

The Detroit Medical Center and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2009	2008
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 75,296	\$ 38,430
Net patient accounts receivable <i>(Note 3)</i>	88,622	77,500
Estimated third-party payor settlements <i>(Note 3)</i>	17,023	7,076
Other accounts receivable	31,304	24,331
Current portion of assets whose use is limited or restricted	6,907	6,500
Securities lending collateral	40,463	21,386
Supplies	22,589	23,178
Prepaid expenses and other	10,118	24,016
Total current assets	<u>292,322</u>	<u>222,417</u>
Assets whose use is limited or restricted, less current portion (including securities pledged to creditors of \$39,321 and \$20,927, respectively) <i>(Note 4)</i> :		
Board-designated funds for capital improvements	36,807	34,245
Board-designated funds for specific purposes	61,144	46,105
Professional liability funds	176,414	163,747
Funds held in trust under bond agreements <i>(Note 7)</i>	32,351	32,361
Endowment funds	60,910	60,800
Pledges receivable	12,238	10,663
Donor restricted funds	70,059	53,517
	<u>449,923</u>	<u>401,438</u>
Property and equipment, net <i>(Note 2)</i>	445,217	460,578
Other noncurrent assets <i>(Note 2)</i>	25,295	25,265
Total assets	<u>\$ 1,212,757</u>	<u>\$ 1,109,698</u>

	December 31	
	2009	2008
	<i>(In Thousands)</i>	
Liabilities and net assets (deficit)		
Current liabilities:		
Revolving line of credit notes <i>(Note 6)</i>	\$ 20,784	\$ 3,518
Accounts payable and accrued expenses	152,403	145,921
Accrued compensation and related amounts	49,386	59,261
Estimated third-party payor settlements <i>(Note 3)</i>	6,686	10,086
Advance payment from third-party payor	33,869	31,756
Payable under securities lending program	40,463	21,386
Current portion of long-term debt <i>(Note 7)</i>	21,668	24,622
Current portion of accrued retirement liability <i>(Note 9)</i>	13,616	
Current portion of accrued professional liability losses <i>(Note 8)</i>	12,200	14,000
Total current liabilities	<u>351,075</u>	<u>310,550</u>
Other liabilities:		
Long-term debt, less current portion <i>(Note 7)</i>	490,259	509,752
Accrued retirement liability <i>(Note 9)</i>	170,464	247,605
Other noncurrent liabilities, less current portion <i>(Notes 2, 8, and 10)</i>	234,427	243,667
Total other liabilities	<u>895,150</u>	<u>1,001,024</u>
Total liabilities	<u>1,246,225</u>	<u>1,311,574</u>
Net assets (deficit):		
Unrestricted	(176,694)	(326,205)
Temporarily restricted	77,350	58,482
Permanently restricted	65,876	65,847
Total net deficit	<u>(33,468)</u>	<u>(201,876)</u>
Total liabilities and net deficit	<u><u>\$ 1,212,757</u></u> <u><u>\$ 1,109,698</u></u>	

See accompanying notes.

The Detroit Medical Center and Subsidiaries

Consolidated Statements of Operations
and Changes in Net Assets (Deficit)

	Year Ended December 31	
	2009	2008
	<i>(In Thousands)</i>	
Unrestricted revenue and other support		
Net patient service revenue <i>(Note 3)</i>	\$ 1,952,150	\$ 1,870,436
Revenue from services and facility agreements <i>(Note 14)</i>	67,459	65,436
Other revenue	59,808	45,050
Net assets released from restrictions for operations	10,480	11,598
Total unrestricted revenue and other support	<u>2,089,897</u>	<u>1,992,520</u>
Expenses		
Salaries, wages, and benefits	891,180	802,572
Services, supplies, and other <i>(Note 13)</i>	775,068	744,466
Provision for uncollectible accounts	270,849	259,324
Professional liability insurance <i>(Note 8)</i>	28,140	29,022
Interest	31,966	34,436
Depreciation and amortization	81,548	77,978
Total expenses	<u>2,078,751</u>	<u>1,947,798</u>
Income from operations before		
change in unrealized gains (losses) on investments	11,146	44,722
Change in unrealized gains (losses) on investments	<u>32,558</u>	<u>(39,878)</u>
Income from operations	43,704	4,844
Other nonoperating income (loss):		
Investment income (loss) and other	4,324	(5,015)
Excess of revenue over expenses (expenses over revenue)	<u>48,028</u>	<u>(171)</u>

Continued on next page.

The Detroit Medical Center and Subsidiaries

Consolidated Statements of Operations
and Changes in Net Assets (Deficit) (continued)

	Year Ended December 31	
	2009	2008
	<i>(In Thousands)</i>	
Unrestricted net assets		
Excess of revenue over expenses (expenses over revenue)	\$ 48,028	\$ (171)
Net assets released from restrictions		
for long-lived assets	5,522	5,860
Pension and postretirement liability adjustments	92,981	(323,886)
Transfer of net assets	-	(3,395)
Other changes	2,980	(2,330)
Increase (decrease) in unrestricted net assets	<u>149,511</u>	<u>(323,922)</u>
Temporarily restricted net assets		
Contributions	13,973	6,981
Investment loss	(4,318)	(4,445)
Change in unrealized gain (loss) in fair value of investments	27,805	(34,853)
Net assets released from restrictions		
for long-lived assets	(5,522)	(5,860)
Net assets released from restrictions for operations	(10,480)	(11,598)
Transfer of net assets	-	3,395
Other changes	(2,590)	1,218
Increase (decrease) in temporarily restricted net assets	<u>18,868</u>	<u>(45,162)</u>
Permanently restricted net assets		
Contributions	29	1,001
Increase in permanently restricted net assets	<u>29</u>	<u>1,001</u>
Increase (decrease) in net assets	168,408	(368,083)
Net (deficit) assets at beginning of year	(201,876)	166,207
Net deficit at end of year	<u>\$ (33,468)</u>	<u>\$ (201,876)</u>

See accompanying notes.

The Detroit Medical Center and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2009	2008
	<i>(In Thousands)</i>	
Operating activities		
Increase (decrease) in net assets	\$ 168,408	\$ (368,083)
Adjustments to reconcile (decrease) increase in net assets to cash provided by operating activities:		
Depreciation and amortization	81,548	77,978
Provision for uncollectible accounts	270,849	259,324
Change in pension and postretirement liability	(92,981)	323,886
Changes in operating assets and liabilities:		
Investments	(48,892)	113,231
Patient accounts receivable	(281,971)	(243,307)
Estimated third-party payor settlements	(13,347)	5,846
Other current assets	7,514	9,453
Accounts payable and accrued expenses	6,483	(25,318)
Other current liabilities	(9,876)	4,978
Advance from third-party payor	2,113	6,880
Accrued retirement liability	30,294	(19,478)
Accrued professional liability losses	(14,947)	(13,432)
Other operating activities	1,697	6,728
Cash provided by operating activities	106,892	138,686
Investing activities		
Purchase of property and equipment	(59,965)	(69,038)
Other investing activities	273	244
Cash used in investing activities	(59,692)	(68,794)
Financing activities		
Borrowings on line of credit	17,266	373,853
Repayments on line of credit	-	(389,587)
Repayment of long-term debt	(27,600)	(24,901)
Cash used in financing activities	(10,334)	(40,635)
Increase in cash and cash equivalents	36,866	29,257
Cash and cash equivalents at beginning of year	38,430	9,173
Cash and cash equivalents at end of year	\$ 75,296	\$ 38,430

See accompanying notes.

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