CENTER OF SPECIAL CARE, INC.
AND SUBSIDIARIES

MARCH 31, 2009

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONTENTS

29 South Main Street
P.O. Box 272000
West Hartford, CT 06127-2000
Tel 860.561.4000
Fax 860.521.9241
blumshapiro.com

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Independent Auditors' Report

To the Board of Directors
Center of Special Care, Inc.

We have audited the accompanying consolidated statements of financial position of Center of Special Care, Inc. and Subsidiaries (the Center) as of March 31, 2009 and 2008, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Center of Special Care, Inc. and Subsidiaries at March 31, 2009 and 2008, and the results of their activities and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 9, 2009 on our consideration of Center of Special Care, Inc. and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. 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

Blum, Shapiro & Company, P.C.

July 9, 2009

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2009 AND 2008

ASSETS

	2009	2008
Current Assets		
Cash and cash equivalents	$ 7,754,077	$ 10,167,220
Accounts receivable, less allowance for doubtful accounts of $2,218,929 in 2009 and $1,810,033 in 2008	20,662,530	17,879,924
Prepaid sinking fund	1,540,880	1,521,456
Prepaid expenses and other assets	1,241,471	1,126,934
Inventories of supplies	588,053	538,124
Total current assets	31,787,011	31,233,658
Other Assets		
Investments	25,454,533	31,080,083
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustee:		
Debt Service Reserve Fund	4,112,679	4,224,416
CHEFA obligations issuance expense, net of amortization	3,294,196	3,410,804
CHEFA construction bond proceeds	1,407,392	4,532,022
Insurance funds	1,810,854	1,644,408
Other assets	2,329,866	1,953,327
Total other assets	38,409,520	46,845,060
Property, Plant and Equipment, Net	48,776,750	46,974,569
Total Assets	$ 118,973,281	$ 125,053,287

LIABILITIES AND NET ASSETS

	2009	2008
Current Liabilities		
Current portion of long-term debt	$ 1,010,000	$ 1,020,000
Accounts payable	3,644,774	3,661,846
Salaries, wages, payroll taxes and amounts withheld from employee compensation	8,338,915	9,186,212
Accrued insurance costs	3,192,854	3,110,626
Accrued interest and other liabilities	3,701,076	3,166,758
Total current liabilities	19,887,619	20,145,442
Long-Term Liabilities		
Long-term debt, less current portion	60,531,696	61,541,696
Accrued pension cost	2,662,939	331,812
Other long-term liabilities	2,329,866	1,953,327
Total long-term liabilities	65,524,501	63,826,835
Net Assets		
Unrestricted net assets	32,452,836	39,777,123
Temporarily restricted net assets	621,170	593,649
Permanently restricted net assets	487,155	710,238
Total net assets	33,561,161	41,081,010
Total Liabilities and Net Assets	$ 118,973,281	$ 125,053,287

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

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2009 AND 2008

	2009	2008
Revenues		
Net revenues from services to patients	$ 115,435,932	$ 109,102,749
Other operating revenues	3,798,762	3,894,309
Net assets released from restrictions	195,483	278,253
Total revenues	119,430,177	113,275,311
Operating Expenses		
Salaries, wages and employee benefits	82,610,249	77,731,800
Supplies and other	25,367,039	24,487,499
Interest	2,961,478	3,078,995
Depreciation and amortization	3,407,078	3,321,911
Bad debts	508,719	193,044
Total operating expenses	114,854,563	108,813,249
Income from operations	4,575,614	4,462,062
Nonoperating Gains (Losses)		
Other income, primarily investment income	1,190,871	2,677,504
Loss on debt refinancing	-	(1,510,735)
Excess of revenues over expenses	5,766,485	5,628,831
Other Changes in Unrestricted Net Assets		
Change in net unrealized losses on investments	(10,679,328)	(3,173,115)
Net assets released for capital additions	193,017	241,115
Increase in minimum pension liability	(2,831,127)	(227,643)
Reclassification of net assets	226,666	-
Increase (decrease) in unrestricted net assets	(7,324,287)	2,469,188
Temporarily Restricted Net Assets		
Contributions	464,823	666,042
Net realized gains on investments	153,318	(348,366)
Change in net unrealized losses on investments	(302,802)	(241,115)
Net assets released from restrictions used for purchase of capital	(193,017)	(278,253)
Net assets released from restrictions used for opertions	(94,801)	-
Increase (decrease) in temporarily restricted net assets	27,521	(201,692)
Permanently Restricted Net Assets		
Contributions	3,583	4,432
Reclassification of net assets	(226,666)	-
Increase (decrease) in permanently restricted net assets	(223,083)	4,432
Change in Total Net Assets	(7,519,849)	2,271,928
Net Assets - Beginning of Year	41,081,010	38,809,082
Net Assets - End of Year	$ 33,561,161	$ 41,081,010

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

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities		
Change in total net assets	$ (7,519,849)	$ 2,271,928
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	3,407,078	3,321,911
Loss on refinancing	-	1,510,735
Bad debt expense	508,719	193,044
Loss on disposal of property, plant and equipment	4,802	91,296
Net unrealized losses on investments	10,982,130	3,521,481
Change in minimum pension liability	2,831,127	227,643
Restricted contributions	(666,083)	(670,474)
(Increase) decrease in operating assets:		
Accounts receivable	(3,291,325)	(3,556,426)
Prepaid sinking fund and debt service reserves	92,313	2,253,219
Prepaid expenses and other assets	(114,537)	(108,467)
Insurance funds	(166,446)	(310,467)
Inventories of supplies	(49,929)	(29,566)
Other assets	(376,539)	163,311
Increase (decrease) in operating liabilities:		
Accounts payable	(17,072)	812,645
Salaries, wages, payroll taxes and amounts withheld from employee compensation	(847,297)	1,193,109
Accrued insurance costs	82,228	180,355
Accrued pension cost	(500,000)	(1,000,000)
Other long-term liabilities	376,539	(177,111)
Accrued interest and other liabilities	534,318	595,983
Net cash provided by operating activities	5,270,177	10,484,149
Cash Flows from Investing Activities		
Purchases of investments, net	(5,356,580)	(7,758,168)
Purchases of property, plant and equipment	(5,102,653)	(2,739,065)
Proceeds from sale of property, plant and equipment	5,200	51,152
Change in construction bond funds	3,124,630	(4,532,022)
Net cash used in investing activities	(7,329,403)	(14,978,103)
Cash Flows from Financing Activities		
Proceeds of long-term debt	-	61,695,088
Payments on long-term debt	(1,020,000)	(55,920,000)
Payments of financing costs	-	(3,498,261)
Restricted contributions	666,083	670,474
Net cash provided by (used in) financing activities	(353,917)	2,947,301
Net Decrease in Cash and Cash Equivalents	(2,413,143)	(1,546,653)
Cash and Cash Equivalents - Beginning of Year	10,167,220	11,713,873
Cash and Cash Equivalents - End of Year	$ 7,754,077	$ 10,167,220
Cash Paid During the Year for Interest	$ 2,965,382	$ 3,094,449

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

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - **Summary of Significant Accounting Policies:**

Organization - Center of Special Care, Inc. (the Center) is the parent company and sole member of three entities: Hospital for Special Care (the Hospital), HSC Community Services, Inc., and Hospital for Special Care Foundation, Inc. The Center was established to coordinate strategic planning for each of its subsidiaries and affiliates.

The Hospital provides healthcare services as a chronic disease hospital. HSC Community Services, Inc., is committed to developing, operating, managing and evaluating community-based and community-oriented chronic disease and long-term rehabilitation healthcare initiatives and includes Brittany Farms Health Center (Brittany Farms), a nursing home. HSC Community Services, Inc., has established subsidiary corporations known as CSI Residential, Inc. (CSI Residential) and Manes & Motions Therapeutic Riding Center, Inc. (Manes and Motions). CSI Residential develops housing for persons with chronic physical and medical conditions. Manes & Motions was established to promote the well-being of persons with disabilities through the benefits of therapeutic horseback riding.

Hospital for Special Care Foundation, Inc., provides charitable, scientific and educational services, in particular to operate exclusively for the benefit of and to receive, raise, allocate, invest and expend funds in support of the mission of the Center and its subsidiaries and legal affiliates.

The Center and its subsidiaries are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code.

The Center, which serves as the parent organization of the subsidiary entities described above, currently conducts no significant business and has no employees.

Principles of Consolidation - The accompanying consolidated financial statements present the financial position and results of activities of the Center and its subsidiaries. In consolidating the financial statements of the parent company and its subsidiaries, all significant intercompany revenues and expenses and intercompany asset and liability amounts have been eliminated.

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

Financial statement areas where management applies the use of estimates consist primarily of accounts receivable reserves, accrued insurance costs and contractual allowances on revenues. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents - The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Center maintains deposits in financial institution accounts that, at times, may exceed federal depository limits. However, management believes that its deposits are not subject to significant credit risk.

Accounts Receivable - Accounts receivable are considered delinquent and written off when all attempts to collect from individuals or other payor sources have been exhausted.

Inventories of Supplies - Inventories are stated at the lower of cost (principally, the first-in, first-out method) or market.

Investments - Investments in equity and debt securities with readily determinable market values are recorded at market value in the accompanying consolidated statements of financial position. Market value is determined based on quoted market prices. Realized investment income or loss (including realized gains and losses, interest and dividends) from investments are included in other income in the consolidated statements of activities and changes in net assets unless the income or loss is restricted by donor or law.

CHEFA Obligations Issuance Expense - The State of Connecticut Health and Educational Facilities Authority (CHEFA) obligations issuance expense represents costs incurred in connection with the issuance of the revenue bonds (see Note 8). These costs are being amortized on a straight-line basis over the terms of the associated bonds. During 2008, the unamortized costs related to the Series B revenue bonds that were refinanced were written off and are shown on the statements of activities and changes in net assets as a loss on debt refinancing.

Property, Plant and Equipment - Property, plant and equipment assets are recorded on the basis of cost. Major improvements and betterments to existing plant and equipment in excess of $500 are capitalized. Expenditures for maintenance and repairs which do not extend the life of the applicable asset are charged to expense as incurred. Upon disposition or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gains and losses are included in the results of operations.

Depreciation is provided for using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings, building improvements and land improvements	5-30 years
Furniture, fixtures and equipment	3-20 years
Vehicles	4 years

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

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Revenues and Expenses - Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses.

Investment in Foundation - The investment in Foundation represents the Center's interest in the temporarily and permanently restricted net assets of Hospital for Special Care Foundation, Inc.

Nonoperating Gains - Activities other than in connection with providing healthcare services are considered to be nonoperating. Nonoperating gains consist primarily of income earned on invested funds and realized gains and losses on marketable securities.

Pension Plan - The Hospital has a defined benefit pension plan and a defined contribution pension plan which cover substantially all eligible employees. The Hospital's defined benefit plan was amended during fiscal year 2005 to freeze future benefit accruals, which resulted in a plan curtailment (see Note 9). Brittany Farms has a 403(b) defined contribution plan and a money purchase pension plan which cover substantially all eligible employees. HSC Community Services, Inc., froze the Brittany Farms money purchase pension plan effective December 31, 2001.

In addition, the Hospital has a nonqualified supplemental employee retirement plan for certain executives.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets include those assets whose use has been limited by donors to a specific time frame or purpose. Permanently restricted net assets include those assets whose use has been restricted by donors to be maintained in perpetuity (see Note 5).

Asset Retirement Obligations - Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, as interpreted by FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations - an Interpretation of FASB Statement No. 143*, requires that a liability be recognized for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Certain of the Center's buildings contain asbestos, and the Center also maintains underground fuel tanks that must be removed upon demolition or extensive renovations. The Center expects to and has the ability to continue to maintain and operate these buildings without undertaking any activities that would require removal of the asbestos or underground fuel tanks. As a result, the Center is not able to estimate the date or range of potential dates of settlements of these obligations. Accordingly, the liabilities associated with these obligations are not reasonably estimable, and the accompanying consolidated statements of financial position do not include a liability for asset retirement obligations.

Reclassifications - Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

Note 2 - **Revenue Concentrations:**

During 2009 and 2008, approximately 66% and 64%, respectively, of net patient revenue was received under the Medicaid program; 17% and 21%, respectively, under the Medicare program; and 17% and 15%, respectively, from other third parties. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Management believes that the Hospital and Brittany Farms are in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicaid and Medicare programs. Changes in the Medicaid and Medicare programs and the reduction of funding levels could have an adverse impact on the Hospital and Brittany Farms.

Revenues derived from federal and state medical assistance programs were based, in part, on cost reimbursement principles and are subject to audit.

The following table summarizes net revenues from services to patients for the years ended March 31, 2009 and 2008:

	2009	2008
Gross revenues from patients:		
Routine services	$ 125,082,369	$ 76,536,435
Special services	50,261,949	45,179,091
	175,344,318	121,715,526
Allowances (primarily Medicare and Medicaid)	59,908,386	12,612,777
Net Revenues from Services to Patients	$ 115,435,932	$ 109,102,749

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from certain payors are different from established billing rates of the Hospital and other providers, and the differences are accounted for as allowances.

Significant concentrations of net patient receivables are comprised of 55% Medicaid and 23% Medicare at March 31, 2009 and 47% Medicaid and 26% Medicare at March 31, 2008.

Net revenues from services to patients at the Hospital and other providers are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

HSC Community Services, Inc., revenues are generated primarily through per diem room and board rates plus small amounts from ancillary services. The per diem rates are regulated and limited by state and federal laws and regulations.

It is the Center's policy to provide service to all patients within the reasonable limits of available resources. Patients who apply for admission or seek outpatient services but lack a source of payment are considered on an individual basis for charity care.

Note 3 - **Endowment Net Assets:**

During 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. 117-1 (FAS 117-1) entitled *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* that provides guidance on the net asset classification of donor-restricted endowment funds. The Center adopted the principles of FAS 117-1 effective as of the beginning of fiscal year 2009. The adoption of FAS 117-1 did not have a significant impact on financial position or results of operations.

Also, in 2008 the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) became effective and applies to the Center.

The Center's endowment consists of several funds established for a variety of purposes, mainly designated by donor restrictions. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported as permanently restricted net assets, temporarily restricted net assets or unrestricted net assets based on the existence or absence of donor-imposed restrictions.

The Center classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the Center and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation or deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the Center, and (vii) the Center's investment policies.

In reviewing the details of its permanently restricted endowment funds, the Center determined that some amounts were restricted by the donors for general use by the Hospital and the principal was not permanently restricted. These amounts are shown as a reclassification of net assets on the accompanying consolidated statements of activities and changes in net assets.

Changes in endowment net assets for the year ended March 31, 2009 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 593,649	$ 710,238	$ 1,303,887
Investment income	17,161	-	17,161
Investment losses	(166,645)	-	(166,645)
Contributions	464,829	3,583	468,412
Reclassification of net assets	-	(226,666)	(226,666)
Appropriation of endowment assets for expenditure	(287,824)	-	(287,824)
Endowment Net Assets, End of Year	$ 621,170	$ 487,155	$ 1,108,325

See Note 5 for more information regarding on the programs that the temporarily restricted and permanently restricted net assets support.

Note 4 - **Investments:**

The composition of investments at March 31, 2009 and 2008, are set forth below. Investments are stated at market value.

	2009		
	Cost	Market Value	Net Unrealized Gain (Loss)
International bond	$ 5,000	$ 5,000	$ -
Marketable equity securities	57,008	34,921	(22,087)
Mutual funds	38,657,623	25,414,612	(13,243,011)
	$ 38,719,631	$ 25,454,533	$ (13,265,098)

	2008		
	Cost	Market Value	Net Unrealized Gain (Loss)
International bond	$ 5,000	$ 5,000	$ -
Marketable equity securities	57,008	143,667	86,659
Mutual funds	33,337,944	30,931,416	(2,406,528)
	$ 33,399,952	$ 31,080,083	$ (2,319,869)

Investment income (including realized gains and losses, interest and dividends) earned on investments amounted to $1,431,449 and $3,001,977 for the years ended March 31, 2009 and 2008, respectively. This is included in operating gains (losses) in the consolidated statements of activities and changes in net assets.

Management continually reviews its investment portfolio and evaluates whether declines in the market value of securities should be considered other-than-temporary. Factored into this evaluation are general market conditions, the recommendation of advisors and the length of time and extent to which the market value has been less than cost. The Center's investments are mainly in mutual funds managed by an outside investment manager. The Investment Subcommittee of the Board oversees the activities of the investment manager. The Center has the ability to and intends to hold the mutual funds until such time that the market losses recover. As a result, there were no declines in market value deemed to be other-than-temporary in fiscal year 2009 or 2008.

Note 5 - **Temporarily and Permanently Restricted Net Assets:**

Temporarily restricted net assets at March 31, 2009 and 2008, are available for the following purposes:

	2009	**2008**
Sports and fitness programs	$ 270,745	$ 178,829
Research	122,071	121,967
Brittany Farms	24,660	68,134
H.R. Gossling Lecture Fund	23,150	37,439
Horticultural	20,850	30,398
Resource center	20,043	42,908
Gustin Lecture	18,566	-
Joy of Art	14,467	18,344
Pulmonary	14,295	14,929
Adaptive equipment	12,392	15,505
Aquatic rehabilitation	11,887	16,721
Respiratory therapist education	11,488	-
ALS clinic	9,630	333
Pediatric	9,365	2,532
Dental clinic	7,551	6,420
Satellite	5,478	2,235
Lobby renovations	4,864	5,543
Other	19,668	31,412
	$ 621,170	$ 593,649

Permanently restricted net assets of $487,155 and $710,238 at March 31, 2009 and 2008, respectively, are to be held in perpetuity, the income from which is used for unrestricted and temporarily restricted Center activities and is expendable to support healthcare services.

Note 6 - **Property, Plant and Equipment**:

Property, plant and equipment consists of the following at March 31, 2009 and 2008:

	2009	2008
Buildings	$ 61,593,555	$ 61,434,822
Fixed and moveable equipment	29,435,865	26,103,322
Land and land improvements	3,756,030	3,720,057
	94,785,450	91,258,201
Less accumulated depreciation	47,671,673	44,464,970
	47,113,777	46,793,231
Construction in progress	1,662,973	181,338
Net Property, Plant and Equipment	$ 48,776,750	$ 46,974,569

Depreciation expense was $3,290,469 and $3,215,223 for the years ended March 31, 2009 and 2008, respectively.

Note 7 - **Self-Insured Programs**:

Medical Malpractice - The Hospital self-insures the deductible portion of its medical malpractice insurance. The deductible limits are $1,000,000 per claim and $3,000,000 in the aggregate for the years ended March 31, 2009 and 2008. The Hospital has excess insurance in the form of an umbrella policy for claims settled in excess of $1,000,000.

The malpractice liability was actuarially determined to be $1,183,977 and $1,396,644 for the years ended March 31, 2009 and 2008, respectively, and is included in accrued insurance costs on the consolidated statements of financial position. This amount was calculated at a confidence level of 75% of the expected level for the years ended March 31, 2009 and 2008, with a 4% discount rate in 2009 and 2008. Management considers these reserves to be adequate as of March 31, 2009 and 2008. However, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded.

The Hospital established an irrevocable trust for the purpose of setting aside assets to be used for the payment of malpractice losses, related expenses and the cost of administering the trust. The trust balance was $1,483,562 and $1,424,847 at March 31, 2009 and 2008, respectively, and is based on actuarial funding recommendations. These assets are included in insurance funds on the consolidated statements of financial position. In addition, a letter of credit of $580,000 with a commercial bank was established to supplement the funding requirements of the self-insured program in order to have enough liquidity to be able to pay claims. As of March 31, 2009 and 2008, the Hospital had not drawn on the letter of credit.

Brittany Farms carries insurance for medical malpractice under a claims-made policy with an insurance company.

Workers' Compensation - The Center is self-insured for the deductible portion of workers' compensation claims. The deductible amount per claim is $250,000. The Center has purchased excess insurance from a commercial carrier that would cover claims settled above $250,000. The self-insurance workers' compensation liability was determined to be $831,032 and $739,932 at March 31, 2009 and 2008, respectively, and is included in accrued insurance costs on the consolidated statements of financial position.

A letter of credit with a bank of $685,000 and $575,000 at March 31, 2009 and 2008, respectively, was established to cover the funding requirements of the self-insurance program. The letter of credit has a variable per annum rate of interest equal to the prime rate plus 5%. As of March 31, 2009 and 2008, the Center had not drawn on the letter of credit.

Health Insurance - The Center is self-insured for its health insurance and carries a stop-loss policy for individual claims in excess of $100,000. The self-insurance liability was determined to be $1,177,845 and $974,050 for the years ended March 31, 2009 and 2008, and is included in accrued insurance costs on the consolidated statements of financial position.

Note 8 - **Long-Term Debt Obligations**:

On June 28, 2007, the Hospital issued Series C CHEFA revenue bonds (Series C) in the amount of $46,635,000 and Series D CHEFA revenue bonds (Series D) in the amount of $15,000,000. The Hospital received funds to repay its Series B CHEFA revenue bonds, to fund the required Debt Service Reserve Fund, to pay for cost of bond issuance and for future construction and renovations related to its existing facilities. The Series C and D debt is secured by a pledge of the gross receipts of the Obligated Group, which is now defined as the Hospital, HSC Community Services, Inc., and the Hospital for Special Care Foundation, Inc., and a mortgage on the capital assets of the Obligated Group, subject to permitted encumbrances, and is insured under a financial guaranty insurance policy.

The Series C debt is fixed interest debt with the following maturities:

Yearly on July 1 from 2008-2022 in the total amount of $14,960,000 with interest rates ranging from 4%-5.25%
July 1, 2027 in the amount of $8,000,000 with a 5.25% interest rate
July 1, 2032 in the amount of $10,330,000 with a 5.25% interest rate
July 1, 2037 in the amount of $13,345,000 with a 5.25% interest rate

The terms of the Series D debt were variable interest debt with varying maturities through 2037. On November 1, 2007, the Hospital converted their Series D CHEFA interest rate mode revenue bonds in the amount of $15,000,000 to a long-term rate bond with maturities occurring yearly on July 1 from 2008-2037 in the total amount of $15,000,000 with a 4.15% fixed interest rate through December 31, 2009. At the conclusion of this period, the interest rate converts to a variable rate.

Monthly payments by the Obligated Group to the trustee are based on the agreement and correspond in time and amount to the payments of principal and interest on the Series C and D bonds.

The Obligated Group is also required to maintain debt service reserve funds for the Series C and D bonds. The debt service reserve fund is equal in amount to the largest total debt service to be paid within a year. The bonds are subject to redemption prior to maturity beginning on July 1, 2008 and annually on July 1 thereafter by operation of a sinking fund.

The Series C and Series D debt contains certain financial debt covenant requirements, including maintenance of a debt service coverage ratio in excess of 1.25, days cash on hand in excess of 60 days and a debt to capital ratio not to exceed 75%. The Obligated Group was in compliance with its loan covenants as of March 31, 2009 and 2008.

In addition, the Hospital has a $3,000,000 line of credit with a bank. The availability of the line is reduced by the self-insurance letters of credit in place (see Note 7). As of March 31, 2009 and 2008, the full amount of the remaining line was available. Interest on the line accrues at the bank's prevailing prime rate, and amounts drawn are repayable on demand. The line of credit has a revolving credit termination date of September 29, 2009.

During fiscal years 2009 and 2008, interest expense was $2,961,478 and $3,078,995, respectively.

During fiscal year 2002, HSC Community Services, Inc., entered into a Capital Advance Program Mortgage Note with the United States Department of Housing and Urban Development (HUD) for $926,696 in connection with the acquisition of certain housing properties by CSI Residential, Inc. This note matures on March 29, 2041, does not bear interest and repayment is not required as long as the housing remains available for very low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959 or Section 811 of the National Affordable Housing Act of 1990 until the maturity date.

Principal payments and annual sinking fund payments for the next five years and thereafter are as follows:

Year Ending March 31	**Bonds**	**HUD Mortgage**	**Total**
2010	$ 1,010,000	$ -	$ 1,010,000
2011	1,130,000	-	1,130,000
2012	1,130,000	-	1,130,000
2013	1,170,000	-	1,170,000
2014	1,225,000	-	1,225,000
Aggregate thereafter	54,950,000	926,696	55,876,696
	60,615,000	926,696	61,541,696
Less current portion	1,010,000	-	1,010,000
Total Long-Term Debt	$ 59,605,000	$ 926,696	$ 60,531,696

Note 9 - **Pension Plan:**

General - The Hospital has a defined benefit plan covering substantially all of its employees. The benefits are based upon years of service, and employees are fully vested in the company match and contribution after five years of service. The Hospital's policy is to contribute an amount sufficient to cover benefits to be paid as required by ERISA funding standards. Contributions are intended to provide benefits attributed to service to date.

The FASB has issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an Amendment of FASB Statements No. 87, 88, 106, and 132R* (the Statement). The Statement requires companies to record a liability on the statements of financial position for the underfunded portion of its postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair value of the plan assets. Management adopted the Statement as of March 31, 2008, which resulted in an additional minimum pension liability of $509,960 for the pension benefits plan.

Obligations and Funded Status - The plan was amended to freeze future benefit accruals in the plan effective June 30, 2004. The effect of this amendment was a plan curtailment. The plan curtailment resulted in a $4,884,694 decrease in the projected benefit obligation as of March 31, 2005, which is reflected in the following calculations.

The following table sets forth the plan's funded status and amounts recognized in the accompanying consolidated statements of financial position as of March 31, 2009 and 2008:

	Pension Benefits	
	2009	**2008**
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ (15,076,751)	$ (15,326,754)
Interest cost	(945,101)	(898,504)
Impact of assumption changes	2,002,117	766,141
Experience gain (loss)	28,575	(23,777)
Benefits paid	481,328	406,143
Projected benefit obligation at end of year	(13,509,832)	(15,076,751)
Change in plan assets:		
Fair value of plan assets at beginning of year	14,744,939	14,683,528
Actual return on plan assets	(3,916,718)	(532,446)
Employer contributions	500,000	1,000,000
Benefits paid	(481,328)	(406,143)
Fair value of plan assets at end of year	10,846,893	14,744,939
Unfunded Status	$ (2,662,939)	$ (331,812)

The accumulated benefit obligation at the end of 2009 and 2008 was $13,509,832 and $15,076,751, respectively. The measurement dates are as of March 31, 2009 and 2008.

Net periodic pension costs for 2009 and 2008 included the following components:

	Pension Benefits	
	2009	**2008**
Components of net periodic benefit cost:		
Interest cost	$ 945,101	$ 898,504
Expected return on plan assets	(1,180,984)	(1,180,821)
Net Periodic Pension Income	$ (235,883)	$ (282,317)

Assumptions - The following assumptions were used in accounting for the plan.

Assumptions used to determine benefit obligations and net periodic benefit cost at March 31, 2009 and 2008, are as follows:

	2009	**2008**
Discount rate	7.36%	6.32%
Long-term rate of return	8%	8%

The expected rate of return on plan assets is determined by adding expected inflation to expected long-term real returns of various asset classes, taking into account expected volatility and correlation between the returns of various asset classes.

Plan Assets - The percentage of the fair value of total plan assets held as of March 31, 2009 and 2008, by asset category is as follows:

	2009	2008
Equity mutual funds	50%	51%
Fixed income mutual funds	47%	49%
Money market funds	3%	-

The Hospital's investment strategy is based on a portfolio comprised of assets held in mutual funds with an asset mix target based on an allocation of 50% equities and 50% fixed income funds at March 31, 2009 and 2008. Investments held in mutual funds are diversified with the intent to minimize the risk of large losses to the plan. The asset mix was determined by evaluating the expected return against the plan's long-term objectives. Performance is monitored on a monthly basis and rebalanced back to target to ensure the targets are within range. The investment policy describes which securities are allowed in the portfolios and the financial objectives of the plan which the Investment Subcommittee of the Center's Board oversees. The Investment Subcommittee monitors the investment performance annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy.

Cash Flows - The Hospital expects to make a contribution to the pension plan for the year ending March 31, 2010. However, at this time the amount is not known.

The expected benefit payments for the next ten years are as follows:

2010	$ 483,500
2011	517,200
2012	545,600
2013	590,100
2014	627,600
2015-2019	4,344,800

Other Information - The Hospital also has a defined contribution 403(b) tax-free annuity savings plan covering all full-time and permanent part-time employees with at least one year of service and 1,000 hours worked. Employees are allowed to contribute up to the maximum contribution allowable each year under IRS regulations. The Hospital annually contributes varying percentages of base salary based on age and years of service for eligible employees and also matches bi-weekly employee contributions at varying percentages based on age and years of service (maximum match is 40%). The Hospital's expense amounted to $1,723,869 and $2,209,659 for the years ended March 31, 2009 and 2008, respectively.

The Hospital also has a capital accumulation 457(f) deferred compensation plan for certain executives. The Hospital is not required to make any contributions to this plan. In addition, the Hospital has a supplemental employee retirement plan for certain executives. The plan provides for a targeted benefit and is funded through insurance policies and the 457(f). The Hospital's expense amounted to $441,518 and $288,744 in 2009 and 2008, respectively. Assets and liabilities relating to this plan were $2,329,866 and $1,953,327 at 2009 and 2008, respectively, and are included in other assets and other long-term liabilities.

Brittany Farms has a defined contribution pension plan which covers substantially all eligible employees. Contributions to the plan are accrued in amounts equal to 6% of eligible employee salaries. Brittany Farms' expense amounted to $1,091,636 and $650,000 for the years ended March 31, 2009 and 2008, respectively.

Brittany Farms also has a money purchase pension plan that was frozen by HSC Community Services, Inc., effective December 31, 2001. The assets of the money purchase pension plan are sufficient to pay benefits already accrued.

Note 10 - **Functional Expenses:**

Functional expenses for the Center are as follows:

	2009	2008
Health care services	$ 92,950,644	$ 87,050,599
General and administrative	21,803,237	21,762,650
	$ 114,753,881	$ 108,813,249

Note 11 - **Contingencies:**

The Center is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Center's financial position.

Note 12 - **Commitments:**

The Center leases certain office space and equipment under operating leases. The future minimum annual payments under these agreements as of March 31, 2009 are as follows:

Year Ending March 31	
2010	$ 718,405
2011	794,660
2012	738,433
2013	559,292
2014	559,684
Thereafter	411,010
	$ 3,781,484

Rent expense recorded by the Center for the years ended March 31, 2009 and 2008, was $655,688 and $703,822, respectively.

The Center has formal commitments totaling approximately $1.2 million as of March 31, 2009 related to the purchase of medical equipment and construction projects. These commitments are expected to be paid out of operating cash flows.

Note 13 - **Fair Value of Financial Instruments:**

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which defines fair value, established a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. SFAS No. 157 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

It also establishes a fair value hierarchy consisting of three “levels” that prioritize the inputs to the valuation techniques used to measure fair value.

Investments in U.S. Government issues and corporate and municipal issues are assets traded on active markets with readily available daily values. The inputs are therefore Level 1.

The carrying amounts and estimated fair values of the Center’s long-term debt at March, 31, 2009 are as follows (in thousands):

Description	**Carrying Amount at 3/31/09** (in thousands)	**Fair Value at 3/31/09** (in thousands)
Financial liabilities:		
Series C revenue bonds	$ 45,930	$ 35,975
Series D revenue bonds	14,685	14,685
HUD mortgage	927	927

The rate on the Series D revenue bonds converts to a variable rate on December 31, 2009. As such, the fair market value approximates face value at March 31, 2009.

29 South Main Street
P.O. Box 272000
West Hartford, CT 06127-2000
Tel 860.561.4000
Fax 860.521.9241
blumshapiro.com

BlumShapiro
Accounting | Tax | Business Consulting

Independent Auditors' Report on Supplementary Information

To the Board of Directors
Center of Special Care, Inc.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities. The consolidating information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

July 9, 2009

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2009

ASSETS	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Current assets:								
Cash and cash equivalents	$ 2,486,035	$ 180,484	$ 2,666,519	$ 4,537,998	$ 258,054	$ 291,506	$ -	$ 7,754,077
Accounts receivable, less allowance of $2,218,929	3,624,508	37,619	3,662,127	16,999,819	-	584	-	20,662,530
Prepaid sinking fund	264,034	-	264,034	1,276,846	-	-	-	1,540,880
Prepaid expenses and other assets	353,178	7,599	360,777	880,592	-	102	-	1,241,471
Inventories of supplies	37,471	-	37,471	550,582	-	-	-	588,053
Due from affiliates	18,505	2,778	21,283	10,957	-	-	(32,240)	-
Total current assets	6,783,731	228,480	7,012,211	24,256,794	258,054	292,192	(32,240)	31,787,011
Other assets:								
Investments	-	-	-	22,023,613	-	3,430,920	-	25,454,533
Investments in Foundation	62,568	294,207	356,775	2,117,760	-	-	(2,474,535)	-
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustee:								
Debt Service Reserve Fund	701,544	-	701,544	3,411,135	-	-	-	4,112,679
CHEFA obligations issuance expense	537,612	-	537,612	2,756,584	-	-	-	3,294,196
CHEFA construction bond proceeds	-	-	-	1,407,392	-	-	-	1,407,392
Insurance funds	40,000	-	40,000	1,770,854	-	-	-	1,810,854
Other assets	-	-	-	2,329,866	-	-	-	2,329,866
Total other assets	1,341,724	294,207	1,635,931	35,817,204	-	3,430,920	(2,474,535)	38,409,520
Property, plant and equipment, net	8,608,834	841,886	9,450,720	39,326,030	-	-	-	48,776,750
Total Assets	$ 16,734,289	$ 1,364,573	$ 18,098,862	$ 99,400,028	$ 258,054	$ 3,723,112	$ (2,506,775)	$ 118,973,281

(Continued on next page)

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)

MARCH 31, 2009

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
LIABILITIES AND NET ASSETS								
Current liabilities:								
Current portion of long-term debt	$ 175,000	$ -	$ 175,000	$ 835,000	$ -	$ -	$ -	$ 1,010,000
Accounts payable	921,189	60,991	982,180	2,662,594	-	-	-	3,644,774
Salaries, wages, payroll taxes and amounts withheld from employee compensation	1,284,078	-	1,284,078	7,054,837	-	-	-	8,338,915
Accrued insurance costs	486,494	-	486,494	2,706,360	-	-	-	3,192,854
Due to affiliates	-	11,196	11,196	18,007	-	3,037	(32,240)	-
Accrued interest and other liabilities	1,622,189	61,085	1,683,274	2,017,802	-	-	-	3,701,076
Total current liabilities	4,488,950	133,272	4,622,222	15,294,600	-	3,037	(32,240)	19,887,619
Long-term liabilities:								
Long-term debt, less current portion	10,104,500	926,696	11,031,196	49,500,500	-	-	-	60,531,696
Accrued pension cost	-	-	-	2,662,939	-	-	-	2,662,939
Other long-term liabilities	-	-	-	2,329,866	-	-	-	2,329,866
Total long-term liabilities	10,104,500	926,696	11,031,196	54,493,305	-	-	-	65,524,501
Net assets:								
Unrestricted net assets	2,096,133	18,072	2,114,205	28,835,037	258,054	1,472,206	(226,666)	32,452,836
Temporarily restricted net assets	24,661	286,533	311,194	309,976	-	1,760,714	(1,760,714)	621,170
Permanently restricted net assets	20,045	-	20,045	467,110	-	487,155	(487,155)	487,155
Total net assets	2,140,839	304,605	2,445,444	29,612,123	258,054	3,720,075	(2,474,535)	33,561,161
Total Liabilities and Net Assets	$ 16,734,289	$ 1,364,573	$ 18,098,862	$ 99,400,028	$ 258,054	$ 3,723,112	$ (2,506,775)	$ 118,973,281

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

MARCH 31, 2008

ASSETS	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Current assets:								
Cash and cash equivalents	$ 2,791,843	$ 169,786	$ 2,961,629	$ 6,873,166	$ 254,638	$ 77,787	$ -	$ 10,167,220
Accounts receivable, less allowance of $1,810,033	3,689,865	37,702	3,727,567	14,151,953	-	404	-	17,879,924
Prepaid sinking fund	275,000	-	275,000	1,246,456	-	-	-	1,521,456
Prepaid expenses and other assets	255,155	8,060	263,215	863,719	-	-	-	1,126,934
Inventories of supplies	46,433	-	46,433	491,691	-	-	-	538,124
Due from affiliates	5,277	20,819	26,096	29,989	-	480	(56,565)	-
Total current assets	7,063,573	236,367	7,299,940	23,656,974	254,638	78,671	(56,565)	31,233,658
Other assets:								
Investments	-	-	-	25,913,548	-	5,166,535	-	31,080,083
Investments in Foundation	136,775	204,411	341,186	3,433,400	-	-	(3,774,586)	-
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustee:								
Debt Service Reserve Fund	718,390	-	718,390	3,506,026	-	-	-	4,224,416
CHEFA obligations discount and issuance expense	556,642	-	556,642	2,854,162	-	-	-	3,410,804
CHEFA construction bond proceeds	-	-	-	4,532,022	-	-	-	4,532,022
Insurance funds	27,629	-	27,629	1,616,779	-	-	-	1,644,408
Other assets	-	-	-	1,953,327	-	-	-	1,953,327
Total other assets	1,439,436	204,411	1,643,847	43,809,264	-	5,166,535	(3,774,586)	46,845,060
Property, plant and equipment, net	8,967,760	887,908	9,855,668	37,118,901	-	-	-	46,974,569
Total Assets	$ 17,470,769	$ 1,328,686	$ 18,799,455	$ 104,585,139	$ 254,638	$ 5,245,206	$ (3,831,151)	$ 125,053,287

(Continued on next page)

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)

MARCH 31, 2008

LIABILITIES AND NET ASSETS	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Current liabilities:								
Current portion of long-term debt	$ 220,500	$ -	$ 220,500	$ 799,500	$ -	$ -	$ -	$ 1,020,000
Accounts payable	534,609	65,648	600,257	3,061,589	-	-	-	3,661,846
Salaries, wages, payroll taxes and amounts withheld from employee compensation	1,434,015	-	1,434,015	7,752,197	-	-	-	9,186,212
Accrued insurance costs	537,797	-	537,797	2,572,829	-	-	-	3,110,626
Due to affiliates	480	5,474	5,954	5,402	-	45,209	(56,565)	-
Accrued interest and other liabilities	1,193,101	37,921	1,231,022	1,911,477	-	24,259	-	3,166,758
Total current liabilities	3,920,502	109,043	4,029,545	16,102,994	-	69,468	(56,565)	20,145,442
Long-term liabilities:								
Long-term debt, less current portion	10,279,500	926,696	11,206,196	50,335,500	-	-	-	61,541,696
Accrued pension cost	-	-	-	331,812	-	-	-	331,812
Other long-term liabilities	-	-	-	1,953,327	-	-	-	1,953,327
Total long-term liabilities	10,279,500	926,696	11,206,196	52,620,639	-	-	-	63,826,835
Net assets:								
Unrestricted net assets	3,182,588	102,109	3,284,697	34,836,636	254,638	1,401,152	-	39,777,123
Temporarily restricted net assets	68,134	190,838	258,972	334,677	-	3,064,348	(3,064,348)	593,649
Permanently restricted net assets	20,045	-	20,045	690,193	-	710,238	(710,238)	710,238
Total net assets	3,270,767	292,947	3,563,714	35,861,506	254,638	5,175,738	(3,774,586)	41,081,010
Total Liabilities and Net Assets	$ 17,470,769	$ 1,328,686	$ 18,799,455	$ 104,585,139	$ 254,638	$ 5,245,206	$ (3,831,151)	$ 125,053,287

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Revenues:								
Net revenues from services to patients	$ 27,156,304	$ 316,223	$ 27,472,527	$ 87,963,405	$ -	$ -	$ -	$ 115,435,932
Other operating revenues	80,718	483,662	564,380	3,204,995	-	105,054	(75,667)	3,798,762
Net assets released from restrictions	-	-	-	-	-	195,483	-	195,483
Total revenues	27,237,022	799,885	28,036,907	91,168,400	-	300,537	(75,667)	119,430,177
Operating expenses:								
Salaries, wages and employees benefits	19,429,666	525,271	19,954,937	62,172,825	-	482,487	-	82,610,249
Supplies and other	6,757,448	528,332	7,285,780	17,705,000	-	471,060	(94,801)	25,367,039
Interest	428,645	-	428,645	2,532,833	-	-	-	2,961,478
Depreciation and amortization	631,829	69,766	701,595	2,705,483	-	-	-	3,407,078
Bad debts	144,302	(2,534)	141,768	359,860	-	7,091	-	508,719
Total operating expenses	27,391,890	1,120,835	28,512,725	85,476,001	-	960,638	(94,801)	114,854,563
Income (loss) from operations	(154,868)	(320,950)	(475,818)	5,692,399	-	(660,101)	19,134	4,575,614
Nonoperating gains:								
Other income, primarily investment income	35,011	1,874	36,885	1,155,588	3,416	12,139	(17,157)	1,190,871
Change in equity interest in Foundation	(30,734)	-	(30,734)	89,034	-	-	(58,300)	-
Excess (deficiency) of revenues over expenses	(150,591)	(319,076)	(469,667)	6,937,021	3,416	(647,962)	(56,323)	5,766,485
Other changes in unrestricted net assets:								
Change in equity interest in Foundation		(5,899)	(5,899)	(1,156,886)	-	-	1,162,785	-
Change in net unrealized losses on investments	-	-	-	(9,072,567)	-	(273,633)	(1,333,128)	(10,679,328)
Transfer from Foundation released for capital additions	64,136	3,647	67,783	125,234	-	-	-	193,017
Increase in minimum pension liability	-	-	-	(2,831,127)	-	-	-	(2,831,127)
Equity transfer to affiliates	(1,000,000)	237,291	(762,709)	(3,274)	-	765,983		-
Reclassification of net assets						226,666		226,666
Increase (decrease) in unrestricted net assets	(1,086,455)	(84,037)	(1,170,492)	(6,001,599)	3,416	71,054	(226,666)	(7,324,287)
Temporarily restricted net assets:								
Contributions	-	-	-	-	-	584,639	(119,816)	464,823
Net realized gains on investments	-	-	-	-	-	136,157	17,161	153,318
Change in net unrealized losses on investments	-	-	-	-	-	(1,635,930)	1,333,128	(302,802)
Change in equity interest in Foundation	(43,473)	95,695	52,222	(24,701)	-	-	(27,521)	-
Net assets released from restrictions used for purchase of capital	-	-	-	-	-	(193,017)	-	(193,017)
Net assets released from restrictions used for operations	-	-	-	-	-	(195,483)	100,682	(94,801)
Increase (decrease) in temporarily restricted net assets	(43,473)	95,695	52,222	(24,701)	-	(1,303,634)	1,303,634	27,521
Permanently restricted net assets:								
Contributions	-	-	-	-	-	3,583	-	3,583
Change in equity interest in Foundation	-	-	-	(223,083)	-	-	223,083	-
Reclassification of net assets	-	-	-	-	-	(226,666)	-	(226,666)
Increase (decrease) in permanently restricted net assets	-	-	-	(223,083)	-	(223,083)	223,083	(223,083)
Change in total net assets	(1,129,928)	11,658	(1,118,270)	(6,249,383)	3,416	(1,455,663)	1,300,051	(7,519,849)
Net assets - beginning of year	3,270,767	292,947	3,563,714	35,861,506	254,638	5,175,738	(3,774,586)	41,081,010
Net Assets - End of Year	$ 2,140,839	$ 304,605	$ 2,445,444	$ 29,612,123	$ 258,054	$ 3,720,075	$ (2,474,535)	$ 33,561,161

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Revenues:								
Net revenues from services to patients	$ 26,956,524	$ 216,909	$ 27,173,433	$ 81,929,316	$ -	$ -	$ -	$ 109,102,749
Other operating revenues	110,817	505,563	616,380	3,405,687	-	150,495	(278,253)	3,894,309
Net assets released from restrictions	-	-	-	-	-	278,253	-	278,253
Total revenues	27,067,341	722,472	27,789,813	85,335,003	-	428,748	(278,253)	113,275,311
Operating expenses:								
Salaries, wages and employees benefits	18,290,215	456,429	18,746,644	58,654,233	-	330,923	-	77,731,800
Supplies and other	6,138,312	597,647	6,735,959	17,517,314	-	512,479	(278,253)	24,487,499
Interest	515,943	1,013	516,956	2,562,039	-	-	-	3,078,995
Depreciation and amortization	621,580	170,090	791,670	2,530,241	-	-	-	3,321,911
Bad debts	259,048	3,996	263,044	(80,000)	-	10,000	-	193,044
Total operating expenses	25,825,098	1,229,175	27,054,273	81,183,827	-	853,402	(278,253)	108,813,249
Income (loss) from operations	1,242,243	(506,703)	735,540	4,151,176	-	(424,654)	-	4,462,062
Nonoperating gains:								
Other income, primarily investment income	56,079	4,651	60,730	2,384,891	4,648	60,113	167,122	2,677,504
Change in equity interest in Foundation	(19,166)	509	(18,657)	185,779	-	-	(167,122)	-
Loss on debt refinancing	(402,828)	-	(402,828)	(1,107,907)	-	-	-	(1,510,735)
Excess (deficiency) of revenues over expenses	876,328	(501,543)	374,785	5,613,939	4,648	(364,541)	-	5,628,831
Other changes in unrestricted net assets:								
Transfer from temporarily restricted net assets	-	24,807	24,807	-	-	-	-	24,807
Change in equity interest in Foundation	-	-	-	(329,699)	-	-	329,699	-
Change in net unrealized loss on investments	-	-	-	(2,776,281)	-	(67,139)	(329,695)	(3,173,115)
Transfer from Foundation released for capital additions	19,012	-	19,012	197,296	-	-	-	216,308
Increase in minimum pension liability	-	-	-	(227,643)	-	-	-	(227,643)
Equity transfer to affiliates	-	342,456	342,456	(905,145)	(11,882,350)	562,689	11,882,350	-
Increase (decrease) in unrestricted net assets	895,340	(134,280)	761,060	1,572,467	(11,877,702)	131,009	11,882,354	2,469,188
Temporarily restricted net assets:								
Contributions	-	3,978	3,978	-	-	395,344	266,720	666,042
Net realized gains on investments	-	-	-	-	-	433,844	(433,844)	-
Net unrealized losses on investments	-	-	-	-	-	(678,065)	329,699	(348,366)
Change in equity interest in Foundation	14,555	(30,927)	(16,372)	(189,298)	-	-	205,670	-
Net assets released from restrictions used for purchase of capital	-	-	-	-	-	(241,115)	-	(241,115)
Net assets released from restrictions used for operations	-	-	-	-	-	(278,253)	-	(278,253)
Increase (decrease) in temporarily restricted net assets	14,555	(26,949)	(12,394)	(189,298)	-	(368,245)	368,245	(201,692)
Permanently restricted net assets:								
Contributions	-	-	-	-	-	4,432	-	4,432
Change in equity interest in Foundation	-	-	-	4,432	-	-	(4,432)	-
Increase in permanently restricted net assets	-	-	-	4,432	-	4,432	(4,432)	4,432
Change in total net assets	909,895	(161,229)	748,666	1,387,601	(11,877,702)	(232,804)	12,246,167	2,271,928
Net assets - beginning of year	2,360,872	454,176	2,815,048	34,473,905	12,132,340	5,408,542	(16,020,753)	38,809,082
Net Assets - End of Year	$ 3,270,767	$ 292,947	$ 3,563,714	$ 35,861,506	$ 254,638	$ 5,175,738	$ (3,774,586)	$ 41,081,010