OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Open Arms Care Corporation Inc., and Affiliate:

We have audited the accompanying consolidated balance sheets of Open Arms Care Corporation Inc., and Affiliate (collectively the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Open Arms Care Corporation Inc., and Affiliate as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating balance sheets and statement of operations and changes in net assets (deficit) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
November 14, 2012

OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

Consolidated Balance Sheets

December 31, 2011 and 2010

Assets

	2011	2010
Current assets:		
Cash and cash equivalents	$ 3,344,817	$ 3,790,511
Funds held in custody for others	259,671	233,344
Patient accounts receivable, less allowance for uncollectible accounts of approximately $89,000 and $168,000 in 2011 and 2010, respectively	3,475,824	3,353,573
Prepaid expenses and other current assets	217,054	170,298
Trusteed funds - current portion	959,031	1,269,578
Total current assets	8,256,397	8,817,304
Property and equipment:		
Land and land improvements	3,320,816	3,279,985
Buildings and improvements	20,312,563	19,939,180
Furniture and equipment	4,384,155	4,428,211
Vehicles	151,051	171,847
	28,168,585	27,819,223
Accumulated depreciation and amortization	(20,742,402)	(19,772,382)
Property and equipment	7,426,183	8,046,841
Other Assets:		
Trusteed funds	4,330,692	4,630,109
Bond issue costs, less accumulated amortization of approximately $1,553,000 and 1,472,000 in 2011 and 2010, respectively	336,204	417,206
Investments and other long-term assets	877,154	871,203
Total other assets	5,544,050	5,918,518
Total assets	$ 21,226,630	$ 22,782,663

Liabilities and Net Assets

	2011	2010
Current liabilities:		
Accounts payable	$ 851,390	$ 974,724
Funds held in custody for others	259,671	233,344
Accrued salaries and benefits	1,524,998	1,395,588
Accrued interest	348,987	382,565
Current portion of long-term debt	1,796,689	1,720,540
Total current liabilities	4,781,735	4,706,761
Long-term debt, less current portion	15,554,959	17,338,462
Total liabilities	20,336,694	22,045,223
Net assets	889,936	737,440
Total liabilities and net assets	$ 21,226,630	$ 22,782,663

See accompanying notes to the consolidated financial statements.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

Consolidated Statements of Operations and Changes in Net Assets (Deficit)

Years ended December 31, 2011 and 2010

	2011	2010
Unrestricted revenues:		
Net patient service revenues	$ 40,604,096	$ 40,660,964
Investment income	169,000	217,601
Net special events revenue	26,645	32,252
Other revenues	25,330	247,762
Total unrestricted revenues	40,825,071	41,158,579
Expenses:		
Salaries and wages	23,170,031	22,563,312
Employee benefits	4,789,126	4,141,981
Professional services	1,689,545	1,651,291
Supplies and expenses	4,814,205	4,240,582
Maintenance and repairs	519,275	568,782
Utilities	704,546	664,430
Insurance	528,283	522,380
Depreciation and amortization	1,274,551	1,383,113
Interest expense	923,908	1,001,025
(Gain) loss on disposal of property and equipment	21,854	(12,350)
Taxes and licenses	2,297,763	2,292,610
Provision for (recoveries of) doubtful accounts	(60,512)	197,525
Total expenses	40,672,575	39,214,681
Excess of revenues over expenses	152,496	1,943,898
Net assets (deficit) at beginning of year	737,440	(1,206,458)
Net assets at end of year	$ 889,936	$ 737,440

See accompanying notes to the consolidated financial statements.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Excess of revenues over expenses	$ 152,496	$ 1,943,898
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Net (gains) losses on investments	14,785	(70,543)
Depreciation and amortization	1,274,551	1,383,113
Provision for (recoveries of) doubtful accounts	(60,512)	197,525
(Gain) loss on disposal of property and equipment	21,854	(12,350)
Management company fee recovery	-	(225,000)
(Increase) decrease in operating assets:		
Patient accounts receivable	(61,739)	(157,979)
Prepaid expenses and other current assets	(46,756)	51,128
Other assets	-	(815)
Increase (decrease) in operating liabilities:		
Accounts payable	(123,334)	60,022
Accrued salaries and benefits	129,410	71,202
Accrued interest	(33,578)	(32,414)
Net cash provided by operating activities	1,267,177	3,207,787
Cash flows from investing activities:		
Proceeds from the sale of investments	194,343	251,903
Purchases of investments	(215,079)	(279,349)
Proceeds from disposal of property and equipment	7,645	29,317
Purchase of property and equipment	(602,390)	(625,556)
Decrease (increase) in trusteed funds	609,964	(1,517,427)
Net cash used in investing activities	(5,517)	(2,141,112)
Cash flows from financing activities - principal payments of long-term debt	(1,707,354)	(1,647,364)
Decrease in cash and cash equivalents	(445,694)	(580,689)
Cash and cash equivalents at beginning of year	3,790,511	4,371,200
Cash and cash equivalents at end of year	$ 3,344,817	$ 3,790,511
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 957,486	$ 1,033,439

See accompanying notes to the consolidated financial statements.

(1) Organization

The accompanying consolidated financial statements of Open Arms Care Corporation Inc., and Affiliate (collectively the "Company") include the transactions and accounts of Open Arms Care Corporation, Inc. and Open Arms Care Foundation ("Foundation").

Open Arms Care Corporation, Inc. owns intermediate care facilities for persons with intellectual and developmental disabilities. The facilities are located in Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. Prior to November 6, 2000, Open Arms Care Corporation, Inc. was known as Rebound Care Corporation d/b/a Open Arms Care Corporation. In 2005, the Foundation was formed to support non-Medicaid allowable expenses and capital projects through charitable donations for the benefit of the Open Arms Care Corporation, Inc.'s clients.

(2) Summary of significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of Open Arms Care Corporation, Inc. and Open Arms Care Foundation, Inc. All significant intercompany accounts and transactions have been eliminated.

(b) Cash and cash equivalents

The Company considers cash and highly liquid investments having a maturity date at acquisition of 90 days or less, excluding amounts designated under bond indenture agreements and trusteed funds designated for operating expenditures, to be cash and cash equivalents.

(c) Investments

Investments, which are comprised of equity securities with readily determinable fair values, are accounted for as trading securities and all investments in such securities are measured at fair value. Investment income or loss (including realized gains and losses on the sale of investments, interest, dividends, and unrealized gains and losses on investments) is included in unrestricted revenues unless the income or loss is restricted by donor or law.

(d) Property and equipment

Property and equipment are stated at cost. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Buildings and improvements are generally depreciated over ten to twenty five years, furniture and equipment over three to ten years and vehicles over three to five years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(e) Bond issue costs and discount

Bond issue costs and discount are being amortized using the effective interest method over the life of the debt.

(f) Performance indicator

The excess of revenues over expenses as reflected in the accompanying statements of operations is a performance indicator.

(g) Federal income taxes

Open Arms Care Corporation, Inc. is an organization recognized as exempt from federal income tax under Section 501(c)(3) and as a public charity under Section 509(a)(1) and as a hospital described in Section 170(b)(1)(A)(iii). Open Arms Care Foundation is an organization recognized as exempt from federal income tax under 501(c)(3) and as a public charity under Section 509(a)(1) and as a publicly supported organization under Section 170(b)(1)(A)(vi). The Internal Revenue Service has determined that the Company is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Under generally accepted accounting principles, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax purposes not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

As of December 31, 2011, the Company has accrued no interest and no penalties related to uncertain tax positions. It is the Company's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company files Federal Form 990 informational tax returns. The Company is currently open to audit under the statute of limitations for years ended December 31, 2008 through 2011.

(h) Revenue recognition

Net patient service revenue is recognized 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 made on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

(i) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Events occurring after reporting date

The Company has evaluated events and transactions that occurred between December 31, 2011 and November 14, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Medicaid program

Services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Company is reimbursed at a rate determined prospectively based on its filed cost reports. Final determination of amounts to be received is subject to audit by Medicaid.

The State of Tennessee passed legislation, effective July 1, 1994, which imposed a provider tax on Intermediate Care Facilities for the Mentally Retarded at a rate of 6% of gross receipts, as defined. During 2008, this rate was reduced to 5.5%. The statements of operations include approximately $2,232,000 and $2,229,000 of Tennessee provider tax expense for 2011 and 2010, respectively. Additionally, net patient service revenues include approximately $2,232,000 and $2,229,000 in reimbursement related to per diem rates as a result of the provider tax for 2011 and 2010, respectively.

Substantially all net patient service revenues in 2011 and 2010 relate to services provided to patients covered by the Medicaid program. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is a reasonable probability that the recorded amount may change by a material amount. The Company believes 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 Medicaid program.

(4) Fair value measurements

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of December 31, 2011 or 2010.

Financial Instruments

The carrying amount of financial instruments, consisting of cash and cash equivalents, trusteed funds, accounts receivable, accounts payable, accrued expenses, and short-term debt approximate their fair value due to their relatively short maturities. Long-term debt is carried at amortized cost, which approximates fair value.

Non-Financial Assets

The Company's non-financial assets, which primarily includes property and equipment are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Company is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended December 31, 2011 and 2010, the Company did not measure any non-recurring, non-financial assets at fair value or recognize any changes in net assets related to changes in fair value for non-financial assets.

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of December 31, 2011 and 2010:

	Fair Value Measurements as of December 31, 2011 using the following inputs			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	$ 24,157	$ -	$ -	$ 24,157
Marketable equity securities	808,456	-	-	808,456
Total	$ 832,613	$ -	$ -	$ 832,613

	Fair Value Measurements as of December 31, 2010 using the following inputs			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	49,032	-	-	49,032
Marketable equity securities	777,630	-	-	777,630
Total	$ 826,662	$ -	$ -	$ 826,662

(5) Trusteed funds

Trusteed funds consist of the following:

	2011	2010
Revenue funds	$ -	$ 1,371,927
Debt reserve funds	2,551,072	2,504,486
Debt service funds	959,031	1,269,578
Renewal and replacement funds	1,779,620	753,696
	$ 5,289,723	$ 5,899,687

The bond funds are maintained in accordance with the trust indentures related to the bond issue described in Note 6. Amounts on deposit in the debt service and debt reserve funds are required to be used to pay interest, principal and provide security (collateral) for indebtedness on the bonds. Amounts on deposit in the renewal and replacement funds are excess funds to be used in the event there are insufficient moneys available to pay all amounts due as to principal and interest on the Series 1998 Bonds, payment of operating expenses to the extent of any deficiency in the operating and maintenance fund, and payment of the cost of additions and capital improvements. Amounts deposited in the revenue fund represent a timing difference of receiving cash versus allocating cash to other bond funds.

(6) Long-term debt

Long-term debt consists of the following:

	2011	2010
The Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee Health Facility Revenue Refunding Bonds Series 1998 (Series 1998 Bonds), interest varying from 5.0% to 5.1% through 2019.	$ 16,365,000	$ 17,990,000

The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee; interest at 4.34% per annum due July 1, 2023.	1,006,726	1,080,052
Capital lease obligations	6,697	22,247
Less bond issue discount	(26,775)	(33,297)
	17,351,648	19,059,002
Less current portion	(1,796,689)	(1,720,540)
Long-term debt, net of current portion	$ 15,554,959	$ 17,338,462

In 1998, the Company issued $32,585,000 Series 1998 Bonds. The Series 1998 Bonds were issued under the terms of a Note and Master Trust Indenture dated September 1, 1998. The proceeds of the Series 1998 Bonds were used to refund all of The 1992 Health, Educational and Housing Facility Board of the county of Shelby, Tennessee Revenue Bonds, fund a debt service fund for the Series 1998 Bonds, and pay a portion of the costs of issuing the bonds.

The Series 1998 Bonds are insured by a municipal bond insurance policy with Radian Group, Inc. ("Radian") and are secured by the assets of the Company. Bonds that mature on or after August 1, 2012 are subject to redemption in whole or in part at any time after August 1, 2008 at par.

Under the terms of the Series 1998 Bonds, the Company has agreed to certain covenants, which among other things, limit additional indebtedness and guarantees, and require the Company to maintain certain financial covenants. The Company was not in compliance with certain covenants at December 31, 2011. On September 11, 2012, the Company entered into a forbearance agreement with Radian and amended the Master Trust Indenture. Radian agreed to not exercise it's rights under the previous default at December 31, 2011 so long as no default occurs under the forbearance agreement or the amended Master Trust Indenture. Under the new agreements, the Company has agreed to certain covenants, which among other things, limit additional indebtedness and guarantees without written approval by Radian, requires the submission of quarterly unaudited financial statements to Radian and the Master Trustee, limits capital expenditures and requires the Company to comply with certain financial covenants including the maintenance of days cash on hand equal to or greater than 35 days and total income available for debt service of at least 100% as defined in the agreement. Management expects to be in compliance with all covenants through December 31, 2012.

In 2003, the Company borrowed $1,600,000 at an interest rate equal to 4.38% per annum from the Health, Educational, and Housing Facility Board of the county of Shelby, Tennessee maturing on July 1, 2023 for the purchase of the new land and building in Memphis, Tennessee. The original loan agreement stated a call provision that allowed the holder to demand full payment on February 1, 2009. On April 13, 2009, this loan agreement was amended and the call provision was extended until April 1, 2011 and the interest rate was reduced to 3.47%. On May 17, 2011, this loan agreement was amended and the call provision was extended until April 1, 2016 and the interest rate was increased to 4.34%.

A summary of approximate future maturities on long-term debt (including capital lease obligations) as of December 31, 2011 is as follows:

Year		
2012	$	1,796,689
2013		1,875,000
2014		1,965,000
2015		2,060,000
2016		2,165,000
2017 and later years		7,516,734
Less bond issue discount		(26,775)
	$	17,351,648

(7) Investment income

Investment income during 2011 and 2010 was comprised of the following:

		2011		2010
Interest and dividend	$	183,785	$	147,058
Realized gain (loss)		3,995		(45,449)
Change in unrealized gain (loss)		(18,780)		115,992
	$	169,000	$	217,601

(8) Commitments and Contingencies

Operating Lease Commitments

Future minimum annual rental payments under noncancelable operating lease and service agreements as of December 31, 2011 are as follows:

Year		
2012	$	512,000
2013		301,000
2014		177,000
2015		148,000
2016		135,000
Thereafter		112,000
	$	1,385,000

Total rental expense under noncancelable operating leases and service agreements, which includes amounts applicable to short-term leases, was approximately $1,083,000 and $914,000 for 2011 and 2010, respectively. The expense for 2011 is higher than the future commitments due to vehicle leases that have cancellation features at the Company's option.

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the expense for 2011.

Healthcare Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Healthcare Reform

In March 2010, Congress adopted comprehensive health care insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act ("collectively, the "Health Care Reform Legislation"). The Health Care Reform Legislation, among other matters, is designed to expand access to health care coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Provisions of the Health Care Reform Legislation become effective at various dates over the next several years and a number of additional steps are required to implement these requirements. Due to the complexity of the Health Care Reform Legislation, reconciliation and implementation of the legislation continues to be under consideration by lawmakers, and it is not certain as to what changes may be made in the future regarding health care policies. Changes to existing Medicaid coverage and payments are also expected to occur as a result of this legislation. While the full impact of Health Care Reform Legislation is not yet fully known, changes to policies regarding reimbursement, universal health insurance and managed competition may materially impact the Company's operations.

Insurance

The Company maintains claims made basis professional and occurrence basis general liability insurance for primary coverage. The Company also maintains excess insurance coverage.

The Company was self-insured for a portion of employee medical and other healthcare benefits. The risk of loss retained by the Company was limited to $85,000 per employee. The Company had purchased excess insurance to provide coverage for claims in excess of the self-insured amounts. Claims expense and liabilities were reported when it was probable that a loss had occurred and the amount of that loss could be reasonably estimated. These losses included a reserve for estimated claims incurred but not reported. Reserves included within accounts payable were approximately $335,000 at December 31, 2010. On January 1, 2011, the Company discontinued the self-insurance plan and purchased a fully insured policy that provides coverage for employee medical and other healthcare benefits.

Litigation

The Company is subject to claims and suits arising in the ordinary course of business. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Company's financial position.

(9) Related party transactions

The Company incurred professional fees and expenses totaling approximately $44,000 and $15,000 in 2011 and 2010, respectively, for services provided by an entity owned by the President of the Company.

(10) Functional expenses

The Company provides intermediate care services to individuals with intellectual and developmental disabilities within certain geographic locations. Expenses related to providing these services are as follows:

	2011	2010
Intellectual and developmental services	$ 36,889,900	$ 35,809,003
General and administrative	3,713,111	3,362,180
Fundraising	69,564	43,498
	$ 40,672,575	$ 39,214,681

(11) Retirement plan

The Company has a defined contribution 403(b) retirement plan for employees who have two years of service. For the years ended December 31, 2011 and 2010, the Company contributed 2% of each participants' compensation, subject to Internal Revenue Code limitations. The Company contributed approximately $283,000 and $271,000 to the plan in 2011 and 2010, respectively.

OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

Supplemental Schedule - Consolidating Balance Sheets

December 31, 2011

Assets

	Chattanooga	Knoxville	Memphis	Nashville	Headquarters	Georgia	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Combined Open Arms Care Corporation
Current assets:									
Cash and cash equivalents	$ 4,000	$ 4,000	$ 3,500	$ 5,000	$ 3,135,506	$ -	$ 3,152,006	$ 192,811	$ 3,344,817
Funds held in custody for others	70,625	53,189	46,148	89,194	-	515	259,671	-	259,671
Patient accounts receivable, net	948,391	873,362	854,603	795,060	4,408	-	3,475,824	-	3,475,824
Prepaid expenses and other current assets	49,453	49,894	40,132	42,623	32,352	-	214,454	2,600	217,054
Trusteed funds - current portion	-	-	-	-	959,031	-	959,031	-	959,031
Total current assets	1,072,469	980,445	944,383	931,877	4,131,297	515	8,060,986	195,411	8,256,397
Property and equipment:									
Land and land improvements	619,460	840,136	672,897	1,188,323	-	-	3,320,816	-	3,320,816
Buildings and improvements	4,966,146	4,774,708	6,033,428	4,516,081	22,200	-	20,312,563	-	20,312,563
Furniture and equipment	952,140	958,602	916,870	1,032,756	523,787	-	4,384,155	-	4,384,155
Vehicles	26,071	18,555	48,827	57,598	-	-	151,051	-	151,051
	6,563,817	6,592,001	7,672,022	6,794,758	545,987	-	28,168,585	-	28,168,585
Accumulated depreciation and amortization	(4,881,898)	(5,229,903)	(5,026,346)	(5,207,244)	(397,011)	-	(20,742,402)	-	(20,742,402)
Property and equipment	1,681,919	1,362,098	2,645,676	1,587,514	148,976	-	7,426,183	-	7,426,183
Other Assets:									
Trusteed funds	795,513	475,716	470,639	796,527	1,792,297	-	4,330,692	-	4,330,692
Bond issue costs, less accumulated amortization	101,745	60,854	71,733	101,872	-	-	336,204	-	336,204
Other assets	14,264	15,115	14,360	302	833,113	-	877,154	-	877,154
	911,522	551,685	556,732	898,701	2,625,410	-	5,544,050	-	5,544,050
Total assets	$ 3,665,910	$ 2,894,228	$ 4,146,791	$ 3,418,092	$ 6,905,683	$ 515	$ 21,031,219	$ 195,411	$ 21,226,630

OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

Supplemental Schedule - Consolidating Balance Sheets (continued)

December 31, 2011

Liabilities and Net Assets (Deficit)

	Chattanooga	Knoxville	Memphis	Nashville	Headquarters	Georgia	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Combined Open Arms Care Corporation
Current liabilities:									
Accounts payable	$ 165,318	$ 134,310	$ 226,151	$ 178,330	$ 144,194	$ 1,231	$ 849,534	$ 1,856	$ 851,390
Funds held in custody for others	70,625	53,189	46,148	89,194	-	515	259,671	-	259,671
Accrued salaries and benefits	383,785	368,057	341,240	331,175	100,741	-	1,524,998	-	1,524,998
Accrued interest	108,756	65,047	66,292	108,892	-	-	348,987	-	348,987
Current portion of long-term debt	539,667	320,509	399,967	536,546	-	-	1,796,689	-	1,796,689
Total current liabilities	1,268,151	941,112	1,079,798	1,244,137	244,935	1,746	4,779,879	1,856	4,781,735
Intercompany payable/(receivable)	(4,312,512)	(1,734,922)	(1,984,344)	(3,760,034)	9,876,514	1,915,298	-	-	-
Long-term debt, less current portion	4,583,591	2,741,799	3,639,131	4,590,438	-	-	15,554,959	-	15,554,959
Total liabilities	1,539,230	1,947,989	2,734,585	2,074,541	10,121,449	1,917,044	20,334,838	1,856	20,336,694
Net assets (deficit), unrestricted	2,126,680	946,239	1,412,206	1,343,551	(3,215,766)	(1,916,529)	696,381	193,555	889,936
Total liabilities and net assets (deficit)	$ 3,665,910	$ 2,894,228	$ 4,146,791	$ 3,418,092	$ 6,905,683	$ 515	$ 21,031,219	$ 195,411	$ 21,226,630

OPEN ARMS CARE CORPORATION INC., AND AFFILIATE

Supplemental Schedule - Consolidating Statements of Operations and Changes in Net Assets (Deficit)

Year ended December 31, 2011

	Chattanooga	Knoxville	Memphis	Nashville	Headquarters	Georgia	Total Open Arms Care Corporation	Open Arms Care Foundation	Total Combined Open Arms Care Corporation
Unrestricted revenues:									
Net patient service revenues	$ 10,755,519	$ 10,235,585	$ 9,928,866	$ 9,684,126	$ -	$ -	$ 40,604,096	$ -	$ 40,604,096
Investment income	50,961	30,473	30,147	51,026	5,951	-	168,558	442	169,000
Net special events revenue	-	-	-	-	-	-	-	26,645	26,645
Intercompany revenue	724	-	-	5,927	-	-	6,651	(6,651)	-
Other revenues	3,275	579	3,731	1,475	150	-	9,210	16,120	25,330
Total unrestricted revenues	10,810,479	10,266,637	9,962,744	9,742,554	6,101	-	40,788,515	36,556	40,825,071
Expenses:									
Salaries and wages	5,784,964	6,060,932	5,363,849	5,218,663	741,623	-	23,170,031	-	23,170,031
Employee benefits	1,292,826	1,197,089	1,125,005	1,095,737	78,469	-	4,789,126	-	4,789,126
Professional services	299,419	159,334	528,905	345,704	335,183	-	1,668,545	21,000	1,689,545
Supplies and expenses	1,125,609	1,128,336	917,983	941,138	695,963	-	4,809,029	5,176	4,814,205
Maintenance and repairs	134,960	107,473	107,373	166,420	3,049	-	519,275	-	519,275
Utilities	185,438	143,602	173,507	201,999	-	-	704,546	-	704,546
Insurance	127,401	128,038	121,161	114,344	37,339	-	528,283	-	528,283
Depreciation and amortization	306,950	292,249	344,468	298,388	32,496	-	1,274,551	-	1,274,551
Interest expense	276,635	164,997	206,064	276,212	-	-	923,908	-	923,908
Gain on disposal of property and equipment	1,958	431	16,260	1,490	1,715	-	21,854	-	21,854
Taxes and licenses	607,425	578,293	560,518	549,770	1,757	-	2,297,763	-	2,297,763
Provision for (recoveries of) doubtful accounts	(35,169)	49	(7,198)	(19,927)	-	1,733	(60,512)	-	(60,512)
Intercompany expense	475,679	475,678	475,678	475,678	(1,902,713)	-	-	-	-
Total expenses	10,584,095	10,436,501	9,933,573	9,665,616	24,881	1,733	40,646,399	26,176	40,672,575
(Increase) decrease in net assets (deficit)	226,384	(169,864)	29,171	76,938	(18,780)	(1,733)	142,116	10,380	152,496
Net assets (deficit) at beginning of year, as restated	1,900,296	1,116,103	1,383,035	1,266,613	(3,196,986)	(1,914,796)	554,265	183,175	737,440
Net assets (deficit) at end of year	$ 2,126,680	$ 946,239	$ 1,412,206	$ 1,343,551	$ (3,215,766)	$ (1,916,529)	$ 696,381	$ 193,555	$ 889,936