

The General Hospital Corporation

**Report on Federal Awards in
Accordance with OMB Circular A-133
September 30, 2008
EIN 042697983**

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Part I
Financial Statements

Report of Independent Auditors

To the Board of Trustees of
The General Hospital Corporation

In our opinion, the accompanying balance sheets and the related statements of operations, changes in net assets and cash flows present fairly, in all material respects, the financial position of The General Hospital Corporation at September 30, 2008 and 2007, and the results of its operations, its changes in net assets and its 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 General Hospital Corporation'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of The General Hospital Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



December 19, 2008

The General Hospital Corporation
Balance Sheets
September 30, 2008 and 2007

<i>(dollars in thousands)</i>	2008	2007
Assets		
Current assets		
Cash and equivalents	\$ 2,443	\$ 12,075
Investments	2,108	2,412
Current portion of investments limited as to use	77,279	69,835
Patient accounts receivable, net of allowance for bad debts: 2008 - \$17,441; 2007 - \$20,771	254,438	221,344
Research grants receivable	70,789	52,167
Other current assets	65,753	57,292
Receivable for settlements with third party payers	<u>5,218</u>	<u>7,312</u>
Total current assets	478,028	422,437
Investments limited as to use, less current portion	45,230	48,620
Long-term investments	10,766	10,558
Pledges receivable, net, less current portion	45,285	28,850
Interest in the net assets of The Massachusetts General Hospital	608,863	687,160
Property and equipment, net	1,008,459	920,920
Other assets	<u>1,376</u>	<u>1,338</u>
Total assets	<u>\$ 2,198,007</u>	<u>\$ 2,119,883</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term obligations	\$ 25,475	\$ 22,615
Accounts payable and accrued expenses	38,979	35,248
Accrued compensation and benefits	128,133	117,886
Current portion of accrual for settlements with third-party payers	284	16,101
Unexpended funds on research grants	75,127	67,685
Due to affiliates	<u>27,548</u>	<u>37,400</u>
Total current liabilities	<u>295,546</u>	<u>296,935</u>
Other liabilities		
Accrual for settlements with third-party payers, less current portion	3,907	1,982
Accrued professional liability	17,089	16,199
Accrued employee benefits	86,921	86,313
Accrued other	<u>31,271</u>	<u>37,371</u>
	<u>139,188</u>	<u>141,865</u>
Long-term obligations, less current portion	<u>357,329</u>	<u>327,547</u>
Total liabilities	<u>792,063</u>	<u>766,347</u>
Commitments and contingencies		
Net assets		
Unrestricted	710,281	602,793
Temporarily restricted	539,450	602,895
Permanently restricted	<u>156,213</u>	<u>147,848</u>
Total net assets	<u>1,405,944</u>	<u>1,353,536</u>
Total liabilities and net assets	<u>\$ 2,198,007</u>	<u>\$ 2,119,883</u>

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

The General Hospital Corporation
Statements of Operations
Years Ended September 30, 2008 and 2007

<i>(dollars in thousands)</i>	2008	2007
Operating revenue		
Net patient service revenue	\$ 1,751,607	\$ 1,627,519
Direct academic and research revenue	475,842	435,065
Indirect academic and research revenue	149,523	147,629
Other revenue	84,953	80,250
Total operating revenue	<u>2,461,925</u>	<u>2,290,463</u>
Operating expenses		
Employee compensation and benefits	955,256	901,540
Supplies and other expenses	769,107	728,267
Direct academic and research expenses	475,842	435,065
Depreciation and amortization	107,745	98,345
Provision for bad debts	22,282	33,295
Interest	17,331	18,795
Total operating expenses	<u>2,347,563</u>	<u>2,215,307</u>
Income from operations	<u>114,362</u>	<u>75,156</u>
Nonoperating gains (expenses)		
Income (loss) from investments	(4,763)	3,475
Gifts and other	(2,950)	276,026
Total nonoperating gains (expenses), net	<u>(7,713)</u>	<u>279,501</u>
Excess of revenues over expenses	106,649	354,657
Other changes in net assets		
Funds utilized for property and equipment	15,511	16,718
Transfers to affiliates, net	(17,389)	(267,956)
Other	(200)	-
Change in funded status of defined benefit plan	2,917	12
Increase in unrestricted net assets	<u>\$ 107,488</u>	<u>\$ 103,431</u>

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

The General Hospital Corporation
Statements of Changes in Net Assets
Years Ended September 30, 2008 and 2007

<i>(dollars in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at October 1, 2006	<u>\$ 499,362</u>	<u>\$ 542,577</u>	<u>\$ 138,485</u>	<u>\$ 1,180,424</u>
Increases (decreases)				
Income from operations	75,156	-	-	75,156
Income from investments	3,475	85,448	-	88,923
Gifts and other	276,026	(25,295)	9,363	260,094
Funds utilized for property and equipment	16,718	-	-	16,718
Transfers to affiliates, net	(267,956)	(18,081)	-	(286,037)
Other	-	18,246	-	18,246
Change in funded status of defined benefit plan	12	-	-	12
Change in net assets	<u>103,431</u>	<u>60,318</u>	<u>9,363</u>	<u>173,112</u>
Net assets at September 30, 2007	<u>602,793</u>	<u>602,895</u>	<u>147,848</u>	<u>1,353,536</u>
Increases (decreases)				
Income from operations	114,362	-	-	114,362
Loss from investments	(4,763)	(104,666)	-	(109,429)
Gifts and other	(2,950)	42,221	8,365	47,636
Funds utilized for property and equipment	15,511	-	-	15,511
Transfers to affiliates, net	(17,389)	-	-	(17,389)
Other	(200)	(1,000)	-	(1,200)
Change in funded status of defined benefit plan	2,917	-	-	2,917
Change in net assets	<u>107,488</u>	<u>(63,445)</u>	<u>8,365</u>	<u>52,408</u>
Net assets at September 30, 2008	<u>\$ 710,281</u>	<u>\$ 539,450</u>	<u>\$ 156,213</u>	<u>\$ 1,405,944</u>

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

The General Hospital Corporation
Statements of Cash Flows
Years Ended September 30, 2008 and 2007

<i>(dollars in thousands)</i>	2008	2007
Cash flows from operating activities		
Change in net assets	\$ 52,408	\$ 173,112
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in funded status of defined benefit plan	(2,917)	(12)
Depreciation and amortization	107,745	98,345
Provision for bad debts	22,282	33,295
Loss on retirement of property and equipment	672	726
Gain on royalty transactions, net	-	(206,000)
Net realized and change in unrealized appreciation on investments	94,081	(104,562)
Change in interest in the net assets of The Massachusetts General Hospital	(11,879)	(37,395)
Transfers to affiliates, net	17,389	286,037
Restricted contributions	(15,511)	(16,718)
Increase (decrease) in cash resulting from a change in		
Patient accounts receivable	(55,376)	(61,602)
Research grants receivable	(18,622)	(13,233)
Other current assets	(1,888)	(3,818)
Pledges receivable	(23,008)	(16,439)
Increase in other assets	(99)	(45)
Accounts payable and accrued expenses	3,731	2,379
Accrued compensation and benefits	10,487	13,694
Settlements with third-party payers	(11,798)	4,902
Unexpended funds on research grants	7,442	(689)
Accrued employee benefits and other	(1,925)	5,738
Due to affiliates	(9,852)	6,846
Net cash provided by operating activities	<u>163,362</u>	<u>164,561</u>
Cash flows from investing activities		
Purchase of property and equipment	(195,591)	(167,800)
Proceeds from royalty transactions, net	-	206,000
Purchase of investments	(12,016)	(15,342)
Proceeds from sales of investments	3,849	18,644
Net cash (used for) provided by investing activities	<u>(203,758)</u>	<u>41,502</u>
Cash flows from financing activities		
Payments on long-term obligations	(14,949)	(14,008)
Proceeds from long-term obligations	47,591	562
Transfers to affiliates, net	(17,389)	(204,701)
Restricted contributions	15,511	16,718
Net cash provided by (used for) financing activities	<u>30,764</u>	<u>(201,429)</u>
Net (decrease) increase in cash and equivalents	(9,632)	4,634
Cash and equivalents at beginning of year	12,075	7,441
Cash and equivalents at end of year	<u>\$ 2,443</u>	<u>\$ 12,075</u>

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

The General Hospital Corporation

Notes to Financial Statements

September 30, 2008 and 2007

(dollars in thousands)

1. **Organization and Community Benefit Commitments**

The General Hospital Corporation (General) operates an acute-care general hospital established to provide healthcare services to patients primarily from the Greater Boston area as well as New England and beyond. In addition, the General conducts research and provides education for physicians and other healthcare professionals. As such, operating revenue includes those generated from direct patient care and reimbursement of research. The Massachusetts General Hospital (MGH) is the sole member of the General, McLean HealthCare, Inc., Massachusetts General Physicians Organization, Inc. (MGPO), Nantucket Cottage Hospital, Martha's Vineyard Hospital, The MGH Institute of Health Professions, Inc., and The MGH Health Services Corporation.

Partners HealthCare System, Inc. (PHS) is the sole member of MGH, Brigham and Women's/Faulkner Hospitals, Inc. (BW/F), NSMC Healthcare Inc., Newton-Wellesley Health Care System, Inc., Partners Continuing Care, Inc., Partners Harvard Medical International, Inc. and Partners International Medical Services, LLC. PHS appoints the two physicians who are the members of Partners Community HealthCare, Inc. PHS, together with all of its affiliates, is referred to as "Partners HealthCare."

The General is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Community Benefit

The General collaborates with community and hospital partners to build and sustain healthier communities, and to enhance the General's responsiveness to patients and community members from diverse cultural and socioeconomic backgrounds. As such, the General engages in several mission-related activities aimed at maintaining its tax-exempt status. These activities include supporting a broad-based community benefits program, operating essential clinical services, including an emergency room and outpatient clinics serving low-income patients, and providing free or discounted care, in conjunction with a clear charity care policy based on community needs.

The Massachusetts Attorney General's Community Benefits Guidelines require health maintenance organizations and nonprofit acute care hospitals to prepare annual reports documenting the status and level of their community benefit programs and initiatives. These annual reports serve the important purpose of providing the public with access to useful information about these programs and initiatives. The General has a community benefit planning and service delivery structure and has filed its report separately with the Attorney General.

The General's community benefit program also includes career and workforce development, encouraging students to pursue nursing and other clinical careers, youth substance abuse prevention, and domestic violence intervention. In addition, several community health centers are licensed or affiliated with the General, providing patient access to the General and other Partners HealthCare hospitals. The General invests in these health centers' infrastructure, programming and operation and also helps with relocation, renovation, and other capital requirements.

The General Hospital Corporation

Notes to Financial Statements

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(dollars in thousands)

Uncompensated Care

The General provides care to all patients regardless of their ability to pay. The cost of providing that care is reflected in the statements of operations. The cost related to those patients, for which the General receives either partial or no reimbursement for healthcare services provided, is summarized as follows:

State Programs

Uncompensated Care

Free care services are partially reimbursed to acute hospitals through the statewide Health Safety Net (HSN, formerly Uncompensated Care Pool) established by the Massachusetts Health Care Reform Law (Chapter 58 of the Acts of 2006). A portion of the funding for HSN is paid by hospitals through a statewide hospital assessment levied each year by the Massachusetts Legislature. All acute care hospitals in the state are assessed their share of this total statewide hospital assessment amount (\$160,000 in 2008 and 2007) based on each hospital's charges for private sector payers. The General reports this assessment as a deduction from net patient service revenue.

Hospitals are reimbursed for free care based on claims for eligible patients that are submitted to, and adjudicated by the HSN. Rates of payment are based on Medicare rates and payment policies. Hospitals with a high proportion of free care and government funding receive more favorable reimbursement. In aggregate, the General's share of uncompensated care funding covered 72% of the estimated cost of free care provided in 2008 and 67% of the estimated cost in 2007, excluding the assessment.

Medicaid

Medicaid is a means-tested health insurance program, jointly funded by state and federal governments. States administer the program and set rules for eligibility, benefits and provider payments within broad federal guidelines. The program provides health care coverage to low-income children and families, pregnant women, long-term unemployed adults, seniors and persons with disabilities. Eligibility is determined by a variety of factors, which include income relative to the federal poverty line, age and immigrant status, and assets.

Medicaid payments to the General do not cover the cost of services provided. In aggregate, reimbursement from Medicaid covered 81% of the estimated cost of services provided in 2008 and 73% of the estimated cost in 2007.

Federal Program

Medicare

Medicare is a federally sponsored health insurance program for people age 65 or older, under age 65 with certain disabilities, and any age with End-Stage Renal Disease. For many years, Medicare payments have not kept pace with increases in the cost of care provided for many hospitals. Additionally, payments to physicians have seen little or no increases over the past several years. Compounding this shortfall in payments is the shift of care from higher paying inpatient services to lower paying outpatient services.

Consequently, Medicare payments to the General also do not cover the cost of services provided. In aggregate, reimbursement from Medicare covered 78% of the estimated cost of services provided in 2008 and 79% of the estimated cost in 2007.

The General Hospital Corporation
Notes to Financial Statements
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(dollars in thousands)

For free care, Medicaid and Medicare, the total estimated cost of services provided by the General exceeds the net reimbursement received under these programs by \$185,086 and \$195,058 for the years ended September 30, 2008 and 2007, respectively. The following summarizes, by program, the cost of services provided, net reimbursement and cost of services in excess of reimbursement for each year:

	Years Ended September 30,	
	2008	2007
Cost of services provided		
Free Care, including assessment payment to HSN of \$19,404 and \$19,080 in 2008 and 2007, respectively	\$ 55,274	\$ 73,989
Medicaid	185,248	176,600
Medicare	542,797	511,612
	<u>\$ 783,319</u>	<u>\$ 762,201</u>
Net reimbursement		
Free Care	\$ 25,940	\$ 36,723
Medicaid	150,599	128,120
Medicare	421,694	402,300
	<u>\$ 598,233</u>	<u>\$ 567,143</u>
Cost of services in excess of reimbursement		
Free Care	\$ 29,334	\$ 37,266
Medicaid	34,649	48,480
Medicare	121,103	109,312
	<u>\$ 185,086</u>	<u>\$ 195,058</u>

Bad Debts

In addition to free care and inadequate funding from the Medicaid and Medicare programs, there are significant losses related to self-pay patients who fail to make payment for services rendered or insured patients who fail to remit co-payments and deductibles as required under the applicable health insurance arrangement. The provision for bad debts of \$22,282 in 2008 and \$33,295 in 2007 represents charges for services provided that are deemed to be uncollectible. The estimated cost of providing these services was approximately \$7,620 and \$11,220 for 2008 and 2007, respectively.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The General follows the accounting policies and practices of PHS and these statements should be read in conjunction with the Partners HealthCare consolidated financial statements.

The General Hospital Corporation

Notes to Financial Statements

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(dollars in thousands)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of patient accounts receivable, research grants receivable, investments, receivables and accruals for settlements with third-party payers, accrued professional liability, accrued compensation and employee benefits, and accrued other.

Fair Value of Financial Instruments

The fair value of financial instruments approximates the carrying amount reported in the balance sheets for cash and equivalents, investments, investments limited as to use, interest in the net assets of MGH, patient accounts receivable, research grants receivable, pledges receivable and accounts payable, except for long-term obligations which is disclosed in Note 6.

Cash and Equivalents

Cash and equivalents generally represent money market and highly liquid debt instruments with a maturity at the date of purchase of three months or less.

Investments

The General holds investments which represent units in a partnership (Note 3) and are recorded on the equity method of accounting, with the change in net unrealized appreciation included in excess of revenues over expenses as a component of income from investments. Separately invested investments (marketable investments) are measured at fair value, generally based on quoted market prices, with the change in net unrealized appreciation excluded from excess of revenues over expenses.

Income from investments (including realized gains and losses, change in net unrealized appreciation on equity method investments, interest, dividends, and endowment income distributions) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income from investments is reported net of investment related expenses.

Investments with unrealized depreciation are reviewed each quarter to determine whether these investments are other-than-temporarily impaired. This review considers factors including the anticipated holding period for the investment and the extent and duration of below cost valuation.

A write-down in the cost basis of securities is recorded when the decline in fair value of certain investments below costs has been judged to be other-than-temporary. Depending on any donor-imposed restrictions on the underlying investments, the amount of the write down is reported as a realized loss in either temporarily restricted net assets or in excess of revenues over expenses as a component of income from investments, with no adjustment in the cost basis for subsequent recoveries in fair value.

Partners HealthCare has an endowment spending policy for pooled endowment funds. A fixed distribution rate for spending is determined each year which will come from either income and/or net accumulated gains in fair value.

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(dollars in thousands)

Investments Limited as to Use

Investments limited as to use primarily include assets whose use is contractually limited by external parties and assets set aside by the Board of Trustees (or management) for identified purposes, over which the Board (or management) retains control and may, at its discretion, subsequently use for other purposes. Certain investments corresponding to deferred compensation are accounted for such that all income and appreciation (depreciation) is recorded as a direct addition (reduction) to the asset balance and corresponding liability balance.

Patient Accounts Receivable

The General receives payments for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care payers, commercial insurance companies, and patients. Patient accounts receivable are reported net of contractual allowances and reserves for denials, uncompensated care, and doubtful accounts. The level of reserves is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer health care coverage and other collection indicators.

Research Grants Receivable

The General receives research funding from departments and agencies of the U.S. Government, industry and corporate sponsors, and other private sponsors. Research grants receivable include amounts due from these sponsors of externally funded research. The amounts have been billed or are billable to the sponsor, or in limited circumstances, represent accelerated spending in anticipation of future funding. Research grants receivable are reported net of reserves for uncollectible accounts.

Interest in the Net Assets of The Massachusetts General Hospital

MGH holds investment assets for the benefit of the General. Since MGH is the sole member of the General, these organizations are financially interrelated. Accordingly, the General recognizes its interest in the net assets of MGH and adjusts that interest for its share of the changes in the net assets of MGH. Changes due to gifts, investment income (including realized gains and losses) and unrealized appreciation and depreciation are recognized in nonoperating activity.

Property and Equipment

Property and equipment is reported on the basis of cost less accumulated depreciation. Donated items, exclusive of transfers from related organizations, are recorded at fair value at the date of contribution. All research grants received for capital are recorded in the year of expenditure as a change in net assets. Property and equipment is reviewed for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Depreciation of property and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to forty years. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized, net of any interest earned, as a component of the cost of acquiring those assets.

Asset Retirement Obligations

Asset retirement obligations, reported in accrued other, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. The General records changes in the liability resulting from the

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passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The General reduces these liabilities when the related obligations are settled.

Other Assets

Other assets consist of long-term receivables and deferred financing costs. Deferred financing costs are amortized over the terms of the related obligations. The carrying value of other assets is reviewed if the facts and circumstances suggest that it may be impaired.

Compensated Absences

In accordance with formal policies concerning vacation and other compensated absences, accruals of approximately \$52,388 and \$48,221 were recorded as of September 30, 2008 and 2007, respectively.

Unexpended Funds on Research Grants

Research grants received in advance of corresponding grant expenditures are accounted for as a direct addition to investments limited as to use and unexpended funds on research grants.

Self-Insurance Reserves

The General is self-insured for employee healthcare, disability, workers' compensation and certain other employee benefits. These costs are accounted for on an accrual basis to include estimates of future payments for claims incurred.

Net Assets

Permanently restricted net assets include only the historical dollar amounts of gifts which are required by donors to be permanently retained. Temporarily restricted net assets include gifts, and income and gains on permanently restricted net assets which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (capital projects, pledges to be paid in the future, life income funds) or by interpretations of law (gains available for appropriation but not appropriated in the current period). Unrestricted net assets include all the remaining net assets of the General. See Note 12 for further information on the composition of restricted net assets.

Realized gains and losses are classified as unrestricted net assets unless they are restricted by the donor or law. Unless permanently restricted by the donor, realized gains and unrealized net appreciation on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the General in accordance with policies established by Partners HealthCare and the Massachusetts Management of Institutional Funds Act. Net losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value exceeds book value.

Gifts and Grants

Unconditional promises to give cash and other assets to the General are reported at fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted gifts in the accompanying financial statements.

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September 30, 2008 and 2007

(dollars in thousands)

Gifts of long-lived assets with explicit restrictions that specify use of assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to temporarily restricted net assets if the assets are not placed in service during the year.

Grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The General recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is based on predetermined rates for U.S. Government grants and contracts and negotiated rates for other grants and contracts.

Statement of Operations

All activities of the General deemed by management to be ongoing, major and central to the provision of healthcare services, training and research activities are reported as operating revenue and expenses. Other activities are deemed to be nonoperating and include unrestricted gifts (net of fund-raising expenses) and substantially all income from investments.

The General recognizes changes in third-party payer settlements and other estimates in the year of the change in estimate. For the years ended September 30, 2008 and 2007, adjustments to prior year estimates resulted in an increase (decrease) to income from operations of \$18,902 and (\$2,022), respectively.

The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses include change in unrealized appreciation on marketable investments, transfers of assets to and from affiliates, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for acquisition of such assets) and change in funded status of defined benefit plan.

Net Patient Service Revenue

The General maintains agreements with the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services (DHHS) under the Medicare Program, The Commonwealth of Massachusetts under the Medical Assistance Program (Medicaid) and various managed care payers that govern payment to the General for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on discounted charges for inpatient care and discounted charges or fee schedules for outpatient care. Certain "pay for performance" contracts also provide for payments that are contingent upon meeting agreed upon quality and efficiency measures.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. Contracts, laws and regulations governing the Medicare, Medicaid, and the HSN programs (Note 1) and managed care payer arrangements are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. A portion of the accrual for settlements with third-party payers has been classified as long-term because such amounts, by their nature or by virtue of regulation or legislation, will not be paid within one year.

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(dollars in thousands)

Charity Care

The General provides either full or partial charity care to patients who cannot afford to pay for their medical services based on income and family size. Charity care is generally available to qualifying patients for medically necessary services. The General reports certain bad debts related to emergency services as charity care. Charity care is reported at gross charges with an offsetting allowance, as there is no expectation of collection. Accordingly, there is no net patient service revenue related to charity care.

Other Revenue

Other revenue includes royalty income, cafeteria sales, rental income, parking income, and certain outpatient pharmacy income.

Reclassifications

Certain amounts in the 2007 financial statements have been classified to conform with the 2008 presentation. Direct academic and research revenue and direct academic research expenses have been reduced by \$13,161 for the year ended September 30, 2007 to reflect the elimination of intercompany research activity.

3. Investments and Investments Limited as to Use

Investments are either separately invested or included in pooled investment funds. The Partners HealthCare System Pooled Investment Accounts (Partnership) is structured as a single general partnership composed of four investment pools, with PHS and substantially all of its affiliates participating in the pools as partners. Each partner's interest in the Partnership is based on its underlying investments in one or more of the four separate pools. Amounts included in the investment pools are accounted for using the fair value method whereby each partner is assigned a number of units based on the fair value of the assets of a pool at the time of entry of the funds into the pool. Current fair value is used to determine the number of units allocated to additional amounts placed in a pool and to value withdrawals from a pool. Income from investments of the pools, including realized gains and losses, is allocated on a unitized basis to a partner based on the partner's share of units in a pool.

The Partnership participates in a securities lending program with its custodian bank whereby securities are loaned to qualified financial institutions in exchange for collateral. Investments that have been loaned to another institution are reported as pledged assets in the consolidated balance sheets of Partners HealthCare. Cash or investments received as collateral on the securities lending transaction are also reported as assets in such consolidated balance sheets. Because the collateral must be returned in the future, a corresponding liability is reported in such consolidated balance sheets.

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The composition of investments and investments limited as to use is as follows:

	Cost	September 30, 2008		Fair Value
		Gross Unrealized Appreciation	Gross Unrealized Depreciation	
Pooled investments				
Invested cash equivalents	\$ 2,723	\$ -	\$ -	\$ 2,723
Equities	32,715	2,080	(2,555)	32,240
U.S. Government, domestic and foreign fixed income securities	3,806	232	(366)	3,672
Private partnerships and other	52,801	11,929	(2,231)	62,499
Accruals, net	(51)	-	-	(51)
	<u>91,994</u>	<u>14,241</u>	<u>(5,152)</u>	<u>101,083</u>
Separately invested				
Invested cash equivalents	1,666	-	-	1,666
Equities	3,658	-	-	3,658
U.S. Government and domestic fixed income securities	28,220	-	-	28,220
Other	756	-	-	756
	<u>34,300</u>	<u>-</u>	<u>-</u>	<u>34,300</u>
	<u>\$ 126,294</u>	<u>\$ 14,241</u>	<u>\$ (5,152)</u>	<u>\$ 135,383</u>
	Cost	September 30, 2007		Fair Value
		Gross Unrealized Appreciation	Gross Unrealized Depreciation	
Pooled investments				
Invested cash equivalents	\$ 6,185	\$ -	\$ -	\$ 6,185
Equities	32,491	10,172	-	42,663
U.S. Government, domestic and foreign fixed income securities	4,182	386	(81)	4,487
Private partnerships and other	27,852	16,292	(105)	44,039
Accruals, net	(2)	-	-	(2)
	<u>70,708</u>	<u>26,850</u>	<u>(186)</u>	<u>97,372</u>
Separately invested				
Invested cash equivalents	1,284	-	-	1,284
Equities	6,775	-	-	6,775
U.S. Government and domestic fixed income securities	23,587	-	-	23,587
Other	2,407	-	-	2,407
	<u>34,053</u>	<u>-</u>	<u>-</u>	<u>34,053</u>
	<u>\$ 104,761</u>	<u>\$ 26,850</u>	<u>\$ (186)</u>	<u>\$ 131,425</u>

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Subsequent to September 30, 2008 the U.S. and global financial markets have experienced significant volatility and illiquidity, due in part, to current economic conditions and declines in the financial sector. The General's investment portfolio has experienced similar negative volatility. However, the General has been able to maintain its liquidity and its operations have not been significantly impacted.

Investments and investments limited as to use are recorded in the balance sheet as follows:

	September 30, 2008	September 30, 2007
Current assets		
Investments	\$ 2,108	\$ 2,412
Current portion of investments limited as to use	<u>77,279</u>	<u>69,835</u>
	79,387	72,247
Investments limited as to use, less current portion	45,230	48,620
Long-term investments	<u>10,766</u>	<u>10,558</u>
	<u>\$ 135,383</u>	<u>\$ 131,425</u>

Investments limited as to use consist of the following:

	September 30, 2008		September 30, 2007	
	Current Portion	Long-Term Portion	Current Portion	Long-Term Portion
Internally designated funds				
Deferred compensation	<u>\$ -</u>	<u>\$ 31,392</u>	<u>\$ -</u>	<u>\$ 28,497</u>
Externally limited funds				
Unexpended funds on research	75,127	-	67,685	-
Professional liability trust fund	-	13,838	-	20,123
Held by trustees under debt and other agreements	<u>2,152</u>	<u>-</u>	<u>2,150</u>	<u>-</u>
	<u>77,279</u>	<u>13,838</u>	<u>69,835</u>	<u>20,123</u>
	<u>\$ 77,279</u>	<u>\$ 45,230</u>	<u>\$ 69,835</u>	<u>\$ 48,620</u>

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Investment income and gains (losses) from cash and equivalents, investments (including long-term) and investments limited as to use are comprised of the following:

	Years Ended September 30,	
	2008	2007
Unrestricted		
Dividends and interest income	\$ 821	\$ 1,752
Endowment income distributions, net of reinvested gains	1,826	1,674
Net realized gains (losses) on investments		
Trading gains	1,258	1,294
Other-than-temporary impairment	(335)	(254)
Change in net unrealized appreciation on equity method investments	(3,522)	2,029
(Losses) recoveries on endowment funds	(1,784)	10
Total unrestricted investment activity	<u>(1,736)</u>	<u>6,505</u>
Temporarily restricted		
Dividends and interest income	7,570	6,762
Endowment income distributions	(22,538)	(22,797)
Net realized gains (losses) on investments		
Trading gains	9,845	27,607
Other-than-temporary impairment	(141)	(1,028)
	<u>(5,264)</u>	<u>10,544</u>
Change in net unrealized appreciation on equity method investments	(101,186)	74,914
Losses (recoveries) on endowment funds	1,784	(10)
	<u>(99,402)</u>	<u>74,904</u>
Total temporarily restricted investment activity	<u>(104,666)</u>	<u>85,448</u>
	<u>\$ (106,402)</u>	<u>\$ 91,953</u>

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Investment income (loss) included in operating results and excess of revenues over expenses are comprised of the following:

	Years Ended September 30,	
	2008	2007
Investment income (loss) included in operations and reported in		
Other revenue	\$ 3,027	\$ 3,030
Investment income (loss) included in nonoperating		
gains (expenses) and reported in		
Income (loss) from investments	<u>(4,763)</u>	<u>3,475</u>
Total investment activity included in excess of revenues		
over expenses	<u>\$ (1,736)</u>	<u>\$ 6,505</u>

4. Pledges Receivable

Pledges receivable represent unconditional promises to give and are net of allowances for uncollectible amounts. Pledges are recorded at the present value of their estimated future cash flows. Pledges collectible within one year are classified as other current assets and total \$30,750 and \$24,177 as of September 30, 2008 and 2007, respectively. Estimated cash flows due after one year are discounted using published treasury bond and note yields that are commensurate with estimated collection risks. The blended discount rate was 2.4% and 4.1% for 2008 and 2007, respectively. Pledges are expected to be collected as follows:

	September 30,	
	2008	2007
Amounts due		
Within one year	\$ 41,356	\$ 31,464
In one to five years	52,633	30,322
In more than five years	<u>3,771</u>	<u>5,203</u>
Total pledges receivable	97,760	66,989
Less: Unamortized discount	<u>3,681</u>	<u>4,781</u>
	94,079	62,208
Less: Allowance for uncollectibles	<u>18,044</u>	<u>9,181</u>
Net pledges receivable	<u>\$ 76,035</u>	<u>\$ 53,027</u>

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5. Property and Equipment

Property and equipment consists of the following:

	September 30,	
	2008	2007
Land and land improvements	\$ 3,785	\$ 3,785
Buildings and building improvements	1,161,797	1,091,760
Equipment	355,576	344,035
Construction in progress	<u>170,937</u>	<u>92,416</u>
	1,692,095	1,531,996
Accumulated depreciation	<u>(683,636)</u>	<u>(611,076)</u>
Property and equipment, net	<u>\$ 1,008,459</u>	<u>\$ 920,920</u>

Interest costs, net of interest earned, aggregating \$3,282 were capitalized in 2008. No interest was capitalized in 2007.

Depreciation expense for the years ended September 30, 2008 and 2007 was \$107,380 and \$98,281, respectively.

For the years ended September 30, 2008 and 2007, fully depreciated assets with an original cost of \$34,820 and \$148,797, respectively, were written off.

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6. Long-Term Obligations

Long-term obligations consist of the following:

	September 30,	2008	2007
Notes payable to PHS			
Partners HealthCare Capital Framework Loan, variable interest rate of 4.88% and 5.10% at September 30, 2008 and 2007, respectively, final maturity in 2038	\$	350,886	\$ 311,485
Massachusetts Health and Educational Facilities Authority (Authority) Revenue Bonds			
MGH issue			
Series F, average interest rate of 6.25%, final maturity in 2012		29,527	35,771
Partners HealthCare System issue			
Series P, variable interest rate of 8.17% and 3.87% at September 30, 2008 and 2007, respectively, final maturity in 2012		2,391	2,906
		<u>382,804</u>	<u>350,162</u>
Less current portion		<u>25,475</u>	<u>22,615</u>
	\$	<u>357,329</u>	\$ <u>327,547</u>

The Partners HealthCare Capital Framework Loan bears interest at a variable rate based upon the weighted average cost of Partners HealthCare's debt, reset annually, effective October 1.

The Authority issued \$150,000 of Revenue Bonds, Capital Asset Program, Series P to PHS, from which a \$100,000 loan commitment was made to PHS and \$25,000 loan commitments were made to both The Brigham and Women's Hospital, Inc. (BWH) and the General. Under the Capital Asset Program, qualified PHS affiliates may borrow funds to finance eligible projects. Loan repayments are expected to be recycled throughout Partners HealthCare until final bond maturity in 2027. The Series P loan to the General is collateralized by a lien on the unrestricted gross receipts of the General and MGH on a parity with their outstanding indebtedness.

Partners HealthCare Series 2007 Taxable Bonds and the Authority's Series A, B, C, D, E, F, G and H Bonds issued on behalf of Partners HealthCare and the Series P loan to PHS are unsecured general obligations of PHS, supported by guarantees from BW/F, BWH, MGH and the General which may be suspended under certain conditions. The MGH and the General guarantees are collateralized by a lien on their unrestricted gross receipts on a parity with their outstanding indebtedness.

The MGH Series F Revenue Bonds are collateralized by a lien on the unrestricted gross receipts of the General and MGH. The General is jointly and severally liable with MGH for the total amount of the Series F Revenue Bonds, portions of which have been recorded directly by MGH and Spaulding Rehabilitation Hospital (Spaulding). MGH was formerly the sole corporate member of Spaulding.

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The Authority Revenue Bond Agreements contain certain covenants, including a minimum debt service coverage ratio and limitations on additional indebtedness and asset transfers.

Aggregate maturities and payments of long-term obligations during the next five years are as follows: 2009 - \$25,475; 2010 - \$24,373; 2011 - \$25,806, 2012 - \$28,457 and 2013 - \$21,095.

The fair value of long-term obligations was approximately \$385,062 and \$354,577 as of September 30, 2008 and 2007, respectively. The fair value is estimated based on quoted market prices for the same or similar issues.

Interest expense approximates interest paid, net of capitalized interest, during the years ended September 30, 2008 and 2007.

7. Commitments

Leases

The General has noncancelable operating leases for certain buildings and equipment including operating leases for certain office and research space between the General and Massachusetts Biomedical Research Corporation (MBRC). Minimum future lease commitments under noncancelable leases, including a total commitment of \$433,143 on the MBRC leases, for the next five years and thereafter are as follows:

	Operating Leases
2009	\$ 91,062
2010	84,336
2011	77,468
2012	74,626
2013	73,955
Thereafter	<u>512,510</u>
Total lease payments	<u>\$ 913,957</u>

Two of the lease agreements with MBRC provide for scheduled rent increases which are being recognized on a straight-line basis over the remaining lease term. Rental expense under operating leases approximated \$87,657 in 2008 and \$85,631 in 2007, including expense under the MBRC leases of \$43,014 and \$43,041 in 2008 and 2007, respectively.

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MBRC is a related party but is not controlled by the General, and therefore not consolidated within these financial statements. MGH guarantees the payment by the General of certain obligations under the MBRC leases. The President of MGH, or his designee, serves ex-officio as one of three members on the Board of Trustees of MBRC. A significant portion of MBRC's operating results are generated from the operating leases with the General. Summarized financial data for MBRC as of and for the years ended September 30, 2008 and 2007 is as follows:

	Years Ended	
	September 30,	
	2008	2007
Total operating revenue	\$ 44,821	\$ 44,698
Total operating expenses	27,002	27,892
Income from operations	17,819	16,806
Increase in unrestricted net assets	16,544	25,348
	September 30,	
	2008	
	2007	
Current assets	\$ 61,585	\$ 65,737
Total assets	238,902	248,130
Current liabilities	37,491	37,093
Total liabilities	89,909	115,681
Unrestricted net assets	148,993	132,449

Construction Projects

The General is constructing a building that will house a relocated and expanded radiation oncology department, expanded emergency services, three levels of operating and procedure suites, and 150 neurosciences and medical oncology intensive care and acute care beds. In addition, space will be dedicated to a new sterile processing department and a central receiving dock. As of September 30, 2008, costs incurred in connection with the new building approximated \$85,104, with approximately \$197,100 in outstanding construction contracts. Planning and construction began in November 2006 and the total project cost is expected to be approximately \$686,000, with phased occupancy scheduled for 2011.

The General is developing a multi-specialty, state-of-the-art ambulatory care center (ACC), to be located in Danvers, Massachusetts. The goal is to create a convenient, patient focused, community-based setting for the delivery of sophisticated outpatient services. Current plans call for approximately 118,000 square feet of clinical space. Construction started in 2007, with approximately \$37,771 recorded in construction in progress as of September 30, 2008 and approximately \$21,534 in outstanding construction contracts. The total project cost is expected to be approximately \$84,000 with occupancy scheduled for 2009.

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8. Pension and Postretirement Healthcare Plans

Substantially all employees of MGH and its affiliates are covered under The Massachusetts General Hospital Cash Balance Retirement Plan (MGH Plan), a noncontributory defined benefit pension plan. Benefits under the MGH Plan consist of annual allocations to participants' accounts based on the participant's employer, age, years of service and salary. Interest is credited to participants' accounts annually at market rates.

MGH also provides subsidized healthcare benefits for retired employees of the MGH and its affiliates on a self-insured basis. These benefits are administered through an insurance company and are accounted for on the accrual basis, which includes an estimate of future payments for claims incurred. The accrued postretirement benefit obligation for the General is not funded. The corresponding liability for the General at September 30, 2008 and 2007 was \$45,309 and \$46,827, respectively.

Certain professional staff employed by MGH and its affiliates who hold appointments at the Harvard Medical School, as well as certain administrative staff, participate in the MGH Academic Annuity Plan, which is a defined contribution plan. MGH and its affiliates contribute to the plan a percentage, as defined by the plan agreement, of each participant's annual compensation.

MGH and its affiliates use a measurement date of June 30 for their defined benefit pension and postretirement healthcare benefit plans.

The total expense allocated to the General consists of the following:

	Years Ended September 30,	
	2008	2007
Defined benefit plan	\$ 45,633	\$ 50,418
Defined contribution plan	23,659	21,248
Postretirement healthcare benefit plan	4,472	4,414
	<u>\$ 73,764</u>	<u>\$ 76,080</u>

Benefit Obligations

Change in Benefit Obligations	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Benefit obligations at beginning of year	\$ 1,401,834	\$ 1,257,188	\$ 52,452	\$ 51,487
Service cost	73,797	69,847	1,668	1,611
Interest cost	90,217	81,061	3,280	3,224
Plan amendments	8,016	-	-	-
Actuarial (gain) loss	(42,794)	42,484	(3,379)	(122)
Benefits paid	(46,707)	(48,746)	(3,253)	(3,748)
Benefit obligations at end of year	<u>\$ 1,484,363</u>	<u>\$ 1,401,834</u>	<u>\$ 50,768</u>	<u>\$ 52,452</u>

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The accumulated benefit obligation for the defined benefit pension plan at the end of 2008 and 2007 was \$1,370,811 and \$1,280,682, respectively.

Weighted-Average Assumptions Used to Determine End of Year Benefit Obligation	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Discount rate	6.75%	6.25%	6.75%	6.25%
Rate of compensation increase				
Professional staff	6.02%	6.02%	N/A	N/A
Other than professional staff	5.05%	5.05%	N/A	N/A
Healthcare cost trend rate for next year	N/A	N/A	9.00%	9.00%
Rate to which the cost trend rate is to decline	N/A	N/A	5.00%	5.00%
Year that rate reaches the ultimate trend rate	N/A	N/A	2017	2012

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effect:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on postretirement benefit obligation	\$ 1,178	\$ (1,084)

Plan Assets

Change in Plan Assets	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Fair value of plan assets at beginning of year	\$ 1,433,620	\$ 1,203,086	\$ -	\$ -
Actual return on plan assets	43,295	217,416	-	-
Employer contributions	63,343	61,864	3,253	3,748
Benefits paid	(46,707)	(48,746)	(3,253)	(3,748)
Fair value of plan assets at end of year	<u>\$ 1,493,551</u>	<u>\$ 1,433,620</u>	<u>\$ -</u>	<u>\$ -</u>

Subsequent to June 30, 2008 (measurement date), there has been significant volatility and illiquidity in the U.S. and global financial markets which has had a significant negative effect on the valuation of plan assets. However, the General is able to meet the obligations of the plans with existing plan assets or any additional contributions as may be required under federal pension regulations.

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MGH and affiliates' defined benefit pension plan weighted-average target asset allocation ranges as well as actual allocations, by asset category for 2008 and 2007, are as follows:

Asset Category	Target Allocation	Percentage of Plan Assets	
		2008	2007
Domestic equity securities	4% - 24%	14.5%	17.6%
Foreign equity securities	15% - 35%	20.2%	26.4%
Fixed income securities	1% - 21%	18.3%	14.5%
Less market sensitive strategies	20% - 40%	30.4%	27.9%
Inflation protection strategies	6% - 26%	16.6%	13.6%
	100%	100%	100%

Less market sensitive investments include hedge funds employing long/short equity, diversified arbitrage and absolute return strategies, which in the aggregate are expected to generate positive returns on a consistent basis. Inflation protection strategies include investments in real estate assets/commodities, equity securities of commodity related companies and inflation protection bonds.

The investment objective is to achieve the highest reasonable total return after considering (i) plan liabilities, (ii) funding status and projected cash flows, (iii) projected market returns, valuations and correlations for various asset classes, and (iv) Partners HealthCare's ability and willingness to incur market risk. Partners Healthcare's Investment Committee actively manages plan assets in order to add incremental returns by manager selection and asset allocation (increasing/decreasing allocations within allowable ranges based on current and projected valuations).

Funded Status

In September 2006, the Financial Accounting Standards Board issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158). SFAS 158 focuses primarily on balance sheet reporting for the funded status of benefit plans and requires recognition of benefit liabilities for under-funded plans and benefit assets for over-funded plans, with offsetting impacts to unrestricted net assets.

SFAS 158 also requires companies to measure benefit plan assets and liabilities and determine the discount rate for subsequent year expense recognition as of the balance sheet date for financial reporting purposes, thus eliminating the opportunity to use a measurement date up to 90 days prior to the balance sheet date. The effective date for this change is 2009. MGH and affiliates currently use a June 30 measurement date and will adopt a September 30 measurement date in 2009 as required. Converting to the new measurement date will require a one-time adjustment to unrestricted net assets per the transition guidance in SFAS 158.

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The funded status of the plans recognized in the consolidated balance sheets of MGH and its affiliates and the related amounts recognized in unrestricted net assets, follows:

End of Year	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Fair value of plan assets at measurement date	\$ 1,493,551	\$ 1,433,620	\$ -	\$ -
Contributions received after measurement date	15,521	16,757	828	771
Benefit obligations at measurement date	<u>(1,484,363)</u>	<u>(1,401,834)</u>	<u>(50,768)</u>	<u>(52,452)</u>
Funded status	<u>\$ 24,709</u>	<u>\$ 48,543</u>	<u>\$ (49,940)</u>	<u>\$ (51,681)</u>

Amounts recognized in the consolidated balance sheet of MGH and Affiliates consist of:

	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Noncurrent assets	\$ 24,709	\$ 48,543	\$ -	\$ -
Current liabilities	-	-	(3,276)	(3,310)
Long-term liabilities	<u>-</u>	<u>-</u>	<u>(46,664)</u>	<u>(48,371)</u>
	<u>\$ 24,709</u>	<u>\$ 48,543</u>	<u>\$ (49,940)</u>	<u>\$ (51,681)</u>

Amounts recognized in the unrestricted net assets of MGH and Affiliates consist of:

	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Actuarial net loss (gain)	\$ (32,133)	\$ (47,748)	\$ 3,620	\$ 7,181
Prior service cost (credit)	<u>7,424</u>	<u>(795)</u>	<u>(129)</u>	<u>(149)</u>
	<u>\$ (24,709)</u>	<u>\$ (48,543)</u>	<u>\$ 3,491</u>	<u>\$ 7,032</u>

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Expected Cash Flows

Information about the expected cash flows for the defined benefit pension and postretirement healthcare benefit plans are as follows:

	Defined Benefit Pension Plan	Postretirement Healthcare Benefit Plan	
Expected employer contributions			
2009	\$ 63,450	\$	3,276
			Medicare Subsidy
Expected benefit payments (receipts)			
2009	\$ 72,397	\$	3,532
2010	69,118	3,726	\$ (256)
2011	74,443	3,797	(253)
2012	82,208	3,859	(248)
2013	89,017	3,899	(241)
2014 and thereafter	564,722	19,178	(1,018)

Net Periodic Benefit Cost

	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Service cost	\$ 73,797	\$ 69,847	\$ 1,668	\$ 1,611
Interest cost	90,217	81,061	3,280	3,224
Expected return on plan assets	(103,851)	(88,782)	-	-
Amortization of				
Prior service credit	(205)	(206)	(20)	(21)
Actuarial net loss	2,148	5,106	182	224
Net periodic benefit cost	<u>\$ 62,106</u>	<u>\$ 67,026</u>	<u>\$ 5,110</u>	<u>\$ 5,038</u>

Amounts expected to be amortized from unrestricted net assets into net periodic benefit cost during the year ending September 30, 2009, are as follows:

	Defined Benefit Pension Plan	Postretirement Healthcare Benefit Plan
Actuarial net loss	\$ 750	\$ 15
Prior service cost (credit)	548	(21)

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Weighted-Average Assumptions Used to Determine Net Periodic Pension and Postretirement Cost	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Discount rate	6.25%	6.25%	6.25%	6.25%
Expected return on plan assets	8.25%	8.25%	N/A	N/A
Rate of compensation increase				
Professional staff	6.02%	6.02%	N/A	N/A
Other than professional staff	5.05%	5.05%	N/A	N/A
Healthcare cost trend rate for this year	N/A	N/A	9.00%	9.00%
Rate to which the cost trend rate is to decline	N/A	N/A	5.00%	5.00%
Year that rate reaches the ultimate trend rate	N/A	N/A	2012	2011

Partners HealthCare considers multiple factors in establishing a multi-year projected return assumption for its benefit programs. These include, but are not limited to: its current asset allocation policy and target ranges by asset class; asset valuations; historical and projected rates of return by asset class; historical and projected correlations among asset classes; the opportunity to exceed passive index returns via active management through a combination of manager selection and alternative weightings among and within asset classes; and Partners HealthCare's historical performance experience.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effect:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on service and interest cost	\$ 75	\$ (70)

9. Professional Liability Insurance

The General insures substantially all of its professional and general liability risk on a claims-made basis in cooperation with PHS affiliates and other organizations in the Greater Boston area through a captive insurance company, Controlled Risk Insurance Company Ltd. (CRICO). The policy covers claims made during its term, but not those occurrences for which claims may be made after expiration of the policy, except for certain tail liabilities which CRICO has assumed on an occurrence basis through December 31, 2008. Management intends to renew its coverage on a claims-made basis and has no reason to believe that it will be prevented from such renewal.

The General follows the accounting policy of establishing reserves to cover all professional liability claims incurred but not reported to the insurance company as of the end of the year (tail liability), excluding the tail liability assumed by CRICO. These reserves have been estimated by consulting actuaries on a discounted basis using an interest rate of 5.75% at September 30, 2008 and 2007.

Management is not aware of any claims against the General or factors affecting CRICO that would cause the expense for professional liability risks to vary materially from the amount provided.

The General Hospital Corporation
Notes to Financial Statements
September 30, 2008 and 2007

(dollars in thousands)

10. Transactions with Affiliates

The General received fund-raising, investment management, legal, financial and administrative services from PHS and MGH of \$164,093 and \$149,387 in 2008 and 2007, respectively. The General also purchased certain teaching and administrative services from PHS affiliates, which amounted to \$66,813 and \$61,635 in 2008 and 2007, respectively. The General provided certain administrative services and support primarily to PHS and affiliates, which totaled \$22,393 and \$22,793 in 2008 and 2007, respectively. For the years ended September 30, 2008 and 2007, Spaulding and FRC, Inc. received payments from the General of \$8,382 and \$7,050, respectively, as additional reimbursement for patients transferred from the General and cared for at Spaulding and FRC, Inc. All services among these affiliated corporations were reimbursed on an estimated cost basis.

During 2008 and 2007, the General transferred funds to, and received funds from, certain affiliated corporations. These equity transfers are reported separately as changes in net assets and are excluded from excess of revenues over expenses. Amounts transferred were as follows:

	Years Ended	
	September 30,	
	2008	2007
Transfers from (to)		
MGH	\$ (20,194)	\$ 1,075
MGPO	(94)	475
PHS	2,899	111
North End Community Health Committee, Inc.	-	(362)
Royalty transactions transfer to MGH (Note 14)	-	(206,000)
	<u>(17,389)</u>	<u>(204,701)</u>
Transfer to MGH of assets released from restrictions	-	(74,726)
Liability transfer from PHS	-	(6,610)
Transfers to affiliates, net	<u>\$ (17,389)</u>	<u>\$ (286,037)</u>

During 2007, assets of \$74,726 that were previously temporarily restricted, were released from restriction and transferred to MGH.

The General Hospital Corporation
Notes to Financial Statements
September 30, 2008 and 2007

(dollars in thousands)

11. Concentration of Credit Risk

Financial instruments that potentially subject the General to concentration of credit risk consist of patient accounts receivable, research grants receivable, pledges receivable and certain investments. The General receives a significant portion of its payments for services rendered from a limited number of government and commercial third-party payers, including Medicare, Medicaid, Blue Cross and Blue Shield of Massachusetts, Harvard Pilgrim Health Care and Tufts Associated Health Plan. Research funding is provided through many government and private sponsors. Pledges receivable are due from multiple donors. The General considers the credit risk for pledges to be minimal based on history and the financial wherewithal of donors, most of which are individuals or organizations well known to the hospital. Investments, which include government and agency securities, stocks and corporate bonds, and private partnerships and other investments are not concentrated in any corporation or industry or with any single counterparty.

12. Restricted Net Assets

Restricted net assets are available for the following purposes:

	September 30,	
	2008	2007
Temporarily restricted		
Charity care	\$ 92,655	\$ 114,928
Buildings and equipment	83,464	55,170
Clinical care, research and academic	363,331	432,797
	<u>\$ 539,450</u>	<u>\$ 602,895</u>
Permanently restricted		
Charity care	\$ 13,974	\$ 10,926
Clinical care, research and academic	142,239	136,922
	<u>\$ 156,213</u>	<u>\$ 147,848</u>

13. Functional Expenses

Total operating expenses by function are as follows:

	Years Ended	
	September 30,	
	2008	2007
Healthcare services	\$ 1,507,485	\$ 1,441,956
Research and academic	625,365	582,694
General and administrative	214,713	190,657
	<u>\$ 2,347,563</u>	<u>\$ 2,215,307</u>

The General Hospital Corporation

Notes to Financial Statements

September 30, 2008 and 2007

(dollars in thousands)

14. Royalty Transactions

During 2007, the General sold its future right to receive royalties on sales of the drug ENBREL® outside North America. The transaction involved a one-time payment to entitle the purchaser to receive royalty payments on sales of ENBREL® outside North America going forward. Under the terms of the agreement, the General received approximately \$213,000 in net proceeds, which included approximately \$4,000 of accrued royalty revenue (of which the General recognized approximately \$1,000 in operating revenue and MGH recognized approximately \$3,000 in nonoperating income). Of the remaining proceeds of approximately \$209,000, approximately \$206,000 has been recognized by the General in nonoperating gains as a component of gifts and other and approximately \$3,000 has been recognized by MGH in nonoperating income. The proceeds are net of a payment of approximately \$71,000 to the drug's inventor, who is an employee of the MGPO, in accordance with established policies of the General. Prior to the sale of the royalty rights, the General received royalty payments on sales of ENBREL® outside North America and recognized operating revenue of \$2,369 in 2007 with \$7,949 recognized in nonoperating income at MGH.

15. Contingencies

The General is subject to complaints, claims and litigation which have risen in the normal course of business. In addition, the General is subject to reviews by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. Recently, governmental review of compliance by healthcare institutions, including the General, has increased.

The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

	Federal CFDA Number	Total Federal Expenditures
RESEARCH AND DEVELOPMENT AND RESEARCH AND TRAINING CLUSTER		
Research and Development Direct Programs		
Department of Health and Human Services		
National Institutes of Health		
Biological Response to Environmental Health Hazards	93.113	\$ 224,277
Oral Diseases and Disorders Research	93.121	1,366,426
Human Genome Research	93.172	793,645
Research Related to Deafness and Communication Disorders	93.173	1,992,954
Research and Training in Complementary and Alternative Medicine	93.213	3,014,336
Mental Health Research Grants	93.242	16,670,091
Alcohol Research Programs	93.273	1,073,195
Drug Abuse Research Programs	93.279	5,096,181
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	8,719,221
Trans-NIH Research Support	93.310	1,185,850
General Clinical Research Centers	93.333	2,516,412
Nursing Research	93.361	984,613
National Center for Research Resources	93.389	13,554,987
Academic Research Enhancement Award	93.390	464,241
Cancer Cause and Prevention Research	93.393	5,406,554
Cancer Detection and Diagnosis Research	93.394	3,819,274
Cancer Treatment Research	93.395	13,141,747
Cancer Biology Research	93.396	10,093,113
Cancer Centers Support Grants	93.397	576,856
Cancer Research Manpower	93.398	232,859
Health Cancer Control	93.399	648,669
Refugee and Entrant Assistance-Wilson/Fish Program	93.583	3,765
Heart and Vascular Diseases Research	93.837	15,471,436
Lung Diseases Research	93.838	3,750,000
Blood Diseases and Resources Research	93.839	4,971,998
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	3,960,637
Diabetes, Endocrinology and Metabolism Research	93.847	13,785,754
Digestive Diseases and Nutrition Research	93.848	9,678,796
Kidney Diseases, Urology and Hematology Research	93.849	7,174,794
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	37,383,504
Biological Basis Research in the Neurosciences	93.854	(209,871)
Allergy, Immunology and Transplantation Research	93.855	33,948,181
Microbiology and Infectious Diseases Research	93.856	3,942,623
Biomedical Research and Research Training	93.859	22,181,863
Population Research	93.864	343,895
Center for Research for Mothers and Children	93.865	5,238,321
Aging Research	93.866	12,448,190
Vision Research	93.867	2,903,097
Medical Library Assistance	93.879	167,176
Subtotal - National Institutes of Health		<u>268,719,660</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

The General Hospital Corporation

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2008

	Federal CFDA Number	Total Federal Expenditures
Research and Development Direct Programs (cont.)		
Other Department of Health and Human Services		
Administration for Children and Families		
Administration for Children, Youth and Families Head Start	93.600	\$ 41,442
Assistance for Torture Victims	93.604	368,941
Refugee and Entrant Assistance Discretionary Grants	93.576	2,796
Agency for HealthCare Research and Quality		
Research on Health Care Costs, Quality and Outcomes	93.226	1,209,178
Center for Disease Control		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	1,738,222
Research Treatment and Educational Programs on Lyme Disease in the United States	93.942	114,910
Food and Drug Administration		
Food and Drug Administration Research	93.103	1,085,391
Health Resources and Services Administration		
Maternal and Child Health Federal Consolidated Programs	93.110	<u>222,087</u>
Subtotal - Other Department of Health and Human Services		<u>4,782,967</u>
Department of Defense		
Basic and Applied Scientific Research	12.300	677,479
Military Medical Research and Development	12.420	16,336,638
Basic Scientific Research	12.431	264,995
Basic, Applied and Advanced Research in Science and Engineering	12.630	<u>1,231,403</u>
Subtotal - Department of Defense		<u>18,510,515</u>
Department of Education		
Fund for the Improvement of Post Secondary Education	84.116	<u>(20,240)</u>
Subtotal - Department of Education		<u>(20,240)</u>
Department of Energy		
Basic Energy Sciences, High Energy and Nuclear Physics, and Advanced Technology and Assessment Projects	81.049	<u>162</u>
Subtotal - Department of Energy		<u>162</u>
Department of Justice		
Drug-Free Communities Support Program Grants	16.726	<u>261,068</u>
Subtotal - Department of Justice		<u>261,068</u>
Department of Veterans' Affairs		
Veteran Rehabilitation- Alcohol and Drug Dependence	64.019	<u>122,804</u>
Subtotal - Department of Veterans' Affairs		<u>122,804</u>
National Aeronautics and Space Administration		
Aerospace Education Services Program	43.001	<u>467,014</u>
Subtotal - National Aeronautics and Space Administration		<u>467,014</u>
National Science Foundation		
Engineering Grants	47.041	2,119
Mathematical and Physical Sciences	47.049	155,725
Geosciences	47.050	30,783
Computer and Information Science and Engineering	47.070	6,782
Biological Sciences	47.074	906,828
Social, Behavioral and Economic Sciences	47.075	<u>48,525</u>
Subtotal - National Science Foundation		<u>1,150,762</u>
Total Research and Development Direct Programs		<u>293,994,712</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

The General Hospital Corporation

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2008

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed Through Other Organizations			
Department of Health and Human Services			
National Institutes of Health			
Case Western Reserve University	93.113	5R01ES013925-03	\$ 168,537
Tufts University	93.113	5R21ES015182	58,084
Genex Technologies, Inc.	93.114	5R43ES012360-02	13,848
Harvard School of Public Health	93.114	5R01ES009718-09	386
Forsyth Institute, The	93.121	5R21DE016370-02	(47)
Harvard Medical School	93.121	1R21DE018143-01	54,318
Physical Sciences, Inc.	93.121	5R44DE014803-02	59,512
University of Colorado	93.121	5R01DE012998-08	(158)
Albert Einstein College of Medicine	93.172	1R01HG004401	179,349
Broad Institute, MIT	93.172	1U54HG004570-01	462,850
University of Rochester	93.172	5R01HG002449-05	5,342
University of Rochester	93.172	5R01NS042240-05	438
Boston University	93.173	5U19DC003610-11	32,749
Harvard Medical School	93.173	5R01DC002281-13	83,638
Harvard University	93.173	5R01DC006842-02	176,074
KayPENTAX	93.173	2R42DC005678-02-A1	(1)
Northeastern University	93.173	5R01DC005237-05	(173)
Sensimetrics Corporation	93.173	1R41DC008722-01-A1	69,310
University of South Carolina	93.173	1R01DC007640-01-A1	230,408
Wesleyan University	93.173	5R01DC006267-04	113,601
Regional Medical Center at Lubec	93.211	G22TH07769	46,767
New England Research Institute, Inc.	93.213	5U01AT000210-03	1,197
Baylor College of Medicine	93.242	1R01MH074791-01-A2	40,379
Beth Israel Deaconess Medical Center	93.242	1P50MH080272-01	184,038
Beth Israel Deaconess Medical Center	93.242	5R01MH056956-12	130,476
Boston University	93.242	5R21MH072165-04	76,199
Brigham and Women's Hospital, Inc.	93.242	5R01MH069732-03	49,167
Broad Institute, MIT	93.242	5R01MH071681-02	144,976
Butler Hospital	93.242	1R01MH076179-01-A1	76,486
Harvard School of Public Health	93.242	5R01MH078928-02	11,802
Harvard University	93.242	5R01MH057915-03	(23,237)
Harvard University	93.242	5R01MH068376-05	35,200
McLean Hospital Corporation	93.242	5R01MH070730-02	31,423
President and Fellows of Harvard College	93.242	5R01MH060734-08	98,387
President and Fellows of Harvard College	93.242	5R01MH060904-07	167,227
Research Foundation of State University	93.242	5R01MH066877-06	235,297
Tourette Syndrome Association	93.242	5R01MH070802-04	23,389
University of Rochester	93.242	5R01MH073111-03	113,309
University of Texas Southwestern Medical	93.242	N01MH090003	210,016
Yale University School of Medicine	93.242	5R01MH065869-06	162,488
Harvard School of Public Health	93.262	1U19OH008861-01	114,013
Harvard School of Public Health	93.266	U51HA02522	206,011
Boston University	93.273	2R01AA007112-19-A1	191,112
Boston University	93.273	5R37AA007112-18	33,748
San Diego State University	93.273	53257CP16607807211AM	(3,327)
Boston University	93.279	5R01DA017904-05	54,069
George Washington University	93.279	1R21DA022971-01	33,616
Harvard Medical School	93.279	5R01DA011558-09	(26,086)
McLean Hospital Corporation	93.279	2U10DA015831-06	95,464
University of Hawaii	93.279	1R01DA019912-01	68,878

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed Through Other Organizations (cont.)			
University of Medicine and Dentistry of New Jersey	93.279	1R21DA020771-01-A1	\$ 86,995
McLean Hospital Corporation	93.281	5P50MH060450-09	154,697
Brigham and Women's Hospital, Inc.	93.286	5R01EB000802-14	89
Brigham and Women's Hospital, Inc.	93.286	5U54EB005149-05	119,207
Brigham and Women's Hospital, Inc.	93.286	R01EB005876	29,990
Case Western Reserve University	93.286	5R01EB006203-02	90,557
Georgetown University	93.286	5R01EB006589-02	37,437
Massachusetts Institute of Technology	93.286	1R01EB007942-01-A2	13,432
Physical Sciences, Inc.	93.286	2R44EB000365-02-A2	(855)
Rensselaer Polytechnic Institute	93.286	5R01EB000456-02	141,538
Robin Medical, Inc.	93.286	1R21EB007792-01	164,441
Boston University	93.287	5R01EB001550-04	7,624
Massachusetts Institute of Technology	93.310	1RL1GM084437-01	100,606
University of California at San Diego	93.371	5R01EB000790-04	(169,607)
Broad Institute, MIT	93.389	1P41HG003057-02	132,141
Harvard Medical School	93.389	1UL1RR025758-01	1,108,231
Radianse, Inc.	93.389	5R44RR018076-03	(3,465)
Schepens Eye Research Institute	93.389	1P20RR020753-03	(1,445)
University of California at Irvine	93.389	1U24RR021992-03	384,941
Brigham and Women's Hospital, Inc.	93.393	1R01CA114205-01-A1	2,834
Dana Farber Cancer Institute	93.393	1R01CA126596-01	98,909
Fox Chase Cancer Center	93.393	5R01CA109332-04	147,837
Harvard School of Public Health	93.393	5R01CA074386-10	130,199
Robert Wood Johnson Medical School	93.393	1R01CA116399-01-A1	(7,739)
Sloan Kettering Institute for Cancer Res	93.393	5U01CA105492-03	(433)
Brigham and Women's Hospital, Inc.	93.394	5R01CA120528-03	20,595
Brigham and Women's Hospital, Inc.	93.394	5R21CA111949-02	(1,218)
Brigham and Women's Hospital, Inc.	93.394	5R33CA100315-03	33,132
Brigham and Women's Hospital, Inc.	93.394	5R33CA103595-03	27,042
Broad Institute, MIT	93.394	5U24CA126476-02	207,426
Dana Farber Cancer Institute	93.394	5R01CA114465-04	17,884
George Washington University	93.394	HHSP23320045013XI	1,080,115
Harvard Medical School	93.394	5R33CA094354-04	(17,343)
Harvard Medical School	93.394	HHSN266200400053C/14	198,702
IHC Healthcare d/b/a LDS Hospital	93.394	HHSN26820042S210C	125,900
Massachusetts Institute of Technology	93.394	5R01CA097966-05	102,752
Regents of the University of California	93.394	2000 G FP690	177,396
Tufts University	93.394	1R21CA114684	9,629
American College of Radiology	93.395	5U01CA080098-03	60,985
Brigham and Women's Hospital, Inc.	93.395	1R01CA107164-02-A1	75,724
Brigham and Women's Hospital, Inc.	93.395	5R01CA108633-02	56,689
Dana Farber Cancer Institute	93.395	1R01CA135257	3,706
Dana Farber Cancer Institute	93.395	1R21CA126119-01-A1	99,894
Dana Farber Cancer Institute	93.395	5P01CA068484-12	13,967
Dana Farber Cancer Institute	93.395	5R01CA090687-07	39,359
Dana Farber Cancer Institute	93.395	5U01CA062490-14	81,474
Dana Farber Cancer Institute	93.395	5U01CA081452-08	17,329
Dana Farber Cancer Institute	93.395	R01CA125690-01-A2	5,855
Duke University	93.395	7U10CA076001-04	66
Duke University Medical Center	93.395	7R21CA099237-02	99,786
Fox Chase Cancer Center	93.395	1R01CA075795-02	7,826
Implant Sciences	93.395	2R44CA092924-02-A3	5,816
MD Anderson Cancer Center	93.395	5P50CA098258-05	2,025
Physical Sciences, Inc.	93.395	1R43CA114896-01	70,284

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed Through Other Organizations (cont.)			
Physical Sciences, Inc.	93.395	43479-1551-46	88,013
Physical Sciences, Inc.	93.395	5R43CA117218-02	17,561
Rensselaer Polytechnic Institute	93.395	5R01CA116743-03	53,808
University of Chicago	93.395	5U10CA031946-26	75,325
University of Chicago	93.395	U10CA037447	122,511
Virginia Commonwealth University	93.395	1R21CA115260-01	13,622
Brigham and Women's Hospital, Inc.	93.396	5U01CA084301-09	156,390
Dana Farber Cancer Institute	93.396	5P01CA095616-04	108,993
Dana Farber Cancer Institute	93.396	5P01CA117969-03	707,969
Dana Farber Cancer Institute	93.396	5U56CA118641-03	28,625
Harvard Medical School	93.396	1R01CA127990-01-A2	214,154
Mayo Clinic	93.396	5P50CA116201-03	2,172
Mount Sinai School of Medicine	93.396	5P01CA080058-08	136,121
Mount Sinai School of Medicine	93.396	5R01CA085214-10	125,484
Ohio State University	93.396	5R01CA085139-05	127,894
Beth Israel Deaconess Medical Center	93.397	5P50CA101942-05	446,372
Brigham and Women's Hospital, Inc.	93.397	1P50CA105009-01	671
Brigham and Women's Hospital, Inc.	93.397	3P50CA093683-05-S1	92,737
Brigham and Women's Hospital, Inc.	93.397	3P50CA105000-04-S1	175,000
Brigham and Women's Hospital, Inc.	93.397	5P50CA105009-04	521,554
Dana Farber Cancer Institute	93.397	1P50CA127003-01	833,638
Dana Farber Cancer Institute	93.397	2P30CA006516-42-S6	17,732
Dana Farber Cancer Institute	93.397	5P20CA090578-05	87,770
Dana Farber Cancer Institute	93.397	5P30CA006513-44-S2	20,521
Dana Farber Cancer Institute	93.397	5P30CA006516-44	1,780,346
Dana Farber Cancer Institute	93.397	5P50CA089393-08	440,736
Dana Farber Cancer Institute	93.397	5P50CA090381-05	(7,350)
Dana Farber Cancer Institute	93.397	5U54CA112962-04	101,169
Massachusetts Institute of Technology	93.397	5U54CA126515-02	358,217
MD Anderson Cancer Center	93.397	5P50CA083639-08	138,208
Boston University Medical Center	93.398	5R25CA091958-04	(3,281)
American College of Radiology	93.399	5U10CA021661-20	6,893
Brigham and Women's Hospital, Inc.	93.399	5R21CA121906-02	16,604
Brigham and Women's Hospital, Inc.	93.399	5U01CA086381-08	187,937
Butler Hospital	93.399	7P50CA084719-09	31,591
Dana Farber Cancer Institute	93.399	5P50CA090381-04	328
Dana Farber/Harvard Cancer Center	93.399	2P50CA090381-06	264
Dartmouth College	93.399	5R01CA107124-03	11,678
Harvard School of Public Health	93.399	2R01CA075971-09-A2	24,082
Massachusetts Institute of Technology	93.399	5U54CA119349-03	687,454
University of California at Irvine	93.399	5U54CA105480-05	181,047
University of Colorado	93.399	5R01CA068099-09	48,591
University of Pennsylvania	93.399	5P50CA084718-10	20,909
Brigham and Women's Hospital, Inc.	93.837	1U01HL084877-02	82,786
Brigham and Women's Hospital, Inc.	93.837	5R01HL067297-04	(64)
Brigham and Women's Hospital, Inc.	93.837	5R01HL068070-04	14,012
Children's Hospital of Boston	93.837	5P50HL067669	(5,625)
Kaiser Foundation Research Institute	93.837	1U19HL091179-01	47,299
Massachusetts Institute of Technology	93.837	1R44HL079726-03	20,676
Medical College of Ohio	93.837	5U01HL071550-04	8,093
Mount Sinai School of Medicine	93.837	1R01HL071988-01-A1	433
Rhode Island Hospital	93.837	5U01HL077221-02	2,532
St. Luke's Hospital	93.837	1R01HL050020-01-A2	5,848

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed through Other Organizations (cont.)			
University of Iowa	93.837	1R01HL083475-01-A2	\$ 39,605
University of Pittsburgh	93.837	1R01HL077398-01	12,982
University of Pittsburgh	93.837	5R01HL075038-05	63
University of Toledo	93.837	5U01HL071556-02	2,485
University of Toledo	93.837	5U01HL715560-05	47,552
Vanderbilt University	93.837	5U01HL065962-06	360,324
Columbia University	93.838	5R01HL075476-05	21,789
Harvard School of Public Health	93.838	2R01HL060710-06-A1	185,684
University of Iowa	93.838	R21HL091808-01	33,381
CBR Insitute for Biomedical Research,	93.839	5P01HL059561-10	181,994
Center for Blood Research, Inc.	93.839	5U24HL074355-03	20,464
Dana Farber Cancer Institute	93.839	5U01HL069249-05	49,534
Brigham and Women's Hospital, Inc.	93.846	5P30AR042689-15	53
Dana Farber Cancer Institute	93.846	5R01AR043369-11	16,785
Dana Farber Cancer Institute	93.846	5R01AR045662-08	32,400
Dartmouth College	93.846	5P60AR048094-05	73,314
University of California at San Francisco	93.846	N01AI015416	44,110
Yale University School of Medicine	93.846	1P50AR054086-02	564,309
Beth Israel Deaconess Medical Center	93.847	1U19DK080652-01	986,616
Brigham and Women's Hospital, Inc.	93.847	5R01DK058845-08	39,792
George Washington University	93.847	5U01DK061230-07	932,262
Harvard Medical School	93.847	5P01DK056246-09	677,737
Joslin Diabetes Center	93.847	DK036836-20	33,500
Beth Israel Deaconess Medical Center	93.848	5R01DK071041-03	61,327
Boston Medical Center	93.848	2P30DK046200-15	30,856
Boston Medical Center	93.848	5P30DK046200-16	6,828
Case Western Reserve University	93.848	N01DK062203-10	339,320
Universite de Montreal	93.848	2U01DK062432-07	37,489
University of Pennsylvania	93.848	5R01DK059961-06	(23)
University of Texas Southwestern Medical	93.848	5U01DK058369-08	11
Brigham and Women's Hospital, Inc.	93.849	5R01DK066017-03	529
University of Alabama, Birmingham	93.849	5U01DK063788-05	68,105
University of California at Los Angeles	93.849	5R01DK067563-02	(9,176)
Beth Israel Deaconess Medical Center	93.853	2R01NS040237-06	250,251
Beth Israel Deaconess Medical Center	93.853	5R01NS041198-08	18,346
Boston University Medical Center	93.853	5U01NS045806-05	211,072
Brigham and Women's Hospital, Inc.	93.853	1R01NS055083-01-A1	21,449
Children's Hospital of Boston	93.853	2P01NS040828-06-A1	236,347
Children's Hospital of Boston	93.853	5P01NS040828-05	14,166
Columbia University	93.853	5R01NS048125-03	4,136
Genpathway, Inc.	93.853	2R44NS045386-02	14
Georgetown University	93.853	1U54NS057405-01-A1	10,856
Harvard Medical School	93.853	5R01MH063951-04	100
Henry M Jackson Foundation	93.853	5R01NS047717-04	222,068
Johns Hopkins University School of Medicine	93.853	5R01NS042607-02	(500)
Kennedy Krieger Institute	93.853	5R01NS047781-03	31,876
Mayo Clinic	93.853	1R01NS039987-01	554
Mayo Clinic	93.853	5R01NS028492-11	134
Mayo Clinic	93.853	R01NS051769-01-A1	17,741
Northwestern University	93.853	5R01NS050641-04	183,305
President and Fellows of Harvard College	93.853	1U01NS050560-01-A2	291,463
Spaulding Rehabilitation Hospital	93.853	5R21NS045410-04	(5,137)
Tech En, Inc.	93.853	2R44NS044785-02	1

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed through Other Organizations (cont.)			
Tourette Syndrome Association	93.853	2U01NS040026-06-A1	\$ 383,907
Tourette Syndrome Association	93.853	5R01NS040024-05	(221,165)
University of Alabama	93.853	5R01NS043789-05	(52,687)
University of Alabama, Birmingham	93.853	5R01NS054246-02	76,651
University of Cincinnati	93.853	5R01NS039512-05	5,093
University of Cincinnati	93.853	U01NS052220	32,940
University of Iowa	93.853	5R01NS040068-06	39,106
University of Massachusetts Medical	93.853	5R01NS038194-09	33,273
University of Medicine and Dentistry of New Jersey	93.853	1R01NS044976-01	6,360
University of Medicine and Dentistry of New Jersey	93.853	5R01NS038384-05	29,199
University of North Carolina, Chapel Hill	93.853	1R01NS055754-01-A1	248,520
Wake Forest University	93.853	R01NS058949	31,984
Wake Forest University, Bowman Gray School	93.853	5R01NS034447-09	933
Washington University	93.853	5U01NS032228-09	6,210
Washington University	93.853	5U01NS042167-05	32,922
Yale University	93.853	5U01NS044876-04	233,574
McLean Hospital Corporation	93.854	5P50NS039793-09	265,190
AmberGen, Inc.	93.855	2R44AI052525-03-A1	113,369
Beth Israel Deaconess Medical Center	93.855	5U19AI057330-05	68,899
BioScale, Inc.	93.855	2R44AI067050-03	38,956
Brigham and Women's Hospital, Inc.	93.855	1U19AI070352-01	47,123
Brigham and Women's Hospital, Inc.	93.855	5U01AI063623-04	317,042
Center for Blood Research, Inc.	93.855	5P01AI052343-04	(9,887)
Dartmouth Medical School	93.855	2P01AG019783-06	50,565
Duke University	93.855	N01AI05419-01	42,625
George Washington University	93.855	5U01DK048489-15	15,130
Harvard Medical School	93.855	3U54AI057159-05-S1	223,729
Harvard Medical School	93.855	5U54AI057159-05	63,307
Joslin Diabetes Center	93.855	5P01AI054904-05	335,667
Lynntech, Inc.	93.855	2R44AI068400-03-A1	132,040
Mount Sinai School of Medicine	93.855	1U01AI070107-01	164,477
North Carolina State University	93.855	9R01AI071915-01	468,057
Oklahoma Medical Research Foundation	93.855	7R01AI063274-04	24,229
Regents of the University of Minnesota	93.855	1R01AI063274-01	(14,033)
Social and Scientific Systems, Inc.	93.855	1U01AI068636-01	276,666
Social and Scientific Systems, Inc.	93.855	BRS-ACURE-Q-06-00129	391,002
University of California at San Francisco	93.855	5U01AI052748-03	45,575
University of Florida	93.855	5R01AI039250-10	(197)
University of Florida	93.855	UF07096 (P01AI042288	501,253
Beth Israel Deaconess Medical Center	93.856	5R01AT002454-03	3,760
Beth Israel Deaconess Medical Center	93.856	5R01CA100029-04	21,296
Beth Israel Deaconess Medical Center	93.856	5U01AI066331-03	293,102
BioScale, Inc.	93.856	5R43AI067050-02	(4,802)
Boston University	93.856	5R01EB000756-05	82,625
Brigham and Women's Hospital, Inc.	93.856	5U19AI046130-08	(36,681)
Duke University	93.856	U19 AI067854	62,756
Harvard Medical School	93.856	3U01AI027659-19	1,355
Harvard Medical School	93.856	5P30AI060354-04	1,053,721
Harvard Medical School	93.856	5U54AI057159-03	64,800
Los Alamos National Laboratory	93.856	1R21AI005542-02	(1)
Primary Immunodeficiency Research Consor	93.856	N01AI030070	79,262
Social and Scientific Systems, Inc.	93.856	204VCC012	21,541
Social and Scientific Systems, Inc.	93.856	AACTG.49.5208.02	(16,257)
Strang Cancer Prevention Center	93.856	N01CN095015	8,165

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed through Other Organizations (cont.)			
Tufts University	93.856	R01AI062989	\$ 17
University of California at San Francisc	93.856	N01AI015416	41,721
University of Maryland	93.856	5R01AI042181-08	10,869
University of Cincinnati	93.859	1R01GM084186-01	69,679
University of Pittsburgh	93.859	5P50GM076659	51,190
University of Texas Medical Branch at Ga	93.859	5P01GM066312-04	40,850
Brigham and Women's Hospital, Inc.	93.862	5P01GM061354-05	19,738
Brigham and Women's Hospital, Inc.	93.865	5R01HD040291-03	(5,204)
Children's Hospital Medical Center, Cinc	93.865	5P01HD013021-30	135,440
University of Michigan	93.865	1P01HD044232-02	45,479
University of Rochester	93.865	5U19HD035466-09	86,748
Wake Forest University, Bowman Gray School	93.865	5P01HD021187-04	(6,484)
Yale University	93.865	5P01HD003008-37	(49,609)
Yale University School of Medicine	93.865	5R01HD046171-04	59,520
Boston University	93.866	5R01AG009661-15	156,469
Brigham and Women's Hospital, Inc.	93.866	3R01AG027435-02-S1	534,359
Brigham and Women's Hospital, Inc.	93.866	5P01AG015379-10	2,006,138
Brigham and Women's Hospital, Inc.	93.866	5R01AG027435-02	176,891
Brigham and Women's Hospital, Inc.	93.866	5R21AG027066-02	(1,297)
Brigham and Women's Hospital, Inc.	93.866	1R21AG031079-01	18,973
Columbia University	93.866	5R01AG007370-17	303,510
Columbia University	93.866	5U24AG026395-02	1,192
Northwestern University	93.866	1R21AG027471-01	33,717
President and Fellows of Harvard College	93.866	5R37AG008441-19	24,269
University of California at San Diego	93.866	5R01AG022381-06	166,767
University of Pittsburgh	93.866	1R01AG026463-02	19,316
University of Washington - Seattle	93.866	5U01AG016976-09	27,263
Massachusetts Eye and Ear Infirmary	93.867	R01EY011309-06	(6,771)
New England Medical Center (NEMC)	93.867	2R01EY011309-11	14,875
Nirvana Pharmaceuticals	93.867	5R41AI072854-02	224,295
Brigham and Women's Hospital, Inc.	93.879	5U54LM008748-04	1,513,702
University of Massachusetts Medical	93.879	N01LM63508	31,460
Columbia University	93.886	3R01AG007370-15-S3	237
Massachusetts Institute of Technology	93.894	2P30ES002109	1,071
Crohn's And Colitis Foundation Of Americ	93.945	5U01DP000340-03	213,835
Boston University	93	N01HC25195	4,705
Case Western Reserve University	93	HHSN275200503403C	106,194
Dana Farber Cancer Institute	93	2P20CA090578-06	20,809
Dana Farber Cancer Institute	93	5R01CA102309-05	23,715
Dana Farber Cancer Institute	93	U01CA064290	124,981
Keraderm, LLC	93	1R41AI069641-01	(160)
Mayo Clinic	93	N01CN35000	1,254
Mayo Clinic Rochester	93	HHSN261200622005C	18,637
New England Research Institute, Inc.	93	1N01HC45207	804
SAIC-Frederick, Inc.	93	N0112400	605,837
University of Rochester	93	HHSN271200700018C	22,846
Subtotal - National Institutes of Health			<u>37,429,893</u>
Other Department of Health and Human Services			
Health Resources and Services Administration			
Crotched Mountain Foundation	93.110	H02MC02613-01-00	(5,533)
Harvard Medical School	93.157	D34HP04083-03-00	434
Harvard Medical School	93	9920070047	66,184
Altarum Institute	93	HHS250200646028I	13,953
Altarum Institute	93	HHSP23320045014X1	210,847

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

The General Hospital Corporation

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2008

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed through Other Organizations (cont.)			
Food and Drug Administration			
Mt. Sinai Medical	93.103	FD-R-002613	\$ 30,567
Agency for Health Care Policy and Research			
Brigham And Women's Hospital	93.226	RFAHS07006	47,303
Yale University	93.226	5U18HS009205	96,332
Yale University School of Medicine	93.226	1U18HS016978-01	183,167
Center for Disease Control			
Association of American Medical Colleges	93.283	U36CCU319276	(1)
Association of Teachers of Preventive Me	93.283	U50CCU300860-17	421
Beth Israel Deaconess Medical Center	93.283	1R01DP000339-01	1,389
Beth Israel Deaconess Medical Center	93.283	H75/CCH119124	(153)
Beth Israel Deaconess Medical Center	93.283	U62/CCU122408	70,917
Harvard School of Public Health	93.283	U90/CCU124242-02	51,499
Office of Refugee Resettlement			
Gulf Coast Jewish Family Services, Inc.	93	ZT0075	76,143
Subtotal Other Department of Health and Human Services			<u>843,469</u>
Department of Defense			
U.S. Army Medical Command			
AdMeTech	12.420	DAMD17-03-2-0055	(89)
Analytic Services, Inc.	12.420	W81XWH-04-S-0011	79,885
Battelle, Columbus Division	12.420	W911NF-07-D-0001	411,043
Boston Medical Center	12.420	W81XWH-06-1-0309	104,314
Children's Hospital Medical Center, Cinc	12.420	W81XWH-04-1-0273	58,531
LiveData, Inc.	12.420	2007A24403	9,810
Dana Farber Cancer Institute	12.420	DAMD17-03-1-070808	(5,515)
Dana Farber Cancer Institute	12.420	W81XWH-06-1-0261	129,105
House Ear Institute	12.420	HEIp.o.108005/DAMD17	638
Payload Systems, Inc.	12.420	W81XWH-05-C-0044	13,497
Physical Sciences, Inc.	12.420	W81XWH-06-C-0408	117,830
Rutgers University	12.420	W81XWH-04-2-0031	153,916
Rutgers University	12.420	W81XWH-08-2-0034	248,537
T.R.U.E. Research Foundation	12.420	W81XWH-06-2-0033	278,547
Telemedicine and Advanced Technology Res	12.420	W81XWH-07-1-0512	4,161
University of Alabama, Birmingham	12.420	DAMD17-98-1-8611	52,696
University of California at San Francisco	12.420	NF04IIRA	187,095
University of California at San Francisco	12.420	W81XWH-05-1-0265	23,048
University of Rochester	12.420	W81XWH-07-1-0626	10,597
Waveband, Inc.	12.420	W81XWH-04-C-0031	18,753
Office of the Secretary of Defense			
INFOSCITEX	12.630	FA9550-07-C-0104	32,062
Massachusetts Institute of Technology	12.630	FA9550-07-1-0101	70,230
Physical Sciences, Inc.	12.630	FA9550-05-C-0181/STT	(15,593)
Luna Innovations	12.800	FA9550-07-C-0091	54,576
Subtotal - Department of Defense			<u>2,037,674</u>
Department of Energy			
Brookhaven Science Associates	81.049	DE-FG02-06ER06-10	23,701
Harvard Medical School	81.049	DE-FG02-02ER63445	37,191
MIND Research Network	81.049	DE-FG02.07ER64415	61,812
The MIND Institute	81.049	DE-FG02.07ER64415	209,645
Subtotal - Department of Energy			<u>332,349</u>
Department of Education			
Spaulding Rehabilitation Hospital	84.133	5H1333A020513	1,407
Subtotal - Department of Education			<u>1,407</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed through Other Organizations (cont.)			
Department of Veterans' Affairs			
Veteran Rehabilitation- Alcohol and Drug Dependence	64	VA241-P-0594	35,659
Subtotal - Department of Veterans' Affairs			<u>35,659</u>
National Science Foundation			
Georgia Institute of Technology	47.041	E-24-Z84-G2	\$ 104
Massachusetts Institute of Technology	47.041	EEC-0609299	55,379
Massachusetts Institute of Technology	47.041	NSF05610	47,980
Northeastern University	47.041	1R01CA119617-01	74,827
Duke University	47.074	MCB-0519898	357,828
President and Fellows of Harvard College	47.075	BCS-0322611/135909	87,395
Subtotal - National Science Foundation			<u>623,513</u>
Total - Research and Development Pass-Through Programs			<u>41,303,964</u>
Total Research and Development			<u>335,298,676</u>
RESEARCH TRAINING DIRECT PROGRAMS			
Department of Health and Human Services			
National Institutes of Health			
Oral Diseases and Disorders Research	93.121		1,903
Research Related to Deafness and Communication Disorders	93.173		116,274
Research and Training in Complementary and Alternative Medicine	93.213		523,489
National Center on Sleep Disorders Research	93.233		35,775
Mental Health Research Grants	93.242		484,273
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271		(4,428)
Alcohol Research Programs	93.273		205,572
Awards and Research Scientist Awards	93.277		661
Drug Abuse and Addiction Research Programs	93.279		545,057
Mental Health Research Career/Scientist Development Awards	93.281		2,362,459
Mental Health National Research Service Awards for Research Training	93.282		587,387
Discovery and Applied Research for Technical Innovations to Improve Human Health	93.286		392,750
Biomedical Research Technology	93.371		90,809
Research Centers in Minority Institutions	93.389		643,317
Cancer Treatment Research	93.395		38
Cancer Research Manpower	93.398		5,114,470
Special Emphasis in research Career Delopment	93.461		117,710
Heart and Vascular Diseases Research	93.837		2,431,610
Lung Diseases Research	93.838		990,454
Blood Diseases and Resources Research	93.839		291,516
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		655,593
Diabetes, Endocrinology and Metabolism Research	93.847		2,122,002
Digestive Diseases and Nutrition Research	93.848		1,954,025
Kidney Diseases, Urology and Hematology Research	93.849		1,589,107
Clinical Research Related to Neurological Disorders	93.853		2,172,288
Allergy, Immunology and Transplantation Research	93.855		2,461,993
Microbiology and Infectious Diseases Research	93.856		184,884
Biomedical Research and Research Training	93.859		665,968
Population Research	93.864		19,375
Research for Mothers and Children	93.865		512,811
Aging Research	93.866		769,307
Vision Research	93.867		4,413
Resource and Manpower Development in the Environmental Health Services	93.894		8,189
Center for Medical Rehabilitation Research	93.929		93,880
International Research and Research Training	93.989		676,991
Subtotal - National Institutes of Health			<u>28,821,922</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Other Department of Health and Human Services			
Agency for Health Care Policy and Research			
National Research Service Awards-Health Services Research Training	93.225		\$ 68,489
Research on HealthCare costs, Quality and Outcomes	93.226		8,018
Substance Abuse and Mental Health Programs			
Substance Abuse and Mental Health Programs	93.276		36,120
Health Resources and Services Administration			
Nurse Training Improvement-Special Projects	93.359		216,930
Subtotal - Other Department of Health and Human Services			<u>329,557</u>
Total Research Training Direct Programs			<u>29,151,479</u>
Research Training Passed Through from Other Organizations			
Department of Health and Human Services			
National Institutes of Health			
Harvard Medical School	93.866	2T32AG00222-16	41,981
Beth Israel Deaconess Medical Center	93.186	5T32HP011001-19	112,761
Children's Hospital of Boston	93.186	5T32HS000063-13	32,265
Children's Hospital of Boston	93.186	5T32NP010018-14	95,604
Children's Hospital of Boston	93.233	5K23HL073238-02	(36,088)
American Psychiatric Institute for Resea	93.242	5T32MH019126-18	53,346
Judge Baker Children's Center	93.242	5T32MH016259-28	(17,225)
Harvard Medical School	93.286	5T32EB001632-05	106,594
Dana Farber Cancer Institute	93.395	5K08CA120159-05	69,688
Dana Farber Cancer Institute	93.398	5T32CA009361-27	30,032
Harvard School of Public Health	93.398	2T32CA009078-31	4,253
R.W. Johnson Pharmaceutical Research Ins	93.398	5K08CA073517-04-S1	972
Brigham and Women's Hospital, Inc.	93.837	5T32DK007754-09	61,095
Harvard Medical School	93.839	5T32HL007623-22	32,812
Brigham and Women's Hospital, Inc.	93.846	2T32AR007098-32	106,241
Brigham and Women's Hospital, Inc.	93.847	5T32DK007754-09	46,926
Joslin Diabetes Center	93.847	5T32DK007260-31	38,417
Joslin Diabetes Center	93.847	5T32DK063702-05	59,463
Children's Hospital of Boston	93.849	5T32HP010018-12	1,253
Brigham and Women's Hospital, Inc.	93.856	5T32AI007061-29	(27,220)
Harvard School of Public Health	93.856	5T32AI007433-15	69,526
Harvard Medical School	93.865	5T32HD052961-04	148,469
Yale University	93.865	5K12HD000850-20	303
Harvard Medical School	93.866	2T32AG00222-16	32,503
Subtotal - National Institutes of Health			<u>1,063,971</u>
Total Research Training Pass-Through Programs			<u>1,063,971</u>
Total Research Training			<u>30,215,450</u>
Total Research and Development and Research Training Cluster			<u>365,514,126</u>
OTHER PROGRAMS			
Passed Through from the Commonwealth of Massachusetts			
Department of Agriculture			
Food and Nutrition Service			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	INTF3502M03700915059	516,393
Subtotal - Department of Agriculture			<u>516,393</u>
Department of Justice			
Office of Justice Programs			
Crime Victim Assistance	16.575	VOCA2008MHGI00000001	45,893
Subtotal - Department of Justice			<u>45,893</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

The General Hospital Corporation
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
Research and Development Passed through Other Organizations (cont.)			
Department of Health and Human Services			
Center for Disease Control			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	34072008DEF340712057	\$ 5,735
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	INTF3407MM3RFR1G7239	46,517
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	SCDPH340751G72250000	118,803
HIV Prevention Activities - Health Department Based	93.940	INTF5277MM3701018010	107,126
Preventive Health Services - Sexually Transmitted Diseases Research, Demonstrations and Public Information and Education Grants	93.978	INTF5277MM3701018010	14,150
Maternal and Child Health Services Block Grant to the States	93.994	INTF3314MM3703615016	29,029
Administration for Children and Families			
Refugee and Entrant Assistance-State Administered Programs	93.566	INTF5189MM3600914020	82,243
Social Services Block Grant	93.667	INTF0000009950720004	23,340
Health Resources and Services Administration			
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	INTF3712MM3802213233	46,000
Subtotal - Department of Health and Human Services			<u>472,943</u>
Total Non-Major Programs			<u>1,035,229</u>
Total Federal Expenditures			<u>\$ 366,549,355</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

The General Hospital Corporation

Notes to Schedule of Expenditures of Federal Awards

September 30, 2008

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of The General Hospital Corporation (the "Hospital") recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Negative amounts represent adjustments to amounts reported as expenditures in prior years. Pass-through numbers are provided where available.

2. Facilities and Administrative Costs

The predetermined facilities and administrative cost rates were based on financial information submitted utilizing the method prescribed in OASC-3. The Hospital negotiated and was awarded a predetermined facilities and administrative cost rate for the period October 1, 2007 through September 30, 2008 of 75% for on-site research and 26% for off-site research. Fringe benefit rates for the period October 1, 2007 through September 30, 2008 range from 10% to 35%.

3. Stafford Loan Program

During the fiscal year ending September 30, 2008, the Hospital processed \$107,464 in new loans under the Stafford Loan Program (CFDA number 84.032), granted by the Department of Education.

4. Subrecipients

During fiscal 2008, the Hospital provided to subrecipients in the Research and Development and Research Training Cluster \$45,219,541 as follows. These amounts are included in the accompanying Schedule of Expenditures of Federal Awards:

Acenta Discovery, Inc.	\$	9,527
Asociacion Civil Impacta Salud Y Education		155,396
Battelle		811,102
Baylor College of Medicine, Inc.		255,517
Bedford Veterans Administration Research Corporation Inc.		62,366
Beth Israel Deaconess		3,247,784
Boston Medical Center Corporation		693,195
Boston University		594,925
Boston VA Research Institute, Inc.		148,103
Brigham and Women's Hospital, Inc.		4,454,257
Brown University		182,878
Burke Medical Research Institute		97,278
Butler Hospital		24,068
Cambridge Polymer Group, Inc.		2,183
Cancer Therapy & Research Center		15,554
Case Western Reserve University		145,573
Center For Information & Study on Clinical Research		32,962
Centre National De La Recherche Scientifique		278,205
Charles Stark Draper Laboratories, Inc.		478,583

The General Hospital Corporation
Notes to Schedule of Expenditures of Federal Awards
September 30, 2008

Children's Hospital Boston	\$	981,146
Children's Hospital Oakland		214,724
Children's Hospital Pediatric Association, Inc.		63,375
City of Chelsea		9,146
Chulalongkom University Bangkok		242,079
Cleveland Clinic Educational Foundation		87,830
Colorado State University		126,318
Dana-Farber Cancer Institute		524,591
Dartmouth College		93,580
Duke University		749,584
Fenway Community Health Center, Inc.		18,696
Fiotec		90,604
Foundation for Applied Evolution		74,797
Fraunhofer Institut für Techno- und Wirtschaftsmathematik		21,867
Fraunhofer-Gesellschaft		43,735
George Washington University		68,589
Georgetown University		76,069
Harvard Pilgrim Health Care, Inc.		13,018
Harvard University		1,898,410
Harvey Mudd College		28,626
Hebrew Rehabilitation Center		218,099
Hospital for Sick Children		79,610
Imperial College London		212,213
International Center for Diarrhoeal Disease Research		45,952
INRS University of Quebec		48,550
Johns Hopkins University		911,706
Joslin Diabetes Center, Inc.		1,343,084
Kennedy Krieger Institute		23,893
Kol Bio-Medical Instruments		795
Lahey Clinic		18,042
Los Alamos National Laboratory		391,388
Louisiana State University		120,559
Loyola University		77,396
Massachusetts Eye and Ear Infirmary		126,718
Massachusetts Institute of Technology		6,278,508
Mathematica Policy Research, Inc.		128,882
McCord Hospital		58,838
McLaughlin Research Institute		47,760
McLean Hospital		232,506
Miami University		189,797
Miriam Hospital		888,328
Mount Sinai School of Medicine		300,873
Nankai University		125,172
National Center For STD/Aids Control & Prevention		249,694
New York University		270,827
National Press Foundation		11,250
Northeastern University		249,149
Ohio State University		344,626
Oregon Health and Science University		341,223
Pacific Institute for Research & Evaluation		41,109
Purdue University		74,838
Regents of The University of California		1,776,309
Regents of The University of Michigan		34,437
Research Foundation of State University of New York		287,997

The General Hospital Corporation
Notes to Schedule of Expenditures of Federal Awards
September 30, 2008

Rhode Island Hospital	\$ 87,318
Rush University	102,445
Rutgers University	23,685
Schepens Eye Research Institute, Inc.	69,175
Scripps Research Institute	16,714
Southwest Foundation / Biomed	15,448
Spaulding Rehabilitation Hospital	354
Stanford University	2,736,746
Tangdu Hospital	157,110
Temple University	(138)
Translational Genomics Research Institute	1,467
True Research Foundation	91,856
Thomas Jefferson University	156,086
Tribhuvan University Institute of Medicine, Nepal	2,084
Tufts College	294,245
Utrecht University	140,277
Universitätsklinikum Hamburg	97,860
University Hospitals of Cleveland	164,284
University of Alabama	163,577
University of Arizona	8,652
University of California	633,561
University of California, Irvine	47,757
University of Capetown	82,830
University of Colorado Health Sciences	268,945
University of Connecticut	64,211
University of Dundee	16,466
University of Florida	219,926
University of Hong-Kong	147,726
University of Kwazulu-Natal	657,346
University of Maryland	182,931
University of Massachusetts	198,588
University of Massachusetts, Dartmouth	26,693
University of Massachusetts Medical School	30,322
University of New Mexico	74,664
University of New South Wales	315,928
University of North Carolina	99,928
University of Notre Dame	14,475
University of Oxford	142,215
University of Pennsylvania	187,726
University of Pittsburgh	503,109
University of Rochester	698,676
University of Texas	828,526
University of Utah	113,384
University of Washington	759,330
University of West Indies	40,244
University of Zurich	75,000
Washington University	885,299
Weill Cornell Medical College	93,025
Whitehead Institute	315,676
Wits Health Consortium	25,437
Yale University	473,984
	<u>\$ 45,219,541</u>

Part II

Reports on Compliance and Internal Controls

**Report of Independent Auditors on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Trustees of
The General Hospital Corporation

We have audited the financial statements of The General Hospital Corporation as of and for the year ended September 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The General Hospital Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The General Hospital Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The General Hospital Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The General Hospital Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of The General Hospital Corporation in a separate letter dated December 17, 2008.

This report is intended solely for the information and use of The General Hospital Corporation's Board of Trustees, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

December 19, 2008

**Report of Independent Auditors on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

To the Board of Trustees of
The General Hospital Corporation

Compliance

We have audited the compliance of The General Hospital Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The General Hospital Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The General Hospital Corporation's management. Our responsibility is to express an opinion on The General Hospital Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The General Hospital Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The General Hospital Corporation's compliance with those requirements.

In our opinion, The General Hospital Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-1.

Internal Control over Compliance

The management of The General Hospital Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The General Hospital Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of The General Hospital Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The General Hospital Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The General Hospital Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of The General Hospital Corporation's Board of Trustees, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



December 19, 2008

Part III
Findings

**The General Hospital Corporation
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2008**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are no considered to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes ___ no

Identification of Major Programs

Name of Federal Program or Cluster

Various CFDA numbers Research and Development and Research Training

Dollar threshold used to distinguish between Type A and Type B programs \$3,000,000

Auditee qualified as low-risk auditee? X yes ___ no

II. Financial Statement Findings

There were no findings noted in the current year.

The General Hospital Corporation

Schedule of Findings and Questioned Costs

Year Ended September 30, 2008

III. Federal Award Findings and Questioned Costs

Research and Development and Research Training Cluster

Army (CFDA #12.420) (various award numbers and award years).

08-1 Reporting

Criteria

OMB Circular A-110 Section 52(1)(iv) requires submission of annual, final, and quarterly Financial Status Reports ("FSR") to the sponsoring agency according to terms set forth in the grant or contract agreement.

Condition

We noted deterioration in the timeliness of non-NIH related FSRs in the current year. The Hospital received several U.S. Army awards (CFDA#12.420), which have quarterly submission requirements. More specifically, of the 112 Army FSRs due to be submitted within the fiscal year, there were 54 quarterly reports submitted late on an average of 142 days late and within a range of 3 to 375 days late.

Cause

The U.S. Army FSRs were filed late primarily due to significant unforeseen key reporting staff turnover experienced in fiscal 2008. This turnover involved those individuals largely responsible for U.S. Army report submissions. There was also a failure to track the submission of FSRs for a number of U.S. Army awards during the fiscal year.

Effect

The late submission of reports can result in the related federal agencies receiving untimely information on awards granted to the Hospital. This can ultimately affect the agencies ability to make future funding decisions regarding these awards.

Recommendation

We recommend that the Hospital review its existing tracking mechanisms for non-NIH FSRs and explore opportunities to automate this process going forward. Further, although we acknowledge that the turnover issues experienced by the Hospital in the current year is considered an anomaly, we encourage the Hospital to re-review its current reporting function to ensure that Research Finance remains well positioned to monitor and ensure timeliness of all FSRs despite instances of staff vacancies.

Management's Views and Corrective Action Plan

Following this finding is management's views and corrective action plan.

Management's View and Corrective Action Plan
for the Fiscal Year Ended September 30, 2008

08-1 Reporting

The Hospital agrees with the auditors' recommendations. The Hospital is in the process of converting all non-NIH financial reporting requirements into our grants management system. Research Finance expects to complete the transition into the new system during the second quarter of fiscal year 2009.

The Hospital agrees that the turnover issues in the current year are an anomaly and has taken the necessary steps to realign the reporting functions to ensure the timely submission of financial reports.


Kathleen Judge
Chief Operating Officer

12/23/2008
Date

The General Hospital Corporation
Summary Schedule of the Status of Prior Audit Findings
Year Ended September 30, 2008

There were no findings from prior years to update.