Day Kimball Healthcare, Inc.

Independent Auditors' Report,
Consolidated Financial Statements, and
Supplemental Information

As of and for the Years Ended
September 30, 2010 and 2009

Saslow Lufkin & Buggy, LLP
Certified Public Accountants and Consultants

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Saslow
Lufkin &
Buggy, LLP

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors of
Day Kimball Healthcare, Inc.:

We have audited the accompanying consolidated balance sheets of Day Kimball Healthcare, Inc. (the Hospital) a Connecticut not-for-profit, non-stock corporation, as of September 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Hospital'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. 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 Hospital'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 consolidated 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 consolidated financial position of Day Kimball Healthcare, Inc. as of September 30, 2010 and 2009, and the results of its consolidated operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information listed within the Table of Contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Saslow Lufkin & Buggy, LLP

November 18, 2010

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Day Kimball Healthcare, Inc.
Consolidated Balance Sheets
September 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 8,007,201**	$ 9,970,754
Certificates of deposit	**125,000**	2,541,422
Short-term investments	**8,174,896**	10,865,968
Accounts receivable (less allowance for doubtful accounts of $4,140,663 in 2010 and $4,130,887 in 2009)	**10,719,236**	11,197,943
Accounts receivable, other	**75,452**	228,139
Inventories and prepaid expenses	**2,103,446**	1,482,202
Assets whose use is limited:		
Funds held under bond indenture agreement	**233,000**	605,899
Total current assets	**29,438,231**	36,892,327
Assets whose use is limited:		
Funds held under bond indenture agreement	**1,292,303**	1,292,324
Funds held under bond reserve fund	**453,919**	453,612
Funds held in trust by others	**3,905,024**	3,734,376
Donor restricted endowments	**3,068,136**	3,612,175
Board restricted endowments	**6,533,539**	5,628,100
	15,252,921	14,720,587
Investments in real estate	**277,565**	291,301
Deferred financing costs, net	**696,283**	773,880
Property, plant and equipment, net	**31,997,469**	25,518,179
Total assets	**$ 77,662,469**	$ 78,196,274
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 3,335,293**	$ 3,735,626
Salaries and wages payable	**1,016,316**	1,617,235
Employee benefits payable	**3,470,292**	4,093,881
Due to third-party payers	**1,308,122**	3,205,718
Other liabilities	**1,885,215**	2,294,479
Current portion of pension liability	**3,306,179**	761,860
Current portion of long-term debt	**560,000**	530,000
Total current liabilities	**14,881,417**	16,238,799
Long-term debt, less current portion	**14,691,107**	13,620,000
Pension and other liabilities	**28,880,608**	25,602,222
Total liabilities	**58,453,132**	55,461,021
Net assets:		
Unrestricted	**12,241,312**	15,388,702
Temporarily restricted	**3,250,700**	3,711,784
Permanently restricted	**3,717,325**	3,634,767
Total net assets	**19,209,337**	22,735,253
Total liabilities and net assets	**$ 77,662,469**	$ 78,196,274

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

Day Kimball Healthcare, Inc.
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Net revenues from services to patients	**$ 107,034,385**	$ 99,560,103
Other operating revenues	**2,193,993**	2,091,574
Grant income	**985,539**	933,549
Assets released from restrictions for operations	**313,275**	200,965
Total operating revenues	**110,527,192**	102,786,191
Operating expenses:		
Other professional services	**28,136,046**	27,695,510
Nursing services	**22,317,333**	22,011,176
Other operating expenses	**25,062,486**	19,667,913
Fiscal services	**8,066,842**	7,713,373
General services	**7,128,089**	6,763,719
Administrative services	**4,952,112**	4,043,985
Homecare	**5,047,930**	4,780,044
Depreciation	**4,454,960**	4,425,527
Bad debts	**3,380,034**	3,599,872
Interest and amortization	**849,815**	792,499
Total operating expenses	**109,395,647**	101,493,618
Gain from operations	**1,131,545**	1,292,573
Non-operating gains (losses)	**607,272**	(687,680)
Excess of revenues over expenses	**$ 1,738,817**	$ 604,893

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

Day Kimball Healthcare, Inc.
Consolidated Statements of Operations and Changes in Net Assets (continued)
For the Years Ended September 30, 2010 and 2009

	2010	2009
Unrestricted net assets:		
Excess of revenues over expenses	**$ 1,738,817**	$ 604,893
Pension related changes other than net periodic pension cost	**(6,019,561)**	(25,271,151)
Change in unrealized gains on investments	**429,051**	924,737
Assets released from restrictions for property, plant and equipment	**704,303**	12,051
Change in unrestricted net assets	**(3,147,390)**	(23,729,470)
Temporarily restricted net assets:		
Contributions	**382,611**	500,338
Net realized and unrealized gains on investments	**85,793**	43,291
Change in funds held in trust by others	**88,090**	36,071
Assets released from restrictions	**(1,017,578)**	(213,016)
Change in temporarily restricted net assets	**(461,084)**	366,684
Permanently restricted net assets:		
Change in funds held in trust by others	**82,558**	(58,386)
Change in permanently restricted net assets	**82,558**	(58,386)
Change in net assets	**(3,525,916)**	(23,421,172)
Net assets at beginning of year	**22,735,253**	46,156,425
Net assets at end of year	**$ 19,209,337**	$ 22,735,253

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

Day Kimball Healthcare, Inc.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2010 and 2009

	2010	2009
Operating activities and non-operating gains and losses:		
Change in net assets	$ (3,525,916)	$ (23,421,172)
Adjustments to reconcile change in net assets to net cash provided by operating activities and non-operating gains and losses:		
Depreciation and amortization	4,546,293	4,518,958
Provision for bad debts	3,380,034	3,599,872
Realized (gains) losses from sales of investments	(209,507)	1,207,755
Change in funds held in trust by others	(170,648)	22,315
Pension related changes other than net periodic pension cost	6,019,561	25,271,151
Restricted contributions and investment income	(468,404)	(543,629)
Changes in operating assets and liabilities:		
Accounts receivable	(2,901,327)	(4,570,698)
Accounts receivable, other	152,687	(78,951)
Inventories and prepaid expenses	(621,244)	(530,781)
Accounts payable	(400,333)	1,779,675
Salaries and wages payable	(600,919)	59,591
Employee benefits payable	(623,589)	281,125
Due to third-party payers	(1,897,596)	1,289,201
Other liabilities	(606,120)	(2,672,528)
Net cash provided by operating activities and non-operating gains and losses	2,072,972	6,211,884
Investing activities:		
Additions to property, plant and equipment	(10,934,250)	(5,148,011)
Sales (purchases) of investments, net	2,539,179	(1,684,153)
Sales (purchases) of certificates of deposit, net	2,416,422	(40,970)
Change in funds held under bond agreements	372,613	(187,455)
Net cash used in investing activities	(5,606,036)	(7,060,589)
Financing activities:		
Proceeds from restricted contributions and restricted investment income	468,404	543,629
Borrowings on contruction loan	1,631,107	-
Principal payments on long-term debt	(530,000)	(500,000)
Net cash provided by financing activities	1,569,511	43,629
Change in cash and cash equivalents	(1,963,553)	(805,076)
Cash and cash equivalents at beginning of year	9,970,754	10,775,830
Cash and cash equivalents at end of year	$ 8,007,201	$ 9,970,754

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

Note 1 - General

Organization **-** Day Kimball Healthcare, Inc., (d/b/a Day Kimball Hospital) (the Hospital) is a voluntary, tax-exempt association incorporated under the General Statutes of the State of Connecticut. The Hospital has two subsidiaries, Day Kimball Homemakers, Inc. (Homemakers) and Physician Services of Northeast Connecticut, LLC (Physician Services). Physician Services began operations on July 13, 2008.

The Hospital provides inpatient, outpatient and emergency care services for residents of northeastern Connecticut. Homemakers provides homemaker and chore companion services to residents of northeastern Connecticut. Physician Services provides primary care services in the towns of Danielson, Brooklyn, Woodstock, and Putnam, Connecticut.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation **-** The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The consolidated financial statements include the accounts of the Hospital and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Use of Estimates **-** The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related footnotes. Actual results could differ from those estimates.

Cash and Cash Equivalents **-** The Hospital considers all highly liquid investments with original maturities of three months or less at date of purchase to be cash equivalents. At times, the Hospital maintains cash balances that are in excess of the $250,000 Federal Depository Insurance Corporation (FDIC) insured limits. In addition, FDIC coverage for balances in non-interest bearing transaction deposit accounts is unlimited if the bank elects to participate. The Hospital maintains its cash at four banks, and it is the Hospital's policy to monitor the banks' financial strength on an ongoing basis.

Inventories **-** Inventories, used in general operations of the Hospital, are stated using the first-in first-out method.

Deferred Financing Costs **-** Deferred financing costs have been recorded as an asset and are being amortized using the effective interest method over the term of the related financing agreement. Amortization expense on deferred financing costs was $77,597 and $79,695 for the years ended September 30, 2010 and 2009, respectively.

Property, Plant and Equipment **-** Property, plant and equipment is recorded on the basis of cost or, if received as a donation or bequest, at the fair market value on the date received. The Hospital provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of the assets over their estimated useful lives.

Investments **-** The Hospital's investment portfolio is classified as available for sale, with unrealized gains and losses excluded from excess of revenues over expenses, unless the losses are deemed to be other than temporary. Investments in equity securities with readily determinable fair values and all investments in debt securities and mutual funds are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenues over expenses, unless the income or loss is restricted by donor or law.

Note 2 - Summary of Significant Accounting Policies (continued)

The investment return is comprised of operating interest, dividends and realized gains and losses on unrestricted investments, which are included within other operating revenues and non-operating gains (losses) on the consolidated statements of operations and changes in net assets. Investment income generated by funds held in trust by others is included within non-operating gains (losses) in the consolidated statements of operations and changes in net assets.

***Other Than Temporary Impairments on Investments* -** The Hospital accounts for other than temporary impairments in accordance with FASB ASC 320-10 and continually reviews its securities for impairment conditions, which could indicate that an other than temporary decline in market value has occurred. In conducting this review, numerous factors are considered, which include specific information pertaining to an individual company or a particular industry, general market conditions that reflect prospects for the economy as a whole, and the ability and intent to hold securities until recovery. The carrying value of investments is reduced to its estimated realizable value if a decline in fair value is considered to be other than temporary. There were no impairments recorded in 2010 or 2009.

***Estimated Malpractice Costs* -** The Hospital maintains a claims-made medical malpractice policy. The Hospital has recorded a reserve for estimated medical malpractice claims incurred but not reported. The Hospital utilizes the services of an independent consulting actuary to estimate the reserve for estimated incurred but not reported medical malpractice claims.

***Temporarily and Permanently Restricted Net Assets* -** Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose and are included within assets whose use is limited. Temporarily restricted net assets are available primarily for health care services, including cancer and pediatric programs, and capital replacement.

Permanently restricted net assets consist of the Hospital's permanently restricted endowments, which are included in donor restricted endowment and in funds held in trusts by others. Permanently restricted endowments are investments to be held in perpetuity, the income from which is expendable to support health care services. The income from permanently restricted funds held in trust by others is expendable to support health care services.

***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 support 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations and changes in net assets, as net assets released from restrictions.

***Excess of Revenues Over Expenses* -** The consolidated statements of operations and changes in net assets includes excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, assets released from restrictions for purchase of property, plant and equipment and certain changes in pension liabilities.

***Non-Operating Gains (Losses)* -** Activities, other than in connection with providing health care services, are considered to be non-operating. Non-operating gains and losses consist primarily of income on board restricted endowment funds and income from funds held in trust by others.

Note 2 - Summary of Significant Accounting Policies (continued)

***Charity Care* -** The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

***Income Taxes* -** The Hospital and Homemakers are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. Physician Services is a limited liability company and the effect of its tax activities accrue to its sole member, which is the Hospital.

The Hospital accounts for uncertain tax positions with provisions of FASB ASC 740, *"Income Taxes"* which provide a new framework for how companies should recognize, measure, present and disclose uncertain tax positions in their consolidated financial statements. With these changes, the Hospital may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Hospital does not have any uncertain tax positions as September 30, 2010 and 2009. As of September 30, 2010 and 2009, the Hospital did not record any penalties or interest associated with uncertain tax positions.

***New Accounting Pronouncements* -** In January 2010, the FASB issued FASB ASU 2010-06, which clarifies certain existing fair value measurement disclosure requirements of FASB ASC 820-10 and also requires additional fair value measurement disclosures. The new disclosures relate to transfers in and out of Level 1 and 2 investments, and disclosures about inputs and valuation techniques. The disclosures regarding transfers in and out of Level 1 and 2 investments, and clarifications to existing disclosures are effective for interim and annual periods beginning after December 15, 2009. The disclosures of Level 3 investment rollforward of activity on a gross basis are effective for fiscal years beginning after December 15, 2010. The Hospital is currently evaluating the impact of these disclosures on its consolidated financial statements.

In December 2008, the FASB issued additional authoritative guidance regarding an employer's disclosures about postretirement benefit plan assets, currently included in FASB ASC 715 (formerly FASB Staff Position FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*). This guidance requires disclosure about the major classes of postretirement benefit plan assets, including a description of the inputs and valuation techniques used to measure those assets and the designation of such assets by level; how investment allocation decisions are made; the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and significant concentrations of risk within plan assets. See Note 8 for these additional disclosures for the year ended September 30, 2010. The adoption of this guidance did not have a significant impact on the Hospital's consolidated financial statements for the year ended September 30, 2010.

In August 2010, the FASB issued ASU 2010-23, which is intended to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. ASU 2010-23 requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care, and requires disclosure of the method used to identify or determine such costs. This ASU is effective for the Hospital on October 1, 2011. The Hospital is currently evaluating the impact on its disclosures from the adoption of this pronouncement.

Note 2 - Summary of Significant Accounting Policies (continued)

In August 2010, the FASB issued ASU No. 2010-24, which clarifies that a health care entity may not net insurance recoveries against related claim liabilities. In addition, the amount of the claim liability must be determined without consideration of insurance recoveries. This ASU is effective for the Hospital on October 1, 2011. The Hospital is currently evaluating the impact on its financial position and results of operations from the adoption of this pronouncement.

Subsequent Events - Subsequent events have been evaluated through November 18, 2010, the date through which procedures were performed to prepare the consolidated financial statements for issuance.

Note 3 - Revenues from Services to Patients and Charity Care

The following summarizes net patient service revenues for the year ended September 30, 2010:

	Day Kimball Hospital	Homemakers	Physician Services	Total
Gross revenues from services to patients	$ 168,847,093	$ 1,344,972	$ 7,505,486	$ 177,697,551
Deductions:				
Allowances	67,333,858	-	2,468,027	69,801,885
Connecticut Uncompenstated Care Pool	(529,980)	-	-	(529,980)
Charity care	1,391,261	-	-	1,391,261
	68,195,139	-	2,468,027	70,663,166
Net revenues from services to patients	$ 100,651,954	$ 1,344,972	$ 5,037,459	$ 107,034,385

The following summarizes net patient service revenues for the year ended September 30, 2009:

	Day Kimball Hospital	Homemakers	Physician Services	Total
Gross revenues from services to patients	$ 165,561,002	$ 1,275,127	$ 3,172,532	$ 170,008,661
Deductions:				
Allowances	68,953,316	-	882,840	69,836,156
Connecticut Uncompenstated Care Pool	(597,835)	-	-	(597,835)
Charity care	1,210,237	-	-	1,210,237
	69,565,718	-	882,840	70,448,558
Net revenues from services to patients	$ 95,995,284	$ 1,275,127	$ 2,289,692	$ 99,560,103

Note 3 - Revenues from Services to Patients and Charity Care (continued)

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most third-party payers are different from established billing rates of the Hospital, and these differences are accounted for as contractual allowances.

Net revenues from services to patients are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments from cost reports with third-party payers. Cost report 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. During 2010, approximately 30% of net revenues from services to patients were received under the Medicare program, 13% under the Medicaid and town programs, and 21% from Blue Cross. During 2009, approximately 31% of net revenues from services to patients were received under the Medicare program, 13% under the Medicaid and town programs, and 22% from Blue Cross.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is 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 are outstanding, 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 Medicare and Medicaid programs.

The Hospital has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the HMOs make fee-for-service and contractual payments to the Hospital for certain covered services based upon discounted fee schedules.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient’s inability to pay, the Hospital utilizes the generally recognized poverty income levels for the State, but also includes certain cases where incurred charges are significant when compared to incomes. These charges are not included in net revenues from services to patients for financial reporting purposes.

Note 4 - Investments

The Hospital has investments whose use is limited, which are carried on the consolidated balance sheets within funds held in trust by others, funds held under bond indenture agreement, funds held under bond reserve fund, donor restricted endowments and board restricted endowments. The composition of these assets consists primarily of cash, fixed income and equity investments. The funds held in trust by others were $3,905,024 and $3,734,376 as of September 30, 2010 and 2009, respectively.

The funds held under bond reserve fund as of September 30, 2010 and 2009 were $453,919 and 453,612, respectively. This fund was established as a result of the Hospital not meeting certain 2008 debt covenants of the bond insurer. The funds held under bond indenture agreement whose use is limited are $1,525,303 and $1,898,223 as of September 30, 2010 and 2009, respectively.

Note 4 - Investments (continued)

Short-term investments, donor restricted endowments and board restricted endowments as of September 30, 2010 and 2009 consist of the following:

	2010	2009
Money market funds	**$ 3,664,738**	$ 8,764,138
Equities	**5,644,039**	5,134,640
Mutual funds	**4,316,338**	3,955,227
Government securities	**2,679,456**	1,309,545
Certificates of deposit	**1,472,000**	-
Corporate bonds	**-**	942,693
	17,776,571	20,106,243
Less: donor restricted endowments	**3,068,136**	3,612,175
Less: board restricted endowments	**6,533,539**	5,628,100
Short-term investments	**$ 8,174,896**	$ 10,865,968

Investment income, which is included within other operating revenues and non-operating gains (losses), is comprised of the following for the years ended September 30, 2010 and 2009:

	2010	2009
Income:		
Realized gains (losses) on sales of investments	**$ 209,507**	$ (1,207,755)
Interest income	**314,400**	762,627
Non-operating interest and dividend income	**337,211**	93,880
Total investment return	**$ 861,118**	$ (351,248)
Other changes in net assets:		
Unrealized gains on investments	**$ 429,051**	$ 924,737

The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, as of September 30, 2010:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities	$ 1,137,867	$(141,418)	$ 561,495	$(182,330)	$ 1,699,362	$ (323,748)
Mutual funds	147,344	(10,430)	130,465	(82,335)	277,809	(92,765)
Government securities	271,151	(3,862)	64,487	(1,075)	335,638	(4,937)
	$ 1,556,362	$ (155,710)	$ 756,447	$ (265,740)	$ 2,312,809	$ (421,450)

Note 4 - Investments (continued)

In 2010, none of the investments that were in an unrealized loss position were considered to be other than temporarily impaired.

The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2009:

	Less than 12 months		Greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities	$ 817,827	$ (86,704)	$ 1,076,480	$(261,887)	$ 1,894,307	$ (348,591)
Mutual funds	178,844	(17,452)	763,979	(172,872)	942,823	(190,324)
Government securities	351,562	(352)	-	-	351,562	(352)
Corporate bonds	392,681	(3,803)	-	-	392,681	(3,803)
	$ 1,740,914	$ (108,311)	$ 1,840,459	$ (434,759)	$ 3,581,373	$ (543,070)

In 2009, none of the investments that were in an unrealized loss position were considered to be other than temporarily impaired.

Note 5 - Fair Value Measurements

FASB ASC 820-10, *"Fair Value Measurements and Disclosures"*, provides a framework for measuring fair value. That framework provides a fair value hierarch that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has specified (contractual) terms, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 5 - Fair Value Measurements (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of September 30, 2010 and 2009 by the valuation hierarchy:

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 8,007,201	$ -	$ -	$ 8,007,201
Investments:				
Money market funds	3,664,738	-	-	3,664,738
Equities	5,644,039	-	-	5,644,039
Mutual funds	4,316,338	-	-	4,316,338
Government securities	-	2,679,456	-	2,679,456
Certificates of deposit	-	1,472,000	-	1,472,000
	13,625,115	4,151,456	-	17,776,571
Funds held under bond agreements	1,979,222	-	-	1,979,222
Beneficial interest in trusts	-	-	3,905,024	3,905,024
	$ 23,611,538	$ 4,151,456	$ 3,905,024	$ 31,668,018

2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 9,970,754	$ -	$ -	$ 9,970,754
Investments:				
Money market funds	8,764,138	-	-	8,764,138
Equities	5,134,640	-	-	5,134,640
Mutual funds	3,955,227	-	-	3,955,227
Government securities	-	1,309,545	-	1,309,545
Corporate bonds	-	942,693	-	942,693
	17,854,005	2,252,238	-	20,106,243
Funds held under bond agreements	2,351,835	-	-	2,351,835
Beneficial interest in trusts	-	-	3,734,376	3,734,376
	$ 30,176,594	$ 2,252,238	$ 3,734,376	$ 36,163,208

Note 5 - Fair Value Measurements (continued)

A rollforward as of September 30, 2010 and 2009 of the amounts classified as Level 3 investments within the fair value hierarchy is as follows:

2010		**Beneficial Interest in Trusts**
Balance as of October 1, 2009	$	3,734,376
Net change in market value		261,025
Distributions		(90,377)
Balance as of September 30, 2010	$	3,905,024

2009		**Beneficial Interest in Trusts**
Balance as of October 1, 2008	$	3,756,691
Net change in market value		72,703
Distributions		(95,018)
Balance as of September 30, 2009	$	3,734,376

The Hospital's valuation methodologies used to measure financial assets and liabilities at fair value are outlined below. Where applicable, the Hospital uses quoted prices in active markets for identical assets and liabilities to determine fair value (Level 1 inputs). This pricing methodology applies to cash and cash equivalents, equities, money market funds and mutual funds.

If quoted prices in active markets for identical assets and liabilities are not available, then quoted prices for similar assets and liabilities, quoted prices for identical assets or liabilities in inactive markets or inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, will be used to determine fair value (Level 2 inputs). Securities typically priced using Level 2 inputs include government securities, corporate bonds and certificates of deposit.

Assets and liabilities that are valued using significant unobservable inputs, such as extrapolated data, proprietary models, or indicative quotes that cannot be corroborated with market data are classified in Level 3 within the fair value hierarchy. The Hospital's beneficial interest in trusts are classified within the Level 3 classification. The value of the Hospital's assets is based on total fund values and the Hospital's corresponding beneficiary percentage.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 - Fair Value Measurements (continued)

As of September 30, 2010 and 2009, the Hospital's other financial instruments included certificates of deposit, accounts receivable, accounts payable and accrued expenses, estimated third-party payer settlements, and long-term debt. The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate their fair value.

Note 6 - Net Assets

Net assets that are temporarily restricted as of September 30, 2010 and 2009 consist of the following:

	2010	2009
Beneficial trusts	$ 1,372,047	$ 1,283,957
Endowment restricted for health care services	1,878,653	2,427,827
	$ 3,250,700	$ 3,711,784

Net assets that are permanently restricted as of September 30, 2010 and 2009 consist of the following:

	2010	2009
Beneficial trusts	$ 2,532,977	$ 2,450,419
Endowment held in perpetuity with income restricted for operations	1,184,348	1,184,348
	$ 3,717,325	$ 3,634,767

The Hospital's endowment consists of multiple funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The Hospital has interpreted the relevant laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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 Hospital during its annual budgeting process.

The Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the Hospital and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Hospital; and (7) the investment policies of the Hospital.

Note 6 - Net Assets (continued)

Changes in endowment net assets for the years ended September 30, 2010 and 2009 are as follows:

2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at October 1, 2009	$ 5,628,100	$ 2,427,827	$ 1,184,348	$ 9,240,275
Investment return:				
Investment income	337,211	-	-	337,211
Net change in market value	631,127	85,793	-	716,920
Investment fees	(62,899)	-	-	(62,899)
Contributions	-	382,611	-	382,611
Expenditures	-	(1,017,578)	-	(1,017,578)
Balance at September 30, 2010	$ 6,533,539	$ 1,878,653	$ 1,184,348	$ 9,596,540

2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at October 1, 2008	$ 5,622,461	$ 2,097,214	$ 1,184,348	$ 8,904,023
Investment return:				
Investment income	397,926	-	-	397,926
Net change in market value	(305,638)	43,291	-	(262,347)
Contributions	-	500,338	-	500,338
Expenditures	(86,649)	(213,016)	-	(299,665)
Balance at September 30, 2009	$ 5,628,100	$ 2,427,827	$ 1,184,348	$ 9,240,275

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or relevant law requires the Hospital to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of September 30, 2010 and 2009, there were no funds that were below the level required by donor or law.

Return Objectives and Risk Parameters - The Hospital's investment and spending policies for endowment assets attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

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

Note 6 - Net Assets (continued)

Spending Policy **-** During its annual budgeting process, the Hospital appropriates donor restricted endowment funds for expenditure in accordance with donor purpose and time restrictions. The Hospital's board restricted endowment funds are being held for long-term growth and to maintain capital reserves for the Hospital.

Note 7 - Long-Term Debt

The Hospital has entered into a financing arrangement with the State of Connecticut Health and Educational Facilities Authority (the Authority) under a Trust Indenture for the financing of a facility renovation project. The Authority sold $19,150,000 of Series A, fixed rate, insured revenue bonds, maturing serially from 1996 through 2026 with an average annual interest rate of approximately 5.2%. The balance of this debt as of September 30, 2010 and 2009 was $13,620,000 and $14,150,000, respectively. Under the terms of the financing arrangement, the proceeds of the Series A revenue bonds were loaned to the Hospital by the Authority.

Pursuant to the loan agreements, the Hospital is required to provide amounts sufficient to enable the Authority to pay the principal and interest on the bonds. The borrowings under the Series A revenue bonds are secured by the pledge of gross receipts of the Hospital, as defined.

The debt is insured by a municipal bond insurance policy. Included within the debt agreements are financial covenants for the benefit of the bond insurer. These covenants include a minimum operating margin requirement of 1.0% and a minimum debt service coverage ratio of 2.0 to 1.0. For the year ending September 30, 2010 and 2009, the Hospital was in compliance with these requirements. For the year ending September 30, 2008, the Hospital was not in compliance with these requirements. This violation required the Hospital to deposit funds into a special reserve fund in accordance with the calculation included within the master trust indenture agreement. The funds will be released to the Hospital in three equal annual installments after the Hospital has satisfied the covenants for a period of three consecutive years. The special reserve fund of $453,919 and $453,612, as of September 30, 2010 and 2009, respectively, has been included within the assets whose use is limited on the accompanying consolidated balance sheets. The Hospital has other covenants related to the Authority loan and trust indenture documents, including limitations on new indebtedness and a minimum debt service coverage ratio requirement of 1.35 to 1.0. The Hospital was in compliance with these covenants for 2010 and 2009.

On August 26, 2010, the Hospital entered into a Construction Mortgage Note (the Note) with a local bank to finance the construction of a medical office building in Plainfield, Connecticut. Under the terms of the Note, the Hospital can borrow up to $5.0 million during the construction period. Principal payments on the Note are to begin on September 1, 2011 based on a 20-year amortization period with a final installment of the remaining balance due on August 1, 2021. During the construction period, the Note will bear interest at the prime rate plus 1.00% (4.25% at September 30, 2010). Upon completion of the construction period, the Note will bear interest at 3.50% above the weekly average yield of United States Treasury Securities. Total borrowings on the Note, as of September 30, 2010, amounted to $1,631,107.

The Hospital has a line of credit agreement with Citizens National Bank for $2.5 million. The line matures on November 1, 2011, and bears interest at the prime rate minus one half a percentage point (2.75% as of September 30, 2010 and 2009). Borrowings on the line are secured by certain hospital equipment. There were no borrowings against the line as of September 30, 2010 and 2009.

Interest paid during fiscal year 2010 and 2009 amounted to $767,541 and $799,218, respectively.

Note 7 - Long-Term Debt (continued)

Maturities of long-term debt for the five years subsequent to September 30, 2010 and thereafter are as follows:

2011	$	560,000
2012		752,175
2013		789,204
2014		831,537
2015		874,187
Thereafter		11,444,004
	$	15,251,107

Note 8 - Pension Plan

The Hospital has a defined benefit pension plan (the Plan) covering all employees who have worked at least 1,000 hours during the year. Effective January 1, 2006, the Hospital amended the Plan to exclude all new hires after December 31, 2005. Effective September 30, 2008, the Plan was frozen and the participants are no longer accruing additional benefits. The benefits were based on years of service and the employee's compensation. The Hospital's funding policy is to contribute amounts sufficient to cover benefits to be paid as required by Employee Retirement Income Security Act funding standards.

Significant disclosures relating to the Plan as of September 30, 2010 and 2009 are as follows:

		2010		**2009**
Change in benefit obligations:				
Benefit obligations at beginning of year	**$**	**83,418,300**	$	61,816,102
Interest cost		**4,544,665**		4,573,185
Actuarial loss		**6,823,095**		19,966,480
Benefits paid		**(3,328,673)**		(2,937,467)
Benefit obligations at end of year	**$**	**91,457,387**	$	83,418,300
Change in plan assets:				
Fair value of plan assets at beginning of year	**$**	**57,154,218**	$	58,236,871
Actual return on plan assets		**4,445,055**		104,814
Employer contributions		**1,000,000**		1,750,000
Benefits paid		**(3,328,673)**		(2,937,467)
Fair value of plan assets at end of year	**$**	**59,270,600**	$	57,154,218
Accrued pension liability:				
Unfunded status	**$**	**(32,186,787)**	$	(26,264,082)

Note 8 - Pension Plan (continued)

	2010	2009
Components of net periodic benefit cost (income):		
Interest cost	**$ 4,544,665**	$ 4,573,185
Expected return on plan assets	**(5,240,643)**	(5,409,485)
Recognized net loss	**1,599,122**	-
Net periodic benefit cost (income)	**$ 903,144**	$ (836,300)
Assumptions:		
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	**5.00%**	5.55%
Rate of compensation increase	**N/A**	N/A
Weighted-average assumptions used to determine net periodic benefit cost (income):		
Discount rate	**5.55%**	7.55%
Expected long-term return on plan assets	**8.00%**	8.00%

Amounts recorded in unrestricted net assets as of September 30, 2010 and 2009, not yet amortized as components of net periodic benefit costs, are as follows:

	2010	2009
Unamortized actuarial loss	**$ 39,883,602**	$ 33,864,041
Amount recognized as a reduction in unrestricted net assets	**$ 39,883,602**	$ 33,864,041

The amortization of the above items expected to be recognized in net periodic benefit costs are approximately $2.5 million and $1.6 million for the years ending September 30, 2010 and 2009, respectively.

Plan assets are invested in an insurance contract with Prudential and other investments with Merrill Lynch.

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

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 the portfolio is rebalanced back to target levels 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 with which the Investment Committee of the Board of Directors oversees. The Investment Committee monitors the investment performance quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy.

Note 8 - Pension Plan (continued)

The fair values of the Hospital's pension plan assets by asset category, are as follows, for the years ending September 30, 2010 and 2009:

2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market securities	$ 1,817,654	$ -	$ -	$ 1,817,654
Government securities	-	4,619,102	-	4,619,102
Corporate bonds	-	2,866,221	-	2,866,221
Equity securities	36,822,895	-	-	36,822,895
Guaranteed investment contract	-	-	13,144,728	13,144,728
	$ 38,640,549	$ 7,485,323	$ 13,144,728	$ 59,270,600

2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market securities	$ 2,098,639	$ -	$ -	$ 2,098,639
Government securities	-	5,420,763	-	5,420,763
Corporate bonds	-	3,363,665	-	3,363,665
Equity securities	34,616,163	-	-	34,616,163
Guaranteed investment contract	-	-	11,654,988	11,654,988
	$ 36,714,802	$ 8,784,428	$ 11,654,988	$ 57,154,218

During the year ending September 30, 2010, the value of the guaranteed investment contract decreased for disbursements of $3,234,471 and increased for income and Hospital contributions of $4,724,211. During the year ending September 30, 2009, the value decreased for disbursements of $2,998,907 and increased for income of $766,585.

Contributions - The Hospital expects to contribute $3,306,179 to its pension plan during the fiscal year beginning October 1, 2010.

Estimated future benefit payments - The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

2011	$ 3,636,000
2012	$ 3,907,000
2013	$ 4,203,000
2014	$ 4,457,000
2015	$ 4,712,000
Years 2016-2021	$ 27,351,000

Note 8 - Pension Plan (continued)

The Hospital also has established a defined contribution benefit plan, which became effective January 1, 2006. Substantially all full-time employees are eligible to participate in the new plan. Employees may contribute up to 50% of their compensation into the defined contribution plan subject to Internal Revenue Code limitations and the Hospital contributes 3% of each eligible participant's gross earnings. In addition, the Hospital will contribute an additional 3% for participants that are fifty-five or fifty years of age with 10 years of vesting service. The Hospital made employer contributions to the defined contribution plan totaling $1,668,919 in 2010 and $1,599,418 in 2009. Employees become vested in the Hospital's contributions over three years. The portion of the employer contributions unvested upon termination of an employee are forfeited and used to reduce future contributions made by the Hospital on a dollar-for-dollar basis.

The Hospital also has established a 403(b) plan covering all full time and part time employees of the Hospital. Participants may elect to contribute a specific percentage of their compensation in pre-tax deferrals subject to established Internal Revenue Code limitations. Currently, the Hospital does not contribute to this plan.

Note 9 - Operating Leases

The Hospital is party to various operating lease agreements and subleases space to various tenants. Future minimum lease payments by fiscal year as of September 30, 2010 are as follows:

2011	$ 522,749
2012	522,749
2013	504,101
2014	266,165
2015	248,147
	$ 2,063,911

Note 10 - Property, Plant and Equipment

Property, plant and equipment consist of the following as of September 30, 2010:

	Day Kimball Hospital	Homemakers	Physician Services	Total
Land and land improvements	$ 3,526,800	$ -	$ -	$ 3,526,800
Buildings and improvements	52,100,507	-	-	52,100,507
Fixed equipment	812,679	-	-	812,679
Movable equipment	27,956,428	76,890	153,547	28,186,865
Construction in progress (estimated cost to complete - $6,487,816)	7,373,183	-	-	7,373,183
	91,769,597	76,890	153,547	92,000,034
Less: accumulated depreciation	(59,922,177)	(55,142)	(25,246)	(60,002,565)
	$ 31,847,420	$ 21,748	$ 128,301	$ 31,997,469

Note 10 - Property, Plant and Equipment (continued)

Property, plant and equipment consist of the following as of September 30, 2009:

	Day Kimball Hospital	Homemakers	Physician Services	Total
Land and land improvements	$ 3,526,800	$ -	$ -	$ 3,526,800
Buildings and improvements	49,951,086	-	-	49,951,086
Fixed equipment	812,679	-	-	812,679
Movable equipment	25,541,292	63,027	12,684	25,617,003
Construction in progress (estimated cost to complete - $987,493)	1,220,368	-	-	1,220,368
	81,052,225	63,027	12,684	81,127,936
Less: accumulated depreciation	(55,565,960)	(41,575)	(2,222)	(55,609,757)
	$ 25,486,265	$ 21,452	$ 10,462	$ 25,518,179

Note 11 - Medical Malpractice

The Hospital maintains claims made professional and general liability insurance to cover malpractice and general liability exposures. The current insurance coverage does not have a deductible amount. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital believes that it has the ability and intent to continue purchasing such claims-made insurance policies. In addition, the Hospital has estimated and recorded the ultimate costs, if any, of the settlement of all incurred but not reported claims.

Note 12 - Contingencies

The Hospital is a party to various claims and lawsuits incidental to its business. Management believes that these matters will not have a material adverse effect on its consolidated financial position of the Hospital.

The Hospital and the Hospital's defined benefit pension plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

Note 13 - Functional Expenses

The Hospital, Homemakers, and Physician Services provide general health care services to residents within their geographic location. General and administrative expenses were approximately 19% of total expenses in 2010 and 2009.

Note 14 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of September 30, 2010 and 2009, was as follows:

	2010	**2009**
Medicare	**25%**	31%
Medicaid	**16%**	17%
Blue Cross	**15%**	11%
Self pay	**23%**	21%
HMO and commercial	**17%**	17%
Other	**4%**	3%
	100%	100%

Note 15 - Related Party Transactions

As of September 30, 2010 and 2009, the Hospital has recorded an investment in Physician Services of $2,853,000 and $1,050,000, respectively, which represents the cumulative amount of capital that the Hospital has invested in Physician Services. In addition, as of September 30, 2010 and 2009, Physician Services owes the Hospital $862,345 and $261,865, respectively, of costs associated with the management, accounting and oversight services.

As of September 30, 2010 and 2009, Homemakers owes the Hospital $4,486 and $4,437, respectively.

Day Kimball Healthcare, Inc.
Consolidating Balance Sheet
September 30, 2010

Assets	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Current assets:					
Cash and cash equivalents	$ 7,593,483	$ 386,813	$ 26,905	$ -	$ 8,007,201
Certificates of deposit	125,000	-	-	-	125,000
Short-term investments	8,174,896	-	-	-	8,174,896
Accounts receivable (less allowance for doubtful accounts of $4,140,663)	10,144,136	196,599	378,501	-	10,719,236
Due from affiliates	866,831	-	-	(866,831)	-
Accounts receivable, other	75,452	-	-	-	75,452
Inventories and prepaid expenses	2,031,106	1,041	71,299	-	2,103,446
Assets whose use is limited:					
Funds held under bond indenture agreement	233,000	-	-	-	233,000
Total current assets	29,243,904	584,453	476,705	(866,831)	29,438,231
Assets whose use is limited:					
Funds held under bond indenture agreement	1,292,303	-	-	-	1,292,303
Funds held under bond reserve fund	453,919	-	-	-	453,919
Funds held in trust by others	3,905,024	-	-	-	3,905,024
Donor restricted endowment	3,067,177	959	-	-	3,068,136
Board restricted endowment	6,444,584	88,955	-	-	6,533,539
	15,163,007	89,914	-	-	15,252,921
Investments in real estate	277,565	-	-	-	277,565
Investment in Physician Services of Northeast Connecticut, LLC	2,853,000	-	-	(2,853,000)	-
Deferred financing costs, net	696,283	-	-	-	696,283
Property, plant and equipment, net	31,847,420	21,748	128,301	-	31,997,469
Total assets	$ 80,081,179	$ 696,115	$ 605,006	$ (3,719,831)	$ 77,662,469
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$ 3,164,793	$ 54,228	$ 116,272	$ -	$ 3,335,293
Salaries and wages payable	885,149	-	131,167	-	1,016,316
Employee benefits payable	3,226,045	-	244,247	-	3,470,292
Due to third-party payers	1,308,122	-	-	-	1,308,122
Other liabilities	1,885,215	-	-	-	1,885,215
Due to affiliates	-	4,486	862,345	(866,831)	-
Current portion of pension liability	3,306,179	-	-	-	3,306,179
Current portion of long-term debt	560,000	-	-	-	560,000
Total current liabilities	14,335,503	58,714	1,354,031	(866,831)	14,881,417
Long-term debt, less current portion	14,691,107	-	-	-	14,691,107
Pension and other liabilities	28,880,608	-	-	-	28,880,608
Total liabilities	57,907,218	58,714	1,354,031	(866,831)	58,453,132
Net assets:					
Unrestricted	15,206,895	636,442	(749,025)	(2,853,000)	12,241,312
Temporarily restricted	3,249,741	959	-	-	3,250,700
Permanently restricted	3,717,325	-	-	-	3,717,325
Total net assets	22,173,961	637,401	(749,025)	(2,853,000)	19,209,337
Total liabilities and net assets	$ 80,081,179	$ 696,115	$ 605,006	$ (3,719,831)	$ 77,662,469

See accompanying Independent Auditors' Report.

Day Kimball Healthcare, Inc.
Consolidating Statement of Operations
For the Year Ended September 30, 2010

	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Operating revenues:					
Net revenues from					
services to patients	$ 100,651,954	$ 1,344,972	$ 5,037,459	$ -	$ 107,034,385
Other operating revenues	2,176,468	1,351	16,174	-	2,193,993
Grant income	795,559	189,980	-	-	985,539
Assets released from restrictions					
for operations	307,931	5,344	-	-	313,275
Total operating revenues	103,931,912	1,541,647	5,053,633	-	110,527,192
Operating expenses:					
Other professional services	28,136,046	-	-	-	28,136,046
Nursing services	22,317,333	-	-	-	22,317,333
Other operating expenses	16,118,154	1,509,384	7,434,948	-	25,062,486
Fiscal services	8,066,842	-	-	-	8,066,842
General services	7,128,089	-	-	-	7,128,089
Administrative services	4,952,112	-	-	-	4,952,112
Homecare	5,047,930	-	-	-	5,047,930
Depreciation	4,418,719	13,218	23,023	-	4,454,960
Bad debts	3,376,899	940	2,195	-	3,380,034
Interest and amortization	849,815	-	-	-	849,815
Total operating expenses	100,411,939	1,523,542	7,460,166	-	109,395,647
Gain (loss) from operations	3,519,973	18,105	(2,406,533)	-	1,131,545
Non-operating gains	607,272	-	-	-	607,272
Excess of revenues over (under) expenses	$ 4,127,245	$ 18,105	$ (2,406,533)	$ -	$ 1,738,817

See accompanying Independent Auditors' Report.

Day Kimball Healthcare, Inc.
Consolidating Balance Sheet
September 30, 2009

Assets	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Current assets:					
Cash and cash equivalents	$ 9,595,927	$ 360,884	$ 13,943	$ -	$ 9,970,754
Certificates of deposit	2,541,422	-	-	-	2,541,422
Short-term investments	10,865,968	-	-	-	10,865,968
Accounts receivable (less allowance for doubtful accounts of $4,130,887)	10,764,165	219,057	214,721	-	11,197,943
Due from affiliates	266,302	-	-	(266,302)	-
Accounts receivable, other	228,139	-	-	-	228,139
Inventories and prepaid expenses	1,478,957	3,245	-	-	1,482,202
Assets whose use is limited:					
Funds held under bond indenture agreement	605,899	-	-	-	605,899
Total current assets	36,346,779	583,186	228,664	(266,302)	36,892,327
Assets whose use is limited:					
Funds held under bond indenture agreement	1,292,324	-	-	-	1,292,324
Funds held under bond reserve fund	453,612	-	-	-	453,612
Funds held in trust by others	3,734,376	-	-	-	3,734,376
Donor restricted endowment	3,605,872	6,303	-	-	3,612,175
Board restricted endowment	5,539,186	88,914	-	-	5,628,100
	14,625,370	95,217	-	-	14,720,587
Investments in real estate	291,301	-	-	-	291,301
Investment in Physician Services of Northeast Connecticut, LLC	1,050,000	-	-	(1,050,000)	-
Deferred financing costs, net	773,880	-	-	-	773,880
Property, plant and equipment, net	25,486,265	21,452	10,462	-	25,518,179
Total assets	$ 78,573,595	$ 699,855	$ 239,126	$ (1,316,302)	$ 78,196,274
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$ 3,594,514	$ 70,778	$ 70,334	$ -	$ 3,735,626
Salaries and wages payable	1,564,816	-	52,419	-	1,617,235
Employee benefits payable	4,093,881	-	-	-	4,093,881
Due to third-party payers	3,205,718	-	-	-	3,205,718
Other liabilities	2,294,479	-	-	-	2,294,479
Due to affiliates	-	4,437	261,865	(266,302)	-
Current portion of pension liability	761,860	-	-	-	761,860
Current portion of long-term debt	530,000	-	-	-	530,000
Total current liabilities	16,045,268	75,215	384,618	(266,302)	16,238,799
Long-term debt, less current portion	13,620,000	-	-	-	13,620,000
Pension and other liabilities	25,602,222	-	-	-	25,602,222
Total liabilities	55,267,490	75,215	384,618	(266,302)	55,461,021
Net assets:					
Unrestricted	15,965,857	618,337	(145,492)	(1,050,000)	15,388,702
Temporarily restricted	3,705,481	6,303	-	-	3,711,784
Permanently restricted	3,634,767	-	-	-	3,634,767
Total net assets	23,306,105	624,640	(145,492)	(1,050,000)	22,735,253
Total liabilities and net assets	$ 78,573,595	$ 699,855	$ 239,126	$ (1,316,302)	$ 78,196,274

See accompanying Independent Auditors' Report.

Day Kimball Healthcare, Inc.
Consolidating Statement of Operations
For the Year Ended September 30, 2009

	Day Kimball Hospital	Day Kimball Homemakers, Inc.	Physician Services of NE CT, LLC	Eliminations	Day Kimball Healthcare, Inc.
Operating revenues:					
Net revenues from services to patients	$ 95,995,284	$ 1,275,127	$ 2,289,692	$ -	$ 99,560,103
Other operating revenues	2,088,115	1,983	1,476	-	2,091,574
Grant income	700,644	232,905	-	-	933,549
Assets released from restrictions for operations	197,268	3,697	-	-	200,965
Total operating revenues	98,981,311	1,513,712	2,291,168	-	102,786,191
Operating expenses:					
Nursing services	22,011,176	-	-	-	22,011,176
Other professional services	27,695,510	-	-	-	27,695,510
Other operating expenses	15,013,826	1,407,840	3,246,247	-	19,667,913
General services	6,763,719	-	-	-	6,763,719
Homecare	4,780,044	-	-	-	4,780,044
Fiscal services	7,713,373	-	-	-	7,713,373
Administrative services	4,043,985	-	-	-	4,043,985
Bad debts	3,538,352	17,705	43,815	-	3,599,872
Depreciation	4,411,120	12,185	2,222	-	4,425,527
Interest and amortization	792,499	-	-	-	792,499
Total operating expenses	96,763,604	1,437,730	3,292,284	-	101,493,618
Gain (loss) from operations	2,217,707	75,982	(1,001,116)	-	1,292,573
Non-operating losses	(657,705)	(29,975)	-	-	(687,680)
Excess of revenues (under) over expenses	$ 1,560,002	$ 46,007	$ (1,001,116)	$ -	$ 604,893

See accompanying Independent Auditors' Report.