The Community Hospital Group, Inc. d/b/a JFK Medical Center

Financial Statements and Supplementary Information

December 31, 2011 and 2010
<table>
<thead>
<tr>
<th>Independent Auditors’ Report</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>2</td>
</tr>
<tr>
<td>Statement of Operations</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Changes in Net Deficit</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>6</td>
</tr>
<tr>
<td>Supplementary Information</td>
<td></td>
</tr>
<tr>
<td>Independent Auditors’ Report on Supplementary Information</td>
<td>33</td>
</tr>
<tr>
<td>Schedules by Facility: Statement of Operations for 2011</td>
<td>34</td>
</tr>
<tr>
<td>Schedules by Facility: Statement of Operations for 2010</td>
<td>35</td>
</tr>
</tbody>
</table>
Independent Auditors’ Report

Board of Directors
The Community Hospital Group, Inc. d/b/a JFK Medical Center

We have audited the accompanying balance sheet of The Community Hospital Group, Inc. d/b/a JFK Medical Center ("JFK Medical Center") as of December 31, 2011 and 2010, and the related statements of operations, changes in net deficit, and cash flows for the years then ended. These financial statements are the responsibility of JFK Medical Center's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Hospital Group, Inc. d/b/a JFK Medical Center as of December 31, 2011 and 2010, and the results of its operations, changes in net deficit, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 to the financial statements, JFK Medical Center adopted the update to authoritative guidance pertaining to the presentation of insurance claims and related insurance recoveries.

Clark, New Jersey
April 27, 2012
## Balance Sheet

### The Community Hospital Group, Inc. d/b/a JFK Medical Center

December 31, 2011 and 2010

### Assets

<table>
<thead>
<tr>
<th>Assets</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$34,842,410</td>
<td>$24,552,857</td>
</tr>
<tr>
<td>Investments</td>
<td>16,449,218</td>
<td>16,175,528</td>
</tr>
<tr>
<td>Assets whose use is limited</td>
<td>2,203,372</td>
<td>2,214,214</td>
</tr>
<tr>
<td>Accounts receivable, patients (net of estimated allowance for doubtful collections of $9,603,000 in 2011 and $11,297,000 in 2010)</td>
<td>50,841,007</td>
<td>52,395,715</td>
</tr>
<tr>
<td>Inventories of drugs and supplies</td>
<td>6,096,788</td>
<td>6,086,762</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>5,345,625</td>
<td>6,122,442</td>
</tr>
<tr>
<td>Note receivable, affiliate</td>
<td>93,000</td>
<td>93,000</td>
</tr>
<tr>
<td>Due from affiliates</td>
<td>145,113</td>
<td>682,422</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>116,016,533</td>
<td>108,322,940</td>
</tr>
<tr>
<td><strong>Assets Whose Use is Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John F. Kennedy Medical Center</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundation, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment, Net</td>
<td>105,680,185</td>
<td>102,682,857</td>
</tr>
<tr>
<td>Deferred Financing Costs, Net</td>
<td>3,337,250</td>
<td>3,609,756</td>
</tr>
<tr>
<td>Other Long-Term Assets</td>
<td>3,003,293</td>
<td>-</td>
</tr>
<tr>
<td>Note Receivable, Affiliate</td>
<td>2,966,343</td>
<td>3,059,343</td>
</tr>
<tr>
<td>Due from Affiliates</td>
<td>910,180</td>
<td>633,332</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$254,943,530</td>
<td>$243,935,184</td>
</tr>
</tbody>
</table>

### Liabilities and Net Deficit

<table>
<thead>
<tr>
<th>Liabilities and Net Deficit</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of capital lease obligations</td>
<td>$1,673,125</td>
<td>$1,153,507</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>28,799,310</td>
<td>29,252,795</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>27,134,574</td>
<td>28,178,358</td>
</tr>
<tr>
<td>Estimated third-party payor settlements</td>
<td>5,096,710</td>
<td>1,882,050</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,466,048</td>
<td>2,069,872</td>
</tr>
<tr>
<td>Accrued postretirement benefits</td>
<td>602,389</td>
<td>751,493</td>
</tr>
<tr>
<td>Due to affiliates</td>
<td>-</td>
<td>138,065</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>65,772,156</td>
<td>63,426,140</td>
</tr>
<tr>
<td><strong>Long-Term Debt</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>4,862,723</td>
<td>4,131,589</td>
</tr>
<tr>
<td><strong>Other Long-Term Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Third-Party Payor Settlements</td>
<td>11,522,917</td>
<td>8,582,783</td>
</tr>
<tr>
<td>Accrued Pension Cost</td>
<td>67,347,794</td>
<td>69,057,945</td>
</tr>
<tr>
<td>Accrued Postretirement Benefits</td>
<td>933,233</td>
<td>11,876,919</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>275,647,614</td>
<td>276,711,712</td>
</tr>
<tr>
<td><strong>Net (Deficit) Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(27,882,590)</td>
<td>(38,806,718)</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>7,178,506</td>
<td>6,030,190</td>
</tr>
<tr>
<td><strong>Total net deficit</strong></td>
<td>(20,704,084)</td>
<td>(32,776,528)</td>
</tr>
<tr>
<td><strong>Total liabilities and net deficit</strong></td>
<td>$254,943,530</td>
<td>$243,935,184</td>
</tr>
</tbody>
</table>

See notes to financial statements
<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Revenues, Gains, and Other Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net patient service revenues</td>
<td>$ 431,482,321</td>
<td>$ 413,398,234</td>
</tr>
<tr>
<td>Other revenues</td>
<td>16,073,820</td>
<td>13,369,076</td>
</tr>
<tr>
<td>Net assets released from restrictions for use in operations</td>
<td>101,866</td>
<td>364,742</td>
</tr>
<tr>
<td>Total unrestricted revenues, gains, and other support</td>
<td><strong>447,658,007</strong></td>
<td><strong>427,132,052</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>197,007,810</td>
<td>201,710,743</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>39,715,879</td>
<td>41,418,061</td>
</tr>
<tr>
<td>Supplies and expenses</td>
<td>150,475,375</td>
<td>140,890,549</td>
</tr>
<tr>
<td>Provision for doubtful collections</td>
<td>31,068,503</td>
<td>27,093,267</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>13,732,473</td>
<td>12,743,015</td>
</tr>
<tr>
<td>Interest</td>
<td>6,470,250</td>
<td>6,161,731</td>
</tr>
<tr>
<td>Total expenses</td>
<td><strong>438,470,290</strong></td>
<td><strong>430,017,366</strong></td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>9,187,717</td>
<td>(2,885,314)</td>
</tr>
<tr>
<td><strong>Postretirement Settlement and Curtailment Changes</strong></td>
<td>2,692,503</td>
<td>-</td>
</tr>
<tr>
<td><strong>Recovery of Doubtful Collections on Related Party Receivables</strong></td>
<td>461,942</td>
<td>815,147</td>
</tr>
<tr>
<td><strong>Investment Income</strong></td>
<td>507,260</td>
<td>543,383</td>
</tr>
<tr>
<td><strong>Change in Net Unrealized Gains on Trading Securities</strong></td>
<td>33,206</td>
<td>75,111</td>
</tr>
<tr>
<td>Revenues in excess of (less than) expenses</td>
<td>12,882,628</td>
<td>(1,451,673)</td>
</tr>
<tr>
<td><strong>Pension/Postretirement Liability Adjustment</strong></td>
<td>322,399</td>
<td>(16,414,404)</td>
</tr>
<tr>
<td><strong>Transfers (To) From Affiliates</strong></td>
<td>(2,646,689)</td>
<td>185,000</td>
</tr>
<tr>
<td><strong>Net Assets Released from Restrictions for Capital Purchases</strong></td>
<td>365,790</td>
<td>203,320</td>
</tr>
<tr>
<td>Decrease (increase) in unrestricted net deficit</td>
<td>$ 10,924,128</td>
<td>$(17,477,757)</td>
</tr>
</tbody>
</table>

See notes to financial statements
The Community Hospital Group, Inc. d/b/a JFK Medical Center

Statement of Changes in Net Deficit
Years Ended December 31, 2011 and 2010

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Net Deficit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues in excess of (less than) expenses</td>
<td>$12,882,628</td>
<td>$(1,451,673)</td>
</tr>
<tr>
<td>Pension/postretirement liability adjustment</td>
<td>322,399</td>
<td>(16,414,404)</td>
</tr>
<tr>
<td>Transfers (to) from affiliates</td>
<td>(2,646,689)</td>
<td>185,000</td>
</tr>
<tr>
<td>Net assets released from restrictions for capital purchases</td>
<td>365,790</td>
<td>203,320</td>
</tr>
<tr>
<td>decreases (increase) in unrestricted net deficit</td>
<td>10,924,128</td>
<td>(17,477,757)</td>
</tr>
</tbody>
</table>

| **Temporarily Restricted Net Assets** |                 |                 |
| Change in interest in net assets of John F. Kennedy Medical Center Foundation, Inc. | 1,148,316       | 520,688         |
| Transfers from affiliates             | 467,656         | 568,062         |
| Net assets released from restrictions for use in operations | (101,866)       | (364,742)       |
| Net assets released from restrictions for capital purchases | (365,790)       | (203,320)       |
| Increase in temporarily restricted net assets | 1,148,316       | 520,688         |
| Decrease (increase) in net deficit    | 12,072,444      | (16,957,069)    |

**Net Deficit, Beginning**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(32,776,528)</td>
<td></td>
<td>(15,819,459)</td>
</tr>
</tbody>
</table>

**Net Deficit, Ending**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (20,704,084)</td>
<td>$ (32,776,528)</td>
<td></td>
</tr>
</tbody>
</table>

See notes to financial statements
### Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease (increase) in net deficit</td>
<td>$12,072,444</td>
<td>$(16,957,069)</td>
</tr>
<tr>
<td>Adjustments to reconcile decrease (increase) in net deficit to net cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>13,459,968</td>
<td>12,470,511</td>
</tr>
<tr>
<td>Amortization</td>
<td>272,505</td>
<td>272,504</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>27,197</td>
<td>36,274</td>
</tr>
<tr>
<td>Transfers to (from) affiliates</td>
<td>2,179,033</td>
<td>(753,062)</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>(73,893)</td>
<td>(84,586)</td>
</tr>
<tr>
<td>Provision for doubtful collections</td>
<td>31,068,503</td>
<td>27,093,267</td>
</tr>
<tr>
<td>Provision for (recovery of) doubtful collections on related party receivables</td>
<td>(461,942)</td>
<td>(815,147)</td>
</tr>
<tr>
<td>Pension/postretirement liability adjustment</td>
<td>322,399</td>
<td>16,414,404</td>
</tr>
<tr>
<td>Postretirement settlement and curtailment changes</td>
<td>(2,692,503)</td>
<td></td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, patients</td>
<td>(29,513,795)</td>
<td>(28,938,371)</td>
</tr>
<tr>
<td>Inventories of drugs and supplies</td>
<td>(10,026)</td>
<td>871,415</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(2,226,476)</td>
<td>(331,674)</td>
</tr>
<tr>
<td>Due from/to affiliates</td>
<td>584,338</td>
<td>(60,642)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(453,485)</td>
<td>2,340,002</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>(1,043,784)</td>
<td>2,108,744</td>
</tr>
<tr>
<td>Estimated third-party payor settlements</td>
<td>6,154,794</td>
<td>1,049,054</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>396,176</td>
<td>(273,040)</td>
</tr>
<tr>
<td>Accrued pension cost</td>
<td>(1,387,752)</td>
<td>(5,763,914)</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>2,572,455</td>
<td></td>
</tr>
<tr>
<td>Accrued postretirement benefits</td>
<td>(8,400,287)</td>
<td>1,409,621</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>22,201,071</td>
<td>10,088,291</td>
</tr>
</tbody>
</table>

### Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property and equipment</td>
<td>(13,642,433)</td>
<td>(8,684,468)</td>
</tr>
<tr>
<td>Sales of investments and assets whose use is limited, net</td>
<td>3,555,572</td>
<td>2,294,692</td>
</tr>
<tr>
<td>Change in beneficial interest in net assets of John F. Kennedy Medical Center Foundation, Inc.</td>
<td>(1,148,316)</td>
<td>(520,688)</td>
</tr>
<tr>
<td>Proceeds from sale of property and equipment</td>
<td>-</td>
<td>18,500</td>
</tr>
<tr>
<td>Repayment on note receivable, affiliate</td>
<td>93,000</td>
<td>93,000</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(11,141,177)</td>
<td>(6,798,964)</td>
</tr>
</tbody>
</table>

### Cash Flows from Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayments of capital lease obligations</td>
<td>(1,591,308)</td>
<td>(900,217)</td>
</tr>
<tr>
<td>Transfers (to) from affiliates</td>
<td>(2,179,033)</td>
<td>753,062</td>
</tr>
<tr>
<td>Proceeds from issuance of other long-term debt</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(770,341)</td>
<td>(147,155)</td>
</tr>
<tr>
<td>Increase in cash and cash equivalents</td>
<td>10,289,553</td>
<td>3,142,172</td>
</tr>
</tbody>
</table>

### Cash and Cash Equivalents, Beginning

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24,552,857</td>
<td>21,410,685</td>
</tr>
</tbody>
</table>

### Cash and Cash Equivalents, Ending

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$34,842,410</td>
<td>$24,552,857</td>
</tr>
</tbody>
</table>

### Supplemental Disclosure of Cash Flow Information

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>$6,470,250</td>
<td>$6,161,731</td>
</tr>
<tr>
<td>Purchases of property and equipment through capital lease obligations</td>
<td>$2,842,060</td>
<td>$6,185,313</td>
</tr>
</tbody>
</table>
1. Organizational Structure and Nature of Operations

The Community Hospital Group, Inc. d/b/a JFK Medical Center (“JFK Medical Center”) is a not-for-profit, controlled entity of JFK Health System, Inc. (the “System”). JFK Medical Center operates two separately licensed healthcare facilities: the Anthony M. Yelencsics Community Hospital (the “Hospital”) and the JFK Johnson Rehabilitation Institute (the “Institute”), located in Edison, New Jersey.

The Hospital is a 399-bed acute care hospital established and operated for the promotion of health and to serve the public rather than private interests. The Hospital provides a wide range of inpatient and outpatient services, including hospice and mental health. The Institute is a 94-bed comprehensive rehabilitation hospital providing inpatient and outpatient care to adults and children disabled by illness or disease, including a specialized pediatric rehabilitation program, a head trauma treatment and therapy program, and clinics specializing in a number of disabling disorders such as muscular dystrophy and spina bifida.

Other controlled entities of the System include: Muhlenberg Regional Medical Center, Inc. (“MRMC”); John F. Kennedy Medical Center Foundation, Inc. (the “Foundation”); Muhlenberg Foundation, Inc.; Lifestyle Institute, Inc.; JFK Healthshare, Inc.; Hartwyck at Oak Tree, Inc. (“Oak Tree”); Hartwyck at JFK, Inc.; Hartwyck West Nursing Home, Inc. and Affiliates; and Atlantic Insurance Exchange, Ltd., a wholly-owned insurance company.

During August 2008, MRMC closed its acute hospital business and JFK Medical Center took over the operations of the emergency room. Also in 2008, Mediplex Surgical Associates, Limited Partnership (“Mediplex”), which is a consolidated entity of JFK Healthshare, Inc., transferred its outpatient services to JFK Medical Center. During 2009, MRMC’s School of Nursing and School of Radiology operations were transferred to JFK Medical Center. During 2010, MRMC sold their homecare division and entered into a joint venture with Meridian Healthcare System. The new entity is JFK Meridian Home Care Services LLC d/b/a JFK @ Home.

During 2011, the Medical Center entered into joint venture to provide management services with Edison Imaging Associates, P.A. to create Edison Imaging at JFK Medical Center, LLC which is accounted for under the equity method of accounting. Equity balance at December 31, 2011 was $900,838 and included in other long-term assets. During the 2011 distributions received from the joint venture were $1,500,000 and increase in joint venture of $2,400,838 was recorded in other revenue in the statement of operations for 2011.

Subsequent Events

JFK Medical Center evaluated subsequent events for recognition or disclosure through April 27, 2012, the date the financial statements were issued.
2. Summary of Significant Accounting Policies

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt investments purchased with an original maturity of three months or less, excluding assets whose use is limited and investments.

Accounts Receivable, Patients

Accounts receivable, patients are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful collections is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages.

Inventories of Drugs and Supplies

Inventories of drugs, medical and surgical supplies, and maintenance supplies are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Investments and Investment Risk

Investments in debt securities and mutual funds are measured at fair value in the balance sheet. Cash and cash equivalents are carried at cost which approximates fair value. Investment income or loss (including realized gains and losses on investments, interest and dividends, and unrealized gains and losses on trading securities) is included in the determination of revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law. Donor-restricted investment income is reported as an increase in temporarily restricted net assets.

JFK Medical Center's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.
Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board of Directors (the “Board”) for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and assets held by a bond trustee under trust indentures. Amounts available to meet current liabilities have been reclassified as current assets in the accompanying balance sheet.

Interest in Net Assets of John F. Kennedy Medical Center Foundation, Inc.

JFK Medical Center and the Foundation are financially interrelated organizations. JFK Medical Center recognizes its rights to the assets held by the Foundation as interest in net assets of John F. Kennedy Medical Center Foundation, Inc. in the accompanying balance sheet unless the Foundation has been granted variance power. JFK Medical Center adjusts that interest for its share of the change in the net assets of the Foundation as a change in temporarily restricted net assets in the accompanying statement of changes in net deficit. Amounts will be distributed to JFK Medical Center when donor restrictions are met.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated property and equipment are recorded at fair market value at the date of receipt. Depreciation is computed using the straight-line method based on estimated useful lives.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Costs

Deferred financing costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the effective interest method. Amortization amounted to $272,505 in 2011 and $272,504 in 2010. Accumulated amortization of deferred financing costs at December 31, 2011 and 2010 totaled $545,009 and $272,504, respectively.

Deferred Revenue

Due to the transfer of the School of Nursing and School of Radiology from MRMC to JFK Medical Center during 2009, the deferred revenue balance at December 31, 2011 and 2010 includes $2,466,048 and $2,054,872, respectively, related to tuition payments for the Spring 2012 and 2011 semesters.

The Institute recorded a vendor rebate of $-0- and $15,000 which is included in the deferred revenue balance at December 31, 2011 and 2010, respectively.

Deferred revenue at December 31, 2011 and 2010 was $2,466,048 and $2,069,872, respectively.
Revenues in Excess of (Less Than) Expenses

The statement of operations includes the determination of revenues in excess of (less than) expenses. Changes in unrestricted net deficit which are excluded from the determination of revenues in excess of (less than) expenses, consistent with industry practice, include pension liability adjustment, permanent transfers of assets to and from subsidiaries for other than goods and services, 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).

Advertising Costs

Advertising costs are expensed as incurred. Such costs amounted to approximately $1,500,000 and $1,000,000 in 2011 and 2010, respectively.

Net Patient Service Revenues

JFK Medical Center has agreements with third-party payors that provide for payments 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 revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as tentative and final settlements are determined. It is reasonably possible that the estimates used could change in the near term.

Charity Care

JFK Medical Center provides care to patients who meet certain criteria without charge or at amounts less than its established rates. Because JFK Medical Center does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.
Income Taxes

JFK Medical Center is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Code.

JFK Medical Center accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. There were no tax uncertainties that met the recognition threshold in 2011 or 2010.

JFK Medical Center’s policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

JFK Medical Center’s federal Tax Exempt Organization Business Income Tax Returns for the years ended December 31, 2010, 2009, and 2008 remain subject to examination by the IRS.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in JFK Medical Center’s balance sheet at net realizable value.

Impairment of Long-Lived Assets

JFK Medical Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount of fair value, less costs to sell.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value at December 31, 2011 and 2010.

Investments and assets whose use is limited are stated at fair value, which are the amounts reported in the balance sheet. The fair value is based on quoted market prices, if available, or estimated using quoted market prices of similar securities.

Long-term debt fair value is calculated based on quoted market prices, if available, or estimated using quoted market prices of similar securities.
Postretirement Benefits

JFK Medical Center accounts for postretirement benefits on an accrual basis. Postretirement benefits include reimbursement to qualified retirees for a portion of their health and life insurance costs.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by JFK Medical Center has been limited by donors to a specific time period or purpose.

Reclassification

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

New Accounting Pronouncements

Charity Care

In August 2010, the Financial Accounting Standards Board (“FASB”) issued amended disclosure guidance relating to the measurement of charity care provided. The guidance requires that direct and indirect costs be used as the basis of measurement for charity care disclosure purposes. The guidance also requires disclosure of the method used to identify or determine such costs. The adoption of the amended guidance revised the disclosure in the notes to JFK Medical Center’s financial statements but did not impact amounts reported in the primary financial statements.

Insurance Claims

In August 2010, the FASB issued Accounting Standards Update 2010-24, Presentation of Insurance Claims and Related Insurance Recoveries which amended guidance relating to the presentation of insurance claims and related insurance recoveries. The guidance clarifies that health care entities may not net insurance recoveries against a related claim liability. In addition, the amount of the claim liability should be determined without consideration of insurance recoveries, if any, should be measured and presented separately within the balance sheet. The adoption of the amended guidance resulted in a reduction of $470,000 to net assets as of January 1, 2011.
Provision for Doubtful Collections

JFK Medical Center will be required to adopt amended guidance related to health care entities which requires a change in reporting the provision for bad debts associated with net service revenues. As a result of this guidance, the provision, which is currently reported as an operating expense in JFK Medical Center’s statement of operations, will be reported as a deduction from service revenues, net of contractual allowances and discounts. The guidance also enhances required disclosures regarding the policies for recognizing net service revenues and assessing bad debts. In addition, the guidance requires disclosure of net service revenues and qualitative and quantitative information about changes in the allowance for doubtful accounts, both by major payor sources. The amended guidance is effective for the fiscal years ending after December 15, 2012. Adoption of the amended guidance will require retrospective restatement of the statement of operations and prospective financial statement disclosures.

3. Charity Care

JFK Medical Center provides care to patients who meet the strict charity care criteria of the New Jersey State Department of Health (the "Department") without charge or at amounts less than its established rates. Because JFK Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue.

In accordance with guidelines established by the Department, JFK Medical Center maintains records to identify and monitor the level of charity care it provides. The estimated costs of providing charity care are based upon the direct and indirect costs identified with the specific charity care services provided. The level of charity care provided by JFK Medical Center amounted to approximately $27,063,000 in 2011 and $22,548,000 in 2010.

4. Net Patient Service Revenues

JFK Medical Center has agreements with third-party payors that provide for payments to JFK Medical Center at amounts different from its established rates. A significant portion of JFK Medical Center’s net patient service revenues is derived from these third-party payor programs. A summary of the principal payment arrangements with major third-party payors follows:

- **Medicare**: Inpatient acute care and rehabilitation services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. In addition, JFK Medical Center is reimbursed for certain cost reimbursable items at tentative interim rates, with final settlement determined after submission of annual cost reports by JFK Medical Center and audits thereof by the Medicare fiscal intermediary. JFK Medical Center’s Medicare cost reports have been settled by the Medicare fiscal intermediary through December 31, 2004.
Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are paid based on a published fee schedule, with final settlement determined after submission of annual cost reports. The Medicaid cost reports have been settled through December 31, 2008.

Revenue received under third-party arrangements is subject to audit and retroactive adjustments. Net patient service revenues include favorable adjustments of approximately $1,411,000 in 2011 and $1,140,000 in 2010. The adjustments related to tentative and final settlements of prior year cost reports and other settlements.

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

5. Investments and Assets Whose Use is Limited

The composition of investments and assets whose use is limited at December 31, 2011 and 2010 is set forth in the following table:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$12,539,644</td>
<td>$12,312,805</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>905,699</td>
<td>779,955</td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>1,044,072</td>
<td>1,520,519</td>
</tr>
<tr>
<td>U.S. agency obligations</td>
<td>1,312,632</td>
<td>885,609</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>647,171</td>
<td>676,640</td>
</tr>
<tr>
<td>Total</td>
<td>$16,449,218</td>
<td>$16,175,528</td>
</tr>
</tbody>
</table>

Assets whose use is limited:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under bond indenture agreements held by Trustees, Cash and cash equivalents</td>
<td>$18,054,612</td>
<td>$21,810,981</td>
</tr>
<tr>
<td>Less current portion</td>
<td>2,203,372</td>
<td>2,214,214</td>
</tr>
<tr>
<td>Noncurrent portion of assets whose use is limited</td>
<td>$15,851,240</td>
<td>$19,596,767</td>
</tr>
</tbody>
</table>
Unrestricted investment income, gains and losses on investments, assets whose use is limited, and cash and cash equivalents are comprised of the following in 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$466,573</td>
<td>$533,908</td>
</tr>
<tr>
<td>Realized gains, net</td>
<td>40,687</td>
<td>9,475</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$507,260</strong></td>
<td><strong>$543,383</strong></td>
</tr>
<tr>
<td>Change in net unrealized gains on trading securities</td>
<td>$33,206</td>
<td>$75,111</td>
</tr>
</tbody>
</table>

### 6. Fair Value Measurements and Financial Instruments

JFK Medical Center measured its investments and assets whose use is limited on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

- **Level 1** - Fair value is based on unadjusted quoted prices in active markets that are accessible to JFK Medical Center for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

- **Level 2** - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

- **Level 3** - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.
These items were measured with the following inputs at December 31, 2011:

<table>
<thead>
<tr>
<th>Assets at Fair Value as of December 31, 2011</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 30,594,256</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 30,594,256</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>905,699</td>
<td>-</td>
<td>-</td>
<td>905,699</td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>1,044,072</td>
<td>-</td>
<td>-</td>
<td>1,044,072</td>
</tr>
<tr>
<td>U.S. agency obligations</td>
<td>1,312,632</td>
<td>-</td>
<td>-</td>
<td>1,312,632</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>647,171</td>
<td>-</td>
<td>647,171</td>
</tr>
<tr>
<td>Total</td>
<td>$ 33,856,659</td>
<td>$ 647,171</td>
<td>$ -</td>
<td>$ 34,503,830</td>
</tr>
</tbody>
</table>

These items were measured with the following inputs at December 31, 2010:

<table>
<thead>
<tr>
<th>Assets at Fair Value as of December 31, 2010</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 34,123,786</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 34,123,786</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>779,955</td>
<td>-</td>
<td>-</td>
<td>779,955</td>
</tr>
<tr>
<td>U.S. Government obligations</td>
<td>1,520,519</td>
<td>-</td>
<td>-</td>
<td>1,520,519</td>
</tr>
<tr>
<td>U.S. agency obligations</td>
<td>885,609</td>
<td>-</td>
<td>-</td>
<td>885,609</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>676,640</td>
<td>-</td>
<td>676,640</td>
</tr>
<tr>
<td>Total</td>
<td>$ 37,309,869</td>
<td>$ 676,640</td>
<td>$ -</td>
<td>$ 37,986,509</td>
</tr>
</tbody>
</table>

Level 1 and Level 2 investments and assets whose use is limited are valued at fair value based on quoted market prices, or similar assets' quoted market prices.

There are no Level 3 investments as of December 31, 2011 and 2010.
7. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land improvements</td>
<td>$ 8,309,784</td>
<td>$ 8,309,784</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>154,167,599</td>
<td>146,682,027</td>
</tr>
<tr>
<td>Fixed equipment</td>
<td>40,467,147</td>
<td>40,327,041</td>
</tr>
<tr>
<td>Equipment</td>
<td>139,606,170</td>
<td>133,550,508</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>646,022</td>
<td>646,022</td>
</tr>
<tr>
<td>Capitalized lease equipment</td>
<td>9,027,373</td>
<td>6,185,313</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>352,224,095</strong></td>
<td><strong>335,700,695</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>251,815,268</td>
<td>238,471,447</td>
</tr>
<tr>
<td><strong>Construction in progress</strong></td>
<td>100,408,827</td>
<td>97,229,248</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>$ 105,680,185</strong></td>
<td><strong>$ 102,682,857</strong></td>
</tr>
</tbody>
</table>

Depreciation expense was $13,459,968 in 2011 and $12,470,511 in 2010. Accumulated amortization related to the capital lease obligations was $1,869,150 and $549,252 at December 31, 2011 and 2010, respectively.

JFK Medical Center capitalizes the interest cost on borrowings, net of income earned on certain proceeds from the borrowings, as a component of the cost of the asset acquired or constructed. Accordingly, interest costs of $645,593 and $790,800 were capitalized in 2011 and 2010, respectively.

8. Accrued Expenses

Accrued expenses at December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$ 5,718,656</td>
<td>$ 4,761,366</td>
</tr>
<tr>
<td>Severance</td>
<td>1,743,457</td>
<td>3,094,886</td>
</tr>
<tr>
<td>Paid time off</td>
<td>10,581,757</td>
<td>9,977,770</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>3,825,536</td>
<td>4,156,392</td>
</tr>
<tr>
<td>Refunds of overpayments</td>
<td>1,975,852</td>
<td>1,599,941</td>
</tr>
<tr>
<td>Interest</td>
<td>2,064,172</td>
<td>2,064,172</td>
</tr>
<tr>
<td>Malpractice premiums</td>
<td>429,073</td>
<td>1,820,654</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>593,141</td>
<td>517,838</td>
</tr>
<tr>
<td>Other</td>
<td>202,930</td>
<td>185,339</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 27,134,574</strong></td>
<td><strong>$ 28,178,358</strong></td>
</tr>
</tbody>
</table>
9. Long-Term Debt and Capital Lease Obligations

Series 2009 A-1 Bonds, Obligated Group

In June 2009, the New Jersey Health Care Facilities Financing Authority (the “Authority”) issued $152,925,000 to JFK Medical Center, Oak Tree and MRMC (the “Borrowers”), Series 2009 A-1 Bonds (“Series of 2009 A-1 Bonds”) under the State of New Jersey Hospital Asset Transformation Program (“HATP”). The Series of 2009 A-1 Bonds include serial bonds of $5,930,000, maturing through October 1, 2014 with interest at 4.0%, term bonds of $30,540,000 with interest at 5% due through October 1, 2019, term bonds of $40,735,000 with interest at 5.25% due through October 1, 2024, and term bonds of $75,720,000 with interest of 5.75% due through October 1, 2031. Principal payments are not due until October 1, 2013. The Series 2009 A-1 Bonds refinanced various series of bonds issued on behalf of, and other indebtedness of JFK Medical Center, Oak Tree, and MRMC, all in connection with the termination of the provision of hospital acute-care services at MRMC and pursuant to the State’s HATP, paying the costs of issuance of the Series 2009 A-1 Bonds and providing funds for various capacity expansion and capital improvement projects at JFK Medical Center.

JFK Medical Center’s long-term debt at December 31, 2011 and 2010 consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
</table>

JFK Medical Center’s scheduled principal repayments for long-term debt are as follows:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$ 1,881,480</td>
<td>$ 2,757,679</td>
<td>$ 3,688,640</td>
<td>$ 4,678,276</td>
<td>106,630,261</td>
<td>$ 119,636,336</td>
</tr>
<tr>
<td>Thereafter</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Under the terms of the Series 2009 A-1 bond indenture agreement, the Borrowers collectively are required to maintain certain financial ratios and comply with other restrictive covenants as described in the respective agreement. The Borrowers are required to maintain a days cash on hand ratio minimum of 30 days and a days in accounts payable ratio maximum of 90 days. As of December 31, 2011, the Borrowers met these ratios.
New capital lease obligations were entered by JFK Medical Center during 2011 and 2010 and consisted of the following at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th>Capital lease obligations with interest ranging from 3.90% to 9.08% per annum, final payment due in 2016</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 6,535,848</td>
<td>$ 5,285,096</td>
</tr>
<tr>
<td>Less current portion</td>
<td>1,673,125</td>
<td>1,153,507</td>
</tr>
<tr>
<td>Long-term portion</td>
<td>$ 4,862,723</td>
<td>$ 4,131,589</td>
</tr>
</tbody>
</table>

JFK Medical Center’s future minimum lease payments under capital lease obligations are as follows:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2016</td>
</tr>
<tr>
<td>Total minimum payments</td>
</tr>
<tr>
<td>Less amounts representing interest</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Less current installments</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
10. Pension Plan and Postretirement Healthcare Benefits

Cash Balance Retirement Plan

The System has a defined benefit pension plan covering substantially all JFK Medical Center employees and the employees of other participating subsidiaries. Amounts are allocated by the System to its subsidiaries based upon relative service costs. The System uses a December 31 measurement date for its pension plan. The plan was frozen effective May 2, 2009.

The changes in projected benefit obligations allocated by the System to JFK Medical Center in 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected benefit obligation at beginning of year</td>
<td>$ 215,522,477</td>
<td>$ 189,920,461</td>
</tr>
<tr>
<td>Interest cost</td>
<td>11,058,938</td>
<td>12,004,520</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>525,988</td>
<td>21,951,901</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(8,670,656)</td>
<td>(8,354,406)</td>
</tr>
<tr>
<td></td>
<td><strong>$ 218,436,747</strong></td>
<td><strong>$ 215,522,476</strong></td>
</tr>
</tbody>
</table>


The changes in plan assets allocated by the System to JFK Medical Center in 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>$ 146,464,531</td>
<td>$ 131,513,007</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>3,634,248</td>
<td>16,274,940</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>9,660,830</td>
<td>7,030,990</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(8,670,656)</td>
<td>(8,354,406)</td>
</tr>
<tr>
<td>Total</td>
<td><strong>$ 151,088,953</strong></td>
<td><strong>$ 146,464,531</strong></td>
</tr>
</tbody>
</table>

The following is a summary of the funded status of the plan allocated by the System to JFK Medical Center at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets</td>
<td>$ 151,088,953</td>
<td>$ 146,464,531</td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>218,436,747</td>
<td>215,522,476</td>
</tr>
<tr>
<td>Funded status of the plan (under funded)</td>
<td><strong>$ (67,347,794)</strong></td>
<td><strong>$ (69,057,945)</strong></td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>$ 218,436,747</td>
<td>$ 215,522,476</td>
</tr>
</tbody>
</table>
The amounts of net periodic pension cost allocated by the System to JFK Medical Center for 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>$11,058,938</td>
<td>$12,004,520</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(11,533,852)</td>
<td>(10,492,771)</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>1,621,108</td>
<td>1,231,757</td>
</tr>
<tr>
<td><strong>Net periodic pension cost</strong></td>
<td><strong>$1,146,194</strong></td>
<td><strong>$2,743,506</strong></td>
</tr>
</tbody>
</table>

A net actuarial loss of $8,425,592 represents the previously unrecognized components of net periodic pension cost included in unrestricted net assets at December 31, 2011.

A net actuarial loss of $1,864,261 represents the unrecognized component of net periodic benefit cost included in unrestricted net assets at December 31, 2011 expected to be amortized into net periodic pension cost in 2012.

The following table provides the amounts recognized in the balance sheet at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net amount recognized – noncurrent</td>
<td>$67,347,794</td>
<td>$69,057,945</td>
</tr>
</tbody>
</table>

The contribution to the plan in 2012 is expected to be $10,614,870.

The weighted-average assumptions used in computing the plan’s benefit obligation at December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.53 %</td>
<td>5.34 %</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
The weighted-average assumptions used in the measurement of the plan’s net periodic pension cost for the years ended December 31, 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>5.34 %</td>
<td>6.43 %</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>8.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The expected long-term rate of return on plan assets assumption was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future conditions. Adjustments are made to the expected long-term rate of return assumption when deemed necessary based upon revised expectations of future investment performance of the overall capital markets. The expected long-term rate of return assumption used in computing 2011 net periodic pension cost was 8.0%.

The following table sets forth the actual asset allocation and target asset allocation for plan assets at December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th>Asset category:</th>
<th>Target Asset Allocation</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td></td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td>35</td>
<td>33</td>
</tr>
<tr>
<td>Alternative investments – Collective fund</td>
<td></td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset category:</th>
<th>Target Asset Allocation</th>
<th>2010</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td></td>
<td>53</td>
<td>50</td>
</tr>
<tr>
<td>Debt securities</td>
<td></td>
<td>33</td>
<td>35</td>
</tr>
<tr>
<td>Alternative investments – Collective fund</td>
<td></td>
<td>14</td>
<td>15</td>
</tr>
</tbody>
</table>

The plan assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with the System’s risk tolerance. This is achieved through the utilization of asset managers and systemic allocation to investment management styles, providing a broad exposure to different segments of the fixed income and equity markets.
The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

Years ending December 31:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$8,921,365</td>
</tr>
<tr>
<td>2013</td>
<td>10,709,242</td>
</tr>
<tr>
<td>2014</td>
<td>9,993,230</td>
</tr>
<tr>
<td>2015</td>
<td>9,930,586</td>
</tr>
<tr>
<td>2016</td>
<td>13,081,003</td>
</tr>
<tr>
<td>2017-2021</td>
<td>69,787,093</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$122,422,519</strong></td>
</tr>
</tbody>
</table>

The composition of plan assets at December 31, 2011 and 2010, is set forth in the following table:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large cap</td>
<td>$43,878,811</td>
<td>$43,127,499</td>
</tr>
<tr>
<td>Small cap</td>
<td>9,392,369</td>
<td>9,696,049</td>
</tr>
<tr>
<td>Equities</td>
<td>23,891,443</td>
<td>24,444,235</td>
</tr>
<tr>
<td>Emerging markets debt fund</td>
<td>5,855,758</td>
<td>5,575,190</td>
</tr>
<tr>
<td>High yield bond fund</td>
<td>12,264,532</td>
<td>11,682,498</td>
</tr>
<tr>
<td>Long duration fund</td>
<td>34,806,170</td>
<td>30,667,451</td>
</tr>
<tr>
<td>Collective funds</td>
<td>20,999,870</td>
<td>21,271,609</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$151,088,953</strong></td>
<td><strong>$146,464,531</strong></td>
</tr>
</tbody>
</table>

The plan’s collective fund, an alternative investment, is comprised of limited partnerships that invest primarily in securities that are traded in active markets. Its investment objective is to deliver a 7% rate of return, but with approximately half of the annualized volatility of equities. This approach can generate investment results that achieve higher long-term returns; however, this approach can also produce negative results depending on market conditions.
The following table sets forth by level, within the fair value hierarchy, the plan assets at fair value as of December 31, 2011:

<table>
<thead>
<tr>
<th>Assets at Fair Value as of December 31, 2011</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large cap</td>
<td>$ 43,878,811</td>
<td>$ 43,878,811</td>
<td>$ -</td>
</tr>
<tr>
<td>Small cap</td>
<td>9,392,369</td>
<td>9,392,369</td>
<td>-</td>
</tr>
<tr>
<td>Equity</td>
<td>23,891,443</td>
<td>23,891,443</td>
<td>-</td>
</tr>
<tr>
<td>Emerging markets debt fund</td>
<td>5,855,758</td>
<td>5,855,758</td>
<td>-</td>
</tr>
<tr>
<td>High yield bond fund</td>
<td>12,264,532</td>
<td>12,264,532</td>
<td>-</td>
</tr>
<tr>
<td>Long duration fund</td>
<td>34,806,170</td>
<td>34,806,170</td>
<td>-</td>
</tr>
<tr>
<td>Collective fund</td>
<td>20,999,870</td>
<td>-</td>
<td>20,999,870</td>
</tr>
<tr>
<td>Total</td>
<td>$ 151,088,953</td>
<td>$ 130,089,083</td>
<td>$ 20,999,870</td>
</tr>
</tbody>
</table>

The following table sets forth by level, within the fair value hierarchy, the plan assets at fair value as of December 31, 2010:

<table>
<thead>
<tr>
<th>Assets at Fair Value as of December 31, 2010</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large cap</td>
<td>$ 43,127,499</td>
<td>$ 43,127,499</td>
<td>$ -</td>
</tr>
<tr>
<td>Small cap</td>
<td>9,696,049</td>
<td>9,696,049</td>
<td>-</td>
</tr>
<tr>
<td>Equity</td>
<td>24,444,235</td>
<td>24,444,235</td>
<td>-</td>
</tr>
<tr>
<td>Emerging markets debt fund</td>
<td>5,575,190</td>
<td>5,575,190</td>
<td>-</td>
</tr>
<tr>
<td>High yield bond fund</td>
<td>11,682,498</td>
<td>11,682,498</td>
<td>-</td>
</tr>
<tr>
<td>Long duration fund</td>
<td>30,667,451</td>
<td>30,667,451</td>
<td>-</td>
</tr>
<tr>
<td>Collective fund</td>
<td>21,271,609</td>
<td>-</td>
<td>21,271,609</td>
</tr>
<tr>
<td>Total</td>
<td>$ 146,464,531</td>
<td>$ 125,192,922</td>
<td>$ 21,271,609</td>
</tr>
</tbody>
</table>

The following table summarizes Level 3 instruments measured at fair value on a recurring basis:

| Fair Value Measurements At Reporting Date Using Significant Unobservable Inputs (Level 3) |
|---------------------------------------------|---------------------------------------------|
| Collective Fund                             |                                             |
| 2011                                        | 2010                                        |
| Balance, beginning of year                  | $ 21,271,609                                |
| Unrealized (loss) gain, net                 | (271,739)                                   |
| Balance, end of year                        | $ 20,999,870                                |
The Community Hospital Group, Inc. d/b/a JFK Medical Center
Notes to Financial Statements
December 31, 2011 and 2010

The following is a description of the valuation methodologies used for the plan’s assets measured at fair value:

- Mutual funds – Valued at the net asset value (“NAV”) of shares held by the plan at year-end.

- Alternative investments (Collective Fund) are valued by an independent advisor that values the underlying investments of the partnership, which are substantially invested in an active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although JFK Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Defined Contribution Pension Plan

On January 1, 2010, the System established the Solaris Defined Contribution Pension Plan. All employees are eligible for participation in the plan. JFK Medical Center will contribute a maximum of 2% of employee contributions. Total expense recorded in 2011 and 2010 was $3,234,882 and $3,458,705, respectively.

Postretirement Healthcare Benefits

In addition to the System defined benefit pension plan, JFK Medical Center sponsors defined benefit medical and life insurance plans for eligible retirees. To be eligible, a retiring employee must have at least 25 years of service (effective January 1, 2005) and have attained age 60; however, those who were 55 years or older and have at least ten years of service as of December 31, 2004 will remain eligible at age 60 with 15 years of service. No employee hired on or after January 1, 2005 will be eligible for retiree medical coverage. The medical insurance plan requires monthly retiree contributions. As covered, a retiree may also elect to cover his or her spouse on a contributory basis. JFK Medical Center sets these rates on an annual basis. The medical insurance plan contains other cost-sharing features such as deductibles and co-insurance. The life insurance benefit is provided on a noncontributory basis. This benefit is only for full-time employees who are eligible and enroll in the medical plan. The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with past personnel practices and procedures. JFK Medical Center’s funding policy is on a “pay-as-you-go” basis; the life insurance plan is funded through a group life insurance contract.

In January 2011, the JFK Medical Center approved a five year phase out of the retiree medical program. Beginning in 2012, the subsidy will be reduced each year by $500 until January 1, 2016 when the medical program will end. This phase out created a reduction of the benefit obligation as of December 31, 2011 of $7,734,947 for the Plan amendments and a curtailment gain of $2,676,619.
The Community Hospital Group, Inc. d/b/a JFK Medical Center
Notes to Financial Statements
December 31, 2011 and 2010

The changes in benefit obligations in 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at beginning of year</td>
<td>$12,628,412</td>
<td>$11,218,791</td>
</tr>
<tr>
<td>Service cost</td>
<td>29</td>
<td>210,950</td>
</tr>
<tr>
<td>Interest cost</td>
<td>34,680</td>
<td>666,894</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>764,480</td>
<td>702,154</td>
</tr>
<tr>
<td>Plan amendments</td>
<td>(7,734,947)</td>
<td>-</td>
</tr>
<tr>
<td>Plan curtailments</td>
<td>(2,676,619)</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(395,309)</td>
<td>853,033</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,085,104)</td>
<td>(1,023,410)</td>
</tr>
</tbody>
</table>

Total benefit obligation at end of year $1,535,622 $12,628,412

The changes in plan assets in 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employer contribution</td>
<td>320,624</td>
<td>321,256</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>764,480</td>
<td>702,154</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(1,085,104)</td>
<td>(1,023,410)</td>
</tr>
</tbody>
</table>

Fair value of plan assets at end of year - -

The following is a summary of the funded status and amounts recognized in the System’s consolidated financial statements as of December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated benefit obligation</td>
<td>1,535,622</td>
<td>12,628,412</td>
</tr>
</tbody>
</table>

Funded status of the postretirement plan (underfunded) (1,535,622) (12,628,412)

Accrued postretirement healthcare benefit liability at end of year (1,535,622) (12,628,412)

Less current portion (602,389) (751,493)

Noncurrent portion of accrued postretirement healthcare benefit liability $ (933,233) $ (11,876,919)
The Community Hospital Group, Inc. d/b/a JFK Medical Center
Notes to Financial Statements
December 31, 2011 and 2010

The amounts of net periodic postretirement benefit cost (credit) in 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>$34,680</td>
<td>$666,894</td>
</tr>
<tr>
<td>Service cost</td>
<td>29</td>
<td>210,950</td>
</tr>
<tr>
<td>Amortization of prior service credit</td>
<td>(1,576,435)</td>
<td>(686,879)</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>268,323</td>
<td>115,146</td>
</tr>
<tr>
<td>Curtailment gain recognized</td>
<td>(2,692,503)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net periodic postretirement benefit cost</strong></td>
<td><strong>$ (3,965,906)</strong></td>
<td><strong>$ 306,111</strong></td>
</tr>
</tbody>
</table>

A net actuarial gain of $3,071,928 and prior service cost of $7,734,947 represent the previously unrecognized component of net periodic postretirement benefit cost included in unrestricted net assets at December 31, 2011.

Net actuarial loss of $151,931 and prior service credit of $1,567,575 are expected to be recognized in net periodic postretirement benefit cost in 2012.

The weighted-average assumptions used in determining the actuarial present value of the projected benefit obligation for 2011 and 2010 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>1.79 %</td>
<td>5.36 %</td>
</tr>
<tr>
<td>Healthcare cost trend rate</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Year ultimate increase reached</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Assumed healthcare cost trend rates have a significant effect on the amounts reported for postretirement benefit plans. However, since JFK Medical Center has reached the employer-paid cap on benefits, a one percentage point change in assumed healthcare cost trend rates would not have an effect on the components of net periodic postretirement benefit cost and the postretirement benefit obligations for 2011.

JFK Medical Center expects to contribute $602,389 to its postretirement benefit plan in 2012.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 602,389</td>
</tr>
<tr>
<td>2013</td>
<td>467,950</td>
</tr>
<tr>
<td>2014</td>
<td>325,531</td>
</tr>
<tr>
<td>2015</td>
<td>182,531</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,578,401</strong></td>
</tr>
</tbody>
</table>
11. Professional and General Liability Insurance

The System maintains professional and general liability insurance coverage for all subsidiaries and their employees. The System's insurance coverages are provided under the provisions of two insurance arrangements, as follows:

- **Primary coverage:** Primary coverage is provided by Atlantic Insurance Exchange, Ltd. ("AIE") under the terms of a claims-made insurance policy. This insurance policy has an individual occurrence limit of $3,000,000 and an annual aggregate limit of $10,000,000.

- **Excess coverage:** The System has excess liability insurance coverage which insures against losses in excess of the above primary coverage reported during the period of policy coverage. This commercial excess liability insurance policy has an individual occurrence limit of $30,000,000 and an annual aggregate limit of $30,000,000.

AIE was incorporated under the laws of Bermuda on June 24, 1987 and insures the risks of the System and its subsidiaries. AIE charged insurance premiums to JFK Medical Center of approximately $3,169,000 in 2011 and $3,070,000 in 2010. The fair value of assets in AIE was approximately $36,033,000 and $34,156,000 at December 31, 2011 and 2010, respectively. AIE assets are controlled by the System and are not reflected in the accompanying financial statements. In addition, AIE liabilities include the asserted and unasserted professional and general claims of JFK Medical Center. In addition, JFK Medical Center has recorded a reserve of approximately $1.7 million for asserted and unasserted professional and general claims which exceed primary coverage which is recorded in other long-term liabilities in the balance sheet as of December 31, 2011. Of these claims, approximately $1.2 million is recorded as a receivable under the claims-made excess liability insurance and is recorded within other long-term assets in the balance sheet as of December 31, 2011.

JFK Medical Center believes that it has adequate insurance coverages for all asserted claims and has no knowledge of unasserted claims which would exceed its liabilities at AIE or insurance coverages.

12. Other Long-Term Liabilities

JFK Medical Center has recorded a reserve of approximately $902,000 for asserted and unasserted workers compensation claims which exceed primary coverage which is recorded in other long-term liabilities in the balance sheet as of December 31, 2011. Of these claims, approximately $902,000 is recorded as a receivable under the claims-made excess liability insurance and is recorded within other long-term assets in the balance sheet as of December 31, 2011.

In August 2011, JFK Medical Center entered into a line of credit agreement with a minimum withdrawal amount of $3 million and a maximum of $27 million. The line of credit is payable in full in August 2014, subject to renewal terms per the line of credit agreement. As of December 31, 2011, JFK Medical Center drew $3 million on the line of credit, which is included in other long-term liabilities in the balance sheet.
13. Health Insurance Benefits

JFK Medical Center self-insures its employee health insurance coverages. JFK Medical Center accrues the estimated costs of incurred and reported and incurred but not reported claims, after consideration of its individual and aggregate stop-loss insurance coverages, based upon data provided by the third-party administrator of the program and its historical claims experience. JFK Medical Center recorded a liability of $3,324,204 and $3,578,137 at December 31, 2011 and 2010, respectively, related to health insurance. The amount is included in employee benefits in accrued expenses in the accompanying balance sheet.

14. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for betterments to plant facilities and purchases of equipment or for a particular purpose.

During 2011 and 2010, net assets were released from donor restrictions by satisfying their restricted purposes in the amount of $467,656 and $568,062, respectively.

15. Concentrations of Credit Risk

JFK Medical Center grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicaid, Medicare, and various commercial insurance companies. The mix of receivables at December 31, 2011 and 2010 from patients and third-party payors is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>27 %</td>
<td>29 %</td>
</tr>
<tr>
<td>Medicaid</td>
<td>2 %</td>
<td>4 %</td>
</tr>
<tr>
<td>Blue Cross</td>
<td>23 %</td>
<td>19 %</td>
</tr>
<tr>
<td>Aetna</td>
<td>9 %</td>
<td>8 %</td>
</tr>
<tr>
<td>Other third-party payors</td>
<td>38 %</td>
<td>39 %</td>
</tr>
<tr>
<td>Patients</td>
<td>1 %</td>
<td>1 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

JFK Medical Center maintains its cash and cash equivalents with several financial institutions. Cash and cash equivalents on deposit with any one financial institution are insured up to $250,000.
16. Contingencies

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance that have not been provided for in the accompanying financial statements; however, the possible future financial effects of this matter on JFK Medical Center, if any, are not presently determinable.

17. Related Party Transactions

At December 31, 2011 and 2010, JFK Medical Center and other affiliates were indebted to each other as follows:

<table>
<thead>
<tr>
<th>Due from affiliates:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>JFK Health System, Inc. (net of $26,306,414 and $25,327,300 reserve in 2011 and 2010, respectively)</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>John F. Kennedy Medical Center Foundation, Inc.</td>
<td>466,086</td>
<td>402,221</td>
</tr>
<tr>
<td>Hartwyck at JFK, Inc. (net of $2,849,540 and $2,848,500 reserve in 2011 and 2010, respectively)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Atlantic Insurance Exchange, Ltd.</td>
<td>125,551</td>
<td>645,753</td>
</tr>
<tr>
<td>JFK Healthshare, Inc.</td>
<td>252,388</td>
<td>170,286</td>
</tr>
<tr>
<td>Muhlenberg Regional Medical Center, Inc. (net of $0- and $527,269 reserve in 2011 and 2010, respectively)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Muhlenberg Foundation, Inc.</td>
<td>114,945</td>
<td>60,825</td>
</tr>
<tr>
<td>Lifestyle Institute, Inc.</td>
<td>19,563</td>
<td>36,669</td>
</tr>
<tr>
<td>Hartwyck West Nursing Home, Inc. and Affiliates</td>
<td>76,760</td>
<td>-</td>
</tr>
<tr>
<td>Total due from affiliates</td>
<td>1,055,293</td>
<td>1,315,754</td>
</tr>
<tr>
<td>Less current portion</td>
<td>145,113</td>
<td>682,422</td>
</tr>
<tr>
<td>Noncurrent portion</td>
<td>$ 910,180</td>
<td>$ 633,332</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Due to affiliates:</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hartwyck at Oak Tree, Inc. (net of $4,138,972 and $5,053,800 reserve in 2011 and 2010, respectively)</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Hartwyck West Nursing Home, Inc.</td>
<td>-</td>
<td>138,065</td>
</tr>
<tr>
<td>Total due to affiliates</td>
<td>$-</td>
<td>$ 138,065</td>
</tr>
</tbody>
</table>
Interest is not charged on these balances and there are no formal repayment terms. The amounts due from affiliates are valued at management’s estimate of net realizable value; however, because of inherent uncertainties in the affiliates’ operating results, it is at least reasonably possible that the estimates used may change within the near term.

On October 1, 2003, Hartwyck at Oak Tree, Inc. signed a $2,400,000 promissory note with JFK Medical Center. Interest-only payments, at an annual rate of 5.5%, are due on the first day of each month beginning on November 1, 2003. The entire principal amount is due on July 1, 2023. Interest income earned on the promissory note amounted to $132,000 in 2011 and 2010 and is included in investment income on the statement of operations.

JFK Medical Center rents space from Hartwyck at Oak Tree, Inc. for cognitive rehabilitation services. Rental expense amounted to $372,000 in 2011 and 2010 and is included in purchased services on the statement of operations.

JFK Medical Center also rented space to Oak Tree, Inc. for the operations of Daycare and business offices services. The day care center was moved to JFK Medical Center as of December 31, 2009. Rental income amounts to $27,216 in 2011 and 2010.

Oak Tree, Inc. employees utilize Child Day Care services from JFK Medical Center. Other operating income amounts to $24,000 in 2011 and 2010.

On August 16, 2004, Hartwyck at Oak Tree, Inc. signed a $1,204,843 promissory note with JFK Medical Center. Interest and principal payments are due on the first day of each month beginning on October 1, 2004, with an annual interest rate of 3.5%. Principal payments are due through July 1, 2023. The balance due from Hartwyck at Oak Tree was $659,343 and $752,343 at December 31, 2011 and 2010, respectively. Interest income earned on the promissory note amounted to $23,077 in 2011 and $26,332 in 2010 and is included in investment income on the statement of operations.

JFK Medical Center, Inc. rents space from Healthshare, Inc. Rental expense amounts to $535,691 in 2011 and $585,399 in 2010 and is included in purchased services on the statements of operations.

The Foundation transferred $101,866 in 2011 and $314,742 in 2010 to JFK Medical Center for use in operations. The Foundation also made transfers of restricted funds to JFK Medical Center of $293,705 and $39,079 for capital purchases in 2011 and 2010, respectively.

During 2011, JFK Medical Center received a capital transfer in the amount of $72,085 from Muhlenberg Foundation, Inc.

In 2010, MRMC received operating and capital transfers from Muhlenberg Foundation in the amounts of $50,000 and $164,241, respectively. MRMC subsequently transferred these amounts to JFKMC to benefit Diabetes Center, School of Nursing, and MICU activities at JFKMC.

During 2011 and 2010, JFK Medical Center paid salaries of $444,721 and $491,368, respectively and employee benefits of $99,217 and $107,118, respectively, on behalf of JFK Foundation.
During 2011, Lifestyle, Inc. made an equity transfer of $360,000 to the Institute for use in operations. In 2010, the System made an equity transfer of $185,000 to the Institute for use in operations. Also in 2010, JFK Foundation made an equity transfer of $50,000 to the Institute for use in operations.

On January 1, 2009, the operations of the School of Nursing and School of Radiology were transferred to JFK Medical Center. During 2008, the Emergency Department operations of MRMC were transferred to JFK Medical Center. JFK pays rental income to MRMC for operations on the MRMC campus which were $1,965,000 and $1,972,004 for the years ended December 31, 2011 and 2010, respectively. In addition, JFK Medical Center made an equity transfer of $3,006,689 to MRMC to forgive intercompany balances during 2011.

Reserves are recorded against the receivables of several affiliate entities due to management’s belief that collectibility was uncertain. The following table summarizes the reserves recorded as of December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>JFK Health System</td>
<td>$26,306,414</td>
<td>$25,327,300</td>
</tr>
<tr>
<td>Hartwyck at JFK, Inc.</td>
<td>2,849,540</td>
<td>2,848,500</td>
</tr>
<tr>
<td>MRMC</td>
<td>-</td>
<td>527,269</td>
</tr>
<tr>
<td>Hartwyck at Oak Tree, Inc.</td>
<td>4,138,972</td>
<td>5,053,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$33,294,926</strong></td>
<td><strong>$33,756,869</strong></td>
</tr>
</tbody>
</table>

18. Lease Commitments

JFK Medical Center is committed under the terms of operating leases for future minimum rental payments on equipment as follows:

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,290,771</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>$1,044,459</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td>$919,435</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td>$62,987</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$7,831</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,325,483</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rental expense on operating leases was $2,654,605 and $3,715,737 in 2011 and 2010, respectively.
19. Functional Expenses

JFK Medical Center provides healthcare and other related services to its patients. The classification of expenses related to providing these services approximates the following in 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$404,273</td>
<td>$396,395</td>
</tr>
<tr>
<td>General and administrative</td>
<td>34,197</td>
<td>33,622</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$438,470</strong></td>
<td><strong>$430,017</strong></td>
</tr>
</tbody>
</table>
Independent Auditors’ Report
on Supplementary Information

Board of Directors
The Community Hospital Group, Inc. d/b/a JFK Medical Center

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 34 and 35 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, New Jersey
April 27, 2012
### The Community Hospital Group, Inc. d/b/a JFK MEDICAL CENTER

#### Schedule by Facility, Statement of Operations

Year Ended December 31, 2011

<table>
<thead>
<tr>
<th>Unrestricted Revenues, Gains, and Other Support</th>
<th>Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net patient service revenues</td>
<td>$370,587,003</td>
<td>$60,895,318</td>
<td>$</td>
<td>$431,482,321</td>
</tr>
<tr>
<td>Other revenues</td>
<td>14,312,194</td>
<td>1,889,006</td>
<td>(127,380)</td>
<td>16,073,820</td>
</tr>
<tr>
<td>Net assets released from restrictions for use in operations</td>
<td>99,325</td>
<td>2,541</td>
<td></td>
<td>101,866</td>
</tr>
<tr>
<td>Total unrestricted revenues, gains, and other support</td>
<td>384,998,522</td>
<td>62,786,865</td>
<td>(127,380)</td>
<td>447,658,007</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th></th>
<th>Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>158,802,679</td>
<td>38,205,131</td>
<td></td>
<td>197,007,810</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>31,824,677</td>
<td>7,891,202</td>
<td></td>
<td>39,715,879</td>
</tr>
<tr>
<td>Supplies and expenses</td>
<td>139,763,627</td>
<td>10,839,128</td>
<td>(127,380)</td>
<td>150,475,375</td>
</tr>
<tr>
<td>Provision for doubtful collections</td>
<td>29,958,198</td>
<td>1,110,305</td>
<td></td>
<td>31,068,503</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>10,930,401</td>
<td>2,802,072</td>
<td></td>
<td>13,732,473</td>
</tr>
<tr>
<td>Interest</td>
<td>5,760,006</td>
<td>710,244</td>
<td></td>
<td>6,470,250</td>
</tr>
<tr>
<td>Total expenses</td>
<td>377,039,588</td>
<td>61,558,082</td>
<td>(127,380)</td>
<td>438,470,290</td>
</tr>
</tbody>
</table>

### Operating Income

<table>
<thead>
<tr>
<th></th>
<th>Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Settlement/Curtainment Charges</td>
<td>2,692,503</td>
<td></td>
<td></td>
<td>2,692,503</td>
</tr>
<tr>
<td>Provision for Doubtful Collections on Related Party Receivable</td>
<td>461,942</td>
<td></td>
<td></td>
<td>461,942</td>
</tr>
<tr>
<td>Investment Income</td>
<td>507,260</td>
<td></td>
<td></td>
<td>507,260</td>
</tr>
<tr>
<td>Change in Net Unrealized Gains on Trading Securities</td>
<td>33,206</td>
<td></td>
<td></td>
<td>33,206</td>
</tr>
<tr>
<td>Revenues in Excess of Expenses</td>
<td>11,653,845</td>
<td>1,228,783</td>
<td></td>
<td>12,882,628</td>
</tr>
<tr>
<td>Pension/Postretirement Liability Adjustment</td>
<td>1,547,208</td>
<td>(1,224,809)</td>
<td></td>
<td>322,399</td>
</tr>
<tr>
<td>Transfer (to) from Affiliates</td>
<td>(3,006,689)</td>
<td>360,000</td>
<td></td>
<td>(2,646,689)</td>
</tr>
<tr>
<td>Net Assets Released from Restrictions for Capital Purchases</td>
<td>358,654</td>
<td>7,136</td>
<td></td>
<td>365,790</td>
</tr>
<tr>
<td>Decrease in Unrestricted Net Deficit</td>
<td>$10,553,018</td>
<td>$371,110</td>
<td></td>
<td>$10,924,128</td>
</tr>
</tbody>
</table>

---

34
<table>
<thead>
<tr>
<th>Unrestricted Revenues, Gains, and Other Support</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net patient service revenues</td>
<td>$354,877,224</td>
<td>$58,521,010</td>
<td>$-</td>
<td>$413,398,234</td>
</tr>
<tr>
<td>Other revenues</td>
<td>11,786,829</td>
<td>1,709,075</td>
<td>(126,828)</td>
<td>13,369,076</td>
</tr>
<tr>
<td>Net assets released from restrictions for use in operations</td>
<td>314,742</td>
<td>50,000</td>
<td>$-</td>
<td>364,742</td>
</tr>
<tr>
<td>Total unrestricted revenues, gains, and other support</td>
<td>366,978,795</td>
<td>60,280,085</td>
<td>(126,828)</td>
<td>427,132,052</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>164,271,970</td>
<td>37,438,773</td>
<td>$-</td>
<td>201,710,743</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>33,666,570</td>
<td>7,751,491</td>
<td>$-</td>
<td>41,418,061</td>
</tr>
<tr>
<td>Supplies and expenses</td>
<td>130,612,789</td>
<td>10,404,588</td>
<td>(126,828)</td>
<td>140,890,549</td>
</tr>
<tr>
<td>Provision for doubtful collections</td>
<td>26,003,642</td>
<td>1,089,625</td>
<td>$-</td>
<td>27,093,267</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>9,882,772</td>
<td>2,860,243</td>
<td>$-</td>
<td>12,743,015</td>
</tr>
<tr>
<td>Interest</td>
<td>5,452,491</td>
<td>709,240</td>
<td>$-</td>
<td>6,161,731</td>
</tr>
<tr>
<td>Total expenses</td>
<td>369,890,234</td>
<td>60,253,960</td>
<td>(126,828)</td>
<td>430,017,366</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating (Loss) Income</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2,911,439)</td>
<td>26,125</td>
<td>$-</td>
<td>(2,885,314)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recovery of Doubtful Collections on Related Party Receivables</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>815,147</td>
<td>-</td>
<td>$-</td>
<td>815,147</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Income</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>543,383</td>
<td>-</td>
<td>$-</td>
<td>543,383</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Net Unrealized Gains on Trading Securities</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>75,111</td>
<td>-</td>
<td>$-</td>
<td>75,111</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses in Excess of (Less Than) Revenues</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,477,798)</td>
<td>26,125</td>
<td>$-</td>
<td>(1,451,673)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pension/Postretirement Liability Adjustment</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(13,725,545)</td>
<td>(2,688,859)</td>
<td>$-</td>
<td>(16,414,404)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transfers to Affiliates</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>185,000</td>
<td>-</td>
<td>$-</td>
<td>185,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets Released from Restrictions for Capital Purchases</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>203,320</td>
<td>-</td>
<td>$-</td>
<td>203,320</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase in Unrestricted Net Assets</th>
<th>Anthony M. Yelencsics Community Hospital</th>
<th>JFK Johnson Rehabilitation Institute</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(15,000,023)</td>
<td>$(2,477,734)</td>
<td>$-</td>
<td>$(17,477,757)</td>
</tr>
</tbody>
</table>