COHEN
RUTHERFORD
+ KNIGHT PC
Certified Public Accountants

Dimensions Health Corporation and Subsidiaries

Audited Consolidated Financial Statements

June 30, 2010

Consolidated Financial Statements
Dimensions Health Corporation and Subsidiaries
June 30, 2010

-Contents-

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Report of Independent Auditors

Board of Directors
Dimensions Health Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Dimensions Health Corporation and subsidiaries (the Corporation) as of June 30, 2010 and 2009, and the related consolidated statements of operations, changes in net assets (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation'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 audits 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 Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 Dimensions Health Corporation as of June 30, 2010 and 2009, and the results of its operations, changes in net assets (deficit) and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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As discussed in *Note B* to the consolidated financial statements, the Corporation's reliance on government and other grant funding to support its operations, its substantial capital needs, significant unfunded pension obligations, and limited cash resources raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Cohen, Rutherford + Knight, P.C.

October 27, 2010

Consolidated Balance Sheets

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	June 30	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 19,345	$ 18,299
Restricted cash and cash equivalents--*Note J*	1,869	1,825
Patient accounts receivable, net of allowance for uncollectible accounts ($35,816 and $37,899 in 2010 and 2009, respectively)	52,302	52,862
Other receivables	4,865	4,492
Inventories	4,799	4,689
Current portion of assets limited to use--*Note C*	4,480	4,827
Prepaid expenses and other assets	4,476	3,687
TOTAL CURRENT ASSETS	92,136	90,681
Assets limited as to use--*Note C*		
Short term investments--*Note J*	4,012	4,284
Held in trust under bond and note indentures--*Note E*	6,597	6,555
Investments held for self insurance--*Note G*	33,719	29,959
Total assets limited as to use	44,328	40,798
Property and equipment, net--*Note D*	60,945	61,833
Investments--*Note L*	3,024	3,157
Deferred compensation fund--*Note H*	67	1,253
Deferred financing costs	367	405
Other noncurrent assets	3,505	3,243
TOTAL ASSETS	$ 204,372	$ 201,370

(Continued)

Consolidated Balance Sheets - Continued

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	June 30			
	2010		2009	
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Current portion of long-term debt--*Note E*	$	3,997	$	4,172
Current portion of accrued employee benefit liabilities--*Note I*		11,412		9,202
Accounts payable and accrued expenses--*Note J*		37,269		31,625
Accrued compensation and related items--*Note H*		15,894		15,864
Advances from third-party payers		11,565		10,444
TOTAL CURRENT LIABILITIES		80,137		71,307
NONCURRENT LIABILITIES				
Long-term debt, net of current portion--*Note E*		64,549		66,489
Other liabilities:				
Accrued professional liabilities--*Notes G and J*		25,790		25,619
Accrued employee benefit liabilities--*Note I*		94,539		72,472
Total other liabilities		120,329		98,091
TOTAL LIABILITIES		265,015		235,887
NET ASSETS (DEFICIT)				
Unrestricted		(63,261)		(38,026)
Temporarily restricted		2,618		3,509
TOTAL NET ASSETS (DEFICIT)		(60,643)		(34,517)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$	204,372	$	201,370

See notes to the consolidated financial statements.

Consolidated Statements of Operations

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	Year Ended June 30	
	2010	**2009**
UNRESTRICTED REVENUE AND OTHER SUPPORT		
Net patient service revenue--*Note K*	$ 338,681	$ 358,216
Other operating income--*Note B*	28,273	31,604
TOTAL UNRESTRICTED REVENUE AND OTHER SUPPORT	366,954	389,820
OPERATING EXPENSES--*Note F*		
Salaries and benefits--*Note I*	195,419	193,603
Supplies	51,434	51,839
Purchased services--*Note J*	50,733	51,447
Provision for bad debts	31,146	53,969
Physician fees	22,361	20,948
Utilities	5,057	6,398
Interest expense	3,984	4,192
Depreciation and amortization	8,953	8,552
TOTAL OPERATING EXPENSES	369,087	390,948
LOSS FROM OPERATIONS--*Note B*	(2,133)	(1,128)
OTHER INCOME		
Investment income--*Note C*	3,560	575
TOTAL OTHER INCOME	3,560	575
EXCESS OF UNRESTRICTED REVENUE AND OTHER SUPPORT OVER EXPENSES (EXPENSES OVER UNRESTRICTED REVENUE AND OTHER SUPPORT)	$ 1,427	$ (553)

See notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets (Deficit)

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	Year Ended June 30	
	2010	2009
Changes in unrestricted net assets (deficit):		
Excess of unrestricted revenue and other support over expenses (expenses over unrestricted revenue and other support)	$ 1,427	$ (553)
Net change in appreciation of other-than-trading investments--*Note C*	(23)	(21)
Net assets released from restriction for capital acquisition	419	3,238
Change in employee benefit obligation--*Note I*	(27,058)	(40,552)
DECREASE IN UNRESTRICTED NET ASSETS (DEFICIT)	(25,235)	(37,888)
Changes in temporarily restricted net assets:		
Contributions	1,007	1,519
Change in beneficial interest in net assets of foundations --*Note L*	(509)	(228)
Net assets released from restriction for operations	(970)	(414)
Net assets released from restriction for capital acquisition	(419)	(3,238)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(891)	(2,361)
CHANGE IN NET ASSETS (DEFICIT)	(26,126)	(40,249)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(34,517)	5,732
NET ASSETS (DEFICIT), END OF YEAR	$ (60,643)	$ (34,517)

See notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Dimensions Health Corporation and Subsidiaries

(Dollars in thousands)

	Year Ended June 30 2010	Year Ended June 30 2009
OPERATING ACTIVITIES		
Change in net assets (deficit)	$ (26,126)	$ (40,249)
Adjustments to reconcile change in net assets (deficit) to net cash and cash equivalents provided by operating activities:		
Provision for bad debts	31,146	53,969
State capital acquisition grant	0	(610)
Restricted contribution	(997)	(1,090)
Depreciation and amortization	8,953	8,552
Net unrealized gain on marketable investments	(1,474)	(154)
Increase in employee benefit obligation	27,058	40,552
Changes in operating assets and liabilities:		
Decrease (increase) in assets		
Accounts receivable, net	(30,586)	(55,689)
Inventories	(110)	115
Prepaid expenses and other assets	(1,162)	2,870
Investments-trading	2,537	(364)
Other noncurrent assets	924	520
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	5,644	1,054
Accrued annual leave	30	1,160
Accrued employee benefit liabilities	(2,781)	(4,516)
Accrued professional liabilities	171	1,060
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	$ 13,227	$ 7,180

(Continued)

Consolidated Statements of Cash Flows - Continued
Dimensions Health Corporation and Subsidiaries
(Dollars in thousands)

	Year Ended June 30 2010	2009
INVESTING ACTIVITIES		
Net purchase of property and equipment	$ (5,770)	$ (6,352)
Net sale (purchase) of investments-other than trading	(4,113)	1,590
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(9,883)	(4,762)
FINANCING ACTIVITIES		
Payments of long-term debt and capital lease obligations	(4,372)	(3,794)
Net change in advances from third-party payers	1,121	230
Restricted contribution	997	1,090
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES	(2,254)	(2,474)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,090	(56)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,124	20,180
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 21,214	$ 20,124
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 4,056	$ 4,259
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS:		
Equipment acquired under capital lease	$ 2,257	$ 1,398

See notes to the consolidated financial statements

Note A - Organization and Summary of Significant Accounting Policies

Organization

Dimensions Health Corporation (the Corporation) is a not-for-profit, non-stock corporation, incorporated in Maryland for charitable and scientific purposes. The Corporation is operating under the name Dimensions Healthcare System. The principal mission of the Corporation is the provision of health care through various delivery sites and the provision of services supporting health care. The Corporation's principal facilities, subsidiaries, and affiliates are as follows:

Acute and Ambulatory Care Facilities:

- Prince George's Hospital Center (PGHC)
- Laurel Regional Hospital (LRH)
- Bowie Health Center (BHC)

Long-term Care Facilities:

- Gladys Spellman Specialty Hospital and Nursing Center (GSSHNC).
- Madison Manor, Inc. (MM), a wholly owned subsidiary, which holds a 25% interest in the Larkin Chase Nursing and Restorative Center

Health Care Supporting Subsidiaries and Affiliates:

- Dimensions Healthcare Associates, Inc. (DHA), a wholly owned, not-for-profit corporation established to provide physician services to the Corporation's acute and ambulatory care facilities.
- Affiliated Enterprises, Inc. (AEI), a wholly owned, for-profit corporation, which owns and operates Mullikin Medical Center, a medical office building, on the Bowie campus.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Organization- Continued

Health Care Supporting Subsidiaries and Affiliates: (Continued)

- Dimensions Assurance, Ltd. (DAL), a wholly owned, for-profit captive insurance company located in the Cayman Islands.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses. Actual amounts could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Investments in affiliates for which the Corporation has the ability to significantly influence operations, but does not control, are accounted for under the equity method. Significant intercompany accounts and transactions have been eliminated in consolidation.

Risk Factors

The Corporation's ability to maintain and/or increase future revenues could be adversely affected by: (1) the growth of managed care organizations promoting alternative methods for health care delivery and payment of services such as discounted fee for service networks and capitated fee arrangements (the rate setting process in the State of Maryland prohibits hospitals from entering into discounted fee arrangements, however managed care contracts may provide for exclusive service arrangements); (2) proposed and/or future changes in the laws, rules, regulations, and policies relating to the definition, activities, and/or taxation of not-for-profit tax-exempt entities; (3) the enactment into law of all or any part of the current budget resolutions under consideration by Congress related to Medicare and Medicaid reimbursement methodology and/or further reductions in payments to hospitals and other health care providers; (4) the ultimate impact of the federal Patient Protection and Affordable Care Act and the Health Care Education Affordability Reconciliation Act of 2010; (5) the future of Maryland's Certificate of Need (CON) program, where future deregulation could result in the entrance of new competitors, or future additional regulation may eliminate the Corporation's ability to expand new services.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Risk Factors - Continued

The Joint Commission (JC), a non-governmental privately owned entity, provides accreditation status to hospitals and other health care organizations in the United States. Such accreditation is based upon the healthcare organization demonstrating compliance with approximately three hundred standards designed to ensure quality and patient safety. JC conducts unannounced triennial and for cause surveys. Certain managed care payers require hospitals to have appropriate JC accreditation in order to participate in those programs. In addition, the Center for Medicare and Medicaid Services (CMS), the agency with oversight of the Medicare and Medicaid programs, provides "deemed status" for facilities having JC accreditation. By being accredited, facilities are "deemed" to be in compliance with the Medicare and Medicaid conditions of participation. Termination as a Medicare provider or exclusion from any or all of these programs/payers would have a materially negative impact on the future financial position, operating results and cash flows of the Corporation. The health care facilities of the Corporation have maintained full JC accreditation for 2010 and 2009.

The Washington Adventist Hospital (WAH) has filed a CON application with the Maryland Health Care Commission (MHCC) to relocate the hospital to White Oak, Maryland. The proposed location of the new hospital is within the primary service area of Laurel Regional Hospital (LRH). The Corporation has filed a brief with the MHCC opposing this relocation due to the negative impact it would have on LRH. Management opposition to the proposed CON to relocate WAH was joined by Holy Cross Hospital and Montgomery General Hospital. The City of Takoma Park has also expressed its concerns about the potential relocation. Review of these applications has been ongoing and final action is anticipated in the near future.

Due to a change in the required condition(s) for approval of coverage for chronic care services by the State of Maryland Department Health and Mental Hygiene, patient volumes and net patient service revenue at GSSHNC declined significantly during the fiscal year ended June 30, 2010. This large reduction in volume and revenue has negatively effected the results from operations for the fiscal year ended June 30, 2010.

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents include cash and certain investments in highly liquid debt instruments and certificates of deposit, both with maturities of three months or less when purchased. The Corporation routinely invests its surplus operating funds in overnight repurchase agreements. These funds generally invest in highly liquid U.S. government and agency obligations. Short-term investments are highly liquid assets that have an original maturity between three months and one year. Short term investments represents amounts held by commercial banks under custody agreements as collateral for outstanding letters of credit. Cash holdings in commercial banks routinely exceed the aggregate maximum insured ($250) by the Federal Deposit Insurance Corporation.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Marketable Investments and Investment Income

Marketable investments are carried at fair value as of the balance sheet date based on quoted market prices. Investments included in assets limited as to use are restricted under debt and bank agreements and self-insurance arrangements, and are not available for the general operations of the Corporation. Assets limited as to use, which will be utilized to meet related current liabilities, have been classified in the consolidated balance sheets as current assets. The cost of securities sold is based on the specific-identification method. Investment income for all investments is included in nonoperating income.

Management classifies its Corporation's investment portfolio restricted for self-insurance arrangements as a trading portfolio. Accordingly, realized and unrealized gains and losses on these investments are included in nonoperating gains (losses) in the accompanying consolidated statements of changes in net assets (deficit). Management classifies the investments restricted under debt and bank agreements as an other-than-trading portfolio, because these investments consist primarily of money market funds. Accordingly, unrealized gains and losses are recorded as changes in unrestricted net deficit, which is excluded from the excess of revenues and gains over expenses and losses within the consolidated statements of changes in net assets (deficit).

The Corporation's investments are subject to credit, market and interest rate risks that cannot be predicted at this time. However,, management has attempted to mitigate these risks by maintaining a diversified portfolio.

During September 2008, certain large U.S. financial institutions failed, primarily as a result of holdings in troubled subprime loans or assets collateralized with such distressed loans. These institutional failures, and the negative economic conditions that contributed to these failures, generated substantial volatility in global financial markets and substantial uncertainty regarding access to capital and the continued viability of many other financial institutions. These conditions create uncertainty regarding the Corporation's future ability to access capital and the cost of such capital. The resulting impact on the future financial position, results of operations and cash flows of the Corporation could be material.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Accounts Receivable and Contractual Allowances

The Corporation provides services to patients in Prince George's County and surrounding jurisdictions, the majority of whom are covered by third-party health insurance programs. The Corporation bills the insurers/programs directly for the services provided. Insurance and credit information is obtained from patients at time of service or upon admission when available. No collateral is obtained for patient accounts receivable.

The Corporation's policy is to write off all patient accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for accounts not yet written off that are anticipated to become uncollectible in future periods.

Discounts ranging from 2% to 6% of hospital charges are given to Medicare, Medicaid and certain approved commercial health insurance and health maintenance organizations (HMOs). Also, these payers routinely review patient billings and deny payment for certain procedures that they deem medically unnecessary or performed without appropriate pre-authorization. Discounts and denials are recorded as reductions of net patient revenue. Accounts receivable from these third-party payers have been adjusted to reflect the difference between charges and the estimated reimbursable amounts.

At June 30, 2010 and 2009, gross patient accounts receivable, by payer class, consisted of the following:

	2010	2009
Medicare	15.6%	18.0%
Medicaid	29.4%	21.6%
Medicaid pending	13.3%	12.6%
Commercial	14.2%	19.0%
Self pay and others	27.5%	28.8%
	100.0%	100.0%

Inventories

Inventories, consisting principally of drugs and supplies, are carried at the lower of cost or market, using the average-cost method.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Property and Equipment

Property and equipment is carried at cost or, if donated, at fair market value at the date of the gift. Depreciation is provided over the estimated useful life of each class of depreciable asset, ranging from two to thirty years. Amortization of assets under capital lease obligations is computed using the straight-line method over the estimated useful life of the equipment and is included in depreciation and amortization in the financial statements. Maintenance and repairs are charged to expense as incurred.

Deferred Financing Costs

Financing costs incurred in issuing the Prince George's County, Maryland Project & Refunding Revenue Bonds (Dimensions Health Corporation Issue), Series 1994, have been capitalized and are being amortized over the life of the issues using the bonds-outstanding method.

The following table summarizes deferred financing costs:

	June 30 2010	June 30 2009
Series 1994 revenue bonds	$ 891	$ 891
Other	120	117
	1,011	1,008
Less: accumulated amortization	644	603
	$ 367	$ 405

Impairment of Long-Lived Assets

The Corporation evaluates its long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of any asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the future discounted cash flows compared to the carrying amount of the asset.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Temporarily Restricted Net Assets

Resources restricted by donors for specific purposes are reported as temporarily restricted net assets until expended, at which time they are reported as net assets released from restriction.

In accordance with accounting principles generally accepted in the United States of America, assets that are restricted for capital acquisitions (or that will not be available to the Corporation within the next operating cycle) are classified as noncurrent assets in the accompanying consolidated balance sheets. Assets that are temporarily restricted for supporting Corporation programs are classified as current assets if they are currently available for use by the Corporation. Temporarily restricted net assets are available for the following purposes at June 30:

	2010	2009
Capital purchases (state funded)	$ 10	$ 429
Healthcare	1,584	2,276
Health education	1,024	804
	$ 2,618	$ 3,509

Net Patient Service Revenue

Net patient service revenue, by payer class, consisted of the following for the years ended June 30:

	2010	2009
Medicare	28.7%	27.0%
Medicaid	27.5%	27.3%
Commercial	32.3%	33.4%
Other	11.5%	12.3%
	100.0%	100.0%

Revenue from the State of Maryland Medicaid program is primarily derived from independent managed care organizations that have contracted with the State of Maryland to cover eligible beneficiaries.

(Dollars in thousands)

Note A - Organization and Summary of Significant Accounting Policies - Continued

Net Patient Service Revenue - Continued

The following table sets forth the detail of net patient service revenue:

	2010	2009
Gross patient service revenue	$ 416,709	$ 410,648
Revenue deductions:		
Charity care	23,536	1,371
Contractual allowances	54,492	51,061
Net patient service revenue	$ 338,681	$ 358,216

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the financial statements. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Other Income

Other income is primarily composed of private and government restricted and non-restricted donations and grant income. Restricted donations and grants are held as restricted assets and recorded as revenue once the restrictions are satisfied. Other income is also composed of miscellaneous hospital revenue such as rental income, parking garage and vending machine income.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Charity Care

The Corporation provides care to patients who meet certain criteria under federal poverty and Hill-Burton guidelines, which determine its charity care policy. The Corporation does not pursue collection of amounts determined to qualify as charity care and, consequently, these amounts are not reported as net patient service revenue.

In fiscal year 2010, the Corporation changed its methodology for estimating and reporting charity care. In prior years, the Corporation treated most of its uncompensated care (UCC) as bad debt. The Maryland Health Services Cost Review Commission (the Commission) methodology that considers UCC in determining approved hospital rates previously did not distinguish between the provision of bad debts and the provision of charity. For fiscal year 2010, however, the Commission reimbursement methodology was updated to provide hospitals with up to a 20% UCC premium for the provision of charity services. During 2010 management revised the Corporation's policies and methodology to more specifically evaluate whether the provision of UCC resulted in charity or bad debt, and also updated its threshold for recognition of charity to include services rendered to persons earning at or below 200% of the established federal poverty guidelines.

Estimated Professional Liability Costs

The provision for estimated professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Corporation utilizes outside actuarial services in determining the aggregate professional liability reserve. The accrued professional liabilities amounts included in the accompanying consolidated balance sheets have not been discounted (see *Note G*).

Excess of Unrestricted Revenue and Other Support over Expenses

The consolidated statements of operations report excess of unrestricted revenue and other support over expenses. Changes in unrestricted net assets (deficit) that are excluded from this performance indicator, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions of (and assets released from donor restrictions related to) long-lived assets, and the recognition of (and subsequent adjustment to) certain changes in the employee post-retirement benefit liability reported by the Corporation.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Income Tax

The Corporation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code as a public charity. Federal tax law requires that the Corporation be operated in a manner consistent with its initial exemption application in order to maintain its exempt status. Management has analyzed the operations of the Corporation and concluded that it remains in compliance with the requirements for exemption. The state in which the Corporation operates also recognizes this exemption for state income tax purposes.

Organizations otherwise exempt from federal and state income taxation are nonetheless subject to taxation at corporate tax rates at both the federal and state levels on their unrelated business income. Exemption from other state taxes, such as real and personal property tax, is separately determined. For 2010 and 2009, management has determined that it did not have any tax liability.

Although exempt from federal and state income taxes, the Corporation is required to file an annual federal information return on Form 990. In addition, to the extent that the Corporation has gross income from business activities unrelated to its exempt purpose in excess of $1,000 for any tax year, it must also file a Form 990-T tax return. Generally, federal and state taxing authorities must propose any taxable adjustments within three (3) years from the due date of the 990-T or the actual filing date, whichever is later, unless unrelated business gross income is under reported by 25% or more, in which case the relevant time period is six (6) years. No statute of limitations applies for years for which no 990-T has been filed. The Corporation is not currently under audit by any taxing authority and has not been notified of any impending audit.

Current accounting standards define the threshold for recognizing uncertain income tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits, and also provide guidance on the measurement, classification and disclosure of tax return positions in the financial statements. Management believes there is no impact on the Corporation's accompanying consolidated financial statements related to uncertain income tax positions.

Fair Value of Financial Instruments

The carrying amount reported in the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, advances from third-party payers, and accrued annual leave approximates their fair value. The fair values of assets limited as to use and investments are based on quoted market prices of the individual securities or investments. The fair value of the Corporation's fixed-rate debt is based on current traded values. The fair value of the variable-rate debt is discussed in *Note E*. The fair values of investments are discussed in *Note C*.

Note A - Organization and Summary of Significant Accounting Policies - Continued

Reclassification

Certain amounts in the accompanying consolidated financial statements have been reclassified for comparative purposes.

Subsequent Events

Subsequent events have been evaluated by management through October 27, 2010, which is the date the consolidated financial statements were available to be issued.

In August 2010, the Financial Accounting Standards Board (FASB) amended the Accounting Standards Codification (ASC) for Health Care Entities to require that cost be used as the measurement basis for charity care disclosures and that cost be identified as the direct and indirect costs of providing the charity care. This amendment is effective for fiscal years beginning after December 15, 2010. Also, in August 2010, the FASB amended the ASC for Health Care Entities to clarify that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without considerations of insurance recoveries. This amendment is effective for fiscal years beginning after December 15, 2010. Management is currently evaluating the impact on the Corporation's future financial statements of adoption of these changes in accounting.

(Dollars in thousands)

Note B - Management's Plans as to Continuing as a Going Concern

At June 30, 2010, the Corporation had substantial capital needs, significant unfunded pension obligations and limited cash resources. The Corporation continues to be reliant upon government and other grant funding to finance continuing operations. These circumstances raise substantial doubt about the ability of the Corporation to continue as a going concern absent governmental and/or other external support.

The following one-time operating grants were recorded in other income in the accompanying consolidated statements of operations and changes in net assets as of June 30, 2010 and 2009:

	2010	2009
Prince George's County Government	$ 9,015	$ 11,263
State of Maryland	12,661	13,794
Magruder Memorial Hospital Trust	1,042	1,500
	$ 22,718	$ 26,557

Should the government and private grant funding, most of which was reported as income in the financial records of PGHC, LRH and GSSHNC, not have been received by the Corporation, the consolidated income from operations of the Corporation for the years ended June 30, 2010 and 2009 would have resulted in deficits of $21,291 and $27,110, respectively. The Corporation's cash flow continues to be stressed due primarily to the need to fund pre-existing obligations such as the Corporation's pension and other postretirement employee benefits (over $8,460 and $8,467 contributed during the years ended June 30, 2010 and 2009, respectively) and scheduled payments on long term debt principal and interest (approximately $7,000 and $8,000 for 2010 and 2009, respectively), as well as funding for new property and equipment (over $5,600 and $6,000 for the years ended June 30, 2010 and 2009, respectively). Consolidated days unrestricted cash available to fund operations (i.e., excluding cash needed for retirement of debt, and provide new or replacement capital equipment) was approximately nineteen days as of June 30, 2010 and seventeen days as of June 30, 2009.

Note B - Management's Plans as to Continuing as a Going Concern - Continued

Management and the Board of Directors determined that as a result of these issues, additional financial resources were necessary to ensure the Corporation's continued financial stability. Management's plans to address this situation are described below.

1. **Pension**: On July 12, 2007, the Corporation applied to the IRS for a modification of the 2004 funding waiver conditions related to the Pension Plan (see *Notes M* and *N*). Specifically, the Corporation requested the removal of the two conditions that prevented application for a second waiver needed to allow the Corporation to defer its 2007 plan year contributions. Per the IRS, such a filing would not result in any penalties to the Corporation. This deferment of payments afforded the Corporation $14,800 in additional cash to manage its operations through the specified period. As of September 15, 2010, the 2004 pension payments were paid in full, and the Corporation is now awaiting an IRS decision on the 2007 waiver.

2. **Ownership Transfer**: During the 2008 session of the Maryland General Assembly and Prince George's County (the County) agreed to a joint financial support package of $24,000 for FY 2009 and $24,000 for FY 2010 to keep the Corporation operational. In addition, the General Assembly passed house bill 1039 / senate bill 1007 that established the Prince George's Hospital Authority (the Authority) with a mandate to find one or more new owners to ultimately operate the system independently.

   In April 2009, when it appeared that a new owner would not be identified within the prescribed time, the legislature extended the period for the Authority to transfer the Corporation to May 2010. The legislature also gave the Authority greater flexibility in finalizing a proposal to the primary stakeholders that would facilitate the transfer of the Corporation while ensuring high quality healthcare for the County.

   On May 21, 2010, the Authority issued its report at a public meeting. The report explained that though nine entities responded, none of the respondents expressed the requisite level of interest in taking over the Corporation and developing an enhanced healthcare delivery system in the County without the Corporation's assets being streamlined and reconfigured in such a way as to curtail current operating losses and satisfy ongoing bond debt and pension liabilities. It was recommended that a continued commitment of $174,000 ($150,000 and $24,000 of operating and capital support respectively over a five year period) be provided to satisfy the Corporation's debts and liabilities and to make necessary interim investments in the restructuring of the Corporation to set the stage for a new hospital and healthcare delivery system. The Corporation's new chief executive officer is currently working on transition plans to implement the report's recommendations. A copy of the Authority's report with the recommendations can be found on the County's website.

Note B - Management's Plans as to Continuing as a Going Concern - Continued

3. **Funding**: On September 7, 2010, the governor of Maryland, and the County executive, signed a Letter of Intent to provide a total of thirty million dollars ($30,000) in financial support during fiscal year 2011 to the Corporation. Each party will provide fifteen million ($15,000) in quarterly installments of three million, seven hundred and fifty thousand dollars ($3,750) each. This will be the largest financial support ever provided to the Corporation within the same year.

   In addition, the Corporation was awarded two million five hundred thousand dollars ($2,500) in federal disaster grant funds, that will be used to establish a system-wide electronic medical records system for emergency medical services.

4. **Strategic Plan:** Management has developed a series of strategic initiatives that include: (1) physician development; (2) centralization of services (3) restructuring GSSHNC; (4) improving reputation and image; and (5) revenue enhancement and cost containment. These initiatives have been shared with both employees and the Board of Directors. In addition to the above, management strongly believes that the improvements achieved at LRH during the 2010 fiscal year will continue into fiscal year 2011, which will help to provide sufficient resources to meet the obligations of the Corporation.

The successful completion of these actions are contingent upon the continued support and cooperation of the County, the State, and Federal governments, as well as the Corporation. Management believes, but can provide no assurances, that all requirements will be satisfied and that the additional funding will be secured. Management further believes that this additional funding, combined with cash flow from operations, will provide resources sufficient to meet the obligations of the Corporation and therefore continue as a going concern. If the Corporation's operating results are less favorable than expected, then the future liquidity, financial position and operating results of the Corporation would likely be materially impacted. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

(Dollars in thousands)

Note C - Investments

Marketable investments are included in the consolidated balance sheets as assets limited as to use at June 30, 2010 and 2009, respectively.

The fair values of marketable investments at June 30 are as follows:

	2010	2009
Money market funds	$ 10,457	$ 9,825
Certificate of deposits	4,012	4,284
Government and agency	20,746	18,546
Corporate bonds	6,936	6,730
Common stock	5,858	5,549
Asset-backed securities	799	691
Total marketable investments	48,808	45,625
Less amount needed for current debt service	4,480	4,827
Long-term investments	$ 44,328	$ 40,798

Investment income and gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ended June 30:

	2010	2009
Interest, dividends and realized gains	$ 2,063	$ 401
Unrealized gains (losses) on trading portfolio	1,497	174
Unrealized gains (losses) on other-than-trading portfolio	(23)	(21)
	$ 3,537	$ 554

Note C – Investments - Continued

Current accounting standards define 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, and establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs that may be used to measure fair value are:

> Level 1: Quoted prices in active markets for identical assets of liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.
>
> Level 2: Observable input other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate-debt securities, and alternative investments.
>
> Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets(s) or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates, and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Corporation's business, its value, or financial position based on the fair value information of financial assets presented below.

(Dollars in thousands)

Note C – Investments - Continued

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of the timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

Fair values of government and agency securities, corporate bonds, common stock and asset-backed securities have been determined by the Corporation from observable market quotations, when available. Money market funds comprise short-term fixed income securities. Because of the nature of these assets, carrying amounts approximate fair values, which have been determined from public quotations, when available.

The following table presents the Corporation's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2010.

	Level 1	Level 2	Total
Money market funds	$ 0	$ 10,457	$ 10,457
Certificate of deposits	0	4,012	4,012
Government and agency	18,783	1,963	20,746
Corporate bonds	0	6,936	6,936
Common stock	5,858	0	5,858
Asset-backed securities	0	799	799
Total	$ 24,641	$ 24,167	$ 48,808

The following table presents the Corporation's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2009.

	Level 1	Level 2	Total
Money market funds	$ 0	$ 9,825	$ 9,825
Certificate of deposits	0	4,284	4,284
Government and agency	14,527	4,019	18,546
Corporate bonds	0	6,730	6,730
Common stock	5,549	0	5,549
Asset-backed securities	0	691	691
Total	$ 20,076	$ 25,549	$ 45,625

(Dollars in thousands)

Note D - Property and Equipment

A summary of property and equipment at June 30, 2010 and 2009 is as follows:

	2010	2009
Land	$ 743	$ 743
Land improvements	532	532
Buildings and improvements	67,907	66,703
Leasehold improvements	36,697	35,821
Equipment	125,663	121,855
Equipment under capital lease obligation	4,985	2,728
	236,527	228,382
Construction in progress	1,541	1,628
	238,068	230,010
Less: accumulated depreciation and amortization	177,123	168,177
	$ 60,945	$ 61,833

Accumulated amortization for equipment under capital leases was $1,335 and $540 at June 30, 2010 and 2009, respectively. The Corporation recognized amortization expense for assets under capital lease obligations of approximately $795 and $407 for the periods ended June 30, 2010 and 2009, respectively. These amounts are included in depreciation and amortization expense within the accompanying consolidated statements of operations and changes in net deficit.

(Dollars in thousands)

Note E - Long-Term Debt

Long-term debt and capital lease obligations at June 30, 2010 and 2009 are summarized as follows:

	2010	2009
Series 1994 Bonds:		
5.38%-Term bonds due in 2014 with periodic sinking fund payments.	$ 15,695	$ 18,370
5.30%-Term bonds due in 2024 with periodic sinking fund payments.	46,710	46,710
Magruder Trust Mortgage - liability held for sale, three-year adjustable rate (3.25% and 8.25% at June 30, 2010 and 2009, respectively), repayable in periodic installments through 2025.	3,561	3,703
Pooled Loan Program-Series D, Maryland Health and Higher Educational Facilities Authority (MHHEFA) variable rate (0.30% at June 30, 2009).	0	846
Capital lease obligations, payable in monthly installments collateralized by leased equipment.	3,670	2,202
	69,636	71,831
Less: original issue discount of 1994 Bonds.	1,090	1,170
	68,546	70,661
Less: current portion of long-term debt and capital lease obligations.	3,997	4,172
Non-current portion	$ 64,549	$ 66,489

(Dollars in thousands)

Note E - Long-Term Debt - Continued

Scheduled principal repayments on long-term debt and capital leases are as follows:

	Long-Term Debt
Year ending:	
2011	$ 3,997
2012	4,175
2013	4,252
2014	4,105
2015	3,796
2016 and thereafter	49,311
	$ 69,636

The 1994 Bonds is secured under the Corporation's Master Trust Indenture by the revenues and receipts and certain assets of the Corporation, including those leased from Prince George's County.

The Master Trust Indenture requires the satisfaction of certain restrictive covenants. A default under any of these covenants cross-defaults the remaining agreements.

The Master Trust Indenture specifically limits additional borrowing. Further, the Corporation is required to satisfy a debt-service coverage ratio of 1.10 to 1.00 (subject to certain exceptions), measured at the end of each fiscal year, as long as the long-term debt is outstanding. Debt-service coverage is defined as the ratio of the excess of revenues over expenses before interest expense and depreciation to the maximum annual debt service. The debt-service coverage is only measured on the Corporation's obligated group, which is comprised of the following operating divisions: PGHC, LRH, GSSHNC, BHC and Corporate. The results of the obligated group may differ from the results of the entire Corporation. Management believes it is in compliance with all applicable covenants. Management believes, but can provide no assurance, that it will be in compliance at the next annual measurement date of June 30, 2011. The maximum annual debt service is currently estimated to be $8,201 for the year ending June 30, 2011.

(Dollars in thousands)

Note E - Long-Term Debt - Continued

Management believes, but can provide no assurance that its operating plan for the year ending June 30, 2010, will result in sufficient excess of unrestricted revenues and other support over expenses and cash flow to allow compliance with the relevant covenants. Based on these conclusions, management continues to classify the Series 1994 Bonds as long-term debt in the accompanying consolidated financial statements.

Interest costs on long-term debt and notes payable incurred and paid for the years ended June 30, 2010 and 2009, net of interest income, was $3,917 and $3,860, respectively.

The assets held in trust under the Series 1994 Bonds as of June 30, 2010 and 2009 are as follows:

	June 30	
	2010	2009
Debt-service reserve fund	$ 6,597	$ 6,555
Debt-service fund	4,480	4,827
	$ 11,077	$ 11,382

The fair value of the Corporation's Series 1994 Bond indentures, based on the quoted market prices at June 30, 2010 and 2009, was $49,079 and $40,609, respectively. The fair value of all other outstanding debt approximates its carrying value.

(Dollars in thousands)

Note F - Functional Expenses

The Corporation considers health care services and management and general to be its primary functional categories for purposes of expense classification. The Corporation's operating expenses by functional classification for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Health care services	$ 337,699	$ 357,700
Management and general	31,388	33,248
	$ 369,087	$ 390,948

Note G - Insurance Programs

Dimensions Health Corporation maintains a wholly owned captive insurance company, located in the Cayman Islands, to administer certain professional and general liability exposures incurred by the Corporation, its employees and voluntary staff. Prior to January 1, 1998, the Corporation was self-insured for professional and general liability claims up to a limit of $2,000 per occurrence and $6,000 in the annual aggregate. Effective January 1, 1998, the Corporation's captive assumed this liability exposure, retroactive to the date of the Corporation's inception, with the same limits of liability. As of June 30, 2010, the limits are $5,000 with no aggregate per occurrence for professional liability and $3,000 per occurrence for general liability. This insurance is provided to all employees including certain of the Corporation's employed physicians.

The Corporation provides claims-management services to the captive insurance company. Losses from claims, both asserted and unasserted such as potentially compensable events identified under the Corporation's incident reporting system, are accrued based on actuarial estimates that incorporate the Corporation's past experience, as well as other considerations. These include the nature of each claim or incident and various relevant trend factors. An additional amount is accrued for potential incurred but not reported claims. The estimates for these losses are reported as accrued professional liabilities on the consolidated balance sheets.

(Dollars in thousands)

Note G - Insurance Programs - Continued

Physicians employed by the captive insurance company are insured for professional liability under commercial insurance policies with coverage limits of $1,000 and $3,000 in the annual aggregates.

The captive insurance company assets are included in assets limited as to use in the balance sheet. The combined fund activity is as follows:

	June 30	
	2010	2009
Balance at beginning of year	$ 29,959	$ 30,748
Deposits	5,349	4,914
Investment income (loss)	2,962	(162)
Claims and expenses paid	(4,551)	(5,541)
Balance at end of year	$ 33,719	$ 29,959

In calendar years 2010 and 2009, the captive insurance company provided umbrella excess liability coverage to the Corporation for general and professional liability exposures, with coverage limits totaling $15,000. This coverage is 100% reinsured through other commercial insurance companies. In management's opinion, the assets of the captive insurance company are sufficient to meet its obligations as of June 30, 2010. If the financial condition of the captive insurance company were to materially deteriorate in the future, and if it was unable to pay its claim obligations, the responsibility to pay those claims would revert to the Corporation.

As of June 30 2010 and 2009, the Corporation had receivables (payables) from the captive insurance company of $(453) and $2, respectively. As of September 30, 2010, all premium payments are current.

Note H - Employee Annuities

The Corporation maintained certain employee annuity contributions invested with an insurance company. The Corporation did not bear the risk of loss for these investments. During fiscal year 2010 the employee annuities were terminated. The amount of the employee annuity investment was $67 and $1,253 at June 30, 2010 and 2009, respectively.

Note I - Pension and Postretirement Benefits

The Corporation has a noncontributory defined benefit pension plan (the Pension Plan) covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East - Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the Pension Plan operates as a cash balance plan. The annual contribution by the Corporation is allocated to individual employee accounts based on years of service and the individual's retirement account. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union (formerly Professional Staff Nurses Association union), benefits are based on years of service and average, final compensation.

The Corporation's funding policy is to contribute such actuarially determined amounts as necessary to provide assets sufficient to meet the benefits to be paid to the Plan members and to meet the funding requirements of the Employees Retirement Income Security Act (ERISA). In 2005, the Corporation received a minimum contribution funding waiver from the Internal Revenue Service for the 2004 plan year. In 2008, the Corporation requested a modification to the 2004 waiver agreement with the IRS and subsequently requested a minimum contribution funding waiver for the 2007 plan year. The minimum contribution waiver and requests are described more fully in *Note M*.

The Corporation also sponsors two defined postretirement benefit plans that cover both salaried and non-salaried employees. One plan provides health care (medical, dental and vision) benefits and the other provides life insurance benefits. The postretirement health care plan is provided to employees who have retired and certain other employees who were eligible to retire prior to July 1, 1995. The plan is contributory for those who retired prior to July 1, 1995, with retiree contributions adjusted annually. Employees who retired on July 1, 1995 and later are eligible to participate in the plan by paying 100% of the premiums without Corporate contributions. The Corporation's policy has been to fund this plan on an as needed basis.

The second defined postretirement plan is a life insurance plan covering both salaried and non-salaried employees. The plan was non-contributory for all eligible retirees prior to July 1, 2001. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union, the plan was no longer offered to new retirees as of July 1, 1999. Effective July 1, 2001, the plan was modified to become contributory for the non-union employees and employees represented by the 1199 SEIU Health Care Workers East - Health Care Workers union who retired prior to July 1, 2001 and for the employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union who retired prior to July 1, 1999. The Corporation's policy has been to fund its share of these benefits as they are incurred.

Note I - Pension and Postretirement Benefits - Continued

On December 31, 2007 the Corporation elected to freeze the Pension Plan. No further benefit accruals will be made to the Pension Plan. The Pension Plan freeze substantially reduces annual funding obligations beginning with plan year 2008. On January 1, 2008 a defined contribution 403(b) plan, the Dimensions Health Corporation Retirement Savings Plan, was adopted as a replacement plan. Previously the employer had a non-contributory deferred savings program offered to employees through multiple third party administrators.

The new plan provides a 2% employer contribution on gross wages. Eligible employees who defer wages into the program receive matching contributions from the Corporation equal to 50% of their contribution, up to 4% of their gross pay (thereby receiving an employer maximum match of 2%). Employees who are budgeted to work 40 hours per pay period receive their contribution and match on a biweekly basis. Employees, who are budgeted less than 40 hours per pay period but who actually work 1,000 or more hours in the plan year, receive their contribution and match in one payment early in the following year. The new plan has a three year "cliff" vesting schedule. Employer contributions under this plan totaled approximately $4,696 and $4,559 for the years ended June 30, 2010 and 2009, respectively.

In accordance with the collective bargaining agreement with 1199 SEIU Health Care Workers East – Registered Nurses Chapter, represented employees with fifteen years of service will receive a matching $25 for each pay period in which they defer $25 or more. This matching contribution is paid quarterly.

As the new plan provides a substantial decrease in retirement benefits for older employees, "grandfathering" provisions were put in place. Non-represented employees, who, as of January 1, 2008, are both fifty-five years or older and who have at least one year of vesting service, receive an additional 3% contribution from the Corporation. Employees represented by 1199 SEIU Health Care Workers East – Registered Nurses Chapter and who, as of January 1, 2008 are both fifty-five years or older and who have fifteen years of vesting service receive an additional 6.5% contribution from the Corporation. To be eligible for the supplemental grandfathering contributions, employees must continue to work in positions budgeted for at least forty hours per pay period.

On April 8, 2008 the Corporation filed a "de minimis" determination ruling request, exempting the Corporation from Section 412(f) of the IRS Code and 304(b) of ERISA on April 8, 2008, due to the establishment of the new defined contribution 403(b) plan. As of the date of this report, the Corporation has not received disposition on the request.

The Corporation has recorded a pension liability in the accompanying consolidated balance sheets in the amount of $100,500 and $76,700, representing the amount of projected benefit obligation exceeding the fair value of the Pension Plan's assets as of June 30, 2010 and 2009, respectively. The accumulated benefit obligation was $209,018 and $166,044 as of June 30, 2010 and 2009, respectively.

(Dollars in thousands)

Note I - Pension and Postretirement Benefits - Continued

The Corporation has also recorded a post retirement benefit liability in the accompanying consolidated balance sheet in the amount of $5,450 and $4,974 as of June 30, 2010 and 2009, respectively, representing the underfunded status of the other post retirement benefit plans.

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	$ 166,044	$ 158,594	$ 4,974	$ 5,115
Service cost	0	0		0
Interest cost	10,571	10,488	309	331
Plan amendments	0	0	0	0
Plan participants contribution	0	0	206	207
Actuarial (gain) loss	38,431	2,448	544	(86)
Benefits paid	(6,028)	(5,486)	(583)	(593)
Benefit obligation at end of year	$ 209,018	$ 166,044	$ 5,450	$ 4,974
Change in plan assets				
Fair value of plan assets at beginning of year	$ 97,344	$ 118,071	$ 0	$ 0
Actual return on plan assets	8,742	(23,707)	0	0
Employer contribution	8,460	8,466	377	386
Plan participants contributions	0	0	206	207
Benefits paid	(6,028)	(5,486)	(583)	(593)
Fair value of plan assets at end of year	$ 108,518	$ 97,344	$ 0	$ 0
Funded status/accrued pension cost	$ (100,500)	$ (68,700)	$ (5,450)	$ (4,974)

(Dollars in thousands)

Note I - Pension and Postretirement Benefits - Continued

The unrecognized obligation for the postretirement benefits represents the remaining unamortized transition obligation.

Significant assumptions used in the accounting for the benefit plans on the measurement dates are as follows. For measurement purposes, certain rate assumptions are adjusted based upon periodic changes in market indicators.

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
Weighted-average assumptions				
Discount rate	5.41%	6.50%	5.41%	6.50%
Expected return on plan assets	7.5%	7.5%	N/A	N/A
Health care trend rate (initial)	N/A	N/A	9.1%	9.0%
Components of net periodic benefit cost				
Service cost	$ 0	$ 0	$ 0	$ 0
Interest cost	10,571	10,488	309	331
Expected return on plan assets	(9,332)	(9,419)	0	0
Amortization of prior service cost	195	195	(135)	(135)
Amortization of net actuarial loss (gain)	4,200	2,650	47	53
Amortization of transition obligation	0	0	252	252
Net periodic benefit cost	$ 5,634	$ 3,914	$ 473	$ 501

The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized included the target rates of return for the future which has historically not changed.

(Dollars in thousands)

Note I - Pension and Postretirement Benefits - Continued

For measurement purposes related to postretirement benefits as of June 30, 2010 and 2009, a 5% annual rate of increase in the per capita cost of covered health care benefits was assumed. The health care trend rate assumption has a significant effect on the amounts reported. For example, changing the assumed health care cost trend rates by one percentage point will have the following effects:

	One Percentage-Point Increase	One Percentage-Point Decrease
Effect on interest cost component	$ 18	$ (16)
Effect on postretirement benefit obligation	299	(270)

Pension Plan Assets

The Pension Plan's weighted-average asset allocations at June 30, 2010 and 2009, by asset category, are as follows:

	2010	2009
Asset Category		
Equity securities	57%	50%
Fixed securities	21%	29%
Other	22%	21%
	100%	100%

The Pension Plan assets may be invested in publicly traded equity mutual funds, including equity index funds and unit investment trusts mirroring a major market equity index, and publicly traded bond mutual funds, including bond index funds, with allowable ranges of 50% to 80% of the total asset value for equities and 20% to 50% of the total asset value for fixed income investments. In addition, fixed income investments that are not publicly traded may be used with specific approval by the Plan trustees. Investment results are evaluated against applicable major market indexes.

(Dollars in thousands)

Note I - Pension and Postretirement Benefits – Continued

The custodian of the Plan's assets, uses an independent pricing service, Interactive Data Pricing and Reference Data, Inc. to provide pricing services and valuation methodology. The following is a description of the valuation methodologies used for assets measured at fair value.

Common stock securities are priced at the closing price reported on the active market on which individual securities are traded.

Corporate bonds securities are priced by independent pricing services using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads, and priced using non-binding broker/dealer quotes. Prices are reviewed by the custodian to ensure comfort and can be challenged with the independent party and/or overridden if the custodian believes the price would be more reflective of fair value.

U.S. Government securities are priced using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads, priced using non-binding broker/dealer quotes. Prices are reviewed by the custodian, to ensure comfort and can be challenged with the independent party and/or overridden if the custodian believes the price would be more reflective of fair value.

The valuation of asset-backed securities (including partnerships) is based on valuation by the general manager or partner of such asset determined in good faith using criteria set forth in the asset agreements.

The fair values of the Pension Plan assets as of June 30, 2010 by asset category are as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash, cash equivalents and money market funds	$ 870	$ 6,595	$ 0	$ 7,465
Government and agency	8,352	3,459	0	11,811
Corporate bonds	0	5,217	0	5,217
Common stock	65,323	208	0	65,531
Asset-backed securities	0	2,837	15,657	18,494
Total assets fair value	$ 74,545	$ 18,316	$ 15,657	$ 108,518

(Dollars in thousands)

Note I - Pension and Postretirement Benefits - Continued

The following table is a rollforward of the fair value amounts for financial instruments classified by the Plan within level 3 of the valuation hierarchy above:

	Asset-backed securities
Fair value June 30, 2009	$ 15,084
Realized and unrealized gains (losses), net	1,353
Purchases, issuances, and settlements, net	(779)
Fair value June 30, 2010	$ 15,657

Cash Flows

The Corporation expects to contribute $10,950 to the Pension Plan for the fiscal year 2011. The Corporation expects to contribute $462 to its other postretirement benefit plans for fiscal year 2011.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Other Benefits
2011	$ 7,519	$ 462
2012	8,096	475
2013	8,800	484
2014	9,438	489
2014 and thereafter	71,243	2,833

(Dollars in thousands)

Note J - Commitments and Contingencies

Operating Leases

The Corporation leases the land and buildings used by PGHC, LRH, BHC, and GSSHNC from Prince George's County under a lease agreement. In connection with the Series 1992 Bond Issue, the lease was restated and amended to provide for the use of the related facilities through June 30, 2042, for a one-time, lump-sum payment of $13,352 and future annual rental payments of $1 for the remaining term of the lease. The lump-sum payment, made on June 17, 1992, was allocated to the related buildings ($8,958) and to reduce the deferred rent liability recorded by the Corporation at the time of the restatement and amendment ($4,394). The amount allocated to the buildings is being amortized over the lesser of the useful life of the assets or the remaining lease term.

Upon termination of the lease, the Corporation is obligated to deliver to the County all of the assets attributable to the operations, as defined, including all fixed and moveable equipment. All such assets will be transferred and conveyed in "as is" condition without warrant as to condition or serviceability.

The Corporation also leases various equipment and computer services under long-term operating lease agreements. Total rental expense for operating leases approximated $3,172 and $3,263 for the years ended June 30, 2010 and 2009, respectively.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2010 that have initial or remaining lease terms in excess of one year.

	Amount	
Year ending June 30:		
2011	$	540,486
2012		169,873
2013		96,163
2014		48,082
2014 and thereafter		0

(Dollars in thousands)

Note J - Commitments and Contingencies - Continued

Operating Leases - Continued

The Corporation entered into an agreement with an outside vendor to outsource the management information services (MIS) function and maintenance and provision of software services through December 31, 2014. The annual payments are expected to be as follows:

		Amount
Year ending June 30:		
2011	$	4,607
2012		4,557
2013		4,557
2014		2,278

Professional Liability and Litigation

The Corporation is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Corporation. For such claims, management has accrued a reserve for potential liability in the amount of $25,790 and $25,619 as of June 30, 2010 and 2009, respectively (see *Note G*). There is at least a reasonable possibility that some of these cases will be settled against the Corporation, resulting in varying degrees of monetary damages in excess of the recorded reserve. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results of operations. The Corporation incurred professional liability expenses of approximately $7,435 and $7,596 for the years ended June 30, 2010 and 2009, respectively.

Other

Letters of credit in the amounts of $2,500 (expiring September 4, 2011), $1,312 (expiring October 31, 2011), and $200 (expiring September 4, 2011) are maintained in support of various insurance arrangements and require the payment of annual commitment fees of 0.50%. As of June 30, 2010 and 2009, the Corporation pledged $4,012 and $4,284, respectively, as collateral for these letters of credit. The assets pledged are classified as short term investments in the accompanying consolidated balance sheets. The restricted cash and cash equivalents reported in the accompanying consolidated balance sheets represent cash received from donors restricted for specific purposes.

Note J - Commitments and Contingencies - Continued

The Corporation was self-insured against workers' compensation claims up to $300 per claim with no annual aggregate limit prior to July 1, 2004. The Corporation maintains a commercial insurance policy for claims liabilities exceeding these limits. A liability of $105 and $121, as of June 30, 2010 and 2009, respectively, has been established for known claims and an estimate for claims incurred but not reported and accrued in the Corporation's accounts payable. Effective July 1, 2004, the Corporation's self-insured limit was raised to $400 per claim with no annual aggregate. Effective October 1, 2004, the Corporation's self-insurance privileges were revoked and the Corporation purchased a commercial policy to cover all prospective workers' compensation claims. This policy provides coverage for claims up to $500 per claim with no annual aggregate limit.

The Corporation was notified by the Maryland Department of the Environment (MDE) regarding potential environmental violations during the year ended June 30, 2010. The Corporation, in consultation with legal counsel, intends to vigorously defend against these charges. Given the current status of the proceedings with the MDE, the potential assessment of any fines or penalties cannot be reasonably estimated. However, in the opinion of management, the ultimate resolution of this matter will not have a material impact on the consolidated financial statements of the Corporation.

Note K - Maryland Health Services Cost Review Commission

Certain of the Corporation's charges to patients are subject to review and approval by the Commission. Management has filed the required forms with the Commission and believes the Corporation to be in compliance with Commission requirements.

The current rate of reimbursement for principally all inpatient services and certain other services to patients under the Medicare and Medicaid programs is based on an agreement between the Center for Medicare and Medicaid Services and the Commission. This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the State of Maryland under Section 1814(b) of the Social Security Act and will continue as long as Medicare and Medicaid do not pay rates any higher than those offered to other third-party payers and the rate of increase for costs per hospital inpatient admission in Maryland is below the national average. Management expects this agreement will remain in effect at least through June 30, 2011.

Note K - Maryland Health Services Cost Review Commission - Continued

Effective April 1999, the Commission adopted, and PGHC and LRH agreed to, a rate methodology for hospital inpatient services. Under this methodology, a target average charge per case is established for PGHC and for LRH based on past actual charges, inflation, and case mix indices. The average charge per case for the applicable facility is compared with the target average charge per case for the applicable facility and, to the extent that the actual average exceeds the target, the overcharge plus applicable penalties will reduce the approved target for the subsequent rate year. To the extent that the actual average is short of the target, the undercharge will increase the approved target for the subsequent rate year. At June 30, 2010 and 2009, PGHC and LRH were in compliance, defined as within 1% overcharge or 2% undercharge, with their average charge per case targets.

The Commission's rate-setting methodology for service centers that provide both inpatient and outpatient services or only outpatient services consists of establishing an acceptable unit rate for these centers within the applicable facility. The actual average unit charge for each service center is compared to the approved rate on a monthly basis.

The rate variances, plus penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis.

The timing of the Commission's rate adjustments for the Corporation could result in an increase or reduction due to the variances and penalties described above in a year subsequent to the year in which such items occur. The Corporation's policy is to accrue revenue based on actual charges for services to patients in the year in which the services are performed and billed.

Note L - Related Party Transactions

The Prince George's Hospital Center Foundation, Inc., the Laurel Regional Hospital Foundation, Inc., and the Laurel Regional Hospital Auxiliary were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated hospitals. The associated hospitals have recorded their interest in the net assets of the foundations as a non-current asset in the accompanying consolidated balance sheets.

The Corporation's wholly owned subsidiary, Madison Manor, Inc. holds a 25% partnership interest in BCLP and accounts for it under the equity method. The carrying value of the Corporation's investment in BCLP was $2,285 and $1,910 at June 30, 2010 and 2009, respectively.

Note M – Additional Information Related to the Pension

The Corporation was required to make a deposit to the Pension Plan of approximately $11,585 by September 15, 2005. The Corporation applied to the Internal Revenue Service (IRS) for a funding waiver on March 15, 2005 and this waiver was approved by an Internal Revenue Service ruling dated September 15, 2005. This waiver was granted subject to the following conditions:

1. Collateral acceptable to the Pension Benefit Guarantee Corporation (PBGC) be provided to the Pension Plan for the full amount of the waiver by the later of (a) 120 days from the date of the ruling letter or (b) the earlier of (i) the date the PBGC notifies the IRS in writing that this condition has not been met or (ii) 360 days from the date of the ruling letter;

2. The Corporation provides to the PBGC a copy of any ruling requests it makes under Section 412 (f) (1) of the Internal Revenue Code:

3. The Corporation makes all required quarterly contributions to the Pension Plan in a timely manner while the Plan is subject to a waiver of the minimum funding standard; and

4. The Corporation makes contributions to the Pension Plan in amounts sufficient to meet the minimum funding requirements for the Pension Plan for the plan years ending December 31, 2005, through 2009, by September 15, 2006 through 2010, respectively (without applying for a waiver of the minimum funding standard).

As a result of this waiver no contributions receivable from the Corporation was recorded in plan year 2004 financial statements.

The Corporation was required to satisfy collateral requirements by the PBGC for the 2004 funding waiver by September 8, 2006 in the amount of $11,600. The Corporation and the PBGC reached agreement on all outstanding conditions.

The Corporation satisfied all 2004 waiver conditions relevant to plan year 2006.

Note M – Additional Information Related to the Pension - Continued

Modification of Minimum Contribution Waiver for 2004 Plan Year

On July 12, 2007, the Corporation applied to the IRS for a modification of the 2004 funding waiver conditions. Specifically, the Corporation requested the removal of Condition 3 in its entirety and removal of the parenthetical phrase "(without applying for a waiver of the minimum funding standard)" from condition 4 (above) for description of all waiver conditions). These modifications allow the Corporation to manage its cash flow requirements for operations and permit the Corporation to delay required contributions into the Pension Plan until September 15, 2008 for plan year 2007 contributions. As of the date of this report, the Corporation has not received disposition on the request. Consequently, and with full knowledge of the IRS, the Corporation discontinued all funding requirements for plan year 2007. Until the IRS adjudicates the request, it has agreed not to impose sanctions or fines on the Corporation for violation of the original 2004 waiver conditions.

Subsequent to the IRS modification request application, the PBGC perfected its lien against the Corporation's accounts receivable.

Minimum Contribution Funding Waiver Request for 2007 Plan Year

On March 14, 2009, the Corporation applied for approval from the IRS to waive the minimum required contribution for the plan year ended December 31, 2007. No formal response has been received from the IRS on this request. The Corporation contributed $1,898 for plan year 2007 and $4,500 for plan year 2008 during 2008. Actuarially determined minimum required contributions were $8,325 and $7,009 for the plan year 2009 and 2008, respectively.

Note M – Additional Information Related to the Pension - Continued

2009 Pension Benefit Recalculations

On June 11, 2008, the Corporation received a favorable determination letter from the IRS approving the tax-qualified status of the Pension Plan. This ruling is required following the establishment of the cash balance component of the Pension Plan. The Pension Plan covers all eligible non-represented employees and employees represented by the 1199 SEIU Health Care Workers East - Health Care Workers union. The original request was filed on November 15, 1996. The IRS required a plan amendment that imposes a minimum interest rate of 5% to participants' cash balance accounts retroactively; this will require the Pension Plan to recalculate some past benefit amounts which were calculated at a lower minimum interest rate. The Board of Directors approved the plan amendment on August 13, 2008 and the Corporation implemented a project to recalculate the benefits for affected Pension Plan participants.

Included in this plan to recalculate Pension Plan benefits, the Corporation also undertook a voluntary correction of the benefit calculations of prior excluded employees that should have been eligible to receive benefits as a result of the 1996 Pension Plan amendment requiring non-benefited employees who worked 1,000 hours or more in the year to be eligible for the Pension Plan.

As the Pension Plan is now frozen, the Corporation took advantage of this major project to provide participants with expanded benefit statements. This allowed the participants to review the data used to calculate their benefits and to bring any questions and concerns to the Corporation. This project improved the accuracy of the Pension Plan's database and will result in lower actuarial fees and administrative expenses going forward. The project was completed in February, 2010 with an increased liability to the Pension Plan of approximately $7,600 (as measured on a funding target liability basis).

Other Financial Information

COHEN
RUTHERFORD
+ KNIGHT PC
Certified Public Accountants

Report of Independent Auditors

Board of Directors
Dimensions Health Corporation

We have audited, in accordance with auditing standards generally accepted within the United States, the consolidated financial statements of Dimensions Health Corporation for the year ended June 30, 2010 presented herein and have issued our opinion thereon dated October 27, 2010. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information presented hereinafter as of and for the year ended June 30, 2010 is presented for purposes of additional analysis of the basic consolidated financial statements rather that to present the financial position, results of operations and cash flows of the individual companies, and is not a required part of the basic consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the basic 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.

As discussed in *Note B* to the consolidated financial statements, the Corporation's reliance on government and other grant funding to support its operations, its substantial capital needs, significant unfunded pension obligations, and limited cash resources raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Cohen, Rutherford + Knight, P.C.

October 27, 2010

6903 Rockledge Drive, Suite 500, Bethesda, MD 20817 Tel: 301.828.1000 Fax: 301.530.3625

Consolidating Balance Sheets-Obligated Group
Dimensions Health Corporation and Subsidiaries
For the year ended June 30, 2010
(Dollars in thousands)

	PGHC	LRH	GSSNHC	BHC	Corporate	Total Obligated Group	Other Entities	Consolidating Entries	Consolidated Total
Assets									
Current Assets:									
Cash and cash equivalents	$ 0	$ 0	$ 1	$ 0	$ 18,194	$ 18,195	$ 1,150	$ 0	$ 19,345
Restricted cash and cash equivalents	0	0	0	0	1,869	1,869	0	0	1,869
Patient accounts receivable, net of allowance	33,163	12,081	4,449	2,505	0	52,198	104	0	52,302
Other receivables	1,302	134	319	972	767	3,494	5,044	(3,673)	4,865
Inventories	2,394	2,010	73	322	0	4,799	0	0	4,799
Current portion of assets held in trust	0	0	0	0	4,480	4,480	0	0	4,480
Prepaid expenses and other assets	62	56	0	13	4,014	4,145	1,570	(1,239)	4,476
Total current assets	36,921	14,281	4,842	3,812	29,324	89,180	7,868	(4,912)	92,136
Due from affiliates	0	0	29,480	14,126	24,597	68,203	0	(68,203)	0
Assets limited as to use:									
Short term investments	0	0	0	0	3,812	3,812	200	0	4,012
Held in trust under bond and note indentures, net current portion	0	0	0	0	6,597	6,597	0	0	6,597
Investments held for self insurance	0	0	0	0	0	0	33,719	0	33,719
Total assets limited as to use	0	0	0	0	10,409	10,409	33,919	0	44,328
Property and equipment, net	35,251	17,409	762	2,139	2,110	57,671	3,274	0	60,945
Investments	374	365	0	0	5,834	6,573	2,285	(5,834)	3,024
Deferred compensation fund	0	0	0	0	67	67	0	0	67
Deferred financing costs, net	0	0	0	0	304	304	63	0	367
Other noncurrent assets	2,843	612	24	26	0	3,505	0	0	3,505
Total assets	$ 75,389	$ 32,667	$ 35,108	$ 20,103	$ 72,645	$ 235,912	$ 47,409	$ (78,949)	$ 204,372

(Continued)

Consolidating Balance Sheets-Obligated Group
Dimensions Health Corporation and Subsidiaries
For the year ended June 30, 2010
(Dollars in thousands)

	PGHC	LRH	GSSNHC	BHC	Corporate	Total Obligated Group	Other Entities	Consolidating Entries	Consolidated Total
Liabilities and net assets									
Current Liabilities									
Current portion of long-term debt	$ 0	$ 954	$ 0	$ 43	$ 2,820	$ 3,817	$ 180	$ 0	$ 3,997
Current portion of accrued benefit liabilities	0	0	0	0	11,412	11,412	0	0	11,412
Accounts payable and accrued expenses	17,839	7,635	1,809	550	8,813	36,646	5,535	(4,912)	37,269
Accrued compensation and related items	5,473	2,177	532	225	6,706	15,113	781	0	15,894
Advances from third-party payers	7,485	2,732	1,348	0	0	11,565	0	0	11,565
Total current liabilities	30,797	13,498	3,689	818	29,751	78,553	6,496	(4,912)	80,137
Long-term debt, net of current portion	0	2,514	0	159	58,495	61,168	3,381	0	64,549
Due to affiliates	6,156	46,151	0	0	0	52,307	15,896	(68,203)	0
Other Liabilities:									
Accrued professional liability costs	0	0	0	0	0	0	25,790	0	25,790
Accrued employee benefit liability	0	0	0	0	94,539	94,539	0	0	94,539
Total other liabilities	0	0	0	0	94,539	94,539	25,790	0	120,329
Total liabilities	36,953	62,163	3,689	977	182,785	286,567	51,563	(73,115)	265,015
Net assets (deficit)									
Unrestricted	36,728	(30,406)	31,419	19,126	(110,140)	(53,273)	0	(9,988)	(63,261)
Temporarily restricted	1,708	910	0	0	0	2,618	0	0	2,618
Total net assets	38,436	(29,496)	31,419	19,126	(110,140)	(50,655)	0	(9,988)	(60,643)
Shareholders equity									
Capital contributions	0	0	0	0	0	0	5,834	(5,834)	0
Retained earnings	0	0	0	0	0	0	(9,988)	9,988	0
Total shareholder equity	0	0	0	0	0	0	(4,154)	4,154	0
Total liabilities and net assets	$ 75,389	$ 32,667	$ 35,108	$ 20,103	$ 72,645	$ 235,912	$ 47,409	$ (78,949)	$ 204,372

Consolidating Statement of Operations-Obligated Group
Dimensions Health Corporation and Subsidiaries
For the year ended June 30, 2010
(Dollars in thousands)

	PGHC	LRH	GSSNHC	BHC	Corporate	Total Obligated Group	Other Entities	Consolidating Entries	Consolidated Total
Unrestricted revenue and other support:									
Net patient service revenue	$ 201,884	$ 91,907	$ 17,975	$ 16,728	$ 0	$ 328,494	$ 10,187	$ 0	$ 338,681
Other income	19,595	6,431	484	29	415	26,954	6,670	(5,351)	28,273
Total unrestricted revenue and other support	221,479	98,338	18,459	16,757	415	355,448	16,857	(5,351)	366,954
Operating expenses:									
Salaries and benefits	119,020	50,548	11,746	6,225	0	187,539	7,880	0	195,419
Supplies	30,721	14,725	4,024	1,895	0	51,365	69	0	51,434
Purchased services	28,362	13,632	2,235	2,951	0	47,180	8,904	(5,351)	50,733
Provision for bad debts	15,247	6,831	2,872	2,355	0	27,305	3,841	0	31,146
Physician fees	7,200	4,373	264	2,339	0	14,176	8,185	0	22,361
Utilities	2,959	1,504	308	246	0	5,017	40	0	5,057
Interest expense	1,931	1,442	115	183	0	3,671	313	0	3,984
Depreciation and amortization	5,240	2,850	252	304	35	8,681	272	0	8,953
Total operating expenses	210,680	95,905	21,816	16,498	35	344,934	29,504	(5,351)	369,087
Income from operations	10,799	2,433	(3,357)	259	380	10,514	(12,647)	0	(2,133)
Other income									
Investment income	131	57	26	7	0	221	3,339	0	3,560
Forgiveness of due to (from)	(11,484)	(2,009)	0	0	0	(13,493)	13,493	0	0
Total other income	(11,353)	(1,952)	26	7	0	(13,272)	16,832	0	3,560
Excess (deficit) of unrestricted revenue and other support over expenses	(554)	481	(3,331)	266	380	(2,758)	4,185	0	1,427
Other Changes in unrestricted assets:									
Net change in appreciation of other-than-trading investments	0	0	0	0	(23)	(23)	0	0	(23)
Net assets released from restrictions used for purchase of fixed assets	419	0	0	0	0	419	0	0	419
Change minimum pension liability	0	0	0	0	(27,058)	(27,058)	0	0	(27,058)
Increase (decrease) in unrestricted net assets	$ (135)	$ 481	$ (3,331)	$ 266	$ (26,701)	$ (29,420)	$ 4,185	$ 0	$ (25,235)