

McGladrey & Pullen

Certified Public Accountants

Silver Hill Hospital, Inc.

Financial Report
February 28, 2010

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Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Silver Hill Hospital, Inc.
New Canaan, Connecticut

We have audited the accompanying statements of financial position of Silver Hill Hospital, Inc. as of February 28, 2010 and 2009 and the related statements of unrestricted revenues, expenses and other changes in unrestricted net assets, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 financial statements referred to above, present fairly, in all material respects, the financial position of Silver Hill Hospital, Inc. as of February 28, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Stamford, Connecticut
July 15, 2010

Silver Hill Hospital, Inc.

Statements of Financial Position
February 28, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,856,116	\$ 3,989,224
Accounts receivable, net of allowance for doubtful accounts of \$937,106 and \$879,402 at February 28, 2010 and 2009, respectively (Note 7)	2,791,268	2,187,595
Prepaid expenses	470,299	347,591
Pledges receivable (Note 5)	73,421	39,921
Other current assets	410,632	103,298
Total current assets	8,601,736	6,667,629
Other Assets		
Investments (Notes 3 and 4)	9,832,612	5,866,680
Pledges receivable (Note 5)	65,152	36,272
Deferred financing costs, net	68,333	77,651
Other assets	3,301	-
	9,969,398	5,980,603
Property and equipment, net (Note 6)	16,149,146	16,630,844
	\$ 34,720,280	\$ 29,279,076
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 750,975	\$ 620,004
Deposits due to patients and third parties	655,340	597,357
Accrued salaries, taxes and other compensation	879,332	778,203
Other current liabilities	708,468	678,875
Total current liabilities	2,994,115	2,674,439
Line of credit (Note 8)	8,327,680	8,327,680
Other liabilities	88,214	90,000
	11,410,009	11,092,119
Commitments and Contingencies (Notes 9 and 10)		
Net Assets		
Unrestricted	22,985,863	17,969,542
Temporarily restricted (Note 13)	111,408	4,415
Permanently restricted (Note 14)	213,000	213,000
	23,310,271	18,186,957
	\$ 34,720,280	\$ 29,279,076

See Notes to Financial Statements.

Silver Hill Hospital, Inc.

**Statements of Unrestricted Revenues, Expenses and Other Changes in Unrestricted Net Assets
For the Years Ended February 28, 2010 and 2009**

	2010	2009
Unrestricted operating revenues		
Net patient service revenue (Notes 2 and 7)	\$ 29,593,900	\$ 26,186,473
Gain from insurance settlement	389,977	-
Other operating revenue	184,614	158,307
Total unrestricted operating revenues	30,168,491	26,344,780
Operating Expenses (Note 12)		
Salaries and related costs	14,524,940	14,320,840
Employee benefits (Note 11)	3,378,990	3,271,981
Supplies and services	7,605,831	7,592,658
Depreciation and amortization	1,455,060	1,435,370
Provision for bad debts	731,142	865,221
Development expense	281,863	344,780
Total operating expenses	27,977,826	27,830,850
Income (loss) from operations	2,190,665	(1,486,070)
Nonoperating gains (losses)		
Investment income	238,366	346,761
Realized loss on investments	(51,442)	(35,129)
Contributions	1,307,728	250,902
Benefit from (provision for) uncollectible pledges	2,000	(87,000)
Other losses - net	(1,322)	(2,969)
Interest expense	(603,699)	(346,573)
Total non-operating gains, net	891,631	125,992
Revenue and non-operating gains over (under) expenses	3,082,296	(1,360,078)
Other changes in unrestricted net assets		
Unrealized gain (loss) on investments	1,817,575	(2,203,621)
Net assets released from restriction	117,450	21,023
Net asset transfer to Employee Assistance Fund	(1,000)	-
Increase (decrease) in unrestricted net assets	\$ 5,016,321	\$ (3,542,676)

See Notes to Financial Statements.

Silver Hill Hospital, Inc.

Statements of Changes in Net Assets
Years Ended February 28, 2010 and 2009

	2010	2009
Unrestricted Net Assets		
Revenue and non-operating gains over (under) expenses	\$ 3,082,296	\$ (1,360,078)
Unrealized gain (loss) on investments	1,817,575	(2,203,621)
Net assets released from restriction	117,450	21,023
Net asset transfer to Employee Assistance Fund	(1,000)	-
Increase (decrease) in unrestricted net assets	5,016,321	(3,542,676)
Temporarily Restricted Net Assets		
Investment income	4,834	13,954
Contributions	218,609	8,419
Net asset transfer from unrestricted	1,000	-
Net assets released from restriction	(117,450)	(21,023)
Increase in temporarily restricted net assets	106,993	1,350
Increase (decrease) in net assets	5,123,314	(3,541,326)
Net assets, beginning of year	18,186,957	21,728,283
End of year	\$ 23,310,271	\$ 18,186,957

See Notes to Financial Statements.

Silver Hill Hospital, Inc.

Statements of Cash Flows
Years Ended February 28, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 5,123,314	\$ (3,541,326)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,455,060	1,435,370
Provision for bad debts	731,142	865,221
Loss on disposal of assets	238,983	-
(Recoveries of) provision for uncollectible pledges	(2,000)	87,000
Net unrealized (gains) losses on investments	(1,817,575)	2,203,621
Realized losses on investments	51,442	35,129
Increase (decrease) in cash resulting from a change in:		
Accounts receivable	(1,334,816)	(404,538)
Prepaid expenses	(122,708)	147,651
Pledges receivable	(60,380)	156,280
Other current assets	(307,334)	(40,878)
Other assets	(3,301)	-
Accounts payable and accrued expenses	130,971	(752,580)
Deposits due to patients and third parties	57,983	(56,198)
Accrued salaries, taxes and other compensation	101,129	61,539
Other current liabilities	29,593	89,243
Other liabilities	(1,786)	(10,000)
Net cash provided by operating activities	4,269,717	275,534
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,203,026)	(5,695,540)
Purchases of investments	(3,665,704)	(5,278,828)
Proceeds from sale of investments	1,465,905	6,740,940
Net cash used in investing activities	(3,402,825)	(4,233,428)
Cash Flows from Financing Activities		
Proceeds from line of credit	-	4,323,677
Net cash provided by financing activities	-	4,323,677
Increase in cash and cash equivalents	866,892	365,783
Cash and cash equivalents, beginning of year	3,989,224	3,623,441
Cash and cash equivalents, end of year	\$ 4,856,116	\$ 3,989,224
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 603,699	\$ 523,937

See Notes to Financial Statements.

Silver Hill Hospital, Inc.

Notes To Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Silver Hill Hospital, Inc. ("Silver Hill" or the "Hospital") is a Not-for-Profit private hospital which provides medical attention to patients with psychiatric or substance abuse diagnosis through in-patient and out-patient programs. Silver Hill was incorporated in the State of Connecticut in 1934.

A summary of Silver Hill's significant accounting policies follows:

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying financial statements is primarily related to the Hospital's determination of the net patient accounts receivable and settlements with third-party payors. Due to uncertainties inherent in the estimation and assumption process, actual results could differ from those estimates and such differences could be material.

Financial statement presentation: Silver Hill's financial statements are prepared in accordance with current accounting standards for not-for-profit organizations. Accordingly, Silver Hill reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net patient service revenue: The Hospital has agreements with third-party payors which provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is 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.

Donor-restricted gifts: Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indication of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of unrestricted revenues, expenses and other changes in unrestricted net assets and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year received are reported as unrestricted contributions in the accompanying statements of unrestricted revenues, expenses and other changes in unrestricted net assets. In the absence of donor specifications that income and gains on donated funds are restricted, such donated funds are reported as income and gains within the accompanying statements of unrestricted revenues, expenses and other changes in unrestricted net assets.

Notes To Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Charity care: Silver Hill provides care to patients who meet certain criteria established under its charity care policy without charge or at amounts less than its established rates. Because Silver Hill does not pursue collection of accounts determined to qualify as charity care, they are not reported as revenue. The amount of charity care provided to patients under Silver Hill's policy during the years ended February 28, 2010 and 2009 was approximately \$630,000 and \$785,000, respectively.

Cash and cash equivalents: For purpose of the statement of cash flows, Silver Hill considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As part of the line of credit agreement with the Bank of New Canaan, the Hospital must maintain a compensating balance at the bank of \$500,000.

Concentration of credit risk: Financial instruments which potentially subject the Hospital to concentrations of credit risk consist principally of temporary cash investments. A portion of temporary cash investments may exceed federally insured levels from time to time.

Patient accounts receivable, provision for doubtful accounts and due from/to third party-payors: The collections of receivables from third-party payors and patients is the Hospital's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and co-payments) remain outstanding. Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments to third-party payors. Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for uncollectible receivables. Management estimates this allowance based on the aging of its accounts receivable and its historical collection experience for each payor type. Recoveries of receivables previously written off are recorded as a reduction of the provision for uncollectible accounts when received. The past due status of receivables is determined on a case-by-case basis depending on the responsible payor. Interest is generally not charged on past due accounts.

Pledges receivable: Pledges, less an allowance for uncollectible amounts (if warranted), are recorded as pledges receivable in the year made.

Investments: Silver Hill accounts for its investments in accordance with current accounting standards for not-for profit organizations. Under these standards, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in revenues and non-operating gains unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from unrestricted operating revenue. Investments considered as part of Silver Hill's long-term strategy are classified as long-term in the accompanying statements of financial position.

Notes To Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20 years
Buildings	25 years
Vehicles	5 years
Equipment	3 - 7 years

Deferred financing costs: Deferred financing costs are amortized to interest expense over the term of the related debt.

Deposits due to patients: Amounts received from patients as a deposit for services to be performed are recorded as an amount owed to the patient. The deposit amount that is received is either returned or recognized as income based on the patient's account status after completion of services.

Income taxes: Silver Hill is qualified as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and as such, no provision for income taxes has been recorded. The Internal Revenue Service informed Silver Hill by a letter dated June 23, 1997, that Silver Hill's operations are designed in accordance with such section of the Code.

On March 1, 2009, Silver Hill adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the guidance, Silver Hill 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 taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting periods. The adoption of the guidance did not have any impact on the Hospital's financial statements.

Reclassification: Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

Notes To Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In June 2009, the FASB issued The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the "FASB Codification"), which is effective for the Hospital's year ended February 28, 2010. The FASB Codification does not alter current U.S. GAAP, but rather integrates existing accounting standards with other authoritative guidance. Under the FASB Codification, there is a single source of authoritative U.S. GAAP for nongovernmental entities and this has superseded all other previously issued non-SEC accounting and reporting guidance. The adoption of the FASB Codification did not have any impact on the Hospital's financial statements.

In May 2009, the FASB issued authoritative guidance on subsequent events, which is effective for the Hospital on February 28, 2010. This guidance addresses the disclosure of events that occur after the balance sheet date, but before financial statements are issued or available to be issued. The adoption of this guidance did not have a significant impact on the Hospital's financial statement.

Note 2. Net Patient Service Revenue

The Hospital has agreements with third-party payors which provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at list price and the amounts reimbursed by Medicare, Blue Cross, and certain other third-party payors, and any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. Contractual adjustments under third-party reimbursement programs are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. A summary of the basis of reimbursement with major third-party payors follows:

Medicare: The Hospital is paid for inpatient services rendered to Medicare program beneficiaries under the Inpatient Psychiatric Facility Prospective Payment System, which was implemented in 2005. During the initial three year phase-in period, Medicare reimbursement to the Hospital was based on a combination of prospective payments and the cost based TEFRA system, with a final settlement determined after submission of annual reimbursement reports by the Hospital and audits by the Medicare fiscal intermediary. As of March 1, 2008, Medicare reimbursement to the Hospital was 100% prospective payment. For the years ended February 28, 2010 and 2009, the Hospital recognized \$2,853,440 and \$1,737,898, respectively, of gross patient service revenue from services provided to Medicare beneficiaries.

Laws and regulations governing the Medicare programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near-term. 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 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 Medicare programs. Third-party payor settlements for 2010 and 2009 were not significant to the financial statements.

Silver Hill Hospital, Inc.

Notes To Financial Statements

Note 2. Net Patient Service Revenue (Continued)

Managed Care Organizations: The Hospital has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes contractual allowances from established charges and prospectively determined per diem rates.

Note 3. Investments

The composition of investments, which are recorded at fair value based on quoted market values, is as follows as of February 28, 2010 and 2009:

	2010			
	Cost	Unrealized Gains	Unrealized losses	Fair Value
Investments				
Mutual Funds	\$ 9,300,983	\$ 258,042	\$ -	\$ 9,559,025
Certificates of deposit	272,000	1,587	-	273,587
	<u>\$ 9,572,983</u>	<u>\$ 259,629</u>	<u>\$ -</u>	<u>\$ 9,832,612</u>
	2009			
	Cost	Unrealized Gains	Unrealized losses	Fair Value
Investments				
Mutual Funds	\$ 7,152,627	\$ -	\$ (1,560,570)	\$ 5,592,057
Certificates of deposit	272,000	2,623	-	274,623
	<u>\$ 7,424,627</u>	<u>\$ 2,623</u>	<u>\$ (1,560,570)</u>	<u>\$ 5,866,680</u>

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term.

Notes To Financial Statements

Note 4. Fair Value Measurements

Effective March 1, 2008, the Hospital adopted the methods of calculating fair value defined in the FASB guidance to value its financial assets and liabilities, when applicable. The guidance requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities. All of the Hospital's investments were Level 1 assets.
- Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar instruments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities include those whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

At February 28, 2010 and 2009, the Company has estimated the fair value of its investments to be \$9,832,612 and \$5,866,680, respectively.

Note 5. Pledges Receivable

Included in pledges receivable are the following unconditional promises to give:

	2010	2009
Unconditional promises expected to be collected in:		
Less than one year (less reserve for uncollectible pledges of \$0 and \$107,000, in 2010 and 2009, respectively)	\$ 73,421	\$ 39,921
One to three years	70,000	40,000
Less unamortized discount	(4,848)	(3,728)
	65,152	36,272
Pledges receivable, net	\$ 138,573	\$ 76,193

The pledges above are due to be received in equal annual installments ranging from one to three years and have been discounted at prevailing market rates in accordance with the Hospital's investment strategies.

Silver Hill Hospital, Inc.

Notes To Financial Statements

Note 6. Property and Equipment

At February 28, 2010 and 2009, respectively, property and equipment consists of:

	2010	2009
Land and land improvements	\$ 1,720,709	\$ 1,483,349
Buildings	23,087,202	22,964,263
Vehicles	280,661	280,661
Equipment	4,925,411	4,620,758
Construction in progress	566,504	280,005
	<u>30,580,487</u>	<u>29,629,036</u>
Less: accumulated depreciation	(14,431,341)	(12,998,192)
	<u>\$ 16,149,146</u>	<u>\$ 16,630,844</u>

Note 7. Classification of Payor Mix

The Hospital requires advanced payments for services not covered by third party agreements. The significant concentrations of net patient service revenue and gross accounts receivable for services to patients include the following:

For the years ended February 28, 2010 and 2009 :

	Net Patient Service Revenue	
	2010	2009
Anthem Behavioral/Blue Cross	16%	16%
Oxford	7%	7%
Aetna	8%	6%
UBH	4%	6%
Medicare	6%	5%
Other Third Party	16%	19%
Self-pay	43%	41%
	<u>100%</u>	<u>100%</u>

As of February 28, 2010 and 2009:

	Accounts Receivable	
	2010	2009
Medicare	10%	6%
Blue Cross	8%	7%
Other Third Party Payors	60%	68%
Self-Pay	22%	19%
	<u>100%</u>	<u>100%</u>

Silver Hill Hospital, Inc.

Notes To Financial Statements

Note 8. Line of Credit

On June 28, 2007, the Hospital entered into a revolving line of credit, with a maximum available borrowing of \$10,000,000, which is secured by certain assets of the Hospital. Interest is charged monthly at a rate of 7.15 percent. The line will revolve for a period of four years, and on June 28, 2011, will convert to a permanent commercial mortgage for the remaining six years of the term. Upon conversion, principal and interest payments will be due monthly through June 28, 2017, at which time a balloon payment for any unpaid principal and interest will be due. As of February 28, 2010 and 2009, \$8,327,680 was outstanding on the line. Interest expense for 2010 was \$603,699. In 2009, interest incurred on the line was \$523,927, of which \$177,353, was capitalized and included in property and equipment on the statement of financial position. The line of credit agreement requires a liquid reserve of \$1,800,000 to be maintained over the term of the loan.

Note 9. Lease Obligations

The Hospital leases software, equipment and vehicles under noncancelable operating leases which expire through May 2014. Future minimum lease payments under these noncancelable operating leases are as follows:

<u>Year Ending February 28:</u>	
2011	\$ 272,838
2012	272,838
2013	270,351
2014	228,079
2015	658
	<u>\$ 1,044,764</u>

Rental expense for all operating leases totaled approximately \$254,000 and \$40,000 in 2010 and 2009, respectively.

Note 10. Commitments and Contingencies

Malpractice insurance coverage is provided on a claims-made basis. The claims-made policy, which is subject to renewal on an annual basis, covers only claims made during the term of the policy but not those occurrences for which claims may be made after expiration of the policy. Silver Hill intends to renew its coverage on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. Additionally, Silver Hill believes that there is no significant exposure for claims incurred but not reported. Furthermore, the Hospital is party to routine litigation arising in the ordinary course of business. Although some of the matters are still in a preliminary stage and definite conclusions cannot be made as to those matters, the Hospital is of the opinion that based on information presently available, the lawsuits will not have a materially adverse effect on the financial statements of the Hospital.

On March 5, 2007, Silver Hill entered into a contract with Unidine to provide food service to its patients which was amended and restated on October 6, 2008. The contract is for a period of three years and is cancelable by either party if the other party fails to perform all of its material obligations as outlined in the agreement. The cost is approximately \$20,000 per week.

Notes To Financial Statements

Note 11. Retirement Plan

Silver Hill has a 401k defined contribution plan ("401k Plan") that covers all full time employees who have both attained age 21 and completed at least 1,000 hours of service during the first year of employment. The 401k plan provides for an employer based contribution allowing Silver Hill to make contributions ranging from 2.5% to 7.5% of each participant's annual compensation, depending on years of vested service. Employees may also make annual contributions up to the amount permitted by law. Expenses related to the 401k plan were approximately \$454,000 and \$467,000, for the years ended February 28, 2010 and 2009, respectively, and are included with employee benefits within the accompanying statements of unrestricted revenues, expenses and other changes in unrestricted net assets.

Note 12. Functional Expenses

Silver Hill provides psychiatric and substance abuse health care services to residents within its geographic location. Expenses related to providing these services included in the statement of unrestricted revenues expenses and other changes in unrestricted net assets are as follows:

	2010	2009
Health care services	\$ 21,720,740	\$ 21,467,010
Development	281,863	344,780
General and administrative	5,975,223	6,019,060
	<u>\$ 27,977,826</u>	<u>\$ 27,830,850</u>

Note 13. Temporarily Restricted Net Assets

At February 28, 2010 and 2009, respectively, Temporarily Restricted Net Assets consist of:

	2010	2009
Employee Assistance Fund	\$ 6,383	\$ 4,415
New Canaan Community Foundation Scholarship Grant	5,000	-
Barrett House Renovation Project	100,025	-
	<u>\$ 111,408</u>	<u>\$ 4,415</u>

Note 14. Permanently Restricted Net Assets

Permanently restricted net assets, of which the income earned thereon, is available for adolescent and chemical dependency programs, amounted to \$213,000 for the years ended February 28, 2010 and 2009.

Note 15. Subsequent Events

The Company has evaluated subsequent events through the date at which these financial statements were available for distribution on July 15, 2010, and determined there have not been any events that have occurred that would require adjustments to the audited financial statements.