Greater Baltimore Medical Center, Inc.

Financial Statements
June 30, 2010 and 2009

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PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Directors of
GBMC HealthCare, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations and changes in net assets and cash flows present fairly, in all material respects, the financial position of Greater Baltimore Medical Center, Inc. (the "Medical Center") at June 30, 2010 and June 30, 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 4, 2010

Greater Baltimore Medical Center, Inc.
Balance Sheets
June 30, 2010 and 2009

Assets	**2010**	**2009**
Current assets		
Cash	$ 25,078,410	$ 26,408,940
Short-term investments	19,250,471	17,746,361
Current limited use funds	5,772,032	7,585,009
Patient accounts receivable, net of reserves of $12,389,715		
and $11,526,036 in 2010 and 2009, respectively	50,739,245	46,199,440
Inventories	3,292,072	3,335,596
Advances to affiliates	8,430,172	19,341,375
Prepaid expense and other current assets	9,250,465	6,665,694
Current pledge receivables, net	1,501,566	1,830,424
Total current assets	123,314,433	129,112,839
Non-current assets		
Equity investments and advances to investees	12,136	-
Investments	31,381,841	9,961,037
Investments held by affiliate	16,134,012	13,363,754
Limited use funds held by trustee	8,861,994	8,850,762
Deferred costs, net	875,056	1,041,108
Advances to affiliates	10,553,239	9,047,806
Property, plant and equipment, net	205,950,075	207,421,783
Pledge receivables, net	472,965	633,431
Other assets	44,500	103,500
Total non-current assets	274,285,818	250,423,181
Total assets	$ 397,600,251	$ 379,536,020
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 19,455,773	$ 22,205,889
Accrued salaries and employee benefits	32,932,034	31,776,946
Accrued interest on long-term debt	2,444,804	2,567,692
Current portion of long-term debt	4,637,499	4,028,262
Advances from third-party payers	11,666,105	12,792,179
Other liabilities	8,596,382	7,183,931
Total current liabilities	79,732,597	80,554,899
Non-current liabilities		
Long-term debt	117,394,842	119,933,828
Accrued Pension liability	31,022,268	19,592,870
Other long-term liabilities	677,223	1,088,996
Total liabilities	228,826,930	221,170,593
Net assets		
Unrestricted	139,847,722	132,503,672
Temporarily restricted	22,364,949	19,303,240
Permanently restricted	6,560,650	6,558,515
Total net assets	168,773,321	158,365,427
Total liabilities and net assets	$ 397,600,251	$ 379,536,020

The accompanying notes are an integral part of these consolidated financial statements.

Greater Baltimore Medical Center, Inc.
Statements of Operations and Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
Change in unrestricted net assets		
Net Patient Service Revenue		
Inpatient	$ 209,021,196	$ 216,086,929
Outpatient	164,960,770	149,744,148
Professional Fees	11,575,045	11,091,584
Net patient service revenue	385,557,011	376,922,661
Other operating income		
Other Revenue	8,060,520	9,475,768
Net assets released from restrictions	2,768,557	3,343,969
Total operating revenue	396,386,088	389,742,398
Operating expenses		
Salaries and wages	174,641,100	168,377,014
Employee benefits	38,968,395	33,880,253
Expendable supplies	79,271,374	79,504,068
Purchased services	53,383,574	53,041,633
Depreciation and amortization	22,216,649	21,718,427
Interest	4,434,576	4,794,028
Provision for uncollectible accounts	8,774,553	9,312,582
Total operating expenses	381,690,221	370,628,005
Other operating income (expense)		
Income (loss) in earnings of investee	18,300	(658,336)
Total operating income	14,714,167	18,456,057
Other income(expense)		
Contributions	1,780,100	492,489
Net investment income and gain on sale of investments	1,112,886	455,288
Net unrealized loss on investments	(557,613)	(61,636)
Loss on sale of asset	(471)	(87,610)
Loss on interest rate swaps	(2,325,867)	(2,629,925)
Total other income (expense)	9,035	(1,831,394)
Excess of revenues over expenses	14,723,202	16,624,663
Other unrestricted activity		
Pension related changes other than net periodic pension costs	(9,482,121)	(18,895,840)
Net assets released for purchase of fixed assets	2,690,272	429,022
Equity in unrestricted income of affiliate	990,525	(2,037,743)
Transfers to affiliates	(1,577,828)	(2,034,203)
Increase (decrease) in unrestricted net assets	7,344,050	(5,914,101)
Changes in temporarily restricted net assets		
Contributions	7,519,356	3,782,224
Investment income	105	37,055
Equity in temporarily restricted income of affiliate	1,757,554	(1,889,492)
Transfer of restricted assets from affiliates	(756,477)	488,548
Net assets released for operations	(2,768,557)	(3,343,969)
Net assets released for purchase of fixed assets	(2,690,272)	(429,023)
Increase (decrease) in temporarily restricted net assets	3,061,709	(1,354,657)
Changes in permanently restricted net assets		
Contributions	2,135	53,262
Equity in permanently restricted income of affiliate	22,179	251,611
Transfers to affiliates	(22,179)	(251,611)
Increase in permanently restricted net assets	2,135	53,262
Increase (decrease) in net assets	10,407,894	(7,215,496)
Net assets, beginning of year	158,365,427	165,580,923
Net assets, end of year	$ 168,773,321	$ 158,365,427

The accompanying notes are an integral part of these consolidated financial statements.

Greater Baltimore Medical Center, Inc.
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 10,407,894	$ (7,215,496)
Adjustments to reconcile change in net assets to net cash provided from operating activities		
Depreciation and amortization	22,216,649	21,718,427
Provision for uncollectible accounts	8,774,553	9,312,582
Equity in earnings of investee and affiliate, net	(2,788,558)	4,333,960
Net loss on sale of assets	471	87,610
Net realized/unrealized loss on investments and swap	764,826	1,553,532
Transfers to affiliates	2,356,484	1,797,266
Pension related changes other than net periodic pension costs	9,482,121	18,895,840
Restricted Contributions	(5,363,946)	(3,249,150)
Changes in assets and liabilities:		
Increase in patient accounts receivable	(13,314,358)	(11,120,080)
Decrease (increase) in inventories	43,524	(62,138)
Increase in prepaid expenses and other assets	(2,525,771)	(733,150)
(Increase) decrease in deferred costs	(72,560)	117,995
Decrease in pledge receivables	489,323	980,566
Decrease in accounts payable and accrued expenses, accrued salaries, and employee benefits and accrued pension liability	(731,850)	(6,756,885)
Decrease in accrued interest	(122,888)	(65,579)
(Decrease) increase in advances from third parties	(1,126,074)	613,557
Increase in other liabilities	24,449	1,902,421
Net cash provided by operating activities	28,514,289	32,111,278
Cash flows from investing activities		
(Increase) decrease in investments, net	(22,707,347)	10,316,662
Decrease in limited use funds held by trustee	1,801,745	48,932
Net additions to property and equipment	(16,963,477)	(31,222,712)
Proceeds from sale of an asset	-	239,000
Decrease (increase) in advances to affiliates	9,405,770	(9,902,548)
Net cash used in investing activities	(28,463,309)	(30,520,666)
Cash flows from financing activities		
Payment on long-term debt	(4,388,972)	(5,398,537)
Payment for financing costs	-	(285,870)
Defeasance of bonds	-	(29,935,000)
Proceeds from bond issuance	-	45,000,000
Transfer to affiliates	(2,356,484)	(1,797,266)
Proceeds from restricted contributions	5,363,946	3,249,150
Net cash (used in) provided by financing activities	(1,381,510)	10,832,477
(Decrease) increase in cash	(1,330,530)	12,423,089
Cash, beginning of year	26,408,940	13,985,851
Cash, end of year	$ 25,078,410	$ 26,408,940
Cash paid during the year for interest	$ 3,824,591	$ 4,821,628
Capital lease additions	2,421,828	-
Capital additions accrued but not paid	1,084,099	2,991,386

The accompanying notes are an integral part of these consolidated financial statements

1. Nature of Operations

Greater Baltimore Medical Center, Inc. (the "Medical Center"), located in Baltimore, Maryland, is a not-for-profit hospital and a wholly owned subsidiary of GBMC HealthCare, Inc. (the "Company"). GBMC provides inpatient, outpatient, and emergency care services primarily for residents of the Baltimore metropolitan area. The Medical Center was formed by agreement dated September 1, 1965, by the Hospital for the Women of Maryland of Baltimore City ("Women's Hospital") and Presbyterian Eye, Ear and Throat Charity Hospital ("Presbyterian Hospital").

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Short-Term Investments

Cash and short-term investments, carried at cost which approximates fair value, include amounts invested in accounts which are readily convertible to known amounts of cash with original maturities of three months or less. Cash balances may exceed amounts insured by federal agencies and therefore bear a risk of loss. The Medical Center has not experienced such losses on these funds.

Limited Use Funds Held by Trustee

Limited use funds primarily include assets held by trustees under agreement. The Board of Directors and independent third parties designate the assets held by trustees under agreement. The limited use funds are classified as current or non-current based upon the timing and nature of their use.

Inventories

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

Equity in Affiliates

The Medical Center transfers donor-restricted contributions to GBMC Investments, a wholly owned subsidiary of the Company. The Medical Center recognizes the investment as well as investment income, realized gains/losses and unrealized gains related to these underlying contributions. The investment is recorded at its fair value.

Investments and Investment Income

Investments include amounts designated by management for specific purposes and plant replacement. Investments in marketable securities are measured at fair value on the balance sheet. The fair values of the investments are based on quoted market prices or dealer quotes. See Note 4 for discussion of the measurement of fair value for investments.

The Medical Center accounts for its equity investments using the equity method, and income/loss is included in income (loss) in earnings of investee under unrestricted assets in the statements of operations and changes in net assets.

Investment income or losses (including realized gains and losses on investments, interest and dividends) on proceeds of borrowings that are held by a trustee, to the extent not capitalized, are reported as other operating income. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in Excess of Revenues Over Expenses unless restricted by a donor or law. Investment income on investments of temporarily restricted net assets is recorded as an increase in temporarily restricted net assets to the extent restricted by the donor or law.

Investment income is recorded on an accrual basis. Purchases and sales of investments are reflected on a trade-date basis. Realized gains and losses on sales of investments are based on historical cost.

Deferred Costs

The Medical Center has incurred deferred financing costs related to the issuance of Maryland Health and Higher Educational Facilities Authority ("MHHEFA") Series 2009, Series 2001, Series 1995 and Series 1993 Revenue Bonds that have been capitalized. All of the deferred financing costs are being amortized over the anticipated life of the transactions on a straight-line basis, which ranges from 7 to 32.5 years. Amortization expense for the years ended June 30, 2010 and 2009 was $231,928 and $115,926, respectively.

The Medical Center has deferred leasing costs associated with leasing hospital space. These costs are being amortized over the life of the lease using the straight-line method. Amortization expense was $6,684 and $5,153 for the years ended June 30, 2010 and 2009, respectively.

Interest Rate Swaps

The value of interest rate swap agreement entered into by the Medical Center is accounted for by marking to fair value at the close of business. The fair value is then adjusted for accrued interest associated with the swap agreement. The fair value of the swap has been recorded at its gross value as assets and liabilities in the Medical Center's balance sheet, and the changes in the fair value of the swap is recorded in the Medical Center's Statements of Operations and Changes in Net Assets as part of Excess of Revenues Over Expenses.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The cost and accumulated depreciation relating to property, plant and equipment sold or retired are removed from the respective accounts at the time of disposition and the resulting gain or loss is reflected in the statements of operations as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Medical Center are reported at their fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the 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 reported as unrestricted contributions in the accompanying financial statements.

Compensated Absences

The Medical Center records a liability for amounts due to employees for future absences, which are attributable to services, performed in the current and prior periods.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Medical Center 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 the Medical Center in perpetuity.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payors for services rendered. Rates for the Medical Center's charges related to patient services are set and approved in accordance with the established regulations and rate methodologies of Maryland's rate-setting authority – the Health Services Cost Review Commission (HSCRC) – an independent agency created by the State of Maryland through legislative actions. All payors are required to pay the Medical Center's rates as approved by the HSCRC. The HSCRC allows a contractual allowance discount of up to 6% to Medicare and Medicaid. Other third party payors may receive a prompt payment discount of up to 2.25% through an advanced funding agreement with the Medical Center.

The Medical Center's HSCRC approved rates are adjusted annually to account for compliance with approved rates, annual inflation and changes in cost and volume. The Medical Center billed inpatient services within its approved charge-per-case corridor for fiscal years 2010 and 2009.

Physician charges are not regulated by the HSCRC, and are primarily reimbursed by third party payors. The overall average of adjustments for physician charges during FY 2010 was approximately 50.3%.

Adjustments to patient service revenue for contractual allowances and financial assistance were $60,401,830 and $44,559,285 for the years ended June 30, 2010 and June 30, 2009, respectively.

Excess of Revenue Over Expenses

The statements of operations and changes in net assets include Excess of Revenues Over Expenses. Changes in unrestricted net assets which are excluded from Excess of Revenues Over Expenses, consistent with industry practice, pension changes other than net periodic pension costs, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose acquiring such assets). As discussed in Note 4, effective July 1, 2008, the Medical Center adopted the current accounting guidance for the fair value election of unrestricted investments and as a result has included the unrealized gains and losses in Excess of Revenues Over Expenses for fiscal year 2010 and 2009, respectively.

Financial Assistance and Community Benefits

As part of the Medical Center's mission, it provides medical care without discrimination of any kind, including ability of a patient to pay for services. Under the Medical Center's Financial Assistance Policy, patients who meet certain financial-based criteria can qualify for free care on all or a portion of the total patient bill. Excluding payments made to the HSCRC Uncompensated Care Fund, the Medical Center recorded $5,126,284 and $3,116,159 of financial assistance in fiscal years 2010 and 2009, respectively.

In addition to its Financial Assistance Policy, the Medical Center has a long-standing commitment of supporting the community through the provision of outreach services designed to address identified health and social issues. Specifically, the Medical Center provides a variety of screening and early detection tests, wellness activities, social support services and educational seminars. A majority of these services are provided at either nominal or no cost to community members.

Income Taxes

The 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 related income pursuant to Section 501(a) of the Code. FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. The Medical Center has adopted this guidance, and there was no impact on the financial statements during the years ended June 30, 2010 and 2009.

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

New Accounting Pronouncements

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-23 Health Care Entities (Topic 954) Measuring Charity Care for Disclosure - a consensus of the FASB Emerging Issues Task Force. The amendment requires that disclosures related to the level of charity care provided be based on a health care entity's estimated cost of providing the services. In addition, a health care organization should separately disclose the amount of charity care reimbursed by third parties. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010, with early adoption permitted. The Medical Center is currently evaluating the impact of this new requirement.

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-24 Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries - a consensus of the FASB Emerging Issues Task Force. The amendment to ASC 954 reflects the EITF's consensus that the insurance guidance for health care entities should require these entities to reflect their "gross" exposure to claims liabilities with a corresponding receivable for insurance recoveries. The amendment aligns the accounting requirements for health care entities with other industries. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010, with early adoption permitted. The Medical Center is currently evaluating the impact of this new requirement.

3. Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third party payor agreements. The mix of receivables from patients and third parties at June 30 was as follows:

	2010	2009
Medicare	27%	26%
Medicaid	4%	4%
Blue Cross	20%	19%
Other third party payors	39%	41%
Self Pay	10%	10%
Total	**100%**	**100%**

4. Investments

Investments are classified as current ("short-term investments") or non-current ("investments") based on their intended use by the Medical Center. Limited use funds that are required for obligations classified as current liabilities are reported as current assets.

The composition of investments at June 30 reported at fair value, are set forth in the following table:

	2010	2009	
Current limited use funds			
Commercial paper, certificates of deposit and cash	$ 5,772,032	$ 7,585,009	
Equity investments	$ 12,136	$ -	(1)
Investments			
Cash and short term investments	$ 30,027,262	$ 26,354,894	
U S obligations	1,168,515	306,690	
Corporate Bonds	10,833,318	3,236,236	
Common Stock	19,378,382	8,230,285	
International Funds	2,084,310	482,535	
Mutual Funds	3,274,537	2,459,512	
Total	$ 66,766,324	$ 41,070,152	
Limited use funds (non-current)			
Commercial paper	$ 2,229,034	$ 3,353,006	
Corporate bonds	6,632,960	5,497,756	
Total	$ 8,861,994	$ 8,850,762	

(1) The actual equity investment balance of ($6,164) was reclassed to Other Liabilities.

Current guidance for fair value measurements establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under current guidance must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Medical Center for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Current accounting guidance on the "Fair Value Option for Financial Assets and Liabilities", permits companies to choose to measure many financial assets and liabilities, and certain other items at fair value. Further, a company is then required to record unrealized gains and losses on items for which the fair value option has been elected within its performance indicator. The Medical Center has elected the fair value option for its entire investment portfolio as of July 1, 2008 and accordingly has included all unrealized gains and losses within Excess of Revenues Over Expenses.

	FY2010			
	Quoted Prices in Ative Market (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Assets				
Managed Cash Funds	$ 30,027,261	$ -	$ -	$ 30,027,261
Debt securities issued by U.S. Treasury	1,168,517	-	-	1,168,517
Corporate debt securities	-	10,833,318	-	10,833,318
Total Fixed Income	$ 1,168,517	$ 10,833,318	$ -	$ 12,001,835
International mutual funds	2,084,310	-	-	2,084,310
Mutual funds	3,274,538	-	-	3,274,538
Equity securities	19,378,380	-	-	19,378,380
Total Investment	$ 55,933,006	$ 10,833,318	$ -	$ 66,766,324
Limited use funds				
Managed cash funds	8,001,066	-	-	8,001,066
Mortgage-backed securities - Federal agency - backed	-	6,632,960	-	6,632,960
Total limited use funds	$ 8,001,066	$ 6,632,960	$ -	$ 14,634,026
Liabilities				
Interest rate swap	$ -	$ 3,424,214	$ -	$ 3,424,214

	FY2009			
	Quoted Prices in Ative Market (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Assets				
Managed Cash Funds	$ 26,354,894	$ -	$ -	$ 26,354,894
Debt securities issued by U.S. Treasury	306,690	-	-	306,690
Corporate debt securities	-	3,235,392	-	3,235,392
Total Fixed Income	$ 306,690	$ 3,235,392	$ -	$ 3,542,082
International mutual funds	483,535	-	-	483,535
Mutual funds	2,459,512	-	-	2,459,512
Equity securities	8,231,129	-	-	8,231,129
Total Investment	$ 37,835,760	$ 3,235,392	$ -	$ 41,071,152
Limited use funds				
Managed cash funds	10,938,015	-	-	10,938,015
Mortgage-backed securities - Federal agency - backed	-	5,497,756	-	5,497,756
Total limited use funds	$ 10,938,015	$ 5,497,756	$ -	$ 16,435,771
Liabilities				
Interest rate swap	$ -	$ 2,447,984	$ -	$ 2,447,984

The Medical Center values Level 1 marketable securities using the closing market prices as of the valuation date. Fair values determined by Level 1 inputs utilize quoted trades at least weekly in an active market. The Medical Center values Level 2 Investments using the current prices published. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. The Medical Center has an interest rate swap agreement. This instrument is allocated to the Level 2 fair value because the critical inputs into this model include relevant returns using 67% of one-month Libor.

The Medical Center is a 38% limited partner in the Pavilion West Medical Arts Limited Partnership ("West Pavilion"). The West Pavilion is a medical office building located on the Medical Center campus. The Medical Center holds 50% ownership of GBMC/Hopkins Pediatric Surgery, LLC, which is a joint venture with Johns Hopkins Healthcare, LLC to provide pediatric surgery services.

5. Property, Plant and Equipment

Property, plant and equipment at June 30, consisted of the following:

	2010	2009
Land and land improvements	$ 21,552,918	$ 22,450,279
Buildings and building service equipment	242,100,591	222,477,938
Movable equipment	163,908,138	182,745,525
Capital leases	8,290,806	5,930,191
Construction in progress	18,665,888	50,508,299
Total property, plant and equipment	454,518,341	484,112,232
Less accumulated depreciation and amortization	(248,568,266)	(276,690,449)
Total net property, plant and equipment	$ 205,950,075	$ 207,421,783
Depreciation expense	$ 21,940,640	$ 21,559,950
Amortization expense	276,009	158,477
Total depreciation and amortization expense	$ 22,216,649	$ 21,718,427

6. Long-Term Debt

Long-term debt at June 30, consisted of the following:

	2010	2009
MHHEFA project & refunding revenue bonds		
Series 2009 Bonds		
Series A, variable rate	$ 15,065,000	$ 15,065,000
Series B, variable rate	29,935,000	29,935,000
Series 2001 Bonds		
5% term bonds	52,830,000	52,830,000
Series 1995 Bonds		
Variable rate serial bonds	7,060,000	7,365,000
Series 1993 Bonds		
5% term bonds	15,595,000	19,045,000
Capital Leases	2,441,739	653,884
Unamortized Bond Discount	(894,398)	(931,794)
	122,032,341	123,962,090
Less Current Portion of Long-Term Debt	(4,637,499)	(4,028,262)
	$ 117,394,842	$ 119,933,828

The Medical Center issued $45,000,000 of tax exempt Revenue Bonds, Series 2009 ($15,065,000 Series A issued on March 15, 2009 and $29,935,000 Series B issued on April 1, 2009). The 2009 Series B Bonds were used to refund the Series 1993 due in 2019. The 2009 Bonds bear interest at a variable rate, which is Securities Industry Financial Market Association (SIFMA) plus 1.35%. The rate at June 30, 2010 and 2009 was 1.60% and 1.70%, respectively. The Series 2009 Bonds are due in annual installments ranging from $4,405,000 in 2014 to $1,440,000 in 2034.

On November 1, 2001, the Medical Center issued $52,830,000 of tax exempt Revenue Bonds, Series 2001. A portion of the proceeds was used to refund the 6% Series 1991 bonds that mature on July 1, 2021. The bonds are collateralized by a first lien on all gross receipts of the Medical Center. The Series 2001 5% term bonds are due July 1, 2020, 2025 and 2034 in the amount of $6,155,000, $14,590,000 and $32,085,000, respectively.

The Series 1995 Bonds are due on July 1 in annual installments ranging from $305,000 on 2009 to $590,000 in 2025. The bonds bear interest at a variable rate, which is determined on a weekly basis by Legg Mason, the underwriter of the issue. The rate at June 30, 2010 and 2009 was .35% and .35%, respectively. The bonds are collateralized by a first lien on all gross receipts of the Medical Center.

In August 1993, the Medical Center issued $76,425,000 of tax-exempt revenue bonds Series 1993 bonds which are due in annual installments ranging from $3,450,000 in 2009 to $4,190,000 in 2013. The remaining Series 1993 bonds mature July 1, 2013, bear an interest rate of 5%. The bonds are insured by Financial Guaranty Insurance Company.

In October 2003, the Medical Center entered into a series of Total Return Swaps with Morgan Stanley. The Medical Center received the stated bond coupon rate from Morgan Stanley to pay the bondholders, and in return the Medical Center paid a floating rate of interest equal to the SIFMA plus 0.54%. Morgan Stanley terminated the Total Return Swaps on November 3, 2008.

In October 2003, the Medical Center entered into a variable-to-fixed interest rate swap with Morgan Stanley. The terms of this transaction require the Medical Center to pay Morgan Stanley a fixed interest rate of 3.15% based on the swap's amortized notional amount, which mirrors the outstanding principal amount of the Series 1993 Bonds. In return, Morgan Stanley pays GBMC a floating rate equal to 67% of One Month LIBOR on the swap's notional amount. The floating rate was .151% and .206% for 2010 and 2009, respectively.

The unexpended bond proceeds and approximately one year's debt service of the Series 2001 and 1993 Serial Bonds were deposited with a trustee and are classified as limited use funds. The net interest impact was interest income of $181,621 for 2010 and $455,141 for 2009 and was included in other operating revenue in the statements of operations and changes in net assets.

The aggregate future maturities of long-term debt at June 30, 2010 are:

	Long-Term Debt	Capital Lease Obligations	Total
2011	$ 3,935,000	$ 702,499	$ 4,637,499
2012	4,125,000	563,266	4,688,266
2013	4,335,000	526,172	4,861,172
2014	4,550,000	536,312	5,086,312
2015	4,690,000	113,490	4,803,490
Thereafter	98,850,000	-	98,850,000
	120,485,000	2,441,739	122,926,739
Less unamortized bond discount	(894,398)		(894,398)
	$ 119,590,602	$ 2,441,739	$ 122,032,341

The fair value of the Medical Center's long-term debt, which is estimated, based on quotes from underwriters, was approximately $119,314,418 and $119,069,899 at June 30, 2010 and 2009, respectively. Additionally, the Medical Center complied with all covenants at June 30, 2010 and 2009.

During the year ended June 30, 2009, the Medical Center had a line of credit of $35,000,000 bearing interest of .85% of BBA LIBOR Daily Floating Rate. The line of credit was eliminated on April 1, 2009 in connection with the issuance of the 2009 Series B Bonds. In addition, the Medical Center renewed a $10,000,000 line of credit, which expires on November 30, 2010 bearing interest at the LIBOR Daily Floating Rate. No amounts were drawn on this line during fiscal year 2010.

7. Interest Rate Swap

The Medical Center measures their interest rate swap at fair value on a recurring basis. The fair value of the interest rate swap is based primarily on quotes from banks. The Medical Center considers these inputs to be Level 2 in the fair value hierarchy. The fair value of the sixteen-year interest rate swap associated with the 1993 Bonds (see Note 6) was a liability of $3,424,214 and $2,447,984 as of June 30, 2010 and 2009, respectively.

The fair market value of the interest rate swaps and the related realized and unrealized gains (losses) were as follows as of June 30:

Classification of derivatives in Balance Sheets	**Fair market value**	
	2010	**2009**
Derivatives not designated as hedging instruments:		
Accrued liability on interest rate swap	$ 3,424,214	$ 2,447,984

Interest due related to the interest rate swap was $673,397 and $700,232 as of June 30, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses.

Classification of derivatives (gains)/losses in Statement of Operations	**Amount of (gain)/loss recognized in change of unrestricted net**	
	2010	**2009**
Derivatives not designated as hedging instruments:		
Unrealized loss on interest rate swap	$ 976,230	$ 1,230,737
Realized loss on interest rate swap	1,349,637	1,399,188
	$ 2,325,867	$ 2,629,925

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2010	**2009**
Purchase of fixed assets	$ 5,892,275	$ 3,334,575
Education	2,387,671	2,095,790
Departmental needs	13,619,065	13,453,222
Uncompensated care	465,938	419,653
	$ 22,364,949	$ 19,303,240

Permanently restricted net assets are available for the following purposes at June 30:

	2010	**2009**
Endowment, income from which is restricted to offset expenses supporting Genetics Center, Urology Research Center, Capital Campaign, scholarships to radiology technicians and departmental needs to specific areas	$ 6,560,650	$ 6,558,515

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

		2010		2009
Education	$	291,880	$	264,179
Departmental needs		2,416,587		2,770,496
Uncompensated care		60,090		309,294
	$	2,768,557	$	3,343,969
Purchase of fixed assets	$	2,690,272	$	429,022

The Medical Center's endowment fund consists of donations from individual donors. The Medical Center has no internal Board designated endowment funds recorded in unrestricted net assets. The net assets associated with the endowment are classified and reported based on the existence or absence of donor imposed restrictions.

The Medical Center has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the Medical Center classifies as permanently restricted net assets the original value of the gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Medical Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance, with UPMIFA, the Medical Center considers the following factors in making a determination to appropriate or accumulate endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Medical center and the donor restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the organization
7) The investment policies of the organization

The Medical Center had the following activities to its endowment fund during the years ended June 30, 2010 and June 30, 2009 delineated by net asset class:

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2008	$ -	$ 4,275,904	$ 6,505,253	$ 10,781,157
Investment return				
Investment income, net	-	61,924	-	61,924
Net depreciation (realized and unrealized)	-	(1,419,935)	-	(1,419,935)
Total investment return	-	(1,358,011)	-	(1,358,011)
Contributions	-	-	53,262	53,262
Appropriation of endowment assets for expenditure	-	(42,933)	-	(42,933)
Endowment net assets, June 30, 2009	-	2,874,960	6,558,515	9,433,475
Investment return				
Investment income, net	-	186,996	-	186,996
Net appreciation (realized and unrealized)	-	806,113	-	806,113
Total investment return	-	993,109	-	993,109
Contributions	-	-	2,135	2,135
Appropriation of endowment assets for expenditure	-	(37,110)	-	(37,110)
Endowment net assets, June 30, 2010	$ -	$ 3,830,959	$ 6,560,650	$ 10,391,609

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no deficits of this nature reported in unrestricted net assets as of June 30, 2010 and 2009, respectively.

Return Objectives and Risk Parameters

The Medical Center has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The Medical Center expects its endowment funds over time, to provide an average rate of return of approximately 7.5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yields (interest and dividends). The Medical Center targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees approves the method to be used to appropriate endowment funds for expenditures. The Medical Center amended its endowment spending allocation policy to conform to UPMIFA which was passed by Maryland on April 14, 2009 and limits annual endowment spending to 7% of the annual market value per year. Accordingly, over the long term, the Medical Center expects the current spending policy to allow it’s endowment to grow at an average of 7% annually, consistent with its intention to maintain the purchasing power of the endowment assets.

9. Pension Plans

Effective July 1, 2007, the Medical Center established a 401(a) Defined Contribution (the “Plan”) covering all employees except those covered by the collective bargaining agreement, or employees in a zero hour or registry position. Medical Center contributes up to 3% of eligible employee wages to the Plans. At the discretion of the Board of Directors the Medical Center may contribute additional funds to the plan. The Medical Center plans to contribute $6,757,825 for fiscal year 2010 and contributed $6,723,937 for fiscal year 2009.

Effective July 1, 2009 the Medical Center established a 401(a) Defined Contribution plan (Plan I) for the Members of the Bargaining Unit. The Medical Center matches up to 3% of eligible employee wages of those who contribute to the 403(b) plan. The Medical Center contributed $70,351 for fiscal year 2010.

In addition, the Medical Center has two non-contributory defined benefit pension plans, Non-Union (“Plan II”) and Union (“Plan III”), covering all full-time employees with at least one year of service. Benefits under the plans are determined based on increasing percentages (depending on years of service) of final average compensation. Annual contributions are made to these plans in accordance with ERISA regulations.

Effective June 30, 2007, Plan II was frozen. As a result, no future benefits may be earned; however, employees are eligible to vest under the terms of the Plan.

Effective July 1, 2008, Plan II was amended to change the interest rate credit for the matched contribution from 7.5% to the six-month treasury rate.

Effective June 30, 2009, Plan III was amended to freeze the matching contribution. The matching contribution was made for the Union in the 401(a) Defined Contribution plan (Plan I).

The following tables set forth the plans' funded status and amounts recognized in the Medical Center's financial statements at June 30. The change in benefit obligation, plan assets, and funded status of the pensions are shown below:

	2010	**2009**
Change in Benefit Obligation		
Benefit Obligation at Beginning of Year	$ 113,661,108	$ 112,510,522
Service Cost	472,382	474,603
Interest Cost	7,999,201	7,787,008
Amendments	-	(4,159,880)
Actuarial (gain) loss	19,535,678	1,297,098
Benefits Paid	(4,498,961)	(4,248,243)
Benefit obligation at end of year	$ 137,169,408	$ 113,661,108
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 94,068,238	$ 105,634,144
Actual return on plan assets	14,847,030	(14,046,897)
Employer contribution	1,730,833	6,729,234
Benefits paid	(4,498,961)	(4,248,243)
Fair value of plan assets at end of year	$ 106,147,140	$ 94,068,238
Funded Status		
Funded status at end of year	$ (31,022,268)	$ (19,592,870)
Amounts recognized in the balance sheets		
Non current liabilities	$ (31,022,268)	$ (19,592,870)
Amounts recognized in unrestricted net assets		
Net prior service cost	$ (3,233,816)	$ (3,565,749)
Net actuarial loss	47,035,085	37,884,727
	$ 43,801,269	$ 34,318,978
Net Periodic Benefit Cost		
Components of net periodic benefit cost		
Service cost	$ 472,382	$ 474,603
Interest cost	7,999,201	7,787,008
Expected return on plan assets	(6,997,608)	(7,926,785)
Amortization of prior service cost	(331,933)	(303,178)
Amortization of loss deferral	2,535,898	518,238
Net periodic pension benefit cost	$ 3,677,940	$ 549,886

	2010	2009
Other Changes in Plan Assets and Benefit Obligation recognized in unrestricted net assets		
Prior Service Cost	$ -	$ (4,159,880)
Net Actuarial Loss (Gain)	11,686,256	23,270,780
Less: Amortization of net loss/(gain)	(2,536,068)	(518,238)
Amortizaiton of prior service costs	331,933	303,178
Total	$ 9,482,121	$ 18,895,840
Total recognized in net periodic benefit cost in unrestricted net assets	$ 13,160,231	$ 19,445,726

The accumulated benefit obligation for the pension plans, which differs from the estimated actuarial present value of the projected benefit obligation because it is based on current rather than future compensation levels, was $135,390,140 and $112,283,079 at June 30, 2010 and 2009, respectively.

Amounts in unrestricted net assets expected to be recognized as a component of net periodic pension benefit cost in fiscal year 2011:

Prior service cost	$ (331,933)
Gain/loss	3,239,445

Assumptions

The weighted-average used in developing the projected pension benefit obligations for the plans as of June 30 were as follows:

	2010	2009
Discount rate	5.97%	7.22%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%

Expected Long-Term Rate of Return

The expected rate of return assumption used was based on a total plan return estimation by looking at the current yields available from fixed-income and reasonable equity return assumption based on long-term market trends and applying this to the plans asset mix. In addition, the actual long-term historical returns realized by the pension plans were taken into consideration.

Estimated Future Benefit Payments

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

	Non Union	Union	Total
2011	$ 4,711,690	$ 909,957	$ 5,621,647
2012	5,129,960	917,681	6,047,641
2013	5,512,735	951,813	6,464,548
2014	6,036,783	1,019,653	7,056,436
2015	6,534,695	1,043,133	7,577,828
2016-2020	37,742,010	5,803,449	43,545,459
Total	$ 65,667,873	$ 10,645,686	$ 76,313,559

The Medical Center's pension plan weighted-average asset allocation at June 30 by asset category, were as follows:

	2010	2009
Equity Securities	48.88%	48.05%
Debt Securities	50.61%	50.83%
Cash & Cash Equivalents	0.51%	1.12%
	100.00%	100.00%

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2010:

	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Managed cash funds	$ 543,914	$ -	$ -	$ 543,914
Corporate debt securities	-	53,717,609	-	53,717,609
Total Fixed Income	-	53,717,609	-	53,717,609
International mutual funds - large cap	6,286,019	-	-	6,286,019
Equity securities - large cap	20,331,673	-	-	20,331,673
Equity securities	25,267,925	-	-	25,267,925
Total Investment	$ 52,429,531	$ 53,717,609	$ -	$ 106,147,140

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

Corporate bonds: Valued at unadjusted quoted market share prices within active markets or based on external price data of comparable securities.

Equity securities: Valued at unadjusted quoted market share prices within active markets.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plans at year-end. Shares traded in an active market.

Common/collective trust funds: Valued at fair value based on the unit value of the fund. Unit values are determined by the bank sponsoring such funds dividing the fund's net assets at fair value by its units outstanding at the valuation date.

Pension Investment Policies

The primary objective of the Medical Center's pension investment program is the long-term growth of capital consistent with the protection of principal during major market declines. The program utilizes several balanced managers and provides for asset allocation guidelines consistent with the Medical Center's risk posture. The equity portion of the portfolio may range from 45% to 65% of total portfolio assets with a target of 55% measured at market value. The fixed income and cash equivalents portion of the portfolio may range from 35% to 65% of total portfolio assets with a target of 45% measured at market value.

The equity segment of the portfolio may include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Equity holdings in any one industry should not exceed 20% of the equity portfolio, holdings in any one economic sector should not exceed 50% of the equity portfolio and holdings in any one company should not exceed 15% of the equity portfolio. Cash equivalent positions should not exceed 10% of the equity managers' portfolio and no more than 15% of the total portfolio measured at market value shall be invested in small companies, defined as companies of less than $500 million in market capitalization.

The fixed income segment of the portfolio may include marketable bonds, preferred stocks, up to 20% in SEC registered 144A and securities and cash equivalent securities. With the exception of securities issued by or guaranteed by the U.S. Treasury or U.S. Government agencies and instrumentalities, the maximum position in a single issuer's securities should not exceed 5% of the portfolio at market value. The manager is expected to maintain a weighted average bond portfolio quality rating of at least "A." Exposure to below investment grade securities, that is less than "BBB," is limited to a maximum of 20% of the portfolio at market value.

Contributions (Un-audited)

The Medical Center expects to contribute $2,355,000 to its bargaining unit pension plan and $1,634,000 to its non-bargaining unit pension plan in the fiscal year ending June 30, 2011.

The Medical Center has a non-contributory, non-qualified deferred compensation plan for certain key employees. Benefits under the plan are determined based on increasing percentages (depending on years of service) of base pay and incentive pay. The Medical Center recorded expense related to this plan of $254,047 and $621,624 in 2010 and 2009, respectively.

10. Related Parties and Affiliates

Advances to affiliates are comprised of the following at June 30:

	2010	2009
Gilchrist Hospice Care	$ 461,867	$ 469,274
Healthcare	332,256	235,448
Investments	1,806,747	1,572,503
GBMC Agency	156,919	7,884
GBMC Physicians	2,597,409	12,298,867
GBMC/Hopkins Pediatric Surgery	684,032	649,306
Ruxton Insurance Company	2,390,942	4,108,093
Advances to affiliates (current)	$ 8,430,172	$ 19,341,375
GBMC Land	$ 2,502,720	$ 1,371,873
GBMC Medical Arts LP (PPE)	2,306,559	2,666,588
Physicians Pavilion West	4,987,842	4,456,008
Owings Mills Pavilion	756,118	553,337
Advances to affiliates (long-term)	$ 10,553,239	$ 9,047,806

At June 30, 2010 and 2009, GBMC Investments, Inc., a wholly owned subsidiary of GBMC HealthCare, Inc. held donor-restricted investments solely for the benefit of the Medical Center with a fair value of $16,134,012 and $13,363,754, respectively. Further, as of June 30, 2010 and 2009, GBMC Investments, Inc. also held investments designated by the Board of Directors with a fair value of $50,799,391 and $51,997,776 respectively, which could be used for the benefit of the Medical Center.

During the year ended June 30, 2010 and 2009, the Medical Center equity contributions were as follows:

	2010	2009
Contributions made		
GBMC Investments, Inc.	$ 1,219,585	$ 251,611
GBMC Foundation	1,673,106	2,074,554
	$ 2,892,691	$ 2,326,165
Contributions received		
GBMC Investments, Inc.	$ 536,207	$ 528,899

The Board of Women’s Hospital and Presbyterian Hospital continue to administer their respective endowment funds and have made the following contributions to the Medical Center during the years ended June 30 as follows:

	2010	2009
Restricted contributions		
Women's Hospital	$ -	$ 250,000
Presbyterian Hospital	155,070	157,600
	$ 155,070	$ 407,600

The Medical Center leases office space in the Physicians Pavilions East and West and the Owings Mills Pavilion, which are medical office buildings owned by subsidiaries of the Company, under operating leases ranging from two to ten years with various renewal terms. Minimum rental payments including pass-through due under these leases at June 30, 2010 were:

2011	$ 2,692,471
2012	2,374,571
2013	2,272,497
2014	1,925,026
2015	1,368,167
Thereafter	2,947,097

Rent expense, including pass-through expenses, under these leases was approximately $2,933,514 and $2,813,215 for the years ended June 30, 2010 and 2009, respectively.

11. Functional Expenses

The Medical Center provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended June 30, were as follows:

	2010	2009
Health care services	$ 341,419,104	$ 328,970,140
General and administrative	40,271,117	41,657,865
Total operating expenses	$ 381,690,221	$ 370,628,005

12. Promises to Contribute

The Medical Center has received unconditional and conditional promises to give. The pledge receivables are recorded at their present value using a 4% discount rate. The Medical Center has two trusts whose present value as of June 30, 2010 is $308,798. These trusts are recorded as long-term pledge receivables.

At June 30, 2010, the value of pledge receivables consisted of the following:

Due within 1 year	$ 1,562,436
Due 1 - 5 years	225,018
Due over 5 years	308,798
Gross pledge receivables	2,096,252
Less: Discount and allowance	(121,721)
Net pledge receivables	$ 1,974,531

13. Asserted and Unasserted Claims and Contingencies

At June 30, 2010 and 2009, the Medical Center was partially self-insured for workers compensation claims on a claims-made basis. The aggregate reserves for workers compensation claims, which have been determined and discounted at the rate of 2.8% and 2.7%, respectively, were presented as follows:

	2010	2009
Gross workers compensation reserves (a)	$ 3,198,566	$ 4,032,099
Less: Recoverable from reinsurance (b)	(808,983)	(1,199,040)
Net workers compensation reserves	$ 2,389,583	$ 2,833,059

(a) Recorded within accrued salaries and employee benefits on the Balance Sheet
(b) To adjust total liability for amounts covered by reinsurance related to claims in excess of the per occurrence retention

The receivable for the expected reinsurance recoverable is recorded within other current assets on the Balance Sheet. The Medical Center's excess workers' compensation policy is based on a per claim basis in excess of $350,000.

The Medical Center is subject to legal proceedings and claims, which arise from the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to the actions will not materially affect the consolidated financial position or results of operations of the Medical Center.

14. Insurance Captive

On August 1, 2003, Ruxton Insurance Company, Ltd. ("Ruxton"), a wholly owned subsidiary of GBMC HealthCare, Inc., was incorporated as a captive insurance company in Bermuda to provide insurance coverage for medical malpractice claims. Ruxton assumed all the liabilities of the GBMC Self Insurance Trust for malpractice claims. The capitalization of $120,000 and additional funding of $7,052,000 were contributed to Ruxton as the initial funding for the transferred liabilities and investments. Additional funding of $7,500,000 was contributed to Ruxton during fiscal year 2008. The Medical Center recorded $10,057,201 and $8,282,000 in malpractice premium expense for malpractice covered by Ruxton in fiscal year 2010 and 2009. Ruxton covers all members of the Medical Center and GBMC HealthCare, Inc. and Subsidiaries. Retention or limits in which Ruxton Insurance Company, Ltd. ("Ruxton") assumes the risk of loss is based on an occurrence basis of $3 million per occurrence and $14 million in aggregate.

15. Subsequent Events

The Medical Center evaluated subsequent events through October 4, 2010, the date the financial statements are available to be issued.