KPMG

GREATER BALTIMORE MEDICAL CENTER, INC.

Consolidating Financial Statements

June 30, 2011

(With Independent Auditors' Report Thereon)

GREATER BALTIMORE MEDICAL CENTER, INC.

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KPMG LLP
1 East Pratt Street
Baltimore, MD 21202-1128

Independent Auditors' Report

The Board of Directors
GBMC HealthCare, Inc.:

We have audited the accompanying consolidated balance sheet of Greater Baltimore Medical Center, Inc. (the Medical Center) as of June 30, 2011, and the related consolidated statements of operations and changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 11 to the accompanying consolidated financial statements of Greater Baltimore Medical Center, unrestricted net assets as of June 30, 2010 have been restated to correct a misstatement from the Medical Center's previously issued financial statements, which were audited by other auditors.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greater Baltimore Medical Center, Inc. as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 5, 2011

GREATER BALTIMORE MEDICAL CENTER, INC.

Consolidated Balance Sheet

June 30, 2011

Assets

Current assets:		
Cash and cash equivalents	$	38,962,240
Short-term investments and limited use funds		24,290,926
Patient accounts receivable, net of reserves of $16,175,756		49,818,446
Inventories		3,353,318
Advances to affiliates		2,001,688
Prepaid expense and other current assets		7,009,111
Current pledges receivable, net		86,028
Total current assets		125,521,757
Noncurrent assets:		
Equity investments and advances to investees		433,646
Investments and limited use funds		54,311,873
Interest in net assets of affiliates		22,695,318
Deferred costs, net		979,812
Advances to affiliates		6,279,214
Property, plant, and equipment, net		229,826,535
Pledges receivable, net		222,759
Other assets		44,500
Total noncurrent assets		314,793,657
Total assets	$	440,315,414

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	$	21,349,848
Accrued salaries and employee benefits		28,176,821
Insurance reserves, current		5,616,438
Accrued interest on long-term debt		1,664,206
Current portion of long-term debt and capital leases and financing obligations		1,742,485
Advances from third-party payors		14,030,556
Other liabilities		4,957,574
Total current liabilities		77,537,928
Noncurrent liabilities:		
Long-term debt		113,809,751
Capital leases and financing obligations		30,936,850
Accrued pension liability		22,323,167
Other long-term liabilities		684,473
Total liabilities		245,292,169
Net assets:		
Unrestricted-controlling interest		164,913,638
Unrestricted-non controlling interest		(783,141)
Total unrestricted		164,130,497
Temporarily restricted		23,306,714
Permanently restricted		7,586,034
Total net assets		195,023,245
Total liabilities and net assets	$	440,315,414

See accompanying notes to financial statements.

GREATER BALTIMORE MEDICAL CENTER, INC.

Consolidated Statement of Operations and Changes in Net Assets

Year ended June 30, 2011

Change in unrestricted net assets:	
Net patient service revenue:	
Inpatient	$ 210,797,314
Outpatient	171,914,666
Professional fees	15,092,362
Net patient service revenues	397,804,342
Other operating income:	
Other revenue	10,430,547
Net assets released from restrictions	3,874,864
Total operating revenues	412,109,753
Operating expenses:	
Salaries and wages	178,846,423
Employee benefits	40,426,483
Expendable supplies	81,482,063
Purchased services	52,290,340
Depreciation and amortization	23,693,984
Interest	6,426,123
Provision for uncollectible accounts	9,501,983
Total operating expenses	392,667,399
Other operating income:	
Income in earnings of investee	40,419
Total operating income	19,482,773
Other income (expense):	
Contributions, net	890,067
Net investment income and gain on sale of investments	2,628,389
Net unrealized gain on investments	2,360,886
Gain on sale of asset	130,111
Gain on interest rate swaps	80,640
Loss on extinguishment of debt	(637,101)
Total other income	5,452,992
Excess of revenues over expenses	24,935,765
Other unrestricted activity:	
Pension related changes other than net periodic pension costs	9,301,615
Net assets released for purchase of fixed assets	1,525,045
Equity in unrestricted assets from affiliate	1,791,733
Transfers to affiliates	(7,937,496)
Capital grant	402,742
Increase in unrestricted net assets	30,019,404
Changes in temporarily restricted net assets:	
Contributions	4,677,460
Investment loss	(42,986)
Equity in temporarily restricted income of affiliate	3,714,964
Transfer of restricted assets from affiliates	(2,007,764)
Net assets released for operations	(3,874,864)
Net assets released for purchase of fixed assets	(1,525,045)
Increase in temporarily restricted net assets	941,765
Changes in permanently restricted net assets:	
Contributions	1,025,384
Equity in permanently restricted income of affiliate	1,054,707
Transfers to affiliates	(1,054,707)
Increase in permanently restricted net assets	1,025,384
Increase in net assets	31,986,553
Net assets, beginning of year	163,036,692
Net assets, end of year	$ 195,023,245

See accompanying notes to financial statements.

GREATER BALTIMORE MEDICAL CENTER, INC.

Consolidated Statement of Cash Flows

Year ended June 30, 2011

Cash flows from operating activities:		
Change in net assets	$	31,986,553
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		23,693,984
Loss on extinguishment of debt		637,101
Provision for uncollectible accounts		9,501,983
Equity in earnings of investee and affiliate, net		(6,601,828)
Net gain on sale of assets		(130,111)
Net realized/unrealized gain on investments and swap		(4,441,094)
Transfers to affiliates		10,999,970
Pension related changes other than net periodic pension costs		(9,301,615)
Capital grant		(402,742)
Restricted contributions		(5,702,844)
Changes in assets and liabilities:		
Increase in patient accounts receivable		(8,581,184)
Increase in inventories		(61,246)
Decrease in prepaid expenses and other assets		1,754,253
Increase in deferred costs		(104,756)
Increase in accounts payable and accrued expenses, accrued salaries, and employee benefits and accrued pension liability		3,532,402
Decrease in accrued interest		(780,598)
Increase in advances from third parties		2,364,451
Increase in other liabilities		(911,558)
Net cash provided by operating activities		47,451,121
Cash flows from investing activities:		
Increase in investments and limited use funds		(19,898,191)
Additions to property and equipment		(17,303,437)
Swap termination payment		(2,720,000)
Net cash used in investing activities		(39,921,628)
Cash flows from financing activities:		
Payment on long-term debt		(5,425,220)
Payment for financing costs		(697,301)
Defeasance of bonds		(61,855,235)
Proceeds from bond issuance		67,945,000
Transfer to affiliates		(981,495)
Proceeds from restricted contributions		7,368,588
Net cash provided by financing activities		6,354,337
Increase in cash and cash equivalents		13,883,830
Cash and cash equivalents, beginning of year		25,078,410
Cash and cash equivalents, end of year	$	38,962,240
Cash paid during the year for interest	$	3,726,793
Capital lease additions		1,456,814
Capital additions accrued but not paid		994,973
Limited use funds used to defease bonds		7,477,667

See accompanying notes to 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). The Medical Center provides inpatient, outpatient, and emergency care services primarily for residents of the Baltimore metropolitan area. In addition, the Medical Center has ownership of Finney Trimble, Surgical Associates, LLC, and GBMC/Hopkins Pediatric Surgery, LLC, healthcare providers. 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

(a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

Cash and cash equivalents, 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.

(c) Limited Use Funds Held

Limited use funds primarily include assets held by trustees under agreement. Such funds include assets set aside for bond repayment, malpractice costs, plant replacement, and amounts restricted by donors. 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 noncurrent based upon the timing and nature of their intended use.

(d) Inventories

Inventories, consisting of medical supplies and drugs, are stated at the lower of cost or market, with cost being determined primarily under the first-in, first-out method.

(e) Equity in Affiliates

The Medical Center transfers donor-restricted contributions to GBMC Investments Inc., 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.

(f) Investments and Investment Income

Investments include amounts designated by management for specific purposes, plant replacement and other purposes. The Medical Center's investment portfolio is considered a trading portfolio and is classified as current or noncurrent assets based on management's intention as to use. Limited use funds that are required for obligations classified as current liabilities are reported as current assets. 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 other operating income (expense) in the statement 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 unrealized and 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 the 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.

(g) Deferred Costs

The Medical Center has incurred deferred financing costs related to the issuance of Maryland Health and Higher Educational Facilities Authority (MHHEFA) Series 2011, 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 approximates the effective interest method, which ranges from 3 to 32.5 years. Amortization expense for the year ended June 30, 2011 was $188,878. Accumulated amortization at June 30, 2011 amounted to $165,409.

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 $7,467 for the year ended June 30, 2011.

(h) Interest Rate Swaps

The value of the interest rate swap agreement entered into by the Company was accounted for by marking to fair value at the close of business. The fair value was 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 Company's balance sheet, and the changes in the fair value of the swap was recorded in the Company's statement of operations and changes in net assets as part of excess of revenues over expenses. The interest rate swap was terminated on February 9, 2011; the termination fees totaled $2,720,000.

(i) Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, if donated, at fair market value at date of gift. 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 statement of operations and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, 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.

(j) 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 and changes in net assets 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 consolidated financial statements.

(k) 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.

(l) 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.

(m) Estimated Malpractice Costs

The provision for estimated malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported and are recorded in Insurance reserves within the consolidated balance sheet.

(Continued)

(n) 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 6.00% on charges to Medicare and Medicaid patients. 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 has a charge per case (CPC) agreement with the HSCRC. The CPC agreement establishes a prospectively approved average charge per inpatient case based upon an estimated case mix index. The agreement allows the Medical Center to adjust approved unit rates, within certain limits, to achieve the average CPC target. The HSCRC allows for certain corridors related to the approved rates such that variances within those corridors do not adversely impact the Medical Center. In 2011, the HSCRC implemented a charge per visit (CPV) methodology for hospital based outpatient services, which is similar in nature to the CPC inpatient methodology discussed above. The CPV methodology establishes prospectively approved average charges per outpatient visit for a significant portion of outpatient services provided. The remaining outpatient services are charged using the established HSCRC unit rates. The Medical Center's policy is to defer revenue above the approved amounts and beyond the approved corridors. No amounts were deferred as of June 30, 2011.

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 fiscal year 2011 was approximately 52%. Adjustments to patient service revenue for contractual allowances, discounts and financial assistance were $70,057,823 for the year ended June 30, 2011, respectively.

(o) Excess of Revenue over Expenses

The statement of operations and changes in net assets include a performance indicator, excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice include 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).

(p) Financial Assistance and Community Benefits

As part of the Medical Center's mission, it provides medical care without discrimination of any kind, including the 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 $4,868,278 of financial assistance in fiscal year 2011.

(Continued)

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.

(q) 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. The Financial Accounting Standards Board's (FASB) 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 consolidated financial statements. The Medical Center has adopted this guidance, and there were no amounts recorded in the consolidated financial statements during the year ended June 30, 2011 for uncertain tax positions.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(s) New Accounting Pronouncements

In July 2011, the FASB issued Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities (ASU 2011-07)*, which requires a health care entity to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, enhanced disclosures about an entity's policies for recognizing revenue, assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts are required. The adoption of ASU 2011-07 is effective beginning July 1, 2012.

In August 2010, the FASB issued ASU 2010-24, *Health Care Entities (Topic 954), Presentation of Insurance Claims and Related Insurance Recoveries (ASU 2010-24),* which clarified, that a health care entity should not net insurance recoveries against a related claim liability, Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. The adoption of ASU 2010-24 is effective beginning July 1, 2011 and is not expected to have an impact on the Company's consolidated financial statements.

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In August 2010, the FASB issued ASU 2010-23 *Health Care Entities (Topic 954), Measuring Charity Care for Disclosure*, ASU 2010-23 is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care: ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing the charity care, and requires disclosure of the method used to identify or determine such costs, The adoption of ASU 2010-23 is effective for the Company beginning July 1, 2011.

(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 as of June 30 was as follows:

Medicare	25%
Medicaid	5
Blue Cross	20
Other third party payors	40
Self Pay	10
Total	100%

A summary of net patient service revenue by major category of payor for the year ended June 30, 2011 is as follows:

Medicare	34%
Medicaid	3
Blue Cross	21
Other third party payors	40
Self-pay	2
	100%

The Medical Center provides general acute healthcare service in the State of Maryland. The Medical Center and other healthcare providers are subject to certain inherent risks, including the following:

- Dependence on revenues derived from reimbursement by the federal Medicare and state Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints and proposed legislative and regulatory changes, and;
- Lawsuits alleging malpractice or other claims.

Such inherent risks require the use of certain management estimates in the preparation of the Medical Center consolidated financial statement and it is reasonably possible that a change in such estimates may occur.

(Continued)

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the Medical Center's revenues and the Medical Center's operations are subject to a variety of other Federal, state and local regulatory requirements. Failure to maintain required regulatory approvals and licenses and/or changes in such regulatory requirements could have a significant adverse effect on the Medical Center.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constrains could have a significant adverse effect on the Medical Center.

The federal government and many states have aggressively increased enforcement under Medicare and Medicaid anti-fraud and abuse laws and physician self referral laws (STARK law and regulation). Recent federal initiatives have prompted a national review of federally funded healthcare programs. In addition, the federal government and many states have implemented programs to audit and recover potential overpayments to providers from the Medicare and Medicaid programs. In September 2009, the Medical Center was notified that the recovery audit contractors (RAC) would begin auditing company operations in 2011 and the Medical Center received its first request for records in the fourth quarter of fiscal year 2011. The Medical Center has implemented a response program as well as a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and enforcement action exists.

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not affect the 2011 financial statements.

(4) Investments and Limited Use Funds

The composition of investments and limited use funds as of June 30, 2011 reported at fair value are set forth in the following table:

Investments:	
Cash and short term investments	$ 35,942,377
U.S. obligations	6,010,656
Corporate bonds	18,922,775
Common stock	24,375,447
International funds	4,790,028
Mutual funds	8,180,272
Total	98,221,555
Less current portion	24,290,926
Total noncurrent investments and limited use funds	$ 73,930,629

Investment income and gains for cash and cash equivalents and investments and limited use funds are comprised of the following for the year ending June 30, 2011:

Income:		
Investment income	$	585,809
Realized gains on sales of investments		1,999,594
Unrealized gains on investments		2,360,886
	$	4,946,289

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.

Restricted investments:		
Limited use for debt service	$	8,964,801
Donor restricted		30,904,699
	$	39,869,500

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.

Assets	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Investments:				
Managed cash funds	$ 34,736,900	1,205,477	—	35,942,377
Corporate debt securities	—	17,954,598	—	17,954,598
Bonds – treasury	360,776	—	—	360,776
Bonds – federal agency backed	—	5,649,880	—	5,649,880
Bonds – mortgage-backed	—	—	—	—
Mutual funds – fixed income	—	968,177	—	968,177
Total fixed income	360,776	24,572,655	—	24,933,431
Common stock	24,375,447	—	—	24,375,447
Foreign stock	4,790,028	—	—	4,790,028
Mutual funds	4,390,095	—	—	4,390,095
Mutual funds international	3,790,177	—	—	3,790,177
Total equity	37,345,747	—	—	37,345,747
Total investments and limited use funds	72,443,423	25,778,132	—	98,221,555
Less current portion	19,799,649	4,491,277	—	24,290,926
Total non-current investments and limited use funds	$ 52,643,774	21,286,855	—	73,930,629

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 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.

There were no significant transfers between levels during the year ended June 30, 2011.

(Continued)

(5) Property, Plant, and Equipment

Property, plant, and equipment as of June 30, 2011 consisted of the following:

Land and land improvements	$	22,156,932
Buildings and building service equipment		259,878,478
Movable equipment		183,379,984
Capital lease		39,365,943
Construction in progress		1,671,197
		506,452,534
Less accumulated depreciation and amortization		(276,625,999)
Total property, plant, and equipment, net	$	229,826,535
Depreciation expense	$	23,458,113
Amortization expense		235,871
Total depreciation and amortization expense	$	23,693,984

(6) Long-Term Debt

Long-term debt as of June 30, 2011 consisted of the following:

MHHEFA project and refunding revenue bonds:		
Series 2011 bonds:		
2.50% – 5.75% term bonds	$	67,945,000
Series 2001 bonds:		
5.00% term bonds		40,265,000
Series 1995 bonds:		
Variable rate serial bonds		6,745,000
Unamortized bond discount		(815,249)
		114,139,751
Less current portion of long-term debt		(330,000)
	$	113,809,751

On April 20, 2011, MHHEFA issued $67,945,000 of tax exempt Revenue Bonds, Series 2011 on behalf of the Medical Center. Bond proceeds were loaned to the Medical Center pursuant to the Master Trust Indenture. The 2011 Bonds bear interest at 2.50% – 5.75%. The bond proceeds and limited use funds were used to finance construction and renovation to the hospital and to refund, a) the Series 2009 Revenue Bonds ($45,000,000); b) a portion of Series 2001 Revenue Bonds ($12,565,000); and c) the Series 1993 Revenue bonds ($11,975,000). The Series 2011 Bonds are due on July 1 in annual installments ranging from $2,180,000 in 2012 to $11,095,000 in 2034.

On November 1, 2001, MHHEFA issued $52,830,000 of tax exempt Revenue Bonds, Series 2001 on behalf of the Medical Center. Bond proceeds were loaned to the Medical Center pursuant to the Master Trust Indenture. A portion of the proceeds was used to refund the 6% Series 1991 bonds that were due to 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, 2025 and 2034 in the amount of $8,180,000 and $32,085,000, respectively. On July 1, 2011, with proceeds from the Series 2011 Revenue Bonds, the Medical Center refunded $12,565,000 of the Series 2001 Bonds.

On October 4, 1995, MHHEFA issued $10,000,000 of tax exempt Revenue Bonds, Series 1995 on behalf of the Medical Center. The Series 1995 Bonds are due on July 1 in annual installments ranging from $330,000 in 2011 to $590,000 in 2025. The bonds bear interest at a variable rate, which is determined on a weekly basis by the remarketing agent of the issue. The rate as of June 30, 2011 was 0.15%. The bonds are collateralized by a first lien on all gross receipts of the Medical Center. The Series 1995 Bonds are supported by a Standby Bond Purchase Agreement issued by M&T Bank, covering the remaining portion of the obligation, effective through October 1, 2013.

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 $121,040 for 2011 was included in other operating revenue in the statement of operations and changes in net assets.

The aggregate future maturities of long-term debt as of June 30, 2011 are as follows:

	Long-term debt
2012	$ 330,000
2013	2,525,000
2014	2,655,000
2015	2,750,000
2016	3,295,000
Thereafter	103,400,000
	114,955,000
Less unamortized bond discount	(815,249)
	$ 114,139,751

The fair value of the Medical Center's long-term debt, which is estimated, based on quotes from underwriters, was approximately $112,096,638 as of June 30, 2011. Additionally, the Medical Center complied with all covenants as of June 30, 2011.

Under the Master Trust Indenture, the Medical Center is required to maintain, among other covenants, a maximum annual debt service coverage ratio of not less than 1.1 to 1.0.

In 2010, the Medical Center renewed a $10,000,000 line of credit, which expires on November 30, 2011 bearing interest at the LIBOR Daily Floating Rate. No amounts were drawn on this line during fiscal year 2011.

(7) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2011:

Purchase of equipment/construction	$	5,014,467
Education		2,446,381
Departmental needs		15,411,458
Uncompensated care		434,408
	$	23,306,714

Permanently restricted net assets at June 30, 2011 are restricted in perpetuity, the income from which is expendable to support:

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	$	7,586,034

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

Education	$	644,134
Departmental needs		3,156,700
Uncompensated care		74,030
Net assets released for operations	$	3,874,864
Purchase of equipment/construction	$	1,525,045

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:

- The duration and preservation of the fund,
- The purposes of the Medical Center and the donor restricted endowment fund,

- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the organization, and
- The investment policies of the organization.

The Medical Center had the following activities to its endowment fund during the years ended June 30, 2011 delineated by net asset class:

		Unrestricted	Temporary restricted	Permanently restricted	Total
Endowment net assets, June 30, 2010	$	—	3,830,959	6,560,650	10,391,609
Investment return:					
Investment income, net		—	255,187	—	255,187
Net appreciation (realized and unrealized)		—	1,229,718	—	1,229,718
Total investment return		—	1,484,905	—	1,484,905
Contributions		—	—	1,025,384	1,025,384
Appropriation of endowment assets for expenditure		—	(33,200)	—	(33,200)
Endowment net assets, June 30, 2011	$	—	5,282,664	7,586,034	12,868,698

(a) 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 such deficits as of June 30, 2011.

(b) 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% annually. Actual returns in any given year may vary from this amount.

(c) ***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.

(d) ***Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives***

The Board of Directors 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.

(8) Pension Plans

Effective July 1, 2007, the Company established a 401(a) Defined Contribution Plan (the Plan) covering all employees except those covered by the collective bargaining agreement, or employees in a zero hour or registry position. The Company contributes up to 6% of all eligible employee wages (basic contribution) to the Plan and the Company matches up to 3% of employee wages of those who contribute to the Greater Baltimore Medical Center, Inc. Voluntary 403(b) Plan. At the discretion of the Board of Directors the Company may contribute additional funds to the Plan. The Company plans to make a basic contribution of $4,124,607 in fiscal year 2012 and has made a $2,513,929 contribution for the match for fiscal year 2011.

Effective July 1, 2009 the Company established a 401(a) Defined Contribution Plan (Plan 1) for the members covered by a collective bargaining agreement. The Company matches up to 3% of eligible employee wages of those who contribute to the Greater Baltimore Medical Center, Inc. Voluntary 403(b) Plan. The Company contributed $78,540 for fiscal year 2011.

In addition, the Company has two noncontributory defined benefit pension plans, NonUnion (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 Employment Retirement Income Security Act (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).

(Continued)

The following tables set forth the plans' funded status and amounts recognized in the Company's financial statements as of June 30, 2011. The change in benefit obligation, plan assets, and funded status of the pension plans are shown below:

Change in benefit obligation:		
Benefit obligation at beginning of year	$	137,169,408
Service cost		689,462
Interest cost		8,361,640
Actuarial loss		4,701,003
Benefits paid		(4,687,546)
Benefit obligation at end of year	$	146,233,967
Change in plan assets:		
Fair value of plan assets at beginning of year		106,147,140
Actual return on plan assets		18,363,838
Employer contribution		4,087,368
Benefits paid		(4,687,546)
Fair value of plan assets at end of year	$	123,910,800
Funded status:		
Funded status at end of year	$	(22,323,167)
Amounts recognized in the balance sheets:		
Noncurrent liabilities	$	(22,323,167)
Amounts recognized in unrestricted net assets:		
Net prior service cost	$	(2,901,883)
Net actuarial loss		37,401,537
	$	34,499,654
Net periodic benefit cost		
Components of net periodic benefit cost:		
Service cost	$	689,462
Interest cost		8,361,640
Expected return on plan assets		(7,867,738)
Amortization of prior service cost		(331,933)
Amortization of loss deferral		3,838,451
Net periodic pension benefit cost	$	4,689,882

Other changes in plan assets and benefit obligation recognized in unrestricted net assets:		
Net actuarial gain	$	(5,795,097)
Less:		
Amortization of net loss		(3,838,451)
Amortization of prior service costs		331,933
Total		(9,301,615)
Total recognized in net periodic benefit cost in unrestricted net assets	$	(4,611,733)

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 $144,427,243 as of June 30, 2011.

Amounts in unrestricted net assets expected to be recognized as a component of net periodic pension benefit cost in fiscal year 2012:

Prior service cost	$	(331,933)
Loss		2,549,888

(a) Assumptions

The weighted averages used in developing the projected pension benefit obligations for the plans as of June 30, 2011 were as follows:

Discount rate	6.03%
Expected return on plan assets	7.50
Rate of compensation increase	4.00

(b) Expected Long-Term Rate of Return

The expected long-term 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 Plan's asset mix. In addition, the actual long-term historical returns realized by the pension plans were taken into consideration.

(c) *Estimated Future Benefit Payments*

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

		Non-Union	Union	Total
2012	$	5,390,122	939,600	6,329,722
2013		5,711,785	1,014,830	6,726,615
2014		6,219,220	1,063,975	7,283,195
2015		6,728,471	1,078,543	7,807,014
2016		6,963,885	1,123,196	8,087,081
2017 – 2020		40,974,610	6,384,694	47,359,304
Total	$	71,988,093	11,604,838	83,592,931

The Medical Center's pension plan weighted average asset allocations as of June 30, 2011 by asset category, were as follows:

Equity securities	53.81%
Debt securities	45.46
Cash and cash equivalents	0.73
	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, 2011:

		Quoted prices in active markets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total fair value
Investments:					
Managed cash funds	$	908,058	—	—	908,058
Mutual funds – fixed income		—	56,328,067	—	56,328,067
Total fixed income		908,058	56,328,067	—	57,236,125
Common stock		30,384,780	—	—	30,384,780
Foreign stock		1,540,360	—	—	1,540,360
Mutual funds		26,491,860	—	—	26,491,860
Mutual funds international		8,257,675	—	—	8,257,675
Total equity		66,674,675	—	—	66,674,675
Total investment	$	67,582,733	56,328,067	—	123,910,800

(Continued)

There were no significant transfers between levels during the year ended June 30, 2011.

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.

(d) Pension Investment Policies

The primary objective of the Company'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 Company's risk exposure. 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 Securities and Exchange Commission (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.

(e) Contributions

The Company expects to contribute $2,325,000 to its bargaining unit pension plan and $7,025,000 to its nonbargaining unit pension plan in the fiscal year ending June 30, 2012.

(Continued)

The Company has a noncontributory, nonqualified 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 Company recorded expense related to this plan of $507,240 in 2011.

(9) Related Parties and Affiliates

Advances (payables) to (from) affiliates are comprised of the following as of June 30, 2011:

Gilchrist Hospice Care, Inc.	$	541,611
GBMC Agency		(378,424)
GBMC Physicians, LLC		69,668
Ruxton Insurance Company		1,768,833
Advances to affiliates (current)	$	2,001,688
Physicians Pavilion East	$	1,299,449
West Pavilion		4,394,861
GBMC Agency		584,904
Advances to affiliates (long-term)	$	6,279,214

At June 30, 2011, GBMC Investments, Inc., a wholly owned subsidiary of the Company held donor-restricted investments solely for the benefit of the Medical Center with a fair value of $19,618,756. Further, GBMC Foundation, Inc. held pledge receivables of $3,076,562 for the benefit of the Medical Center.

Transactions between the Medical Center and related entities during the year ended June 30, 2011 were as follows:

Transfers made:		
GBMC Investments, Inc.	$	2,713,163
GBMC Foundation, Inc.		5,265,269
GBMC Land, Inc.		3,789,594
GBMC Healthcare, Inc.		542,837
	$	12,310,863
Tranfers received:		
GBMC Investments, Inc.	$	1,310,893

The Medical Center makes transfers to related entities to provide additional liquidity resources to those entities.

The Medical Center leases office space in the physicians pavilions east, west, north, west and Owings Mills, 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 as of June 30, 2011 were:

2012	$	3,242,981
2013		3,130,689
2014		2,996,513
2015		2,557,266
2016		2,265,129
Thereafter		2,325,673

Rent expense, including pass-through expenses, under these leases was approximately $3,763,997 for the year ended June 30, 2011.

(10) 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, 2011 were as follows:

Health care services	$	342,874,333
General and administrative		49,793,066
Total operating expenses	$	392,667,399

(11) Leases

Capital Leases

During 2011, management determined that a prior year lease transaction accounted for as an operating lease met the criteria for capitalization. Accordingly, management recorded the value of the related property of $24,549,358, the related financing of $29,904,893 and an unrestricted net asset adjustment of $5,355,534 as an adjustment to amounts reported as of June 30, 2010. The 2011 financial statements reflect this adjustment to the amount previously reported as beginning net assets.

The Medical Center is obligated under a long term lease expiring in 2030 for the use of a medical office building. Payments increase at varying rates from $2,257,368 to $3,004,560 per year over the remaining life. Interest rates approximated 5.76% as of June 30, 2011.

The Medical Center leases medical equipment with annual payments ranging from $54,000 to $1,113,000 and the last lease expires in fiscal year 2016.

Scheduled principal repayments on capital lease and financing obligations are as follows:

2012	$	3,210,561
2013		3,158,227
2014		3,140,901
2015		2,731,941
2016		2,537,289
Thereafter		37,991,550
		52,770,469
Less amount representing interest		20,421,134
	$	32,349,335

Operating Leases

The Medical Center leases office space in the Company's medical office buildings as well as privately owned medical office buildings. The lease terms rage from two to ten years. The maximum future rental expense is as follows:

2012	$	3,630,319
2013		3,446,892
2014		3,272,871
2015		2,778,874
2016		2,443,459
Thereafter		3,184,879

(12) Promises to Contribute

The Medical Center has received unconditional and conditional promises to give. The pledge receivables are recorded on a discounted basis using a rate in effect at the time of the pledge. Such rates approximate 4%. The Medical Center is the beneficiary of a charitable remainder trust whose present value as of June 30, 2011 is $176,872. This trust is recorded as long-term pledge receivable.

As of June 30, 2011, the value of pledge receivables consisted of the following:

Due within 1 year	$	146,898
Due 1 – 5 years		85,000
Due over 5 years		176,872
Gross pledge receivables		408,770
Less discount and allowance		(99,983)
Net pledge receivables	$	308,787

(13) Asserted and Unasserted Claims and Contingencies

As of June 30, 2011, 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 2.2%, respectively, were presented as follows:

Gross workers compensation reserves [(a)]	$	3,234,745
Less recoverable from reinsurance [(b)]		(557,871)
Net workers compensation reserves	$	2,676,874

(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 financial position of the Medical Center.

(14) Insurance Captive

On August 1, 2003, Ruxton Insurance Company, Ltd. (Ruxton), a wholly owned subsidiary of the Company 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 $9,727,000 in malpractice premium expense for malpractice covered by Ruxton in fiscal year 2011. Ruxton covers all members of the Medical Center and the Company. Retention or limits in which Ruxton assumes the risk of loss is based on an annual occurrence basis of $3 million per occurrence and $14 million in aggregate.

(Continued)

(15) Controlling and Noncontrolling Interest

Effective July 1, 2010, the Medical Center adopted new accounting guidance that requires a not-for-profit reporting entity to account for and present noncontrolling interests in a consolidated subsidiary as a separate component of the appropriate class of consolidated net assets. The following tables presents a reconciliation of the changes in consolidated unrestricted net assets attributable to the Medical Center's controlling interest and noncontrolling interest.

		Unrestricted net assets-controlling interest	Unrestricted net assets-noncontrolling interest	Total unrestricted net assets
Balance as of June 30, 2010	$	134,492,186	(381,093)	134,111,093
Excess of revenues over expenses		25,337,813	(402,048)	24,935,765
Pension related changes other than net periodic pension costs		9,301,615	—	9,301,615
Net assets released for purchase of fixed assets		1,525,045	—	1,525,045
Equity in unrestricted assets from affiliate		1,791,733	—	1,791,733
Transfers to affiliates		(7,937,496)	—	(7,937,496)
Capital grant		402,742	—	402,742
Increase in net assets		30,421,452	(402,048)	30,019,404
Balance as of June 30, 2011	$	164,913,638	(783,141)	164,130,497

The non-controlling interest comprises of a 50% interest in GBMC/HOPKINS Pediatric Surgery, LLC. which provides professional medical services.

(16) Subsequent Events

The Medical Center has evaluated all events and transactions from the balance sheet date through October 5, 2011, the date at which the financial statements were issued, and determined there are no other items to be recognized or disclosed this period.