

Elmhurst Memorial Healthcare and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended June 30, 2009 and 2008,
Supplemental Consolidating Schedules as of
and for the Year Ended June 30, 2009, and
Independent Auditors' Report

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Elmhurst Memorial Healthcare and Subsidiaries
Elmhurst, Illinois

We have audited the accompanying consolidated balance sheets of Elmhurst Memorial Healthcare and subsidiaries ("Elmhurst") as of June 30, 2009 and 2008, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Elmhurst's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Elmhurst's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Elmhurst at June 30, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective June 30, 2008, Elmhurst designated its investments as trading securities.

As discussed in Note 8 to the consolidated financial statements, as of June 30, 2008, Elmhurst changed its measurement date for its defined benefit pension obligations to conform to Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)*.

Our fiscal 2009 audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental consolidating schedules are presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations for the individual organizations, and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of Elmhurst's management. Such information has been subjected to auditing procedures applied in our audit of the fiscal 2009 consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic fiscal 2009 consolidated financial statements taken as a whole.

Also, the accompanying Supplemental Schedule required by the Master Trust Debt Indenture for the year ended June 30, 2009, is presented for purposes of additional analysis of the basic consolidated financial statements and is not a required part of the basic consolidated financial statements. In connection with our audit, nothing came to our attention that caused us to believe that Elmhurst failed to comply with any of the terms, covenants, or conditions of the Master Trust Debt Indenture dated July 1, 1987, as amended through May 15, 2008, with Wells Fargo Bank, N.A., insofar as they related to financial and accounting matters. The schedule is the responsibility of Elmhurst's management. Such information has been subjected to auditing procedures applied in our audit of the fiscal 2009 consolidated financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic fiscal 2009 consolidated financial statements taken as a whole. However, our audit was not directed primarily toward obtaining knowledge of noncompliance with such section.

This report is intended solely for the Board of Trustees, members of the Audit and Finance Committees, Elmhurst Management, Wells Fargo Bank, N.A., Bank of New York Trust Co., JP Morgan Chase Bank, Fifth Third Bank, Northern Trust Co. and the RBS Citizens, National Association, and should not be used by anyone other than those specified parties.

Deloitte & Touche LLP

October 16, 2009

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 38,675,085	\$ 7,113,737
Short-term investments (Note 3)	1,119,675	2,246,464
Patient accounts receivable — less allowances for uncollectible accounts of \$7,791,000 in 2009 and \$8,376,000 in 2008	44,641,684	50,833,352
Inventories	4,582,394	4,709,257
Prepaid expenses, interest receivable, and other	16,789,063	7,419,730
Due from third-party payors	640,000	500,000
Total current assets	<u>106,447,901</u>	<u>72,822,540</u>
INVESTMENTS — Assets limited as to use (Note 3):		
Internally designated for capital improvements	301,889,797	405,595,459
Externally designated investments under bond agreements	225,883,080	327,128,340
Internally designated for medical education and other health care services	2,545,302	2,761,574
Temporarily restricted donor assets	1,696,735	1,794,972
Donor assets restricted into perpetuity	489,515	580,261
Total investments — assets limited as to use	<u>532,504,429</u>	<u>737,860,606</u>
LAND, BUILDINGS, AND EQUIPMENT — Net (Note 5)	<u>314,220,108</u>	<u>188,604,852</u>
PREPAID PENSION, DEFERRED FINANCING COSTS, AND OTHER	<u>8,872,189</u>	<u>26,913,831</u>
TOTAL	<u>\$962,044,627</u>	<u>\$1,026,201,829</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 26,968,139	\$ 16,381,027
Accrued payroll and other	23,869,801	20,664,131
Amounts due to third-party payors	44,288,516	29,746,998
Current maturities of long-term debt (Note 6)	5,170,004	5,070,004
Total current liabilities	100,296,460	71,862,160
LONG-TERM DEBT — Excluding current maturities (Note 6)	517,095,484	522,107,254
OTHER LIABILITIES	40,752,176	22,591,045
ACCRUED PENSION	16,055,756	
Total liabilities	<u>674,199,876</u>	<u>616,560,459</u>
NET ASSETS:		
Unrestricted	285,658,501	407,266,137
Temporarily restricted (Note 10)	1,696,735	1,794,972
Permanently restricted (Note 10)	489,515	580,261
Total net assets	<u>287,844,751</u>	<u>409,641,370</u>
TOTAL	<u>\$962,044,627</u>	<u>\$1,026,201,829</u>

See notes to consolidated financial statements.

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
REVENUES:		
Net patient service revenue	\$ 345,238,794	\$ 329,416,123
Other revenue	<u>16,478,376</u>	<u>20,355,198</u>
Total revenues	<u>361,717,170</u>	<u>349,771,321</u>
EXPENSES:		
Salaries and benefits	172,590,843	170,772,055
Supplies	56,056,776	53,533,265
Purchased services and other	84,556,510	78,341,824
Provision for bad debts	15,830,569	16,847,569
Depreciation	16,726,333	15,376,645
Medicaid tax	<u>7,304,158</u>	<u>8,988,954</u>
Total expenses	<u>353,065,189</u>	<u>343,860,312</u>
OPERATING INCOME	<u>8,651,981</u>	<u>5,911,009</u>
NONOPERATING (EXPENSE) INCOME:		
Investment income (Note 3)	7,038,054	26,027,568
Unrealized losses on investments	(64,919,662)	
Reclassification of net unrealized gains on securities transferred to the trading categories (Note 1)		2,589,019
Interest expense	(8,604,623)	(9,897,140)
Amortization of deferred financing costs	(236,794)	(98,851)
Loss on refunding or extinguishment of debt	(89,545)	(349,419)
Cash settlements on interest rate swaps (Note 6)	(610,287)	812,677
Unrealized loss on interest rate swaps (Note 6)	(14,256,229)	(4,053,140)
Change in unrealized loss on hedge fund investments	<u>(8,320,828)</u>	<u>(615,986)</u>
Total nonoperating (expense) income — net	<u>(89,999,914)</u>	<u>14,414,728</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>(81,347,933)</u>	<u>20,325,737</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS:		
Net change in unrealized losses on investments		(33,497,444)
Reclassification of net unrealized loss on securities transferred to the trading categories (Note 1)		(2,589,019)
Unrealized loss on interest rate swap (Note 6)		(7,220,832)
Amortization of gain on discontinuation of hedge accounting	177,210	
Pension and supplemental plan related changes other than net periodic pension cost	(40,898,711)	1,274,133
Temporarily restricted contributions released for capital projects	<u>461,798</u>	<u>288,274</u>
Total other changes in unrestricted net assets — net	<u>(40,259,703)</u>	<u>(41,744,888)</u>
DECREASE IN UNRESTRICTED NET ASSETS PRIOR TO ADOPTION OF FASB STATEMENT No. 158	(121,607,636)	(21,419,151)
EFFECT OF MEASUREMENT DATE PROVISION OF FASB STATEMENT No. 158 (Note 8)		<u>(486,402)</u>
DECREASE IN UNRESTRICTED NET ASSETS AFTER ADOPTION OF FASB STATEMENT No. 158	<u>\$ (121,607,636)</u>	<u>\$ (21,905,553)</u>

See notes to consolidated financial statements.

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$(121,796,619)	\$ (21,282,324)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	16,726,333	15,376,645
Gain on disposal of assets	(220,744)	(346,288)
Amortization of deferred financing costs	236,794	98,851
Change in unrealized loss on investments	73,240,490	34,113,430
Unrealized loss on interest rate swaps	14,256,229	11,273,972
Restricted contributions	(371,053)	(702,230)
Change in patient accounts receivable:		
Net decrease (increase) in patient accounts receivable	21,921,371	(20,083,456)
(Decrease) increase in contractual allowance reserves	(15,145,697)	15,556,515
Provision for bad debts	15,830,569	16,847,569
Write-offs of accounts receivable	(16,414,575)	(17,372,426)
Increase in prepaid pension, deferred financing costs, and other	17,715,303	763,072
Adjustment of the measurement date provision of FASB Statement No. 158		486,402
Loss on refunding or extinguishment of debt	89,545	349,419
Net change in other assets and liabilities	<u>38,912,488</u>	<u>(752,303)</u>
Net cash provided by operating activities	<u>44,980,434</u>	<u>34,326,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of buildings and equipment	(142,125,395)	(34,008,049)
Acquisition of land held for future use		(11,125,175)
Proceeds from sale of buildings and equipment	4,550	588,574
Purchases of investments	(40,087,076)	(570,547,955)
Proceeds from sales and maturities of investments	<u>173,329,552</u>	<u>263,071,144</u>
Net cash used in investing activities	<u>(8,878,369)</u>	<u>(352,021,461)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from restricted contributions — net of assets released from restrictions	371,053	702,230
Proceeds from remarketing of bonds	16,000,000	369,845,855
Repayment of long-term debt	(20,911,770)	(52,018,272)
Payment of bond issue costs		<u>(2,469,350)</u>
Net cash (used in) provided by financing activities	<u>(4,540,717)</u>	<u>316,060,463</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,561,348	(1,634,150)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>7,113,737</u>	<u>8,747,887</u>
End of year	<u>\$ 38,675,085</u>	<u>\$ 7,113,737</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Interest paid	<u>\$ (8,650,248)</u>	<u>\$ (9,855,765)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY — Capital acquisitions funded through accounts payable		
	<u>\$ 13,070,818</u>	<u>\$ -</u>

See notes to consolidated financial statements.

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization — Elmhurst Memorial Healthcare and subsidiaries (“Elmhurst”) is an integrated delivery system that provides health care services to the residents of eastern Du Page and western Cook counties. Elmhurst provides a broad continuum of services and is committed to providing high-quality, comprehensive patient care that is designed to meet the total needs of the patient.

Elmhurst functions in a leadership role in improving the health of the community through an emphasis on health maintenance, education, and rehabilitation, as well as diagnosis and treatment.

Elmhurst is the sole corporate member of Elmhurst Memorial Hospital (the “Hospital”) and is also the sole shareholder of Elmhurst Memorial Health Technologies, LLC (HTI). The Hospital is the sole corporate member of Elmhurst Memorial Home Health (“Home Health”) and Elmhurst Memorial Hospital Foundation (the “Foundation”).

Basis of Presentation — The consolidated financial statements include the accounts and transactions of Elmhurst, the Hospital, Home Health, HTI, and the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ.

Cash Equivalents — Elmhurst considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Inventories — Inventories are stated at the lower of cost (first-in, first-out) or market.

Assets Limited as to Use and Short-Term Investments — Investments in equity securities, mutual funds, and debt securities are measured at fair value in the consolidated financial statements, based on prices available in active markets for identical instruments. Investment gains and losses (including interest, dividends, realized gains and losses, and other-than-temporary declines in investments) are included in (deficiency) excess of revenue over expenses unless the income or loss is restricted by donor or law (see Note 3). The fair value of investments in hedge funds and equity securities held in commingled funds are valued based on the net asset value provided by the respective fund manager or general partners, where the fair value of the underlying securities, which may or may not be traded in an active market, is the most significant input to the resulting net asset value. Elmhurst is a passive participant in these funds and manages its holdings in these funds similar to its holdings in other financial instruments. Investments in real estate are measured at fair value based on current appraisal value. In the prior year, unrealized gains and losses are excluded from the excess of revenue over expenses, and are reflected in the other changes in unrestricted net assets, except investments in hedge funds. The unrealized gains and losses on hedge funds are included in excess of revenue over expenses

(see Note 3). In the current year, unrealized gains and losses are included in excess of revenue over expenses. Investment returns on permanently restricted assets are allocated to purposes specified by the donor, either as temporarily restricted or unrestricted.

Assets limited as to use consist of investments set aside by the Board of Trustees for future capital acquisitions and improvements, medical education, and other health care programs over which the Board retains control and may, at its discretion, subsequently use for other purposes. Additionally, assets limited as to use include investments held by trustees under bond agreements and investments held for purposes specified by the donor, or in perpetuity.

Effective June 30, 2008, Elmhurst designated its investments as trading securities. As a result of this designation, \$2,589,019 of cumulative net unrealized gains on the trading portfolio as of June 30, 2008, not previously recognized in earnings, were recognized as nonoperating income.

Fair Value of Financial Instruments — Financial instruments consist primarily of cash and cash equivalents, investments, derivatives, patient accounts receivable, amounts due to/from third-party payors, accounts payable, and long-term debt. Except for long-term debt, the fair value of these instruments approximated their financial statement carrying amount at June 30, 2009 and 2008, because of their short-term maturity. See Note 4 for the fair value of long-term debt.

Land, Buildings, and Equipment — Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Depreciation for land, buildings, and equipment is provided over the estimated useful lives of each class of depreciable assets using both the straight-line and accelerated methods. Land improvements are depreciated over 25.5 to 40.5 years, buildings over 20.5 to 40.5 years, and equipment over 3.5 to 20.5 years. Interest expense incurred during the development and construction of properties is capitalized as part of the property and is depreciated over the useful life of the property. Interest expense of \$2,516,705 and \$1,248,283 was capitalized for the years ended June 30, 2009 and 2008, respectively.

Deferred Financing Costs and Intangible Assets — Expenses incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related financing using a method which approximates the effective-yield method. Intangible assets are principally amortized over a period of 15 years using the straight-line method.

Derivative Instruments and Hedging Activities — Derivative instruments are recorded at fair value, which considers, among other factors, nonperformance risk. Gains and losses on nonhedging or the ineffective portion of hedging derivative instruments are recorded as components of nonoperating income and gains and losses on the effective portion of hedging instruments are recorded as components of Other Changes in Unrestricted Net Assets within the Consolidated Statements of Operations and Changes in Unrestricted Net Assets (see Note 6). When a hedge is dedesignated but the hedged transactions are still probable to occur, gains and losses on the hedging instrument arising subsequent to the date of de-designation are recorded as components of nonoperating income, and gains or losses previously recorded as components of Other Changes in Unrestricted Net Assets are amortized to nonoperating income when the hedged transactions affect income.

Temporarily and Permanently Restricted Net Assets — Temporarily restricted net assets are assets whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Elmhurst in perpetuity. Assets released from restrictions that are used for the purchase of fixed assets or capital purposes are reported in the Consolidated Statements of Operations and Changes in Net Assets as additions to unrestricted net assets. Assets released from restrictions that are used for operating purposes are reported in the Consolidated

Statements of Operations and Changes in Net Assets as Other Revenue. Restricted earnings are recorded as temporarily restricted net assets until amounts are expended in accordance with donors' specifications.

Donor-Restricted Gifts — Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions.

Excess of Revenues Over Expenses — The Consolidated Statements of Operations and Changes in Net Assets include unrestricted revenues in excess of expenses. Changes in unrestricted net assets, which are excluded from unrestricted revenues in excess of expenses, include unrealized gains and losses on investments (in fiscal year 2008) and effective interest rate swaps, adjustment for adoption of FASB Statement No. 158, reclassification of net unrealized gains on securities transferred to the trading categories, pension and supplemental plan related changes other than net periodic pension cost and contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets.

Net Patient Service Revenue — Elmhurst has agreements with third-party payors that provide for payments to Elmhurst at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administering agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

Consideration of Events Subsequent to the Date of the Consolidated Statement of Financial Position — Elmhurst recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Consolidated Balance Sheet, including the estimates inherent in the process of preparing the consolidated financial statements. Elmhurst does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Consolidated Balance Sheet but arose after the date of the Consolidated Balance Sheet and before the consolidated financial statements are issued. For these purposes, Elmhurst has evaluated events occurring subsequent to the date of the Consolidated Balance Sheet through October 16, 2009, the date the consolidated financial statements were issued. Elmhurst has not evaluated events occurring after October 16, 2009 in these consolidated financial statements.

New Accounting Pronouncements — In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*. FASB Statement No. 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurement. FASB Statement No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. Elmhurst adopted FASB Statement No. 157 effective July 1, 2008. The effect of the adoption of FASB Statement No. 157 did not have a material effect on Elmhurst's consolidated financial position, results of operations, or cash flows. The additional disclosures required by FASB Statement No. 157 are included in Note 4.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value following the provisions of FASB Statement No. 157. Included within the scope of the statement are all recognized financial assets and financial liabilities, except consolidated investments, consolidated interest in a variable interest entity, obligations for pension and certain other benefits, leases, and financial instruments that are classified as a component of net assets. Also included in the scope of the statement are firm commitments that would otherwise not be recognized at inception and that involve only financial instruments, nonfinancial insurance contracts, and warranties that the insurer can settle by paying a third party to provide those goods or services and host financial instruments resulting from separation of an embedded nonfinancial derivative instrument from a nonfinancial hybrid instrument. Elmhurst adopted FASB Statement No. 159 effective July 1, 2008. Upon adoption of FASB Statement No. 159, Elmhurst did not elect to record any of Elmhurst's financial assets or financial liabilities which were not recorded at fair value prior to July 1, 2008, at fair value. Elmhurst may subsequently elect to record at fair value certain financial assets and liabilities not currently recorded at fair value.

In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*. FASB Statement No. 161 expands the disclosure requirements for derivative instruments and for hedging activities, including disclosures about credit-risk-related contingent features and collateral posting requirements. The new disclosure requirements are effective for Elmhurst in fiscal 2010. The adoption of FASB Statement No. 161 will have no impact on Elmhurst's consolidated financial position, results of operations, or cash flows. Elmhurst is assessing the impact of the implementation of FASB Statement No. 161 on its disclosures in its consolidated financial statements.

In August 2008, the FASB issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which, among other things, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about a not-for-profit organization's endowment funds. On June 30, 2009, the State of Illinois adopted UPMIFA. The adoption of UPMIFA had no effect on the accounting for Elmhurst's endowment funds. Elmhurst adopted FSP FAS 117-1 during the year ended June 30, 2009. The effect of the adoption of FSP FAS 117-1 did not have a material effect on Elmhurst's consolidated financial position, results of operations, or cash flows.

In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*, which amends FASB Statement No. 132(R) to require more detailed disclosures about employers' pension and postretirement plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. These required disclosures for Elmhurst's plan assets would be similar to the disclosures about fair value measurements required by FASB Statement No. 157. The new disclosure requirements are effective for Elmhurst in fiscal 2010. The adoption of FSP FAS 132(R)-1 will have no impact on Elmhurst's consolidated financial position, results of operations, or cash flows. Elmhurst is assessing the impact of the implementation of FSP FAS 132(R)-1 on its disclosures in its consolidated financial statements.

In fiscal 2009, Elmhurst adopted FASB Statement No. 165, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet position date but before financial statements are issued or are available to be issued. The adoption of FASB

Statement No. 165 had no impact on Elmhurst's consolidated financial position, results of operations, or cash flows. Management of Elmhurst has disclosed earlier in this Note 1 the date through which the effects of subsequent events were considered.

2. NET PATIENT SERVICE REVENUE

The mix of net patient service revenue for the years ended June 30, 2009 and 2008, was as follows:

	2009	2008
Medicare	29 %	31 %
Medicaid	3	3
Other	<u>68</u>	<u>66</u>
Total	<u>100 %</u>	<u>100 %</u>

Elmhurst has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, per diem payments, and discounted charges. Patient service revenue is reported at the estimated net realizable amounts from third-party payors, patients, and others for services rendered, including estimated retroactive settlements. Estimated settlements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in estimates relating to prior periods increased net patient service revenue by \$371,589 and \$230,531 in fiscal 2009 and 2008, respectively. Laws and regulations governing government and other payment programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimated third-party settlements could change by a material amount.

Elmhurst has filed formal appeals relating to the settlement of certain prior-year Medicare cost reports. The outcome of such appeals cannot be determined at this time. Any resulting gains will be recognized in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets when realized.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity continues with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayment of previously billed and collected revenues from patient services. Management believes that Elmhurst is in substantial compliance with current laws and regulations.

In 2005, the state of Illinois adopted legislation requiring hospitals to pay a tax whose amount was determined based on certain factors including bed size, patient days, emergency room visits, and other utilization measures. The funds raised by this assessment are matched by the federal government. A portion of the total proceeds from the assessment and federal match is required to be distributed to hospitals based on certain factors including Medicaid inpatient and outpatient utilization, trauma status, and other measures. Elmhurst's assessment for fiscal 2009 and 2008 was \$7,304,158 and \$8,988,955, respectively, and is presented as Medicaid tax expense. The amount allocated to Elmhurst in fiscal 2009 and 2008 was \$8,677,882 and \$7,410,476, respectively, and is included in Net Patient Service Revenue. For the fiscal years ended June 30, 2009 and 2008, a tax payable and an assessment receivable were not recorded.

3. INVESTMENTS

Assets limited as to use and short-term investments as of June 30, 2009 and 2008, consisted of the following:

	2009	2008
Cash	\$ 23,146,583	\$ 42,718,289
Certificates of deposit	700,809	942,688
Real estate	975,000	975,000
Corporate bonds	11,224,193	206,420,086
United States government obligations	196,136,195	102,911,957
Mutual funds invested in fixed-income securities	98,271,390	104,340,460
Equity securities	142,135,161	193,919,235
Mutual funds invested in commodities	11,224,783	25,097,802
Hedge funds	49,809,990	62,781,553
	<u>533,624,104</u>	<u>740,107,070</u>
Total	<u>\$533,624,104</u>	<u>\$740,107,070</u>

Assets limited as to use and short-term investments are classified at June 30, 2009 and 2008, as follows:

	2009	2008
Short-term investments	\$ 1,119,675	\$ 2,246,464
Assets limited as to use	<u>532,504,429</u>	<u>737,860,606</u>
Total investments	<u>\$533,624,104</u>	<u>\$740,107,070</u>

Investment returns for the years ended June 30, 2009 and 2008, consisted of the following:

	2009	2008
Interest and dividend income	\$ 10,799,415	\$ 22,574,929
Realized (losses) gains — net	<u>(3,761,361)</u>	<u>3,452,639</u>
Investment income	<u>\$ 7,038,054</u>	<u>\$ 26,027,568</u>

Investment returns on externally designated investments related to Elmhurst's debt were \$773,457 and \$3,301,418 for fiscal 2009 and 2008, respectively. These amounts are presented as other revenue in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets and all other investment returns are presented as investment income.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with FASB Statement No. 157 fair value is defined as the price that Elmhurst would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Statement No. 157 also establishes a framework for measuring fair value, and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the fund. Unobservable inputs reflect the Elmhurst's own

assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. Each investment is assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 — Valuations are based on quoted prices in active markets for identical assets or liabilities that Elmhurst has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 — Valuations are not based on quoted prices for identical assets or liabilities, but rather are based on significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Fair values are primarily obtained from third-party pricing services for comparable assets or liabilities.

Level 3 — Valuations are derived from other valuation methodologies and incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities. Management's estimate of the fair value of hedge funds and equities held in commingled funds are based on information provided by the fund managers or general partners, which in turn is based on the most recent information available to the fund manager for the underlying investments.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents information about Elmhurst's financial assets and liabilities measured at fair value as of June 30, 2009, based on the hierarchy:

Description	Fair Value at Reporting Date			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash	\$ 23,146,583	\$ -	\$ -	\$ 23,146,583
Certificate of deposit	700,809			700,809
Real estate		975,000		975,000
Corporate bonds	11,224,193			11,224,193
U.S. government obligations	196,136,195			196,136,195
Mutual funds invested in fixed-income securities	28,140,250	70,131,140		98,271,390
Equity securities	21,300,423	88,423,738	32,411,000	142,135,161
Mutual funds invested in commodities	11,224,783			11,224,783
Hedge funds			49,809,990	49,809,990
Total investments	<u>\$ 291,873,236</u>	<u>\$ 159,529,878</u>	<u>\$ 82,220,990</u>	<u>\$ 533,624,104</u>
Interest rate swaps	<u>\$ -</u>	<u>\$ (17,670,418)</u>	<u>\$ -</u>	<u>\$ (17,670,418)</u>

A reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) during the year ended June 30, 2009, is as follows:

	Hedge Funds	Equity Securities	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance — July 1, 2008	\$ 62,781,553	\$ 46,143,054	\$ 108,924,607
Total losses (realized and unrealized)	(7,971,563)	(13,732,054)	(21,703,617)
Purchases and sales — net	<u>(5,000,000)</u>	<u> </u>	<u>(5,000,000)</u>
Balance — June 30, 2009	<u>\$ 49,809,990</u>	<u>\$ 32,411,000</u>	<u>\$ 82,220,990</u>

5. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost, less accumulated depreciation, at June 30, 2009 and 2008, are as follows:

	2009	2008
Land and land improvements	\$ 24,195,030	\$ 24,048,854
Buildings	186,405,001	183,094,728
Equipment	150,893,586	144,797,175
Construction in progress	150,353,655	24,983,967
Land held for future use	<u>50,604,060</u>	<u>44,460,864</u>
Total property and equipment	562,451,332	421,385,588
Less accumulated depreciation	<u>(248,231,224)</u>	<u>(232,780,736)</u>
Property and equipment — net	<u>\$ 314,220,108</u>	<u>\$ 188,604,852</u>

In July 2004, the Board of Trustees of Elmhurst announced its decision to initiate a planning process to develop a new, integrated health care campus on 32 acres of land acquired in southern Elmhurst. This new facility will be adjacent to the Elmhurst Memorial Center for Health, a 15-acre ambulatory services campus that was completed in 1999. Elmhurst received Certificate of Need approval from the State of Illinois in February 2008. Construction began in the spring of 2008 and is expected to take 30 to 36 months to complete. The campus will include a replacement hospital and additional physician offices. The project is estimated to cost \$450,000,000. Financing for the new campus will include internally generated funds, debt, and a capital gift campaign. A plan will also be developed to determine the reuse of the current hospital campus and facilities. It is expected that some level of health care services will continue to be provided there. The Hospital will assess whether an impairment is required when the planning process is complete. The accumulated capitalized interest costs as of June 30, 2009 and 2008, were \$600,939 and \$1,248,283, respectively.

6. LONG-TERM DEBT

Long-term debt at June 30, 2009 and 2008, consists of the following:

	2009	2008
5.00% to 6.25% secured revenue refunding bonds, dated December 15, 2002 (Series 2002D), due in varying annual principal installments through January 1, 2028	\$ 130,694,288	\$ 132,572,393
Variable rate direct note obligation Series 1985C and 1985D (0.35% and 1.55% at June 30, 2009 and 2008, respectively), maturing on December 15, 2012	14,933,306	18,133,310
Variable rate direct note obligation Series 2004A (3.50% and 1.59% at June 30, 2009 and 2008, respectively), maturing on January 1, 2024	6,482,000	6,482,000
Secured revenue bonds Series 2008A (4.5% to 5.625%), dated May 15, 2008, due in varying annual principal installments through January 1, 2037	120,012,193	119,845,855
Variable rate demand revenue bonds, Series 2008B (0.23% and 1.55% at June 30, 2009 and 2008, respectively), maturing on January 1, 2048	100,000,000	100,000,000
Variable rate demand revenue bonds, Series 2008C (0.75% and 1.45% at June 30, 2009 and 2008, respectively), maturing on January 1, 2048	75,000,000	75,000,000
Variable rate demand revenue bonds, Series 2008D (0.16% and 1.52% at June 30, 2009 and 2008, respectively), maturing on January 1, 2048	50,000,000	50,000,000
Variable rate demand revenue bonds, Series 2008E (2.32% and 1.52% at June 30, 2009 and 2008, respectively), maturing on January 1, 2048	25,000,000	25,000,000
Other long-term borrowings	<u>143,700</u>	<u>143,700</u>
Total	522,265,487	527,177,258
Less current maturities of long-term debt	<u>(5,170,004)</u>	<u>(5,070,004)</u>
Long-term debt less current maturities	<u>\$ 517,095,483</u>	<u>\$ 522,107,254</u>

In August 2006, Elmhurst entered into a \$12,000,000 loan through the Illinois Facilities Authority's Pooled Financing Program related to the Series 1985C and 1985D Project Loan Agreements. Proceeds from the loan were used to reimburse Elmhurst for routine capital expenditures with tax-exempt uses.

In December 2006, Elmhurst issued \$47,000,000 variable rate direct note obligation bonds, Series 2006E. The proceeds were used to establish a project fund to reimburse Elmhurst for routine capital purchases.

In May 2008, Elmhurst issued \$124,820,000 fixed-rate revenue bonds (Series 2008A). The proceeds were used to establish a Project Fund (to reimburse Elmhurst for cost related to the construction of the new hospital campus), establish a Capitalized Interest Fund (to pay the interest costs during construction), and to establish a Debt Service Reserve Fund.

In May 2008, Elmhurst also issued \$250,000,000 variable rate revenue bonds (Series 2008B through E). A portion of the proceeds were used to redeem the Series 2006E Direct Note Bonds. In connection with the redemption, a loss of \$349,419 was recorded in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets. The remainder of the proceeds were used to establish Project Funds (to reimburse Elmhurst for cost related to the construction of the new hospital campus) and Capitalized Interest Funds (to pay the interest costs during construction). The bonds are puttable on demand by the bondholders. Elmhurst uses a remarketing agent to resell any tendered bonds to new investors. Elmhurst has obtained an irrevocable letter of credit to secure repayment of the bond financing, and to provide short-term liquidity in the event bonds are put to Elmhurst and are not able to be immediately remarketed. If the letter of credit were to be drawn upon as a result of failed efforts to remarket any tendered bonds, amounts drawn would be repayable in quarterly installments over a 36-month period commencing 367 days after being drawn, or sooner if the bonds are subsequently remarketed to new investors. No bonds were put by bondholders and failed to be immediately remarketed to investors during the year ended June 30, 2008. During the year ended June 30, 2009, bonds in the amounts of \$16,000,000 failed to remarket immediately and, as a result, the letter of credit was drawn upon in the amount of \$16,000,000. The letter of credit balance was subsequently repaid in full once the bonds were successfully remarketed to a new investor. For accounting purposes, the failed remarketing constituted an extinguishment of debt resulting in the write-off of \$89,545 in unamortized deferred financial costs associated with the \$16,000,000 of bonds.

The estimated fair value of long-term debt, based on quoted market prices for the same or similar issues, was approximately \$33,090,977 and \$3,001,472 less than its carrying value at June 30, 2009 and 2008, respectively.

The maturities and annual sinking fund requirements for the fiscal years ending June 30, 2009 through 2013, on the outstanding long-term debt are as follows, assuming remarketing of variable rate unsecured demand revenue bonds: 2010 — \$5,170,004; 2011 — \$5,277,504; 2012 — \$5,387,504; 2013 — \$8,748,294; 2014 — \$4,727,500; and thereafter — \$492,954,681. As described above, if variable rate unsecured demand revenue bonds fail to remarket, Elmhurst would have to make accelerated debt repayments.

At June 30, 2009 and 2008, Elmhurst was in compliance with all debt covenants.

In 1998, Elmhurst established a program to actively manage its interest cost. The program seeks to achieve the lowest interest cost consistent with an acceptable level of risk given varying interest rate environments. Elmhurst has established a long-term targeted mix of 50% fixed and 50% variable interest rate exposure. Long-term tax-exempt and taxable financings form the base for the program. These financings are necessarily timed to coincide with the periodic acquisition of qualified assets. Based upon the interest rate environment at the time of such financings, fixed or variable rate modes of financing are utilized. Derivatives (interest rate swaps) are used to achieve the targeted mix when underlying financings do not. Market conditions often limit the ability of the program to fully achieve its goals and consequently swap terms (maturity, notional amounts, etc.) do not perfectly match the terms of the underlying debt.

During the years ended June 30, 2009 and 2008, Elmhurst had the following interest rate swap agreements in place:

Floating Interest Rate Agreement (“Basis Swap”) — Elmhurst entered a Basis Swap in May 2002 to lower total interest cost by earning income from spreads between taxable and tax-exempt interest rates. Elmhurst pays the SIFMA floating rate index and receives 76.21% of one-month LIBOR on a \$50,000,000 notional amount, extending over a 20-year period. The Basis Swap does not qualify for hedge accounting. Gains and losses are recorded as Nonoperating Income in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

Fixed Receiver Interest Rate Swap Agreement (“Fixed Receiver”) — Elmhurst entered this swap in August 2003 to increase its exposure to floating interest rate debt after its 2002D fixed-rate refinancing resulted in a higher fixed interest rate exposure. Elmhurst pays the SIFMA floating rate index and receives a fixed rate of 4.64% on a notional amount of \$40,000,000. This agreement also includes a counterparty termination option effective August 2011 and anytime thereafter. The swap extends over a 27-year period from August 2003 execution date. The long-term Fixed Receiver does not qualify for hedge accounting. Gains and losses are recorded as Nonoperating Income in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

2008 Fixed Payer Interest Rate Swap Agreement (“2008 Fixed Payer”) — Elmhurst entered this swap strategy with three separate counterparties in July 2005 to hedge its fixed interest rate exposure for the planned 2008 bond issue related to the new facility. While terms with the three counterparties differ slightly the following express the aggregate terms of the entire strategy. The exchange of payments was not effective until January 2008 to coincide with the planned bond issue. Elmhurst pays a fixed rate of 4.135% in exchange for the SIFMA floating rate index on a notional amount of \$120,000,000 for 30 years. The term of the swap is matched to the expected life and amortization on 50% of the 2008 bonds. The 2008 Fixed Payer Swap was designated for hedge accounting through June 30, 2008. Gains and losses through June 30, 2008, were recorded as Changes in Unrestricted Net Assets in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets. On July 1, 2008, Elmhurst dedesignated the hedge. Gains and losses on the hedging instrument arising subsequent to the date of de-designation are recorded as components of Nonoperating Income, and gains or losses previously recorded as components of Other Changes in Unrestricted Net Assets are amortized to Nonoperating income when the previously hedged interest expense is recognized.

Fixed Spread Floating Interest Rate Agreements (“Fixed Spread Basis Swaps”) — Elmhurst entered this swap strategy with three separate counterparties in July 2005 with the objective of reducing total interest cost by earning income from spreads between taxable and tax-exempt interest rates. Effective January 2008, Elmhurst began paying the SIFMA floating rate index and receive 67% of one-month LIBOR, plus 0.76% on a \$120,000,000 notional amount, extending over a 30-year period. In April 2008, Elmhurst entered into another Fixed Spread Basis Swap with two counterparties. Elmhurst pays the SIFMA floating rate index and receives 61.3% of one-month LIBOR, plus a fixed spread of 0.73% on a \$140,000,000 notional amount over a 30-year period. The Fixed Spread Basis Swaps do not qualify for hedge accounting. Gains and losses are recorded as Nonoperating Income in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

Constant Maturity Swaps — Elmhurst entered this swap strategy with two counterparties in June 2006 with the objective of reducing total interest cost by earning income from spreads between one-month and five-year interest rates. Under the agreements with both counterparties, payments began in January 2007. Elmhurst pays 67% of one-month LIBOR in exchange for 61.3% of five-year LIBOR on \$60,000,000 or 50% of the LIBOR exposure of the Fixed Spread Basis Swap until 2032. Elmhurst also pays 76.21% of one-month LIBOR in exchange for 76.21% of five-year LIBOR - 0.35% on \$25,000,000 or 50% its LIBOR exposure on the basis swap. The Constant Maturity Swaps are not designated for hedge accounting. Gains and losses are recorded as Nonoperating Income in the Consolidated Statements of Operations and Changes in Unrestricted Net Assets.

Elmhurst has provisions in its swap agreements that require the posting of collateral when the counterparty mark-to-market valuation results in a liability greater than \$5 million. At June 30, 2009 Elmhurst has posted \$10,458,856 of collateral, in the form of cash and investments, with the counterparties. Amounts posted as collateral are reported on the Consolidated Balance Sheet under Prepaid expenses, interest receivable, and other. No collateral was required to be posted at June 30, 2008.

The following tables provide details on the swap agreements and reconciliation to the financial statements:

Derivative Contract Terms	Basis Swap	Fixed Receiver	Fixed Payer	Fixed Spread Basis Swaps	Constant Maturity Swaps	Fixed Spread Basis Swaps
Execution date	May 2002	August 2003	July 2005	July 2005	June 2006	April 2008
Notional amount	\$ 50,000,000	\$40,000,000	\$120,000,000	\$ 120,000,000	\$ 85,000,000	\$ 140,000,000
Elmhurst pays the counterparty	SIFMA	SIFMA	4.135%	SIFMA	5-yr LIBOR	SIFMA
Counterparty pays Elmhurst	76.2% 1-mo. LIBOR	3.08%	SIFMA	67% LIBOR + 0.76	% 1-mo. LIBOR	61.3% LIBOR + 0.73%
Termination date	May 2022	August 2030	January 2038	January 2038	January 2027	June 2038
Qualifies for hedge accounting	no	no	2008 yes/2009 no	no	no	no
Market Value Asset (Liability) of Derivative Contracts (1)						
Balance — June 30, 2007	\$ 1,122,889	\$ 165,872	\$ 1,904,524	\$ 5,447,388	\$ (958,098)	\$ -
Changes in value	<u>(1,255,883)</u>	<u>607,931</u>	<u>(7,220,831)</u>	<u>(1,743,037)</u>	<u>1,586,151</u>	<u>(3,248,304)</u>
Balance — June 30, 2008	(132,994)	773,803	(5,316,307)	3,704,351	628,053	(3,248,304)
Changes in value	<u>(1,409,229)</u>	<u>(194,841)</u>	<u>(3,264,374)</u>	<u>(5,315,798)</u>	<u>1,645,528</u>	<u>(5,540,306)</u>
Balance — June 30, 2009	<u>\$ (1,542,223)</u>	<u>\$ 578,962</u>	<u>\$ (8,580,681)</u>	<u>\$ (1,611,447)</u>	<u>\$ 2,273,581</u>	<u>\$ (8,788,610)</u>

(1) Amounts are presented within prepaid pension, deferred financing costs, and other assets and other liabilities within the balance sheets.

Net Cash Flow Received (Paid) by Elmhurst Under Derivative Contracts

Year Ended June 30, 2008

Cash from contractual payments ⁽²⁾	<u>\$ 77,746</u>	<u>\$ 567,948</u>	<u>\$ (1,135,670)</u>	<u>\$ 258,849</u>	<u>\$ (173,560)</u>	<u>\$ 81,694</u>	<u>\$ (404,687)</u>
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Year Ended June 30, 2009

Cash from contractual payments ⁽³⁾	<u>\$ (155,890)</u>	<u>\$ 1,212,040</u>	<u>\$ (3,164,049)</u>	<u>\$ 445,199</u>	<u>\$ 687,882</u>	<u>\$ 364,531</u>	<u>\$ 18</u>
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⁽²⁾ Amounts paid under the Fixed Payer hedge were capitalized during the construction period.

⁽³⁾ Due to the change in designation of the Fixed Payer Swap, amounts paid during fiscal year 2009 were not capitalized but recorded as cash settlements on interest rate swaps on the consolidated statement of operations

Financial Reporting of Derivatives	Basis Swap	Fixed Receiver	Fixed Payer	Fixed Spread Basis Swaps	Constant Maturity Swaps	Fixed Spread Basis Swaps
Year Ended June 30, 2008						
Nonoperating income (expense):						
Interest expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized (loss) gain on interest rate swaps	(1,255,883) (1)	607,931 (1)		(1,743,037) (1)	1,586,151 (1)	(3,248,302) (1)
Cash settlements on interest rate swaps	77,746 (2)	567,948 (2)		258,849	(173,560) (2)	81,694
Other changes in unrestricted net assets — unrealized loss on interest rate swap						
			(7,220,832) (3)			
Year Ended June 30, 2009						
Nonoperating income (expense):						
Interest expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized (loss) gain on interest rate swaps	(1,409,229) (4)	(194,841) (4)	(3,264,374) (4)	(5,315,798) (4)	1,645,528 (4)	(5,540,306) (4)
Cash settlements on interest rate swaps	(155,890) (5)	1,212,040 (5)	(3,164,049)	445,199 (5)	687,882 (5)	364,531 (5)

- The changes in market value for the Basis Swap of \$(1,255,883), the Fixed Receiver of \$607,931, the Fixed Spread Basis Swaps of \$(1,743,037), the Constant Maturity Swaps of \$1,586,151, and Fixed Spread Basis Swaps of \$(3,248,302) were combined and reported as an unrealized loss of \$4,053,140 in the nonoperating section of the fiscal 2008 Consolidated Statement of Operations and Changes in Unrestricted Net Assets.
- Cash settlements completed under the Basis Swap of \$77,746, the Fixed Receiver of \$567,948, the Constant Maturity Swaps of \$(173,560), and the Fixed Spread Basis Swaps of \$81,694 during fiscal 2008 totaled \$812,677 and was classified as cash settlements from interest rate swaps in the nonoperating section of the fiscal 2008, Consolidated Statement of Operations and Changes in Unrestricted Net Assets.
- The change in market value for the Fixed Payer during fiscal year 2008 was classified as an unrealized loss of \$7,220,832 in the fiscal 2008 Consolidated Statement of Operations and Changes in Unrestricted Net Assets.
- The changes in market value for the Basis Swap of \$(1,409,229), the Fixed Receiver of \$(194,841), the Fixed Payer of \$(3,264,374), the Fixed Spread Basis Swaps of \$(5,315,798), the Constant Maturity Swaps of \$1,645,528, and Fixed Spread Basis Swaps of \$(5,540,306) were combined and reported as an unrealized loss of \$14,079,020 in the nonoperating section of the fiscal 2009 Consolidated Statement of Operations and Changes in Unrestricted Net Assets.
- Cash settlements completed under the Basis Swap of \$(155,890), the Fixed Receiver of \$1,212,040, the Constant Maturity Swaps of \$687,882, and the Fixed Spread Basis Swaps of \$809,730 during fiscal 2009 totaled \$2,553,762 and was classified as cash settlements from interest rate swaps in the nonoperating section of the fiscal 2009, Consolidated Statement of Operations and Changes in Unrestricted Net Assets.

Plan items not yet recognized as a component of periodic pension expense, but included as a separate component of unrestricted net assets at June 30, 2009 and 2008, are as follows:

	2009	2008
Unrecognized prior service cost	\$ 660,003	\$ 828,425
Unrecognized net actuarial loss	<u>49,889,785</u>	<u>9,326,315</u>
	<u>\$50,549,788</u>	<u>\$10,154,740</u>

Assumptions:

Discount rate used to determine benefit obligation	6.75 %	7.00 %
Discount rate used to determine net periodic benefit cost	7.00	6.25
Rate of increase in compensation levels	5.00	5.00
Expected long-term rate of return on assets	8.50	8.50

The accumulated benefit obligation of the Plan at June 30, 2009 and June 30, 2008 was \$118,082,566 and \$105,804,402, respectively. The estimated net actuarial loss and prior service cost that will be amortized as a component of net periodic benefit cost during fiscal 2010 are \$40,563,470 and \$168,422, respectively.

The allocation of pension plan assets at June 30, 2009 and 2008, is as follows:

	Target	2009	2008
Equity securities	55 %	45 %	56 %
Fixed-income securities	25	34	28
Alternative investments	<u>20</u>	<u>21</u>	<u>16</u>
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The pension fund is managed in accordance with the policies established by the Investment Committee of the Board (the "Investment Committee"). The investment policy includes specific guidelines for quality, asset concentration, asset mix, asset allocations, and performance expectations. The pension fund investment allocations are periodically reviewed for compliance with the pension investment policy by the Investment Committee.

Expected future benefit payments for the plan years ending December 31 are as follows:

Years Ending December 31	Amount
2010	\$ 4,937,000
2011	5,472,000
2012	6,058,000
2013	6,751,000
2014	7,477,000
2015–2019	48,324,000

Net periodic benefit cost for the years ended June 30, 2009 and 2008, includes the following components:

	Pension Benefits	
	2009	2008
Service cost — benefits earned during the year	\$ 4,449,106	\$ 4,837,525
Interest cost on projected benefit obligation	8,440,531	7,728,353
Expected return on plan assets	(12,787,549)	(11,779,450)
Amortization of prior service costs	<u>168,422</u>	<u>168,422</u>
Net periodic benefit cost	<u>\$ 270,510</u>	<u>\$ 954,850</u>

Elmhurst also maintains contributory savings plans (the “Savings Plans”) covering substantially all employees of Elmhurst. Participants may make voluntary contributions to the Savings Plans, which are partially matched by Elmhurst. For each dollar of participant contribution, Elmhurst matches 50% of the first 3% of pay and 25% of the second 3% of pay. Additional contributions may be made by Elmhurst at its discretion. Costs of the Savings Plans charged to salaries and benefits totaled \$1,813,955 and \$1,818,214 for the years ended June 30, 2009 and 2008, respectively.

In addition, Elmhurst also maintains a noncontributory, supplemental defined benefit retirement plan for certain executive employees. As of June 30, 2009 and 2008, the projected benefit obligation amounted to \$5,575,832 and \$4,489,312, respectively. As of June 30, 2009 and 2008, the unrecognized prior service cost amounted to \$647,155 and \$292,241, respectively, and the net actuarial loss was \$368,463 and \$219,714, respectively. At June 30, 2009 and 2008, accrued long-term pension cost of \$5,265,832 and \$4,129,312, respectively, is included in other liabilities. At June 30, 2009 and 2008, accrued short-term pension cost of \$310,000 and \$360,000, respectively, is included in accrued payroll and other. The incremental effect of changing the measurement date to June 30, 2008, per the provisions of FASB Statement No. 158 was \$125,632 and is recognized in other comprehensive income. The weighted-average discount rate utilized in determining the actuarial present value of the projected benefit obligation was 6.75% and 7.0% in 2009 and 2008, respectively. The estimated net actuarial loss and prior service cost that will be amortized as a component of net periodic benefit cost during fiscal year 2010 are \$89,549 and \$0, respectively.

9. PROFESSIONAL AND GENERAL LIABILITIES INSURANCE

Elmhurst is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will be resolved without a material impact on the Hospital’s financial position. Substantially, all claims made prior to July 1, 1979, are covered by commercial insurance. On July 1, 1979, the Hospital entered into a contractual agreement with the Chicago Hospital Risk Pooling Program (CHRPP) that, through its risk-sharing provisions, provided the Hospital with insurance coverage for professional and general liability claims. CHRPP is a multi-hospital trust formed pursuant to the provisions of the Illinois Religious and Charitable Risk Pooling Act. As a self-insurance administrator, CHRPP enables risk-sharing among Illinois hospitals. Beneficiary hospitals are obligated to make additional contributions, if necessary, to maintain the trust assets at a level adequate to support anticipated disbursements, as defined in the trust agreement. Substantially all claims made between July 1, 1979 and December 1, 2005, are covered by CHRPP. For the period July 1, 1979 to December 31, 2002, CHRPP coverage was on the occurrence-basis. Effective January 1, 2003, CHRPP changed its coverage from occurrence-basis to claims-made.

CHRPP engaged the services of an independent consultant for actuarial valuations of self-insured funding requirements and has designated attorneys to handle professional and general liability claims. The Hospital has established its risk management program and claims-handling procedures in accordance with guidelines issued by the United States Department of Health and Human Services. The self-insurance funding, which is expensed when amounts are funded into the self-insurance trust, was recommended and certified by an independent actuarial firm. As stated above, the Hospital's insurance premiums are subject to retrospective adjustments. Management does not believe any retrospective adjustments would be material.

Since 2005, the Hospital has a self-insured retention program in which the Hospital retains the risk for all claims with a value under \$3,000,000. The Hospital has obtained insurance coverage on a claims-made basis for amounts exceeding \$3,000,000 up to \$33,000,000. The Hospital has engaged an independent actuary to determine the estimated cost of the retained risk and has recorded expense in accordance with the actuary's estimate. At June 30, 2009 and 2008, the Hospital recorded a reserve, discounted at 5.00% and 5.25% of \$17,500,000 and \$14,188,000, respectively, for incurred but not reported claims arising under both its own self insurance program and the CHRPP program. This reserve consists of \$1,015,911 and \$611,000 reported under Accounts Payable at June 30, 2009 and 2008, respectively, and \$16,484,089 and \$13,577,000 reported under Other Liabilities in 2009 and 2008, respectively, in the Consolidated Balance Sheets. The Hospital has elected to not establish a corresponding self insured trust asset to fund this liability as of June 30, 2009, because management believes that it has enough liquidity in its cash, short term investments, and capital reserve fund.

10. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$1,696,735 and \$1,794,972 at June 30, 2009 and 2008, respectively, are available for medical education, other health care programs, and capital purchases.

Permanently restricted net assets of \$489,515 and \$580,261 at June 30, 2009 and 2008, respectively, are investments to be held in perpetuity, the income from which is expendable for medical education.

During 2009 and 2008, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes of medical education, and other health care programs amounting to \$1,502,377 and \$1,143,100, respectively, and were recorded as other revenue.

11. CONCENTRATION OF CREDIT RISK

Elmhurst grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors as of June 30, 2009 and 2008, was as follows:

	2009	2008
Medicare	35 %	34 %
Medicaid	17	20
Managed care	36	34
Self-pay	5	5
Other	<u>7</u>	<u>7</u>
Total	<u>100 %</u>	<u>100 %</u>

12. COMMUNITY COMMITMENT

Community commitment represents Elmhurst's support of patients at reduced or no fee based upon community need, the inability of the individual to pay in accordance with Elmhurst's policies or the acceptance of payment from government payers at less than the cost of the services provided. The estimated amounts of the community commitment provided for the years ended June 30, 2009 and 2008, are as follows:

	2009	2008
Charity care (foregone charges)	\$24,371,388	\$18,427,077
Self-pay patient discount	3,645,735	3,226,500
Unreimbursed cost (cost less reimbursement)	<u>48,777,746</u>	<u>41,992,515</u>
Total	<u>\$76,794,869</u>	<u>\$63,646,092</u>

In addition, Elmhurst is involved in many community benefit activities. These activities are wide-ranging and include health education, health screenings, support groups, insurance information resources, seminars, and speakers. These activities are conducted free of charge or below the cost of providing them. The estimated cost of these activities was \$1,431,787 and \$2,226,473 in fiscal 2009 and 2008, respectively.

13. FUNCTIONAL EXPENSES

Elmhurst provides comprehensive quality health care services to the residents of eastern Du Page and western Cook counties. Expenses related to these functions at June 30, 2009 and 2008, are as follows:

	2009	2008
Health care services	\$248,065,619	\$256,173,625
General and administrative	<u>104,999,570</u>	<u>87,686,687</u>
Total	<u>\$353,065,189</u>	<u>\$343,860,312</u>

14. TAX STATUS

HTI, a wholly owned subsidiary of Elmhurst, is a for-profit limited liability corporation.

For the year ended June 30, 2009, HTI had net operating gains of \$239,484 for financial statement purposes that were offset by previous years' net operating losses (NOL). In accordance with Internal Revenue Service regulations, an NOL may be carried forward 20 years to offset taxable income that exists in those years. At June 30, 2009, approximately \$4,646,955 of NOL was available to be carried forward.

As a result of the NOL, HTI has no tax expense or tax liability for the year ended June 30, 2009. The deferred tax asset related to the NOL is offset by a valuation allowance, as realization of tax benefits of the NOL carryforward is not assured.

Elmhurst, the Hospital, and the remainder of its wholly owned subsidiaries are tax-exempt under Internal Revenue Code Section 501(c)(3).

* * * * *

SUPPLEMENTAL CONSOLIDATING SCHEDULES

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION AS OF JUNE 30, 2009

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies, LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	\$ 38,675,085	\$ -	\$ 35,471,644	\$ 2,168,180	\$ 1,035,261	\$ -	\$ -	\$ -	\$ 1,035,261
Short-term investments	1,119,675				1,119,675				1,119,675
Patient accounts receivable — less allowances for uncollectible accounts	44,641,684		3,657,265	1,223	40,983,196		39,429,282	1,553,914	
Inventories	4,582,394		250,573	12,918	4,318,903		4,243,983	74,920	
Prepaid expenses, interest receivable, and other	16,789,063	(14,966)	11,204,877	90,496	5,508,656		5,449,054	38,362	21,240
Due from third-party payers	640,000				640,000		640,000		
Due from affiliated organizations	-	(1,911,387)			1,911,387		1,915,172	(3,785)	
Total current assets	<u>106,447,901</u>	<u>(1,926,353)</u>	<u>50,584,359</u>	<u>2,272,817</u>	<u>55,517,078</u>	<u>-</u>	<u>51,677,491</u>	<u>1,663,411</u>	<u>2,176,176</u>
INVESTMENTS — Assets limited as to use:									
Internally designated for capital improvements	301,889,797		301,889,797						
Externally designated investments under bond agreements	225,883,080		222,512,945		3,370,135		3,370,135		
Internally designated for medical education and other health care services	2,545,302				2,545,302				2,545,302
Temporarily restricted donor assets	1,696,735				1,696,735				1,696,735
Donor assets restricted into perpetuity	489,515				489,515				489,515
Total investments — assets limited as to use	532,504,429	-	524,402,742	-	8,101,687	-	3,370,135	-	4,731,552
LAND, BUILDINGS, AND EQUIPMENT — Net	314,220,108		85,431,235	7,425	228,781,448		227,927,159	854,289	
INVESTMENT IN SUBSIDIARIES	-	(332,175)	332,175		-	(7,678,854)	7,678,854		
PREPAID PENSION, DEFERRED FINANCING COSTS, AND OTHER	<u>8,872,189</u>		<u>5,047,923</u>		<u>3,824,266</u>		<u>2,911,090</u>		<u>913,176</u>
TOTAL	<u>\$ 962,044,627</u>	<u>\$ (2,258,528)</u>	<u>\$ 665,798,434</u>	<u>\$ 2,280,242</u>	<u>\$ 296,224,479</u>	<u>\$ (7,678,854)</u>	<u>\$ 293,564,729</u>	<u>\$ 2,517,700</u>	<u>\$ 7,820,904</u>

(Continued)

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION AS OF JUNE 30, 2009

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies, LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
LIABILITIES AND NET ASSETS/SHAREHOLDER'S EQUITY									
CURRENT LIABILITIES:									
Accounts payable	\$ 26,968,139	\$ (15,380)	\$ 1,168,792	\$ 35,947	\$ 25,778,780	\$ -	\$ 25,673,933	\$ 14,847	\$ 90,000
Accrued payroll and other	23,869,801		7,505,112	47,504	16,317,185		15,895,523	421,662	
Amounts due to third-party payors	44,288,516				44,288,516		44,255,095	33,421	
Current maturities of long-term debt	5,170,004		5,170,004		-				
Due to affiliated organizations	-	(1,911,240)	46,357	1,864,883	-				
Total current liabilities	100,296,460	(1,926,620)	13,890,265	1,948,334	86,384,481	-	85,824,551	469,930	90,000
LONG-TERM DEBT — Excluding current maturities	517,095,484		517,095,484		-				
OTHER LIABILITIES	40,752,176		18,950,205		21,801,971		21,749,921		52,050
ACCRUED PENSION	16,055,756				16,055,756		16,055,756		
Total liabilities	674,199,876	(1,926,620)	549,935,954	1,948,334	124,242,208	-	123,630,228	469,930	142,050
NET ASSETS/SHAREHOLDER'S EQUITY:									
Common stock — at par	-	(7,502,470)		7,502,470	-				
Additional paid-in capital	-	(2,552,286)		2,552,286	-				
Unrestricted net assets/retained earnings	285,658,501	9,722,848	115,862,480	(9,722,848)	169,796,021	(5,492,604)	167,748,251	2,047,770	5,492,604
Temporarily restricted net assets	1,696,735				1,696,735	(1,696,735)	1,696,735		1,696,735
Permanently restricted net assets	489,515				489,515	(489,515)	489,515		489,515
Total net assets/shareholder's equity	287,844,751	(331,908)	115,862,480	331,908	171,982,271	(7,678,854)	169,934,501	2,047,770	7,678,854
TOTAL	\$ 962,044,627	\$ (2,258,528)	\$ 665,798,434	\$ 2,280,242	\$ 296,224,479	\$ (7,678,854)	\$ 293,564,729	\$ 2,517,700	\$ 7,820,904

(Concluded)

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION FOR THE YEAR ENDED JUNE 30, 2009

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies, LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
REVENUES:									
Net patient service revenue	\$ 345,238,794	\$ -	\$ 39,761,295	\$ -	\$ 305,477,499	\$ -	\$ 295,313,123	\$ 10,164,376	\$ -
Other revenue	16,478,376	(14,064,578)	1,964,177	15,009,977	13,568,800		11,383,612	310,232	1,874,956
Total revenues	<u>361,717,170</u>	<u>(14,064,578)</u>	<u>41,725,472</u>	<u>15,009,977</u>	<u>319,046,299</u>	<u>-</u>	<u>306,696,735</u>	<u>10,474,608</u>	<u>1,874,956</u>
EXPENSES:									
Salaries and benefits	172,590,843		888,042	14,310,539	157,392,262		151,842,447	5,031,088	518,727
Supplies	56,056,776		3,281,720	73,965	52,701,091		52,180,854	517,594	2,643
Purchased services and other	84,556,510	(14,064,578)	44,953,074	376,241	53,291,773	424,107	50,896,938	1,171,000	799,728
Provision for bad debts	15,830,569		1,729,385	1,000	14,100,184		13,984,414	111,956	3,814
Depreciation	16,726,333		1,765,537	8,748	14,952,048		14,685,393	266,655	
Medicaid tax	7,304,158				7,304,158		7,304,158		
Total expenses	<u>353,065,189</u>	<u>(14,064,578)</u>	<u>52,617,758</u>	<u>14,770,493</u>	<u>299,741,516</u>	<u>424,107</u>	<u>290,894,204</u>	<u>7,098,293</u>	<u>1,324,912</u>
OPERATING INCOME (LOSS)	<u>8,651,981</u>	<u>-</u>	<u>(10,892,286)</u>	<u>239,484</u>	<u>19,304,783</u>	<u>(424,107)</u>	<u>15,802,531</u>	<u>3,376,315</u>	<u>550,044</u>
NONOPERATING INCOME (EXPENSE):									
Investment income (loss)	7,038,054		4,888,960		2,149,094		2,315,821		(166,727)
Unrealized losses on investments	(64,919,662)		(64,083,365)		(836,297)		(681,414)		(154,883)
Interest expense	(8,604,623)		(8,573,867)		(30,756)		(30,756)		
Amortization of deferred financing costs	(236,794)		(236,794)		-		-		
Loss on refunding or extinguishment of debt	(89,545)		(89,545)		-		-		
Cash settlements on interest rate swap	(610,287)		(610,287)		-		-		
Unrealized loss on interest rate swap	(14,256,229)		(14,256,229)		-		-		
Distribution of restricted revenue	-	461,797			(461,797)	424,108			(885,905)
Gain (loss) on investment in subsidiaries	-	(239,756)	239,756			657,471	(657,471)		
Change in unrealized loss on hedge fund investments	(8,320,828)		(8,320,828)		-				
Total nonoperating (expense) income	<u>(89,999,914)</u>	<u>222,041</u>	<u>(91,042,199)</u>	<u>-</u>	<u>820,243</u>	<u>1,081,579</u>	<u>946,180</u>	<u>-</u>	<u>(1,207,515)</u>

(Continued)

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS INFORMATION FOR THE YEAR ENDED JUNE 30, 2009

	Consolidated	Eliminations	Elmhurst Memorial Healthcare	Health Technologies, LLC	Elmhurst Memorial Hospital Consolidated	Eliminations	Elmhurst Memorial Hospital	Elmhurst Memorial Home Health	Elmhurst Memorial Hospital Foundation
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	<u>\$ (81,347,933)</u>	<u>\$ 222,041</u>	<u>\$(101,934,485)</u>	<u>\$239,484</u>	<u>\$ 20,125,027</u>	<u>\$657,472</u>	<u>\$ 16,748,711</u>	<u>\$3,376,315</u>	<u>\$(657,471)</u>
OTHER CHANGES IN UNRESTRICTED NET ASSETS:									
Amortization of loss on discontinuation of hedge accounting	177,210		177,210						
Pension and supplemental plan related changes other than net periodic pension cost	(40,898,711)				(40,898,711)		(40,898,711)		
Temporarily restricted contributions released for capital purposes	<u>461,798</u>				<u>461,798</u>				<u>461,798</u>
Total other changes in unrestricted net assets — net	<u>(40,259,703)</u>	<u>-</u>	<u>177,210</u>	<u>-</u>	<u>(40,436,913)</u>	<u>-</u>	<u>(40,898,711)</u>	<u>-</u>	<u>461,798</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	<u>\$(121,607,636)</u>	<u>\$ 222,041</u>	<u>\$(101,757,275)</u>	<u>\$239,484</u>	<u>\$ (20,311,886)</u>	<u>\$657,472</u>	<u>\$ (24,150,000)</u>	<u>\$ 3,376,315</u>	<u>\$(195,673)</u>

(Concluded)

**SUPPLEMENTAL SCHEDULE REQUIRED
BY MASTER TRUST DEBT INDENTURE**

ELMHURST MEMORIAL HEALTHCARE AND SUBSIDIARIES

SCHEDULE OF ANNUAL DEBT SERVICE COVERAGE RATIO

FOR THE YEAR ENDED JUNE 30, 2009

(In thousands)

NET INCOME AVAILABLE FOR DEBT SERVICE:

Total unrestricted revenues in excess of expenses	\$(81,809,459)
Add:	
Depreciation expense	16,717,585
Amortization expense	236,794
Malpractice tail liability	3,311,954
Interest expense	8,604,623
Loss on early retirement of debt	89,545
Pension expense	270,510
Severance costs	586,469
Unrealized loss on swaps	14,256,229
Unrealized loss on investments	73,085,607
Subtract:	
Gain on disposal of fixed assets	<u>(220,744)</u>
 INCOME AVAILABLE FOR DEBT SERVICE (A)	 <u>\$ 35,129,113</u>
 MAXIMUM ANNUAL DEBT SERVICE (MADS) — MADS — Projected debt service in 2048 (B)	 <u>\$ 26,877,288</u>
 RATIO (A/B)	 <u>1.31</u>

Note: The method of calculating the historical debt service coverage ratio is prescribed by Section 416 of the Master Trust Indenture between Elmhurst Memorial Hospital, Elmhurst Memorial Healthcare, and Elmhurst Memorial Home Health and Wells Fargo Bank, N.A., as Successor Master Trustee, dated as of July 1, 1987, as amended through May 15, 2008.