CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES

CONTENTS

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Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of Center of Special Care, Inc. and Subsidiaries (the Center) as of March 31, 2011 and 2010, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Center of Special Care, Inc. and Subsidiaries at March 31, 2011 and 2010, and the results of their activities and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2011 on our consideration of Center of Special Care, Inc. and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Blum, Shapiro & Company, P.C.

June 15, 2011

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2011 AND 2010

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents	$ 9,407,413	$ 9,137,758
Accounts receivable, less allowance for doubtful accounts of $2,940,241 in 2011 and $2,340,971 in 2010	23,380,145	21,904,352
Pledges receivable, less of allowance of $38,476 in 2011 and $15,190 in 2010	581,679	288,595
Prepaid sinking fund	1,575,349	1,484,675
Prepaid expenses and other assets	1,678,373	1,281,540
Inventories of supplies	579,591	601,212
Total current assets	37,202,550	34,698,132
Other Assets		
Investments	40,161,522	35,854,770
Pledges receivable, less of allowance and discount of $72,700 in 2011 and $48,645 in 2010, less current portion	641,973	220,448
Debt Service Reserve Fund	3,108,035	4,091,824
Debt obligations issuance expense, net of amortization	3,120,632	3,177,586
Insurance funds	1,965,885	1,007,542
Other assets	3,802,517	3,083,950
Total other assets	52,800,564	47,436,120
Property, Plant and Equipment, Net	53,022,579	50,331,261
Total Assets	$ 143,025,693	$ 132,465,513

LIABILITIES AND NET ASSETS

	2011	2010
Current Liabilities		
Current portion of long-term debt	$ 1,350,000	$ 1,130,000
Accounts payable	3,247,797	4,446,833
Salaries, wages, payroll taxes and amounts withheld from employee compensation	6,777,893	8,660,068
Accrued insurance costs	3,491,516	3,137,964
Accrued interest and other liabilities	4,167,420	3,424,981
Total current liabilities	19,034,626	20,799,846
Long-Term Liabilities		
Long-term debt, less current portion	64,141,696	59,401,696
Accrued pension cost	1,795,662	2,003,353
Other long-term liabilities	3,802,517	3,083,950
Total long-term liabilities	69,739,875	64,488,999
Net Assets		
Unrestricted net assets	50,131,960	44,535,228
Temporarily restricted net assets	3,663,411	2,185,619
Permanently restricted net assets	455,821	455,821
Total net assets	54,251,192	47,176,668
Total Liabilities and Net Assets	$ 143,025,693	$ 132,465,513

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

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
Revenues		
Net revenues from services to patients	$ 118,527,564	$ 115,732,027
Other operating revenues	3,623,157	3,929,149
Net assets released from restrictions	295,414	219,888
Total revenues	122,446,135	119,881,064
Operating Expenses		
Salaries, wages and employee benefits	84,629,281	82,428,667
Supplies and other	28,026,476	27,612,824
Interest	2,496,167	2,932,638
Depreciation and amortization	3,963,342	3,683,315
Bad debts	1,166,008	843,959
Total operating expenses	120,281,274	117,501,403
Income from operations	2,164,861	2,379,661
Nonoperating Gains (Losses)		
Other income, primarily investment income	720,453	840,083
Loss on debt refinancing	(729,771)	-
Excess of revenues over expenses	2,155,543	3,219,744
Other Changes in Unrestricted Net Assets		
Change in net unrealized gains on investments	3,523,174	8,439,830
Net assets released for capital additions	210,324	278,332
Change in minimum pension liability	(292,309)	159,586
Reclassification of net assets	-	(15,100)
Increase in unrestricted net assets	5,596,732	12,082,392
Temporarily Restricted Net Assets		
Contributions	1,597,773	1,646,705
Net realized gains on investments	131,090	99,603
Change in net unrealized gains on investments	62,269	167,714
Net assets released from restrictions used for purchase of capital	(210,324)	(278,332)
Net assets released from restrictions used for operations	(103,016)	(117,785)
Reclassification of net assets	-	46,544
Increase in temporarily restricted net assets	1,477,792	1,564,449
Permanently Restricted Net Assets		
Contributions	-	110
Reclassification of net assets	-	(31,444)
Decrease in permanently restricted net assets	-	(31,334)
Change in Total Net Assets	7,074,524	13,615,507
Net Assets - Beginning of Year	47,176,668	33,561,161
Net Assets - End of Year	$ 54,251,192	$ 47,176,668

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

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Change in total net assets	$ 7,074,524	$ 13,615,507
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	3,963,342	3,683,315
Loss on refinancing	729,771	-
Bad debt expense	1,166,008	843,959
(Gain) loss on disposal of property, plant and equipment	(1,950)	1,048
Net unrealized gains on investments	(3,654,264)	(8,539,433)
Change in minimum pension liability	292,309	(159,586)
Restricted contributions	(1,597,773)	(1,646,815)
(Increase) decrease in operating assets:		
Accounts receivable	(2,641,801)	(2,085,781)
Pledges receivable, net	(714,609)	(509,043)
Prepaid sinking fund and debt service reserves	893,115	77,060
Prepaid expenses and other assets	(396,833)	(40,069)
Insurance funds	(958,343)	803,312
Inventories of supplies	21,621	(13,159)
Other assets	(718,567)	(754,084)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,199,036)	802,059
Salaries, wages, payroll taxes and amounts withheld from employee compensation	(1,882,175)	321,153
Accrued insurance costs	353,552	(54,890)
Pension contribution	(500,000)	(500,000)
Other long-term liabilities	718,567	754,084
Accrued interest and other liabilities	742,439	(276,095)
Net cash provided by operating activities	1,689,897	6,322,542
Cash Flows from Investing Activities		
Purchases of investments, net	(652,488)	(1,860,804)
Purchases of property, plant and equipment	(6,541,156)	(5,127,464)
Proceeds from sale of property, plant and equipment	5,500	5,200
Change in construction bond funds	-	1,407,392
Net cash used in investing activities	(7,188,144)	(5,575,676)
Cash Flows from Financing Activities		
Proceeds from of issuance of long-term debt	20,185,000	-
Payments on long-term debt	(15,225,000)	(1,010,000)
Payments of financing costs	(789,871)	-
Restricted contributions	1,597,773	1,646,815
Net cash provided by financing activities	5,767,902	636,815
Net Increase in Cash and Cash Equivalents	269,655	1,383,681
Cash and Cash Equivalents - Beginning of Year	9,137,758	7,754,077
Cash and Cash Equivalents - End of Year	$ 9,407,413	$ 9,137,758
Cash Paid During the Year for Interest	$ 2,550,793	$ 3,041,949

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

CHEFA Obligations Issuance Expense - The State of Connecticut Health and Educational Facilities Authority (CHEFA) obligations issuance expense represents costs incurred in connection with the issuance of the revenue bonds (see Note 9). These costs are being amortized on a straight-line basis over the terms of the associated bonds.

Amortization of bond obligation issuance expense totaled $117,054 and $116,609 for the years ended March 31, 2011 and 2010, respectively. The expected yearly amortization of bond issuance expense will be $118,835 for the next five years.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate discount rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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

Investments in Foundation - Investments in Foundation represents the entities' interest in the temporarily and permanently restricted net assets of Hospital for Special Care Foundation, Inc.

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

Pension Plan - The Hospital has a defined benefit pension plan and a defined contribution pension plan that cover substantially all eligible employees. The Hospital's defined benefit plan was amended during fiscal year 2005 to freeze future benefit accruals, which resulted in a plan curtailment (see Note 10). Brittany Farms has a 403(b) defined contribution plan and a money purchase pension plan that cover substantially all eligible employees. HSC Community Services, Inc., froze the Brittany Farms money purchase pension plan effective December 31, 2001. The money purchase pension plan was terminated effective July 31, 2010, and all participant money had left the plan as of October 31, 2010.

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

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets include those assets whose use has been limited by donors to a specific time frame or purpose. Permanently restricted net assets include those assets whose use has been restricted by donors to be maintained in perpetuity (see Note 6).

Asset Retirement Obligations - GAAP requires that a liability be recognized for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Certain of the Center's buildings contain asbestos, and the Center also maintains underground fuel tanks that must be removed upon demolition or extensive renovations. The Center expects to and has the ability to continue to maintain and operate these buildings without undertaking any activities that would require removal of the asbestos or underground fuel tanks. As a result, the Center is not able to estimate the date or range of potential dates of settlements of these obligations. Accordingly, the liabilities associated with these obligations are not reasonably estimable, and the accompanying consolidated statements of financial position do not include a liability for asset retirement obligations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - In preparing these consolidated financial statements, management has evaluated subsequent events through June 15, 2011, which represents the date the consolidated financial statements were available to be issued.

NOTE 2 - REVENUE CONCENTRATIONS

During 2011 and 2010, approximately 69% of net patient revenue was received under the Medicaid program; 15% and 13%, respectively, under the Medicare program; and 16% and 18%, respectively, from other third parties. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Management believes that the Hospital and Brittany Farms are in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicaid and Medicare programs. Changes in the Medicaid and Medicare programs and the reduction of funding levels could have an adverse impact on the Hospital and Brittany Farms.

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

The following table summarizes net revenues from services to patients for the years ended March 31, 2011 and 2010:

	2011	2010
Gross revenues from patients:		
Routine services	$ 132,285,512	$ 126,377,632
Special services	50,514,334	50,888,990
	182,799,846	177,266,622
Allowances (primarily Medicare and Medicaid)	64,272,282	61,534,595
Net Revenues from Services to Patients	$ 118,527,564	$ 115,732,027

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

Significant concentrations of net patient receivables are comprised of 58% Medicaid and 18% Medicare at March 31, 2011 and 58% Medicaid and 21% Medicare at March 31, 2010.

NOTE 2 - REVENUE CONCENTRATIONS (Continued)

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

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

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

NOTE 3 - ENDOWMENT NET ASSETS

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

Interpretation of Relevant Law - The Board of Directors of the Center has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 organization in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

NOTE 3 - ENDOWMENT NET ASSETS (Continued)

In reviewing the details of its permanently restricted endowment funds, in 2010 the Center determined that some amounts were restricted by the donors for general use by the Hospital and the principal was not permanently restricted. These amounts are shown as a reclassification of net assets on the accompanying consolidated statements of activities and changes in net assets.

Changes in endowment net assets for the year ended March 31, 2010 are as follows:

	Permanently Restricted
Endowment net assets - beginning of year	$ 487,155
Contributions	110
Reclassification of net assets	(31,444)
Endowment Net Assets - End of Year	$ 455,821

There were no changes in endowment net assets for the year ended March 31, 2011. See Note 6 for more information regarding the programs that the permanently restricted net assets support.

NOTE 4 - PLEDGES RECEIVABLE

The Center's pledges receivable consist of unconditional promises to give and are expected to be collected as follows for the years ended March 31, 2011 and 2010, respectively:

	2011	2010
Receivable in less than one year	$ 620,155	$ 303,785
Receivable in one to five years	714,673	258,293
Receivable thereafter	-	10,800
Total pledges receivable	1,334,828	572,878
Less allowance for uncollectible promises	66,828	28,645
Less discounts to net present value	44,348	35,190
Net Pledges Receivable	$ 1,223,652	$ 509,043

The discount rate used in calculating the present value of pledges receivable for the years ended March 31, 2011 and 2010, was 5.75% and 7.36%, respectively.

NOTE 5 - INVESTMENTS

The composition of investments at March 31, 2011 and 2010, are set forth below. Investments are stated at market value.

	2011			
	Cost	Market Value	Unrealized Gain	Unrealized (Loss)
Bond funds	$ 813,752	$ 802,485	$ 4,467	$ (15,734)
Marketable equity securities	57,008	113,061	56,053	-
Mutual funds:				
Domestic equity	16,957,884	16,689,753	284,058	(552,189)
Fixed income	17,134,484	17,437,430	368,472	(65,526)
International equity	6,414,328	5,118,793	17,602	(1,313,137)
	$ 41,377,456	$ 40,161,522	$ 730,652	$ (1,946,586)

	2010			
	Cost	Market Value	Unrealized Gain	Unrealized (Loss)
Bond funds	$ 5,000	$ 5,000	$ -	$ -
Marketable equity securities	57,008	111,078	54,070	-
Mutual funds:				
Domestic equity	18,105,880	15,025,537	-	(3,080,343)
Fixed income	16,198,590	16,267,133	262,033	(193,490)
International equity	6,240,085	4,446,022	-	(1,794,063)
	$ 40,606,563	$ 35,854,770	$ 316,103	$ (5,067,896)

Investment income (including realized gains and losses, interest and dividends, net of investment fees) earned on investments amounted to $851,434 and $939,686 during the years ended March 31, 2011 and 2010, respectively. This is included in nonoperating gains in the combined statements of activities and changes in net assets.

At March 31, 2011, investments with market value below cost for 12 months or more included certain mutual funds with a market value of $20,804,320 and an unrealized loss of $1,930,852. At March 31, 2011, investments with market value below cost for less than 12 months included bond funds with a market value of $569,833 and an unrealized loss of $15,734.

At March 31, 2010, investments with market value below cost for 12 months or more included certain mutual funds with a market value of $21,887,010 and an unrealized loss of $5,067,895. At March 31, 2010, there were no investments with market value below cost for less than 12 months.

NOTE 5 - INVESTMENTS (Continued)

Management continually reviews its investment portfolio and evaluates whether declines in the market value of securities should be considered other-than-temporary. Factored into this evaluation are general market conditions, the recommendation of advisors and the length of time and extent to which the market value has been less than cost. The Center's investments are mainly in mutual funds managed by an outside investment manager. The Investment Subcommittee of the Board oversees the activities of the investment manager. The Center has the ability to and intends to hold the mutual funds until such time that the market losses recover. As a result, there were no declines in market value deemed to be other-than-temporary in fiscal year 2011 or 2010.

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2011 and 2010, are available for the following purposes:

	2011	2010
Outpatient Capital Campaign	$ 2,661,995	$ 1,301,590
Sports and fitness programs	376,890	368,479
Research	127,190	125,191
Brittany Farms	56,596	27,414
Timura Scholarship Fund	53,567	25,744
Adaptive equipment	50,874	48,959
ALS Clinic/Neuromuscular Fund	44,637	23,506
H.R. Gossling Lecture Fund	34,758	32,816
Other	32,259	24,382
Pulmonary	27,390	13,516
Horticultural	26,730	25,712
Joy of Art	23,412	24,607
Patient Recreation Center	23,261	31,425
Respiratory therapist education	21,882	17,599
Aquatic rehabilitation	20,227	13,969
Gustin Lecture	19,019	22,573
Resource center	17,240	21,060
Pediatric	13,284	8,036
Manes & Motion	10,640	5,000
Dental clinic	9,022	12,617
Lobby renovations	6,364	6,082
Satellite	6,174	5,342
	$ 3,663,411	$ 2,185,619

During fiscal 2010, the Hospital for Special Care Foundation, Inc., began a capital campaign to raise money for the expansion of its outpatient facility. The campaign is expected to raise $5,950,000. Funds raised as of March 31, 2011 are $2,692,323.

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Permanently restricted net assets of $455,821 at March 31, 2011 and 2010, are to be held in perpetuity, the income from which is used for unrestricted and temporarily restricted Center activities and is expendable to support healthcare services.

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at March 31, 2011 and 2010:

	2011	2010
Buildings	$ 70,091,992	$ 64,188,476
Fixed and moveable equipment	33,056,640	31,082,653
Land and land improvements	4,421,484	3,791,715
	107,570,116	99,062,844
Less accumulated depreciation	54,555,108	50,798,740
	53,015,008	48,264,104
Construction in progress	7,571	2,067,157
Net Property, Plant and Equipment	$ 53,022,579	$ 50,331,261

Depreciation expense was $3,846,288 and $3,566,706 for the years ended March 31, 2011 and 2010, respectively.

NOTE 8 - SELF-INSURED PROGRAMS

Medical Malpractice - The Hospital self-insures the deductible portion of its medical malpractice insurance. The deductible limits are $1,000,000 per claim and $1,000,000 in the aggregate for the years ended March 31, 2011 and 2010. The Hospital has excess insurance in the form of an umbrella policy for claims settled in excess of $1,000,000.

The malpractice liability was actuarially determined to be $1,303,869 and $1,053,424 for the years ended March 31, 2011 and 2010, respectively, and is included in accrued insurance costs on the consolidated statements of financial position. This amount was calculated at a confidence level of 75% of the expected level for the years ended March 31, 2011 and 2010, with a 4% discount rate in 2011 and 2010. Management considers these reserves to be adequate as of March 31, 2011 and 2010. However, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded.

NOTE 8 - SELF-INSURED PROGRAMS (Continued)

The Hospital established an irrevocable trust for the purpose of setting aside assets to be used for the payment of malpractice losses, related expenses and the cost of administering the trust. The trust balance was $1,638,769 and $748,155 at March 31, 2011 and 2010, respectively, and is based on actuarial funding recommendations and active claims. These assets are included in insurance funds on the consolidated statements of financial position. In addition, a letter of credit of $580,000 with a commercial bank was established to supplement the funding requirements of the self-insured program in order to have enough liquidity to be able to pay claims and the Hospital had not drawn on the letter of credit as of March 31, 2010. The trust was fully funded and a line of credit was not necessary as of March 31, 2011.

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

Workers' Compensation - The Center is self-insured for the deductible portion of workers' compensation claims. The deductible amount per claim is $250,000. The Center has purchased excess insurance from a commercial carrier that would cover claims settled above $250,000. The self-insurance workers' compensation liability was determined to be $658,524 and $736,947 at March 31, 2011 and 2010, respectively, and is included in accrued insurance costs on the consolidated statements of financial position.

A letter of credit with a bank of $858,000 at March 31, 2011 and 2010, respectively, was established to cover the funding requirements of the self-insurance program. The letter of credit has a variable per annum rate of interest equal to the prime rate plus 5%. As of March 31, 2011 and 2010, the Center had not drawn on the letter of credit.

Health Insurance - The Center is self-insured for its health insurance and carries a stop-loss policy for individual claims in excess of $250,000. The self-insurance liability was determined to be $1,529,123 and $1,347,593 for the years ended March 31, 2011 and 2010, respectively, and is included in accrued insurance costs on the consolidated statements of financial position.

NOTE 9 - LONG-TERM DEBT OBLIGATIONS

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

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

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

The terms of the Series D debt were variable interest debt with varying maturities through 2037. On November 1, 2007, the Hospital converted their Series D CHEFA interest rate mode revenue bonds in the amount of $15,000,000 to a long-term rate bond with maturities occurring yearly on July 1 from 2008-2037 in the total amount of $15,000,000 with a 4.15% fixed interest rate through December 31, 2009. On January 17, 2010, the Series D debt was repurchased by another holder at an interest rate of the higher of 4.15% or one-month LIBOR plus 2.00%. The Hospital was obligated to repurchase the Series D debt on August 31, 2010.

On July 14, 2010, the Hospital issued Series E CHEFA revenue bonds (Series E) in the amount of $20,185,000. The Hospital received funds to repay its Series D CHEFA revenue bonds, to fund the required Debt Service Reserve Fund, to pay for cost of bond issuance, and to finance and refinance construction and renovations related to its existing facilities. The terms of the Series E debt are variable interest debt with maturities occurring yearly on July 1 from 2011-2037. Interest shall be paid in consecutive monthly installments at the Weekly Rate, which is the rate of interest borne by bonds during any Weekly Rate period, which shall be determined by the Remarketing Agent on each Rate Determination Date for a Weekly Rate Bond as provided in the Indenture. The interest rate at March 31, 2011 was 0.24%. The Series E debt is secured by a pledge of the gross receipts of the Obligated Group, which is now defined as the Hospital, HSC Community Services, Inc., and the Hospital for Special Care Foundation, Inc., and a mortgage on the capital assets of the Obligated Group, subject to permitted encumbrances. The Series E debt is secured by a letter of credit issued by the Federal Home Loan Bank of Boston in the amount of $20,483,627.

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

The Obligated Group is also required to maintain debt service reserve funds for the Series C bonds. The Debt Service Reserve Fund is equal in amount to the largest total debt service to be paid within a year. The bonds are subject to redemption prior to maturity beginning on July 1, 2008 for Series C and July 1, 2011 for Series E, respectively, and annually on July 1 thereafter by operation of a sinking fund.

The Series C and Series E debt contains certain financial debt covenant requirements, including maintenance of a debt service coverage ratio in excess of 1.25, maintenance of a debt-to-capital ratio not to exceed 75%, maintenance of fixed charge coverage ratio not to fall below 1.00 and days cash on hand in excess of 60 days.

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued)

In addition, the Hospital has a $3,000,000 line of credit with a bank. The availability of the line is reduced by the self-insurance letters of credit in place (see Note 8). As of March 31, 2011 and 2010, the full amount of the remaining line was available. Interest on the line accrues at the bank's prevailing prime rate, and amounts drawn are repayable on demand. The line of credit has a revolving credit termination date of October 31, 2012.

During fiscal years 2011 and 2010, interest expense was $2,496,167 and $2,932,638, respectively.

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

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

Year Ending March 31	Series C	Series E	HUD Mortgage	Total
2012	$ 820,000	$ 530,000	$ -	$ 1,350,000
2013	855,000	545,000	-	1,400,000
2014	890,000	560,000	-	1,450,000
2015	930,000	575,000	-	1,505,000
2016	965,000	590,000	-	1,555,000
Aggregate thereafter	39,920,000	17,385,000	926,696	58,231,696
	44,380,000	20,185,000	926,696	65,491,696
Less current portion	820,000	530,000	-	1,350,000
Total Long-Term Debt	$ 43,560,000	$ 19,655,000	$ 926,696	$ 64,141,696

NOTE 10 - PENSION PLAN

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

GAAP requires companies to record a liability on the consolidated statements of financial position for the underfunded portion of its postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair value of the plan assets.

NOTE 10 - PENSION PLAN (CONTINUED)

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

The following table sets forth the plan's funded status and amounts recognized in the accompanying consolidated statements of financial position as of March 31, 2011 and 2010:

	Pension Benefits	
	2011	**2010**
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ (16,553,616)	$ (13,509,832)
Interest cost	(1,005,348)	(977,570)
Impact of assumption changes	(979,446)	(2,569,013)
Experience gain (loss)	(58,869)	11,479
Benefits paid	521,644	491,320
Projected benefit obligation at end of year	(18,075,635)	(16,553,616)
Change in plan assets:		
Fair value of plan assets at beginning of year	14,550,263	10,846,893
Actual return on plan assets	1,751,354	3,694,690
Employer contributions	500,000	500,000
Benefits paid	(521,644)	(491,320)
Fair value of plan assets at end of year	16,279,973	14,550,263
Unfunded Status	$ (1,795,662)	$ (2,003,353)

Net periodic pension costs for 2011 and 2010 included the following components:

	Pension Benefits	
	2011	**2010**
Components of net periodic benefit cost:		
Interest cost	$ 1,005,348	$ 977,570
Expected return on plan assets	(1,155,460)	(848,749)
Amortization of net loss	137,182	203,201
Net Periodic Pension Cost (Income)	$ (12,930)	$ 332,022

NOTE 10 - PENSION PLAN (CONTINUED)

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

Assumptions used to determine benefit obligations and net periodic benefit cost at March 31, 2011 and 2010, are as follows:

	2011	2010
Discount rate	5.75%	6.14%
Long-term rate of return	8%	8%

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

Plan Assets - The percentage of the fair value of total plan assets held as of March 31, 2011 and 2010, by asset category is as follows:

	2011	2010
Equity mutual funds	49%	46%
Fixed income mutual funds	51%	50%
Money market funds	-	4%

Plan asset investments in U.S. Government issues and corporate and municipal issues are assets traded on active markets with readily available daily values. The inputs are, therefore, Level 1 (see Note 14).

The Hospital's investment strategy is based on a portfolio comprised of assets held in mutual funds with an asset mix target based on an allocation of 47% equities and 53% fixed income funds at March 31, 2011 and 2010. Investments held in mutual funds are diversified with the intent to minimize the risk of large losses to the plan. The asset mix was determined by evaluating the expected return against the plan's long-term objectives. Performance is monitored on a monthly basis and rebalanced back to target to ensure the targets are within range. The investment policy describes which securities are allowed in the portfolios and the financial objectives of the plan, which the Investment Subcommittee of the Center's Board oversees. The Investment Subcommittee monitors the investment performance annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy.

Cash Flows - The Hospital expects to make a contribution to the pension plan in the amount of $500,000 for the year ending March 31, 2012.

NOTE 10 - PENSION PLAN (CONTINUED)

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

2012	$	567,600
2013		610,700
2014		647,000
2015		695,000
2016		788,300
2017-2021		5,287,900

Other Information - The Hospital also has a defined contribution 403(b) tax-free annuity savings plan covering all full-time and permanent part-time employees with at least 1 year of service and 1,000 hours worked. Employees are allowed to contribute up to the maximum contribution allowable each year under Internal Revenue Service regulations. The Hospital annually contributes varying percentages of base salary based on age and years of service for eligible employees and also matches bi-weekly employee contributions at varying percentages based on age and years of service (maximum match is 40%). The 403(b) contributions are made up of two pieces: core contributions and match. The core contribution was stopped in fiscal year 2010. The matching payments continue to be made. The Hospital’s expense amounted to $457,604 and $425,767 for the years ended March 31, 2011 and 2010, respectively.

The Hospital also has a capital accumulation 457(f) deferred compensation plan for certain executives. The Hospital is not required to make any contributions to this plan. In addition, the Hospital has a supplemental employee retirement plan for certain executives. The plan provides for a targeted benefit and is funded through insurance policies and the 457(f). The Hospital’s expense amounted to $597,582 and $456,225 in 2011 and 2010, respectively. Assets and liabilities relating to this plan were $3,802,517 and $3,083,950 at 2011 and 2010, respectively, and are included in other assets and other long-term liabilities.

Brittany Farms has a defined contribution pension plan that covers substantially all eligible nonunion employees. Contributions to the plan are accrued in amounts equal to 6% of eligible employee salaries. Brittany Farms’ expense amounted to $317,673 and $388,521 for the years ended March 31, 2011 and 2010, respectively.

Brittany Farms also has a money purchase pension plan that was frozen by HSC Community Services, Inc., effective December 31, 2001. The money purchase pension plan was terminated effective July 31, 2010 and all participant money had left the plan as of October 31, 2010.

NOTE 11 - FUNCTIONAL EXPENSES

Functional expenses for the Center are as follows:

	2011	2010
Health care services	$ 103,441,896	$ 101,051,207
General and administrative	16,839,378	16,450,196
	$ 120,281,274	$ 117,501,403

NOTE 12 - CONTINGENCIES

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

NOTE 13 - COMMITMENTS

The Center leases certain office space and equipment under operating leases. The future minimum annual payments under these agreements as of March 31, 2011 are as follows:

Year Ending March 31	
2012	$ 787,219
2013	609,053
2014	603,660
2015	392,514
2016	95,292
Thereafter	2,498
	$ 2,490,236

Rent expense recorded by the Center for the years ended March 31, 2011 and 2010, was $1,596,183 and $1,450,592, respectively.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." It also establishes a fair value hierarchy consisting of three "levels" that prioritize the inputs to the valuation techniques used to measure fair value.

- **Level 1** - Quoted prices for *identical* instruments in active markets.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- **Level 2** - Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

- **Level 3** - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable*.

The carrying amounts reflected in the accompanying consolidated statements of financial position for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to short maturities of those instruments. The fair value of pledges receivable are estimated based upon the net present value of estimated cash flows discounted at a rate commensurate with the timing of the estimated cash flow. Investments in U.S. Government issues and corporate and municipal issues are assets traded on active markets with readily available daily values. The inputs are, therefore, Level 1.

The carrying amounts and estimated fair values of the Center's long-term debt at March 31, 2011 are as follows (in thousands):

Description	Carrying Amount at March 31, 2011	Fair Value at March 31, 2011
Financial liabilities:		
Series C revenue bonds	$ 44,380	$ 39,823
Series E revenue bonds	20,185	20,185
HUD mortgage	927	927

The carrying amounts and estimated fair values of the Center's long-term debt at March 31, 2010 are as follows (in thousands):

Description	Carrying Amount at March 31, 2010	Fair Value at March 31, 2010
Financial liabilities:		
Series C revenue bonds	$ 45,170	$ 41,363
Series D revenue bonds	14,435	14,435
HUD mortgage	927	927

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Independent Auditors' Report on Supplementary Information

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

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

Blum, Shapiro & Company, P.C.

June 15, 2011

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	$ 1,852,159	$ 175,139	$ 2,027,298	$ 5,025,574	$ 258,786	$ 2,095,755	$ -	$ 9,407,413
Accounts receivable, less allowance of $2,940,241	4,163,370	14,372	4,177,742	19,202,403	-	-	-	23,380,145
Pledges receivable, net of allowance of $38,476	-	-	-	-	-	581,679	-	581,679
Prepaid sinking fund	190,492	-	190,492	1,384,857	-	-	-	1,575,349
Prepaid expenses and other assets	544,508	4,305	548,813	1,129,560	-	-	-	1,678,373
Inventories of supplies	64,518	-	64,518	515,073	-	-	-	579,591
Due from affiliates	2,356	16,503	18,859	628,875	-	-	(647,734)	-
Total current assets	6,817,403	210,319	7,027,722	27,886,342	258,786	2,677,434	(647,734)	37,202,550
Other assets:								
Investments	-	-	-	34,614,676	-	5,546,846	-	40,161,522
Pledges receivable, net of allowance and discount of $72,700 less current portion	-	-	-	-	-	641,973	-	641,973
Investments in Foundation	89,389	411,062	500,451	6,328,426	-	-	(6,828,877)	-
Debt Service Reserve Fund	-	-	-	3,108,035	-	-	-	3,108,035
Debt obligations issuance expense, net of amortization	418,019	-	418,019	2,702,613	-	-	-	3,120,632
Insurance funds	7,207	-	7,207	1,958,678	-	-	-	1,965,885
Other assets	-	-	-	3,802,517	-	-	-	3,802,517
Total other assets	514,615	411,062	925,677	52,514,945	-	6,188,819	(6,828,877)	52,800,564
Property, plant and equipment, net	8,001,401	778,605	8,780,006	44,242,573	-	-	-	53,022,579
Total Assets	$ 15,333,419	$ 1,399,986	$ 16,733,405	$ 124,643,860	$ 258,786	$ 8,866,253	$ (7,476,611)	$ 143,025,693

(Continued on next page)

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2011

LIABILITIES AND NET ASSETS	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Current liabilities:								
Current portion of long-term debt	$ 259,700	$ -	$ 259,700	$ 1,090,300	$ -	$ -	$ -	$ 1,350,000
Accounts payable	890,371	19,034	909,405	2,338,392	-	-	-	3,247,797
Salaries, wages, payroll taxes and amounts withheld from employee compensation	791,819	-	791,819	5,986,074	-	-	-	6,777,893
Accrued insurance costs	605,519	-	605,519	2,885,997	-	-	-	3,491,516
Due to affiliates	625,110	7,093	632,203	-	-	15,531	(647,734)	-
Accrued interest and other liabilities	1,167,147	34,260	1,201,407	2,903,473	-	62,540	-	4,167,420
Total current liabilities	4,339,666	60,387	4,400,053	15,204,236	-	78,071	(647,734)	19,034,626
Long-term liabilities:								
Long-term debt, less current portion	9,606,800	926,696	10,533,496	53,608,200	-	-	-	64,141,696
Accrued pension cost	-	-	-	1,795,662	-	-	-	1,795,662
Other long-term liabilities	-	-	-	3,802,517	-	-	-	3,802,517
Total long-term liabilities	9,606,800	926,696	10,533,496	59,206,379	-	-	-	69,739,875
Net assets:								
Unrestricted net assets	1,310,316	11,863	1,322,179	46,591,690	258,786	2,185,971	(226,666)	50,131,960
Temporarily restricted net assets	56,592	401,040	457,632	3,205,779	-	6,146,390	(6,146,390)	3,663,411
Permanently restricted net assets	20,045	-	20,045	435,776	-	455,821	(455,821)	455,821
Total net assets	1,386,953	412,903	1,799,856	50,233,245	258,786	8,788,182	(6,828,877)	54,251,192
Total Liabilities and Net Assets	$ 15,333,419	$ 1,399,986	$ 16,733,405	$ 124,643,860	$ 258,786	$ 8,866,253	$ (7,476,611)	$ 143,025,693

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
MARCH 31, 2010

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
ASSETS								
Current assets:								
Cash and cash equivalents	$ 2,124,748	$ 126,552	$ 2,251,300	$ 5,200,289	$ 258,488	$ 1,427,681	$ -	$ 9,137,758
Accounts receivable, less allowance of $2,340,971	3,714,267	14,470	3,728,737	18,175,615	-	-	-	21,904,352
Pledges receivable, net of allowance of $15,190	-	-	-	-	-	288,595		288,595
Prepaid sinking fund	214,466	-	214,466	1,270,209	-	-	-	1,484,675
Prepaid expenses and other assets	345,326	3,144	348,470	932,968	-	102	-	1,281,540
Inventories of supplies	40,903	-	40,903	560,309	-	-	-	601,212
Due from affiliates	4,669	6,949	11,618	208,886	-	-	(220,504)	-
Total current assets	6,444,379	151,115	6,595,494	26,348,276	258,488	1,716,378	(220,504)	34,698,132
Other assets:								
Investments	-	-	-	30,974,284	-	4,880,486	-	35,854,770
Pledges receivable, net of allowance and discount of $48,645 less current portion	-	-	-	-	-	220,448	-	220,448
Investments in Foundation	61,329	403,266	464,595	4,570,245	-	-	(5,034,840)	-
Debt Service Reserve Fund	688,503	-	688,503	3,403,321	-	-	-	4,091,824
Debt obligations issuance expense, net of amortization	518,581	-	518,581	2,659,005	-	-	-	3,177,586
Insurance funds	40,000	-	40,000	967,542	-	-	-	1,007,542
Other assets	-	-	-	3,083,950	-	-	-	3,083,950
Total other assets	1,308,413	403,266	1,711,679	45,658,347	-	5,100,934	(5,034,840)	47,436,120
Property, plant and equipment, net	8,303,085	803,395	9,106,480	41,224,781	-	-	-	50,331,261
Total Assets	$ 16,055,877	$ 1,357,776	$ 17,413,653	$ 113,231,404	$ 258,488	$ 6,817,312	$ (5,255,344)	$ 132,465,513

(Continued on next page)

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2010

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
LIABILITIES AND NET ASSETS								
Current liabilities:								
Current portion of long-term debt	$ 238,000	$ -	$ 238,000	$ 892,000	$ -	$ -	$ -	$ 1,130,000
Accounts payable	802,808	40,979	843,787	3,601,546	-	1,500	-	4,446,833
Salaries, wages, payroll taxes and amounts withheld from employee compensation	1,272,756	-	1,272,756	7,387,312	-	-	-	8,660,068
Accrued insurance costs	621,062	-	621,062	2,516,902	-	-	-	3,137,964
Due to affiliates	175,684	35,512	211,196	-	-	9,308	(220,504)	-
Accrued interest and other liabilities	1,383,138	26,150	1,409,288	1,957,953	-	57,740	-	3,424,981
Total current liabilities	4,493,448	102,641	4,596,089	16,355,713	-	68,548	(220,504)	20,799,846
Long-term liabilities:								
Long-term debt, less current portion	9,866,500	926,696	10,793,196	48,608,500	-	-	-	59,401,696
Accrued pension cost	-	-	-	2,003,353	-	-	-	2,003,353
Other long-term liabilities	-	-	-	3,083,950	-	-	-	3,083,950
Total long-term liabilities	9,866,500	926,696	10,793,196	53,695,803	-	-	-	64,488,999
Net assets:								
Unrestricted net assets	1,648,470	(62,079)	1,586,391	40,976,425	258,488	1,940,590	(226,666)	44,535,228
Temporarily restricted net assets	27,414	390,518	417,932	1,767,687	-	4,352,353	(4,352,353)	2,185,619
Permanently restricted net assets	20,045	-	20,045	435,776	-	455,821	(455,821)	455,821
Total net assets	1,695,929	328,439	2,024,368	43,179,888	258,488	6,748,764	(5,034,840)	47,176,668
Total Liabilities and Net Assets	$ 16,055,877	$ 1,357,776	$ 17,413,653	$ 113,231,404	$ 258,488	$ 6,817,312	$ (5,255,344)	$ 132,465,513

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2011

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Revenues:								
Net revenues from services to patients	$ 27,585,763	$ 215,605	$ 27,801,368	$ 90,726,196	$ -	$ -	$ -	$ 118,527,564
Other operating revenues	60,620	524,681	585,301	3,068,832	-	95,757	(126,733)	3,623,157
Net assets released from restrictions	-	4,010	4,010	-	-	498,728	(207,324)	295,414
Total revenues	27,646,383	744,296	28,390,679	93,795,028	-	594,485	(334,057)	122,446,135
Operating expenses:								
Salaries, wages and employees benefits	18,512,284	476,481	18,988,765	64,996,466	-	644,050	-	84,629,281
Supplies and other	7,621,820	502,003	8,123,823	19,364,708	-	844,275	(306,330)	28,026,476
Interest	138,148	-	138,148	2,358,019	-	-	-	2,496,167
Depreciation and amortization	647,571	59,239	706,810	3,256,532	-	-	-	3,963,342
Bad debts	313,056	2,035	315,091	808,601	-	42,316	-	1,166,008
Total operating expenses	27,232,879	1,039,758	28,272,637	90,784,326	-	1,530,641	(306,330)	120,281,274
Income (loss) from operations	413,504	(295,462)	118,042	3,010,702	-	(936,156)	(27,727)	2,164,861
Nonoperating gains (losses):								
Other income, primarily investment income	5,923	312	6,235	693,740	298	39,784	(19,604)	720,453
Change in equity interest in Foundation	(1,118)	-	(1,118)	144,012	-	-	(142,894)	-
Loss on debt refinancing	(757,523)	-	(757,523)	27,752	-	-	-	(729,771)
Excess (deficiency) of revenues over expenses	(339,214)	(295,150)	(634,364)	3,876,206	298	(896,372)	(190,225)	2,155,543
Other changes in unrestricted net assets:								
Change in equity interest in Foundation	-	2,914	2,914	176,082	-	-	(178,996)	-
Change in net unrealized gains on investments	-	-	-	3,057,776	-	96,177	369,221	3,523,174
Net assets released for capital additions	1,060	4,115	5,175	205,149	-	-	-	210,324
Change in minimum pension liability	-	-	-	(292,309)	-	-	-	(292,309)
Equity transfer among affiliates	-	362,063	362,063	(1,407,639)	-	1,045,576	-	-
Increase (decrease) in unrestricted net assets	(338,154)	73,942	(264,212)	5,615,265	298	245,381	-	5,596,732
Temporarily restricted net assets:								
Contributions	-	12,650	12,650	-	-	1,749,789	(164,666)	1,597,773
Net realized gains on investments	-	-	-	-	-	111,486	19,604	131,090
Change in net unrealized losses on investments	-	-	-	-	-	431,490	(369,221)	62,269
Change in equity interest in Foundation	29,178	4,882	34,060	1,438,092	-	-	(1,472,152)	-
Net assets released from restrictions used for purchase of capital	-	(3,000)	(3,000)	-	-	(207,324)	-	(210,324)
Net assets released from restrictions used for operations	-	(4,010)	(4,010)	-	-	(291,404)	192,398	(103,016)
Increase (decrease) in temporarily restricted net assets	29,178	10,522	39,700	1,438,092	-	1,794,037	(1,794,037)	1,477,792
Permanently restricted net assets:								
Contributions	-	-	-	-	-	-	-	-
Change in equity interest in Foundation	-	-	-	-	-	-	-	-
Increase (decrease) in permanently restricted net assets	-	-	-	-	-	-	-	-
Change in total net assets	(308,976)	84,464	(224,512)	7,053,357	298	2,039,418	(1,794,037)	7,074,524
Net assets - beginning of year	1,695,929	328,439	2,024,368	43,179,888	258,488	6,748,764	(5,034,840)	47,176,668
Net Assets - End of Year	$ 1,386,953	$ 412,903	$ 1,799,856	$ 50,233,245	$ 258,786	$ 8,788,182	$ (6,828,877)	$ 54,251,192

CENTER OF SPECIAL CARE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2010

	Brittany Farms	Other HSC Community Services, Inc. Subsidiaries	HSC Community Services, Inc. Consolidated	Hospital for Special Care	Center of Special Care, Inc.	Hospital for Special Care Foundation, Inc.	Elimination	Consolidated
Revenues:								
Net revenues from services to patients	$ 26,626,752	$ 257,447	$ 26,884,199	$ 88,847,828	$ -	$ -	$ -	$ 115,732,027
Other operating revenues	58,392	505,069	563,461	3,171,983	-	112,600	81,105	3,929,149
Net assets released from restrictions	-	-	-	-	-	498,220	(278,332)	219,888
Total revenues	26,685,144	762,516	27,447,660	92,019,811	-	610,820	(197,227)	119,881,064
Operating expenses:								
Salaries, wages and employees benefits	18,709,757	470,407	19,180,164	62,660,267	-	588,236	-	82,428,667
Supplies and other	7,191,818	434,824	7,626,642	19,510,339	-	871,960	(396,117)	27,612,824
Interest	429,177	-	429,177	2,503,461	-	-	-	2,932,638
Depreciation and amortization	636,723	55,602	692,325	2,990,990	-	-	-	3,683,315
Bad debts	188,665	242	188,907	626,696	-	28,356	-	843,959
Total operating expenses	27,156,140	961,075	28,117,215	88,291,753	-	1,488,552	(396,117)	117,501,403
Income (loss) from operations	(470,996)	(198,559)	(669,555)	3,728,058	-	(877,732)	198,890	2,379,661
Nonoperating gains:								
Other income, primarily investment income	8,992	620	9,612	820,299	434	25,476	(15,738)	840,083
Change in equity interest in Foundation	(3,993)	-	(3,993)	510,793	-	-	(506,800)	-
Excess (deficiency) of revenues over expenses	(465,997)	(197,939)	(663,936)	5,059,150	434	(852,256)	(323,648)	3,219,744
Other changes in unrestricted net assets:								
Change in equity interest in Foundation	-	6,096	6,096	515,310	-	-	(521,406)	-
Change in net unrealized loss on investments	-	-	-	7,262,073	-	332,703	845,054	8,439,830
Transfer from Foundation released for capital additions	18,334	-	18,334	259,998	-	-	-	278,332
Increase in minimum pension liability	-	-	-	159,586	-	-	-	159,586
Equity transfer to affiliates	-	111,692	111,692	(1,114,729)	-	1,003,037	-	-
Reclassification of net assets	-	-	-	-	-	(15,100)	-	(15,100)
Increase (decrease) in unrestricted net assets	(447,663)	(80,151)	(527,814)	12,141,388	434	468,384	-	12,082,392
Temporarily restricted net assets:								
Contributions	-	1,022	1,022	-	-	1,946,682	(300,999)	1,646,705
Net realized gains on investments	-	-	-	-	-	83,865	15,738	99,603
Net unrealized losses on investments	-	-	-	-	-	1,012,768	(845,054)	167,714
Change in equity interest in Foundation	2,753	102,963	105,716	1,457,711	-	-	(1,563,427)	-
Net assets released from restrictions used for purchase of capital	-	-	-	-	-	(278,332)	-	(278,332)
Net assets released from restrictions used for operations	-	-	-	-	-	(219,888)	102,103	(117,785)
Reclassification of net assets	-	-	-	-	-	46,544	-	46,544
Increase (decrease) in temporarily restricted net assets	2,753	103,985	106,738	1,457,711	-	2,591,639	(2,591,639)	1,564,449
Permanently restricted net assets:								
Contributions	-	-	-	-	-	110	-	110
Change in equity interest in Foundation	-	-	-	(31,334)	-	-	31,334	-
Reclassification of net assets	-	-	-	-	-	(31,444)	-	(31,444)
Increase in permanently restricted net assets	-	-	-	(31,334)	-	(31,334)	31,334	(31,334)
Change in total net assets	(444,910)	23,834	(421,076)	13,567,765	434	3,028,689	(2,560,305)	13,615,507
Net assets - beginning of year	2,140,839	304,605	2,445,444	29,612,123	258,054	3,720,075	(2,474,535)	33,561,161
Net Assets - End of Year	$ 1,695,929	$ 328,439	$ 2,024,368	$ 43,179,888	$ 258,488	$ 6,748,764	$ (5,034,840)	$ 47,176,668