,368

In February 2004, the Corporation made a tender offer to existing 1993 Bondholders for a 103% tender price, which was accepted. A bank purchased the tendered bonds for par value. Simultaneously, the Corporation and the bank entered into a Total Return Swap Agreement (the swap), the purpose of which was to synthetically convert the tendered bonds from a fixed rate to a short-term, variable rate based on the Bond Market Association Municipal Swap Index plus .40%. The variable rate at August 31, 2007, was 4.35%. The fair value of the swap is $159,579 at August 31, 2007, and $203,595 at August 31, 2006. The swap is in place throughout the terms of the outstanding bonds, but may be terminated by the Corporation or the bank with 30 and 60 days notice, respectively. Neither the terms nor conditions of the original bonds were altered in any way. Should the swap be terminated, the swap provides that the Corporation is required to pay the bank a cash amount equal to the positive difference between the initial market price of the terminated bonds (100 at February 5, 2004) and the market price at termination (estimated to be $0 at August 31, 2007 and 2006).

The Corporation issued $8,000,000 in adjustable rate taxable securities in October 2004. The proceeds of the 2004 Bonds were used to pay the taxable portion of costs associated to capital projects.

In May 2002, the Corporation issued $16,000,000 of tax-exempt, variable rate, demand revenue bonds (the Series 2002 Bonds), using the Master Indentures and through the Indiana Health Facility Financing Authority. The proceeds of the Series 2002 Bonds and certain other funds of the Corporation were used to finance or reimburse certain costs of constructing, acquiring, renovating, or equipping certain health facility property.

7. Long-Term Debt and Leases (continued)

The Series 1993 tax-exempt Bonds are secured by a security interest in unrestricted receivables (as defined in the bond agreements) of the Corporation. The bond agreements also require maintenance of certain debt service income ratios, limit additional borrowings, require the maintenance of certain trustee-held funds, and require compliance with various other restrictive covenants. Payment of principal and interest on the Series 1993 Bonds is guaranteed under a municipal bond insurance policy.

During May 2002, the Corporation opened a letter of credit for a maximum of $16,000,000 attached to the Series 2002 Bonds to cover noncompliance with principal and interest payments. There were no draws on the letter during fiscal year 2007 and 2006, and there are no outstanding amounts under this arrangement at August 31, 2007 and 2006. The letter of credit was extended in 2006 and expires July 13, 2011.

The Corporation also opened a letter of credit for a maximum of $13,000,000 attached to the Series 2006B taxable Bonds to cover noncompliance with principle and interest payments. There were no draws on the letter during fiscal year 2007 and 2006, and there are no outstanding amounts under this arrangement at August 31, 2007 and 2006. The letter of credit expires July 13, 2011.

In July 2006, the Corporation opened a letter of credit for a maximum of $19,000,000 attached to the Series 2006A tax-exempt Bonds to cover noncompliance with principle and interest payments. There were no draws on the letter during fiscal year 2007 and 2006, and there are no outstanding amounts under this arrangement at August 31, 2007 and 2006. The letter of credit expires July 13, 2011.

In October 2004, the Corporation opened a letter of credit for a maximum of $8,000,000 attached to the Series 2004 taxable Bonds to cover noncompliance with principle and interest payments. There were no draws on the letter during fiscal year 2007 and 2006, and there are no outstanding amounts under this arrangement at August 31, 2007 and 2006. The letter of credit expires on October 31, 2009.

The stated value of debt for the Corporation approximates the fair market value.

Total interest paid on long-term debt for the years ended August 31, 2007 and 2006, aggregated $2,725,717 and $2,122,912, respectively.

7. Long-Term Debt and Leases (continued)

In January 2004, the Corporation opened a three-year line of credit for a maximum of \$15,000,000. In fiscal 2007, the Corporation renegotiated the terms of the line of credit. The new line of credit expires in 2008. The outstanding amounts under this arrangement are \$5,647,568 and \$937,665, as of August 31, 2007 and 2006, respectively, of which \$5,647,568 and \$0 were current as of those dates. The rate is the 30-day LIBOR plus 1.15%. Interest is paid monthly based upon amounts drawn upon by the Corporation at a variable rate that ranged from 6.47% to 6.50% during 2007 and 4.84% to 6.57% during 2006. The line of credit expires January 20, 2008. In June 2007, the line of credit was converted to a note payable with the same terms due January 20, 2008.

The Corporation leases medical equipment and software under capital leases with various expiration dates. Cost and accumulated depreciation of the equipment under capital leases was approximately \$4,770,392 and \$1,446,934, respectively, at August 31, 2007, and \$2,783,554 and \$937,366, respectively, at August 31, 2006.

The following is a schedule by year of future minimum lease payments under capital leases as of August 31, 2007, that have initial or remaining lease terms in excess of one year.

Year Ending August 31	
2008	$ 1,124,394
2009	978,421
2010	613,845
2011	487,383
2012	366,177
Thereafter	173,090
	3,743,310
Less imputed interest	471,608
Present value of minimum lease payments	$ 3,271,702

7. Long-Term Debt and Leases (continued)

The Corporation has operating leases for medical equipment and office space. Rental expense under operating leases for 2007 and 2006 was approximately $6,769,884 and $6,991,630, respectively. Future minimum lease payments under noncancelable operating leases as of August 31, 2007, that have initial or remaining lease terms in excess of one year are as follows:

Year Ending August 31	
2008	$ 6,430,920
2009	4,986,258
2010	2,759,150
2011	1,941,701
2012	966,808
Thereafter	147,786
	$ 17,232,623

The following is a schedule by year of future minimum rentals to be received under noncancelable subleases as of August 31, 2007, that have initial or remaining lease terms in excess of one year.

Year Ending August 31	
2008	$ 1,322,035
2009	1,133,475
2010	599,874
2011	524,804
2012	152,486
	$ 3,732,674

8. Pension Plan

The Corporation has a noncontributory, defined-benefit plan (the Plan) covering substantially all of its employees who are at least 21 years old and have completed one year of service, and certain employees meeting those requirements of affiliated organizations. The Plan provides for retirement, survivor, and severance benefits. Employees with five or more years of service are entitled to monthly pension benefits beginning at normal retirement age (65) equal to their credited service multiplied by $1/60^{th}$ of 1% of the total of their annual compensation for the five consecutive plan years which produce the highest total. The Corporation has agreed to contribute such amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan members. Contributions include normal cost, interest on unfunded prior service cost, and amortization of prior service cost over a period not exceeding 30 years. The Plan has met the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

As discussed in Note 3, the Corporation adopted SFAS No. 158 as it relates to recognizing the funded status of its defined-benefit pension plan in its consolidated balance sheets and related disclosures on August 31, 2007. Funded status is defined as the difference between the projected benefit obligation and the fair value of plan assets. Upon addition, the Corporation recorded an adjustment to unrestricted net assets representing the recognition of previously unrecorded pension liabilities related to net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized prior service credits. These amounts will be subsequently recognized as a component of net periodic pension cost pursuant to the Corporation's historical accounting policy for recognizing such amounts.

8. Pension Plan (continued)

The incremental effects of adopting the provisions of SFAS No. 158 on the Corporation's accompanying consolidated balance sheet at August 31, 2007, are presented in the following table. The adoption of SFAS No. 158 had no effect on the Corporation's excess of revenue and gains over expenses for the year ended August 31, 2007, or for any prior period presented, and it will not affect the Corporation's operating results in future periods. The effect of recognizing the additional minimum liability is included in the table below in the column labeled "Prior to Adopting SFAS No. 158."

	Prior to Adopting SFAS No. 158	Effect of Adopting SFAS No. 158	As Reported at August 31, 2007
Accrued pension liability	$1,677,549	$8,022,157	$9,699,706
Decrease in unrestricted net assets	–	8,022,157	8,022,157

Prior unrecognized net actuarial losses of $8,022,157 have been included in the unrestricted net assets at August 31, 2007, and have not yet been recognized in net periodic pension cost.

Actuarial losses included in unrestricted net assets at August 31, 2007, and expected to be amortized in net periodic benefit cost during fiscal 2008 are $48,959.

8. Pension Plan (continued)

The following table sets forth the defined-benefit pension plan's benefit obligations, fair value of the Plan's assets, and funded status at August 31, 2007 and 2006:

	2007	2006
Accumulated benefit obligation	**$ 53,078,508**	$ 47,682,158
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 67,398,764**	$ 58,342,821
Service cost, benefits earned during the year	**3,441,832**	2,878,066
Interest cost on projected benefit obligation	**4,550,315**	3,905,563
Benefits paid	**(1,632,082)**	(1,671,503)
Actuarial losses	**98,105**	3,943,817
Projected benefit obligation at end of year	**$ 73,856,934**	$ 67,398,764
Change in plan assets:		
Fair value of plan assets at beginning of year	**$ 55,775,177**	$ 49,756,980
Actual return on plan assets	**6,078,133**	3,674,700
Employer contributions	**3,936,000**	4,015,000
Benefits paid	**(1,632,082)**	(1,671,503)
Fair value of plan assets at end of year	**$ 64,157,228**	$ 55,775,177
Reconciliation of accrued pension costs:		
Funded status of the plan	**$ (9,699,706)**	$ (11,623,587)
Unrecognized net actuarial losses deferred	**–**	9,980,440
Unrecognized prior service cost and other	**–**	(16,623)
Accrued pension cost at end of year	**$ (9,699,706)**	$ (1,659,770)

8. Pension Plan (continued)

No plan assets are expected to be returned to the Corporation during the fiscal year ended August 31, 2007.

The following is a summary of the components of net periodic pension costs:

	Year Ended August 31 2007	2006
Service cost	**$ 3,441,832**	$ 2,878,066
Interest cost	**4,550,315**	3,905,563
Expected return on plan assets	**(4,271,019)**	(3,800,006)
Amortization	**232,651**	(10,202)
Net periodic pension cost	**$ 3,953,779**	$ 2,973,421

The following is a schedule, by year, of expected benefit payments, which reflect expected future service:

Year Ended August 31	Amount
2008	$ 1,569,000
2009	1,650,000
2010	1,829,000
2011	1,910,000
2012	2,071,000
2013 – 2017	16,772,000
	$ 25,801,000

8. Pension Plan (continued)

The weighted-average assumptions used to determine the Plan's projected benefit obligation and net periodic benefit costs for the years ended August 31 are as follows:

Assumptions	2007	2006
Discount rate	**6.5%**	6.5%
Expected long-term return on plan assets	**7.5**	7.5
Rate of compensation increase	**5.0**	5.0

The principal long-term determinant of a portfolio's investment return is its asset allocation. The Plan's allocation includes growth assets (65.6%) and fixed income (33.5%) investments. In addition, active management strategies have added value relative to passive benchmark returns. The expected long-term rate of return assumption is based on the mix of assets in the Plan, the long-term earnings expected to be associated with each asset class, and the additional return expected through active management.

The Plan's weighted-average asset allocations at August 31, 2007 and 2006, by asset category, are as follows:

Asset Category	2007	2006
Mutual funds – equity funds	**68.1%**	65.6%
Mutual funds – bond funds	**30.4**	33.5
Alternative investments	**1.1**	0.7
Other	**0.4**	0.2
	100.0%	100.0%

The Plan employs an investment advisor to monitor the Plan's investment managers and make investment recommendations to the Corporation. The Corporation invests fund balances in a structured portfolio of equity and bond mutual funds and alternative investments. The target allocation strategy for the Plan is to have its investment portfolio comprise approximately 50% to 70% growth investments, 25% to 45% fixed-income investments, and 0% to 5% in alternative

8. Pension Plan (continued)

investments. Within the growth investment classification, the Plan's asset strategy encompasses equity and equity-like instruments that are expected to represent approximately 59.8% of the Corporation's plan asset portfolio of both public and private market investments. The largest component of these equity and equity-like instruments is public equity securities that are well diversified and invested in U.S. and international companies.

Projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category.

The Corporation expects to contribute approximately $3,600,000 to the pension plan in 2007 and will meet the required funding amounts for 2007.

9. Related-Party Transactions

The Corporation provided management and other services and paid amounts on behalf of the Foundation and other related organizations approximating $1,407,173 in 2007 and $1,225,010 in 2006. At August 31, 2007 and 2006, $256,114 and $233,540, respectively, remained unpaid.

The Corporation received $621,809 in donations from the Foundation in fiscal 2007, $287,583 of which was for the donation of equipment and credited to the Corporation's unrestricted net assets, and $335,950 of which was for operating purposes, which is reflected in operating income. In fiscal 2006, the Corporation received $625,017 in donations from the Foundation, $474,935 of which was for the donation of equipment and credited to the Corporation's unrestricted net assets, and $182,937 of which was for operating purposes, which was reflected in prior year operating income.

In June 2003, the Corporation discontinued the operations of the AP&S Division of the Hospital. The discontinuance involved the early termination of both a Provider Services Agreement and Lease (collectively, the Agreements) with Associated Physicians & Surgeons, LLC and AP&S LLC II (collectively, AP&S) under which the AP&S physician practices were operated as a department of the Hospital, known as the AP&S Division.

9. Related-Party Transactions (continued)

In conjunction with the termination of the Agreements, AP&S entered into a lease agreement with the Corporation for building and certain medical equipment. The Corporation is also providing certain support services to AP&S through a period of transition through formal outsourcing arrangements. The amounts due to the Corporation by AP&S under these outsourcing and service arrangements are offset by the operating results of the Wabash Valley Surgery Center (WVSC). This arrangement ended on November 30, 2006. The net result of these activities is reflected in other operating revenues of the Corporation as of the effective date of the arrangements.

10. Commitments and Contingencies

The Corporation is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Corporation's financial position or consolidated results of operations and changes in net assets.

Other Financial Information

Union Hospital, Inc. and Subsidiary

Details of Consolidated Statements of Operations

Year Ended August 31, 2007

	Union Hospital, Inc. and Subsidiary	Eliminations	IPACS, Inc.	Union Hospital, Inc.	West Central Community Hospital	Union Hospital
Operating revenue:						
Net patient service revenue	$ 335,880,700	$ –	$ –	335,880,700	$ 23,353,041	$ 312,527,659
Other revenue	9,010,142	(1,027,867)	1,700,870	8,337,139	460,026	7,877,113
Total operating revenue	344,890,842	(1,027,867)	1,700,870	344,217,839	23,813,067	320,404,772
Operating expenses:						
Salaries and wages	100,703,334	–	161,035	100,542,299	8,377,111	92,165,188
Employee benefits	25,573,609	–	57,727	25,515,882	2,145,504	23,370,378
Medical supplies and drugs	55,221,151	–	308,834	54,912,317	3,199,521	51,712,796
Physician services	8,413,631	–	–	8,413,631	379,800	8,033,831
Contract services	76,865,299	–	110,350	76,754,949	2,017,474	74,737,475
Equipment and building rent	8,508,750	–	28,559	8,480,191	533,545	7,946,646
Utilities, supplies, and other	16,610,541	(1,027,867)	867,412	16,770,996	1,633,603	15,137,393
Provision for doubtful accounts	28,321,395	–	164,688	28,156,707	2,652,832	25,503,875
Interest	3,110,437	–	–	3,110,437	–	3,110,437
Depreciation and amortization	10,688,488	–	9,488	10,679,000	692,705	9,986,295
Total operating expenses	334,016,635	(1,027,867)	1,708,093	333,336,409	21,632,095	311,704,314
Operating income	10,874,207	–	(7,223)	10,881,430	2,180,972	8,700,458
Nonoperating gains (losses):						
Interest, dividend, and realized gains and losses on sales of investments	3,082,249	7,223	–	3,075,026	54,562	3,020,464
Other	(204,122)	–	–	(204,122)	(5,926)	(198,196)
Total nonoperating gains, net	2,878,127	7,223	–	2,870,904	48,636	2,822,268
Excess of revenue and gains over expenses	$ 13,752,334	$ 7,223	$ (7,223)	$ 13,752,334	$ 2,229,608	$ 11,522,726

Union Hospital, Inc. and Subsidiary

Details of Consolidated Statements of Operations

Year Ended August 31, 2006

	Union Hospital, Inc. and Subsidiary	Eliminations	IPACS, Inc.	Union Hospital, Inc.	West Central Community Hospital	Union Hospital
Operating revenue:						
Net patient service revenue	$ 269,438,718	$ –	$ –	$ 269,438,718	$ 20,712,438	$ 248,726,280
Other revenue	6,862,712	(625,942)	718,442	6,770,212	455,935	6,314,277
Total operating revenue	276,301,430	(625,942)	718,442	276,208,930	21,168,373	255,040,557
Operating expenses:						
Salaries and wages	95,288,992	–	148,166	95,140,826	7,956,157	87,184,669
Employee benefits	25,673,766	–	60,373	25,613,393	2,040,547	23,572,846
Medical supplies and drugs	59,190,977	–	–	59,190,977	3,148,861	56,042,116
Physician services	8,675,024	–	–	8,675,024	365,200	8,309,824
Contract services	28,591,211	–	50,972	28,540,239	2,155,644	26,384,595
Equipment and building rent	8,014,478	–	20,364	7,994,114	642,274	7,351,840
Utilities, supplies, and other	10,236,182	(625,942)	345,365	10,516,759	1,541,278	8,975,481
Provision for doubtful accounts	21,635,473	–	48	21,635,425	2,316,058	19,319,367
Interest	2,139,694	–	–	2,139,694	–	2,139,694
Depreciation and amortization	9,960,575	–	9,336	9,951,239	591,031	9,360,208
Total operating expenses	269,406,372	(625,942)	634,624	269,397,690	20,757,050	248,640,640
Operating income	6,895,058	–	83,818	6,811,240	411,323	6,399,917
Nonoperating gains (losses):						
Interest, dividend, and realized gains and losses on sales of investments	2,043,842	(154,057)	70,239	2,127,660	42,965	2,084,695
Contributions	1,358,339	–	–	1,358,339	–	1,358,339
Other	(745,328)	–	–	(745,328)	(1,650)	(743,678)
Total nonoperating gains, net	2,656,853	(154,057)	70,239	2,740,671	41,315	2,699,356
Excess of revenue and gains over expense	$ 9,551,911	$ (154,057)	$ 154,057	$ 9,551,911	$ 452,638	$ 9,099,273