

AUDITED CONSOLIDATED FINANCIAL
STATEMENTS AND OTHER FINANCIAL
INFORMATION

Backus Corporation and Subsidiaries
Years Ended September 30, 2010 and 2009
With Report of Independent Auditors

Backus Corporation and Subsidiaries
Audited Consolidated Financial Statements
and Other Financial Information

Years Ended September 30, 2010 and 2009

Contents

Report of Independent Auditors.....	1
Audited Consolidated Financial Statements	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7
Other Financial Information	
Report of Independent Auditors on Other Financial Information	30
Consolidating Balance Sheet as of September 30, 2010.....	31
Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2010.....	33
Backus Health Care, Inc., and Subsidiaries Consolidating Balance Sheet as of September 30, 2010	35
Backus Health Care, Inc., and Subsidiaries Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2010	36
WWB, Inc., and Subsidiary Consolidating Balance Sheet as of September 30, 2010	37
WWB, Inc., and Subsidiary Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2010.....	38
Consolidating Balance Sheet as of September 30, 2009.....	39
Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2009.....	41
Backus Health Care, Inc., and Subsidiaries Consolidating Balance Sheet as of September 30, 2009	43
Backus Health Care, Inc., and Subsidiaries Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2009	44
WWB, Inc., and Subsidiary Consolidating Balance Sheet as of September 30, 2009	45
WWB, Inc., and Subsidiary Consolidating Statement of Operations and Changes in Net Assets for the Year Ended September 30, 2009	46

Report of Independent Auditors

The Board of Trustees
Backus Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Backus Corporation and Subsidiaries (the Corporation) as of September 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Backus Corporation and Subsidiaries as of September 30, 2010 and 2009, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

December 2, 2010

Backus Corporation and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 74,929,624	\$ 62,155,067
Assets whose use is limited – required for current liabilities	7,931,590	7,240,812
Accounts receivable, less allowance for uncollectible accounts (2010 – \$20,574,000; 2009 – \$21,206,000)	32,546,895	38,032,269
Pledges receivable	185,866	533,993
Inventories of supplies	3,885,317	3,367,607
Prepaid expenses and other	1,303,628	1,023,236
Total current assets	120,782,920	112,352,984
Assets whose use is limited:		
Board-designated and donor restricted	96,626,409	81,012,837
Held by trustee	26,988,802	25,070,975
Total assets whose use is limited	123,615,211	106,083,812
Less assets whose use is limited – required for current liabilities	7,931,590	7,240,812
	115,683,621	98,843,000
Property, plant and equipment, net	99,769,244	103,839,068
Deferred financing costs	1,933,364	2,025,397
Other assets	2,413,877	2,837,828
Total assets	\$ 340,583,026	\$ 319,898,277

	September 30	
	2010	2009
Liabilities and net assets		
Current liabilities:		
Accounts payable – trade	\$ 10,942,326	\$ 11,143,511
Salaries and wages, payroll taxes and taxes withheld from payroll	6,905,328	8,955,228
Other accrued liabilities	10,711,877	9,568,027
Due to third-party reimbursement agencies	2,963,415	2,310,804
Current portion of long-term debt	2,032,691	1,833,475
Total current liabilities	33,555,637	33,811,045
Other liabilities:		
Long-term debt, less current portion	64,591,831	64,995,680
Employee related obligations	57,973,203	84,442,697
Self-insured professional liability	10,514,332	10,580,762
Due to third-party reimbursement agencies	12,767,632	10,307,215
Other	349,678	675,153
	146,196,676	171,001,507
Net assets:		
Unrestricted	149,253,750	104,776,463
Temporarily restricted	4,101,543	3,447,432
Permanently restricted	7,475,420	6,861,830
Total net assets	160,830,713	115,085,725
Total liabilities and net assets	\$ 340,583,026	\$ 319,898,277

See accompanying notes.

Backus Corporation and Subsidiaries
Consolidated Statements of Operations

	Years Ended September 30	
	2010	2009
Operating revenues:		
Net patient service revenue	\$ 282,901,504	\$ 271,765,388
Other operating revenue	4,357,277	4,412,193
Net assets released from restrictions	91,211	86,494
	287,349,992	276,264,075
Operating expenses:		
Salaries, wages and professional fees	117,710,320	120,907,812
Payroll taxes and other fringe benefits	29,622,058	29,445,026
Supplies, insurance and other	94,223,260	80,131,898
Provision for uncollectible accounts	14,462,163	17,106,501
Depreciation and amortization	17,534,609	17,335,024
Interest	3,185,038	3,361,670
	276,737,448	268,287,931
Operating income	10,612,544	7,976,144
Nonoperating gains:		
Contributions and donations	328,840	429,646
Investment income	8,486,755	5,177,633
Other	77,066	
	8,892,661	5,607,279
Excess of revenues over expenses	\$ 19,505,205	\$ 13,583,423

Backus Corporation and Subsidiaries

Consolidated Statements of Changes in Net Assets

	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Permanently Restricted</u>
Net assets, September 30, 2008	\$145,101,601	\$ 136,705,366	\$ 2,475,427	\$ 5,920,808
Contributions	1,712,752		742,752	970,000
Investment income	315,747		315,747	
Excess of revenues over expenses	13,583,423	13,583,423		
Net assets released from restriction	(86,494)		(86,494)	
Effect of early measurement date elimination	(1,762,428)	(1,762,428)		
Change in pension funding and postretirement obligation	(43,749,898)	(43,749,898)		
Change in net assets held in trust	(28,978)			(28,978)
(Decrease) increase in net assets	<u>(30,015,876)</u>	<u>(31,928,903)</u>	<u>972,005</u>	<u>941,022</u>
Net assets, September 30, 2009	115,085,725	104,776,463	3,447,432	6,861,830
Contributions	484,695		126,631	358,064
Investment income	739,782		618,691	121,091
Excess of revenues over expenses	19,505,205	19,505,205		
Net assets released from restriction	(91,211)		(91,211)	
Curtailment gain	34,536,288	34,536,288		
Change in pension funding and postretirement obligation	(9,564,206)	(9,564,206)		
Change in net assets held in trust	134,435			134,435
Increase in net assets	<u>45,744,988</u>	<u>44,477,287</u>	<u>654,111</u>	<u>613,590</u>
Net assets, September 30, 2010	<u>\$160,830,713</u>	<u>\$ 149,253,750</u>	<u>\$ 4,101,543</u>	<u>\$ 7,475,420</u>

See accompanying notes.

Backus Corporation and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended September 30	
	2010	2009
Operating activities		
Increase (decrease) in net assets	\$ 45,744,988	\$(30,015,876)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,534,609	17,335,024
Provision for uncollectible accounts	14,462,163	17,106,501
Curtailment gain	(34,536,288)	
Effect of early measurement date elimination		1,762,428
Change in pension funding and postretirement obligation	9,564,206	43,749,898
Purchase of investments-board designated, net	(15,613,572)	(3,472,648)
Permanently restricted contributions and income	(613,590)	
Changes in operating assets and liabilities (<i>Note 15</i>)	(9,310,288)	(9,217,760)
Net cash provided by operating activities	27,232,228	37,247,567
Investing activities		
Purchase of investments-held in trust, net	(1,917,827)	(4,516,685)
Net additions to property, plant and equipment	(12,643,127)	(19,263,913)
Decrease in other assets	153,108	360,829
Net cash used in investing activities	(14,407,846)	(23,419,769)
Financing activities		
Proceeds from loan	1,250,000	
Principal payments on long-term debt and capital lease obligations	(1,863,950)	(2,050,962)
Change in deferred financing costs and amortization of bond premium	(49,465)	(51,633)
Permanently restricted contributions and income	613,590	
Net cash used in financing activities	(49,825)	(2,102,595)
Net increase in cash and cash equivalents	12,774,557	11,725,203
Cash and cash equivalents at beginning of year	62,155,067	50,429,864
Cash and cash equivalents at end of year	\$ 74,929,624	\$ 62,155,067

See accompanying notes.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2010

1. Significant Accounting Policies

Organization

Backus Corporation (Corporation) is a not-for-profit organization under the Non-Stock Corporation Act of the State of Connecticut. The Corporation provides overall direction and control for The William W. Backus Hospital (the Hospital), Backus Foundation, Inc. (Foundation) and Backus Health Care, Inc. Backus Properties, Inc. (Properties), a not-for-profit organization, holds and manages certain nonpatient related properties for the Corporation. WWB Corporation conducts the related for-profit activities of the Corporation, its sole shareholder. Omni Home Health Services of Eastern Connecticut LLC dba Backus Home Health Services provides continual home care to patients. Backus Physician Services, LLC provides surgical services. The accompanying consolidated statements of operations include the excess (deficiency) of revenue over expenses as the performance indicator. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses; peripheral or incidental transactions are reported as nonoperating items. All intercompany transactions have been eliminated in consolidation. Effective November 1, 2009, the Foundation and Properties were merged into the Hospital. The merger did not impact the consolidated financial statements of the Corporation.

Use of Estimates

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

Regulatory Matters

The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access (OHCA).

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Assets Whose Use Is Limited

The Board of Trustees has designated certain unrestricted funds, including principal and income, for construction and other purposes. The President and Chief Executive Officer of the Hospital may, after consultation with the Chairman, Vice Chairman or the Board of Trustees, use board-designated funds, if required, to meet short-term operating cash requirements. Assets whose use is limited also include assets obtained through a financing arrangement with the State of Connecticut Health and Educational Facilities Authority (the Authority) as more fully explained in Note 8. The portion of those amounts required for funding current liabilities is included in current assets. The carrying amounts reported in the balance sheets are stated at fair value.

Investments

Marketable securities are classified as trading securities. Investments in debt and equity securities, with readily determinable fair values, are reported at fair value based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) and the change in the net unrealized gains and losses are included in the excess of revenue over expense unless the income or loss is restricted by the donor.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment are stated on the basis of cost. The Corporation and its subsidiaries provide for depreciation using the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Nonoperating Gains and Losses

Activities other than those in connection with providing health care services are considered to be nonoperating. Nonoperating gains and losses primarily consist of income on invested funds.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Donor-Restricted Gifts

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in nonoperating gains and losses. Conditional promises to give are not included as support until the conditions are substantially met.

General and Professional Liability Self-Insurance

The Hospital has adopted the policy of self-insuring the deductible portion of its general and professional liability insurance coverage. The deductible limits are \$1,000,000 per claim and \$4,000,000 annually for both 2010 and 2009. Management accrues its best estimate of ultimate losses for both reported claims and claims incurred but not reported.

Excess of Revenues over Expenses

The statements of operations and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets, which are excluded from the excess of revenues over expenses (the performance indicator), consistent with industry practice, include changes in pension funding and postretirement obligation, pension curtailment gains, both temporarily and permanently restricted donations and investment income, changes in trust arrangements, and the effect of early measurement date elimination.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Cash Equivalents

The Corporation considers all highly liquid time deposits, commercial paper and money market mutual funds purchased with a maturity date at acquisition of three months or less to be cash equivalents.

Income Taxes

The Corporation, the Hospital, the Foundation, and Backus Health Care, Inc. are not-for-profit organizations exempt from federal income taxes on related income under Section 501(c)(3); Backus Properties, Inc. is a not-for-profit title holding corporation exempt from federal income taxes under Section 501(c)(2); WWB Corporation is a taxable stock corporation; CONNCare Inc., a subsidiary of Backus Health Care, is a taxable, nonstock corporation. Backus Home Health Services is a partnership taxable to its members and Backus Physician Services, LLC is a taxable, nonstock corporation.

Accounting Standards Codification (ASC) 740-10, *Uncertain Tax Positions*, (ASC 740-10), prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements for uncertain tax positions. Management has evaluated the implications of ASC 740-10 and determined that its impact on the consolidated financial statements is not significant.

CONNCare, Inc. has a net operating loss carry-forward of \$5,947,728. This net operating loss results in a potential deferred tax asset in the amount of approximately \$2,400,000. No asset has been recorded as these assets are offset by valuation allowances of the same amounts.

Adoption of New Authoritative Pronouncements

Effective 2010, the Hospital adopted ASC 715-20, *Retirement Benefits*, which requires additional disclosures relating to defined benefit pension plans, including additional fair value disclosures for pension assets.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

In January 2010, the Financial Accounting Standards Board issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each “class” of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. Management is currently evaluating the effect that the provisions of ASU 2010-06 will have on the consolidated financial statements.

Reclassifications

Certain reclassifications were made to the 2009 financial statements in order that they may be consistent with the current year presentation.

2. Revenues from Services to Patients and Charity Care

Patient accounts receivable and revenues are recorded when patient services are performed.

Hospital revenue accounted for 95% and 96% of net patient service revenue, respectively for the years ended September 30, 2010 and 2009. The following summarizes net patient service revenue:

	Year Ended September 30	
	2010	2009
Gross patient service revenue	\$ 604,461,491	\$ 578,445,014
Deductions:		
Allowances	(315,063,365)	(299,764,222)
Charity care (at charges)	(6,496,622)	(6,915,404)
	<u>(321,559,987)</u>	<u>(306,679,626)</u>
Net patient service revenue	<u>\$ 282,901,504</u>	<u>\$ 271,765,388</u>

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Revenues from Services to Patients and Charity Care (continued)

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in estimates had no impact on net patient service revenue for 2010, and increased net patient service revenue by approximately \$671,000 in 2009.

Revenues from the Medicare and Medicaid programs accounted for approximately 28% and 8%, respectively, of the Corporation's net patient service revenue for the year ended September 30, 2010 and 28% and 7% for the year ended September 30, 2009. 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. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Corporation.

3. Charity Care

The Corporation provides services without charge or at amounts less than its established rates, to patients who meet the criteria of its charity care policy. Because the Corporation does not pursue collection of amounts determined to be charity care, such services are not reported as net revenue. The Corporation's charity care policy utilizes the generally recognized poverty income levels for the state. For patients who do not apply or do not qualify, the uncollected amounts are recognized as bad debt expense.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Charity Care (continued)

Together, charity care and bad debt expense represent uncompensated care. The following summarizes uncompensated care:

	At Charge	Estimated Cost
Charity care	\$ 6,496,622	\$ 2,858,514
Bad debt	14,462,163	6,363,352
Total uncompensated care, September 30, 2010	\$ 20,958,785	\$ 9,221,866
Charity care	\$ 6,915,404	\$ 3,042,778
Bad debt	17,106,501	7,526,860
Total uncompensated care, September 30, 2009	\$ 24,021,905	\$ 10,569,638

Estimated cost is based on the ratio of cost to charges, as determined by Hospital-specific data.

4. Promises to Give

Included in pledges receivable at September 30 are the following unconditional promises to give:

	2010	2009
BackusCare campaign	\$ 185,114	\$ 553,353
Other	7,077	7,077
Unconditional promises to give before unamortized discount	192,191	560,430
Less unamortized discount and allowance	(6,325)	(26,437)
	\$ 185,866	\$ 533,993
Amounts due in:		
Less than one year	\$ 133,366	\$ 414,993
One to five years	52,500	119,000
Total	\$ 185,866	\$ 533,993

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Investments

Investment income and gains (losses) are comprised of the following for the years ended September 30, 2010 and 2009:

	Year Ended September 30	
	2010	2009
Realized and unrealized gains on investments	\$ 4,574,175	\$ 1,229,304
Interest and dividend income	1,819,741	2,015,679
Investment in joint ventures	2,262,006	2,420,701
Other investment losses	11,600	(269,976)
Investment fees	(180,767)	(218,075)
	\$ 8,486,755	\$ 5,177,633

The market value of assets whose use is limited at September 30, is set forth in the following table:

	2010	2009
Board designated:		
Mutual funds	\$ 38,540,722	\$ 24,132,882
Cash and cash equivalents	33,837,100	18,129,468
Common stocks	13,327,371	13,153,726
Government bonds	8,462,882	15,780,860
Corporate bonds	2,458,334	9,815,901
	\$ 96,626,409	\$ 81,012,837
Held by trustee:		
Mutual funds	\$ 22,211,515	\$ 19,516,650
Cash and cash equivalents	4,430,958	4,804,214
Common stock	287,581	307,124
Real estate	58,748	
Government bonds		442,987
	\$ 26,988,802	\$ 25,070,975

In 2009, the Hospital adopted ASC 958-205, *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as well as requiring additional disclosures about endowment funds.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

The Board of Trustees of the Hospital has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Hospital classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The primary objective of the endowment fund is to provide long-term support for the Hospital's capital and operating programs. The Corporation's investment goals are to maximize total return (capital appreciation, dividends and interest) while also protecting the Corporation's inflation-adjusted value over time. The Corporation's assets are diversified across multiple asset classes (e.g., common stocks, bonds and cash) to achieve an optimal balance between risk and return and between current income and capital appreciation. The investment program is structured to offer reasonably high probability of generating a real return of 5% per year over a period of five to ten years to protect the real inflation-adjusted value of assets and to meet the spending requirements. The investment committee reviews investment policies annually to determine if changes need to be made due to changing market conditions or other factors.

Management evaluates endowment spending in light of capital replacement and expansion plans. The spending policy does not apply a prescribed rate of spending in a given year, but does consider the following factors in making determinations to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Hospital.
- (7) The investment policies of the Hospital.

Endowment assets are donor-restricted gifts which are meant to provide a permanent source of income to the Hospital and are included in permanently restricted net assets.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Investments (continued)

The activity for the year ended September 30, 2010 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	\$ 135,215	\$ 4,841,631	\$ 4,976,846
Investment return:			
Investment income		179,170	179,170
Net appreciation (realized and unrealized)		320,192	320,192
Earnings reclassified	378,271	(378,271)	
Total investment return	378,271	121,091	499,362
Contributions		358,064	358,064
Endowment net assets at end of year	\$ 513,486	\$ 5,320,786	\$ 5,834,272

The activity for year end September 30, 2009 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year		\$3,871,631	\$ 3,871,631
Investment return:			
Investment income		85,680	85,680
Net appreciation (realized and unrealized)		49,535	49,535
Earnings reclassified	\$ 135,215	(135,215)	
Total investment return	135,215	3,871,631	4,006,846
Contributions		970,000	970,000
Endowment net assets at end of year	\$ 135,215	\$4,841,631	\$ 4,976,846

6. Fair Value of Financial Instruments

On October 1, 2008, the Corporation adopted ASC 820-10, *Fair Value*, which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosure about fair value measurements.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Fair Value of Financial Instruments (continued)

Fair value, as defined in ASC 820-10, is based on 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. To increase consistency and comparability, ASC 820-10 established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. Level one inputs are quoted market prices in active markets that are accessible at the measurement date. Level two inputs are observable, but not quoted in active markets. Level three inputs are unobservable and are used when little or no market data is available.

Financial assets as of September 30, 2010 are classified in the table below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 77,955,100	\$ 2,738		\$ 77,957,838
Certificates of deposit		14,873,395		14,873,395
Money market funds	19,578,731	35,017		19,613,748
US government obligations	7,751,442			7,751,442
Corporate bonds	150,001	3,772,474		3,922,475
Equity securities	13,614,952			13,614,952
Mutual funds	44,289,715	16,462,519		60,752,234
Real estate (REIT)			\$ 58,751	58,751
Total	\$ 163,339,941	\$ 35,146,143	\$ 58,751	\$ 198,544,835

The following table presents reconciliation for all Level 3 assets measured at fair value for the period October 1, 2009 to September 30, 2010.

	<u>Real Estate (REIT)</u>
Beginning balance	-
Purchases	\$ 54,286
Unrealized gains	4,465
Total	\$ 58,751

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Fair Value of Financial Instruments (continued)

Financial assets as of September 30, 2009 are classified in the table below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 63,823,514	\$ 2,142		\$ 63,825,656
Certificates of deposit		4,815,074		4,815,074
Money market funds	14,248,373	50,247		14,298,620
US government obligations	9,075,929			9,075,929
Corporate bonds		8,487,292		8,487,292
Equity securities	13,412,497			13,412,497
Mutual funds	39,000,401	15,323,410		54,323,811
Total	\$ 139,560,714	\$ 28,678,165		\$ 168,238,879

The carrying amount of certain of the Corporation's financial instruments, including cash and cash equivalents, approximate fair value due to the relatively short maturities of such instruments. Fair values of investments are based on quoted market prices and are recorded on the balance sheets as such. Fair value of the long-term debt is estimated using discounted cash flow analysis which is based on the AAA insured bond rate at the Corporation's fiscal year end. The fair value of long-term debt is \$69,437,056 and \$68,087,973 at September 30, 2010 and 2009, respectively.

7. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2010</u>	<u>2009</u>
Capital Projects	\$ 1,733,950	\$ 1,548,434
Preventative care	792,377	763,501
Other	626,772	358,416
Health care services	499,200	414,281
Laboratory	228,659	184,552
Extraordinary nursing care	109,852	97,635
Nursing education	84,912	70,948
Free beds	25,821	9,665
	\$ 4,101,543	\$ 3,447,432

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Temporarily and Permanently Restricted Net Assets (continued)

Permanently restricted net assets at September 30 are restricted to the following:

	2010	2009
Income to be used:		
For general purposes	\$ 6,631,835	\$ 6,018,245
To provide free beds	527,060	527,060
For laboratory	258,182	258,182
To provide extraordinary nursing care	48,203	48,203
For nursing education	10,140	10,140
	\$ 7,475,420	\$ 6,861,830

8. Long-term Debt

A summary of long-term debt at September 30 is as follows:

	2010	2009
Tax-exempt Hospital Revenue Bonds:		
Series E, serial maturities (\$1,110,000) from 2011 to 2012 with interest rates ranging from 4.75% to 4.80%, term maturities (\$7,515,000) from 2017 to 2022 at an interest rate of 5.00%	\$ 8,625,000	\$ 9,145,000
Series F, serial maturities (\$6,600,000) from 2011 to 2018, with interest rates of 4.00% to 4.25%, term maturities (\$22,125,000) from 2023 to 2035 with interest rates of 5.00% to 5.25%	28,725,000	29,425,000
Series G, serial maturities (\$18,355,000) from 2011 to 2026 with interest rates of 3.50% to 5.00%, term maturities (\$7,420,000) in 2035 at an interest rate of 5.00%	25,775,000	26,380,000
Other long-term debt:		
Mortgage, maturing May 1, 2025 with a fixed rate of 6.125%	1,236,586	
Obligation under capital leases	1,505,864	1,072,619
	65,867,450	66,022,619
Add net unamortized bond premium	757,072	806,536
Less current portion	(2,032,691)	(1,833,475)
Long-term debt	\$ 64,591,831	\$ 64,995,680

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Long-term Debt (continued)

The Master Indenture, as amended and supplemented by Supplemental Master Indenture No. 4, provides for, among other things, a pledge of the gross receipts, as defined, of the Hospital, restriction on the incurrence of certain indebtedness of the Hospital and covenants regarding the Hospital's debt service coverage ratios, sale and lease of assets and other covenants similar in financings of this type. The bonds are secured by the real property of the Hospital, including all buildings and equipment. The mortgages are secured by a warehouse and by certain leasehold improvements. Pursuant to the loan agreements, the Hospital is obligated to provide amounts which will be sufficient to enable the Authority to pay the principle and interest on the Series E, Series F, and Series G bonds.

Bonds maturing on or after July 1, 2008, are subject to redemption prior to maturity commencing July 1, 2008. Series F bonds maturing after July 1, 2018 are subject to optional redemption prior to maturity. Series G bonds maturing on or before July 1, 2015, are not subject to optional redemption prior to maturity; however, those maturing after July 1, 2015, are subject to optional redemption prior to maturity.

Future minimum principal payments on long-term debt and future minimum principal payments and interest on capital leases during each of the next five fiscal years and in the aggregate are as follows:

	Long-Term Debt	Capital Leases
2011	\$ 1,948,410	\$ 386,104
2012	2,021,619	386,104
2013	2,105,440	386,104
2014	2,184,302	386,104
2015	2,303,411	355,554
Aggregate thereafter	53,798,404	2,375,136
	64,361,586	4,275,106
Add net unamortized bond premium	757,072	
Less interest		(2,769,242)
	\$ 65,118,658	\$ 1,505,864

The Corporation paid interest of \$3,323,608 and \$3,428,396 in 2010 and 2009, respectively. Interest incurred in 2010 and 2009 was \$3,185,038 and \$3,361,670, respectively.

In 2010 the Corporation entered into a fixed rate commercial mortgage of \$1,250,000 for a period of fifteen years at a rate of 6.125%. The note is secured by real property located at 11 Stott Avenue, Norwich, CT.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Long-term Debt (continued)

In 2010 the Corporation also entered into a five year capital lease of \$458,781 with an interest rate of 5.9% for a building located at 80 Route 32, Montville, CT, to be used for patient services. The outstanding balance on this capital lease at September 30, 2010 was \$441,720. Under the terms of the lease, the Hospital has the option to renew for five periods for five years each.

Deferred financing costs are amortized over a period consistent with the life of the bonds.

9. Retirement Benefit Plans

Effective January 1, 2010, the Corporation amended its defined benefit pension plan to close the plan to new participants and to freeze accruals for the existing participants in favor of a defined contribution plan. The change in the defined benefit plan resulted in a curtailment gain and a reduction of long-term liabilities of \$34,536,288.

The defined contribution plan covers substantially all of the employees of the Hospital. Under the provisions of the plan, the Corporation will make non-elective contributions to the plan on behalf of each eligible employee in the amount of 3% of the employee's eligible earnings. The Corporation will also make a non-elective transition contribution equal to 3% for all employees who meet the transition participant criteria. The Corporation may also, at the discretion of the Board of Trustees, make an elective matching contribution at the end of the plan year based on the Hospital's financial performance. The cost recorded for the year ended September 30, 2010 is \$3,589,500.

The Corporation also provides noncontributory postretirement health care benefits to eligible retirees and to eligible spouses of retirees who retired prior to January 1, 1994. Subsequent to 1993, covered retirees contribute a percentage of the costs based on years of service. In addition, the Hospital sponsored a nonqualified pension benefit program. Included in other long-term liabilities at September 30, 2010 and 2009 is approximately \$2,600,000 and \$3,600,000, respectively, related to the future obligation for the nonqualified benefits.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Retirement Benefit Plans (continued)

Included in unrestricted net assets at September 30 are the following amounts that have not yet been recognized in net periodic benefit cost:

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
	<i>(In Thousands)</i>			
Unrecognized actuarial (loss) gain	\$ (43,157)	\$ (67,240)	\$ 1,734	\$ 1,249
Unrecognized prior service cost		(15)		
Unrecognized transition obligation			(889)	(1,213)
	\$ (43,157)	\$ (67,255)	\$ 845	\$ 36

The actuarial loss and transition obligation included in unrestricted net assets and expected to be recognized in net periodic benefit cost during the year ending September 30, 2011 are \$2,743,736 and \$323,491, respectively.

At September 30, 2009, the unfunded status of the pension plan is included in long-term liabilities in the amount of \$71,685,446. The unfunded status of the postretirement benefits is \$4,968,915, with \$462,097 included in short-term liabilities, and the remainder of \$4,506,818 included in long-term liabilities. At September 30, 2010, the unfunded status of the pension plan is included in long-term liabilities in the amount of \$44,062,536. The unfunded status of the postretirement benefits is \$4,266,082, with \$452,466 included in short-term liabilities, and the remainder of \$3,813,616 included in long-term liabilities.

The following table sets forth the funded status of the plans as of the measurement date of September 30, 2010 and 2009.

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
	<i>(In Thousands)</i>			
Change in benefit obligations				
Benefit obligations at beginning of year	\$ (171,831)	\$ (133,189)	\$ (4,969)	\$ (5,156)
Service cost	(1,836)	(4,484)	(15)	(22)
Interest cost	(7,684)	(9,002)	(267)	(338)
Change in assumptions	(11,951)	(38,217)	387	(558)
Actuarial (loss) gain	(3,598)	(2,156)	154	382
Effect of curtailment	34,551			
Effect of early measurement date elimination		11,740		295
Benefits paid	4,083	3,477	444	428
Benefit obligations at end of year	\$ (158,266)	\$ (171,831)	\$ (4,266)	\$ (4,969)

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Retirement Benefit Plans (continued)

	Pension Benefits		Postretirement Benefits	
	2010	2009	2010	2009
	<i>(In Thousands)</i>			
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 100,145	\$ 100,957		
Actual return on plan assets	10,017	2,662		
Effect of early measurement date elimination		(8,097)		
Contributions	8,124	8,100	\$ 444	\$ 428
Benefits paid	(4,083)	(3,477)	(444)	(428)
Fair value of plan assets at end of year	\$ 114,203	\$ 100,145	\$	\$
Underfunded status				
Accrued benefit liability recognized in the balance sheets	\$ (44,063)	\$ (71,686)	\$ (4,266)	\$ (4,969)
Components of net periodic benefit cost				
Service cost	\$ 1,836	\$ 4,484	\$ 15	\$ 22
Interest cost	7,684	9,002	267	338
Expected return on plan assets	(6,901)	(7,605)		
Net amortization and deferral	1,964	1,129	269	(541)
Net periodic benefit cost	\$ 4,583	\$ 7,010	\$ 551	\$ (181)
Assumptions:				
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	5.10%	5.60%	5.10%	5.60%
Rate of compensation increase		5.00		
Weighted-average assumptions used to determine net periodic benefit cost:				
Discount rate	5.60	7.25	5.60	7.25
Expected long-term rate of return on plan assets	6.75	8.00		
Rate of compensation increase	5.00	5.00		

The accumulated benefit obligation at September 30, 2010 and 2009 was \$158,266,226 and \$137,279,286, respectively.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Retirement Benefit Plans (continued)

The asset allocation for the retirement plan at the end of 2010 and 2009 and the target allocation by asset category are as follows:

Asset Category	Target Allocation		Percentage of Plan Assets	
	Minimum	Maximum	2010	2009
US Equity Large Cap	20%	50%	31%	27%
US Equity Small Cap		15	5	4
International Equity	10	30	17	17
Core Fixed Income	20	60	47	52
Total			100%	100%

The following table presents the Hospital Plan's fair value hierarchy for those assets measured at fair value as of September 30, 2010. At September 30, 2010, Level 3 assets comprise approximately 0.3% of the Hospital Plan's total investment portfolio fair value.

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,692,388			\$ 6,692,388
Mutual funds-equity (a)		\$ 35,874,257		35,874,257
Mutual funds-international equity (b)	24,860,967			24,860,967
Mutual funds-fixed income (c)	24,136,988			24,136,988
US Government obligations(d)	18,403,319			18,403,319
Asset backed obligations		542,186	\$ 250,065	792,251
Corporate bonds (e)		1,738,845		1,738,845
Mortgage backed obligations		1,615,755	88,920	1,704,675
Total	<u>\$ 74,093,662</u>	<u>\$ 39,771,043</u>	<u>\$ 338,985</u>	<u>\$ 114,203,690</u>

(a) This category invests primarily in common stocks or similar securities of high-quality, financially secure companies listed on principal exchanges.

(b) This category seeks long term growth of capital by investing at least 80% in international equity securities.

(c) This category seeks maximum current income by investing primarily in fixed income securities of varying maturities.

(d) Includes both Treasury bonds and Treasury stripped bonds.

(e) Includes both foreign and domestic corporate bonds.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Retirement Benefit Plans (continued)

The following table presents reconciliation for all Level 3 assets measured at fair value for the period October 1, 2009 to September 30, 2010.

	Asset Backed Obligations	Mortgage Backed Obligations	Total
Beginning balance	\$ -	\$ -	\$ -
Purchases	249,998	85,975	335,973
Unrealized gains	67	2,945	3,012
Total	<u>\$ 250,065</u>	<u>\$ 88,920</u>	<u>\$ 338,985</u>

The Hospital Plan's investment policy includes target asset allocations percentages as shown above. The investment objective for the Hospital Plan is to produce a total rate of return (net of fees) that meets or exceeds the actuarial return assumption used for funding purposes, while generally striving to minimize significant variations in annual contribution levels through investment diversification. Investment return assumptions are developed through a multi-step process using external economic research including industry surveys and published economic research combined with internal economic scenario analysis, historical market returns and correlation trends.

Information about the expected cash flows for both plans is as follows:

	Pension Benefits	Postretirement Benefits
Expected employer contributions for 2011	\$ 8,100,000	\$ 452,466
Estimated future benefit payments:		
2011	5,057,112	452,466
2012	5,586,022	439,761
2013	6,060,768	433,204
2014	6,598,072	424,838
2015	7,158,748	401,741
2016-2020	43,816,630	1,669,284

Assumed healthcare cost trend rates for 2010 are as follows:

Health care trend rate assumed for next year	8.00%
Rate to which the cost rate trend rate is assumed to decline (the ultimate trend rate)	5.00%
Year that the rate reaches the ultimate trend rate	2014

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Retirement Benefit Plans (continued)

A one-percentage-point change in assumed health care cost trend rates would have the following effects on the postretirement benefit plan:

	One-Percentage-Point	
	Increase	Decrease
	<i>(In thousands)</i>	
Effect on total of service and interest cost components	\$ 1	\$ (2)
Effect on postretirement benefit obligation	\$ 9	\$ (7)

10. Contingencies

There have been malpractice claims that fall within the Corporation's partially self-insured program (see Note 1, Organization and Accounting Policies) which have been asserted against the Corporation. In addition, there are known incidents that have occurred through September 30, 2010 that may result in the assertion of claims. Corporation management, in conjunction with its consulting actuaries, has accrued its best estimate of these contingent losses.

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

11. Property, Plant and Equipment

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

	2010	2009
Land and land improvements	\$ 4,889,512	\$ 4,905,192
Buildings and leasehold improvements	125,739,952	115,686,063
Equipment	101,463,454	96,886,734
Construction in process (2010 estimated cost to complete \$4,601,400)	630,806	4,251,661
Less accumulated depreciation	(132,954,480)	(117,890,582)
	\$ 99,769,244	\$ 103,839,068

Unamortized internally developed software costs totaled \$968,970 and \$1,280,233 at September 30, 2010 and 2009, respectively. Amortization expense for the years ended September 30, 2010 and 2009 was \$591,171 and \$213,372, respectively.

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Property, Plant and Equipment (continued)

The Corporation wrote off approximately \$853,000 of fully depreciated assets in 2010.

In 2004, the Corporation began leasing space to be used for patient services. The initial lease term is for a period of ten years, with two five-year renewal options available at the discretion of the Hospital. Rent expense for the years ended September 30, 2010 and 2009 was \$640,018 and \$705,436, respectively.

The Corporation leases various types of equipment with annual payments ranging from \$103 to \$55,600. Expenses as a result of these leases were approximately \$375,000 and \$478,000 for the years ended September 30, 2010 and 2009, respectively.

Future minimum lease payments under the above leases during each of the next five years were as follows:

2011	\$ 935,358
2012	726,417
2013	718,648
2014	137,725
2015	65,380
	<u>\$ 2,583,528</u>

12. Other Operating Revenues

Other operating revenues consist of the following:

	Year Ended September 30	
	2010	2009
Cafeteria sales	\$ 1,063,020	\$ 1,049,650
Rental income	812,182	663,647
Grants	733,844	642,728
Miscellaneous	455,498	527,635
Condominium income	389,640	440,047
Child care	355,497	336,700
Purchase discounts	351,343	274,879
Interest	196,253	476,907
	<u>\$ 4,357,277</u>	<u>\$ 4,412,193</u>

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Functional Expenses

The Hospital provides inpatient medical and surgical, outpatient, psychiatric and emergency care services to residents of eastern Connecticut. Expenses related to providing these services are as follows:

	Year Ended September 30	
	2010	2009
Health care services	\$ 224,821,690	\$ 214,740,364
General and administrative	51,724,893	53,355,656
Fundraising	190,865	191,911
	\$ 276,737,448	\$ 268,287,931

14. Concentrations of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. For 2010 and 2009, Hospital receivables accounted for 96% and 95%, respectively. The mix of gross accounts receivable, net of contractual allowances, from patients and third-party payors at September 30 is as follows:

	2010	2009
Medicare	27%	25%
Self pay	24	24
Health Maintenance Organizations	15	17
Anthem Blue Cross/Blue Shield	13	14
Medicaid	11	8
Commercial	5	5
Other state agencies	5	7
	100%	100%

Backus Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Cash Flows

Changes in operating assets and liabilities at September 30 include the following:

	2010	2009
(Increase) decrease in assets:		
Accounts receivable	\$ (8,976,789)	\$ (19,355,546)
Collection on pledges	348,127	569,024
Inventories of supplies, prepaid expenses, and other	(798,102)	(514,632)
Increase (decrease) in liabilities:		
Due to third-party reimbursement agencies	3,113,028	6,975,152
Accounts payable	(201,185)	996,724
Employee related obligations	(1,497,412)	(279,391)
Interest payable and other accrued liabilities	1,143,850	2,019,580
Salaries and wages, payroll taxes, and taxes withheld from payroll	(2,049,900)	1,596,285
Self-insured professional liability	(66,430)	(1,358,443)
Other liabilities	(325,475)	133,487
Changes in operating assets and liabilities	\$ (9,310,288)	\$ (9,217,760)

16. Subsequent Events

Management evaluated subsequent events through December 2, 2010, the date the financial statements were issued.

Other Financial Information

Report of Independent Auditors on Other Financial Information

Board of Directors
Backus Corporation and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

December 2, 2010

Backus Corporation and Subsidiaries

Consolidating Balance Sheet

September 30, 2010

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Health Care, Inc.	WWB Corp.	Eliminations	Consolidated
Assets						
Current assets:						
Cash and cash equivalents	\$ 63,324	\$ 72,131,779	\$ 1,612,700	\$ 1,121,821		\$ 74,929,624
Assets whose use is limited – required for current liabilities		7,931,590				7,931,590
Accounts receivable, less allowance for uncollectible accounts		30,758,941	838,941	949,013		32,546,895
Pledges receivable		185,866				185,866
Inventories of supplies		3,799,896	85,421			3,885,317
Prepaid expenses and other		1,277,144	20,282	6,202		1,303,628
Due from affiliates	63,142	661,088			\$ (724,230)	
Total current assets	126,466	116,746,304	2,557,344	2,077,036	(724,230)	120,782,920
Assets whose use is limited:						
Board-designated and donor restricted		96,626,409				96,626,409
Held by trustee		26,988,802				26,988,802
Total assets whose use is limited		123,615,211				123,615,211
Less assets whose use is limited – required for current liabilities						
		7,931,590				7,931,590
		115,683,621				115,683,621
Property, plant, and equipment, net		99,122,387	145,235	501,622		99,769,244
Deferred financing costs		1,933,364				1,933,364
Other assets	1,000	1,603,864	782,197	43,661	(16,845)	2,413,877
	\$ 127,466	\$ 335,089,540	\$ 3,484,776	\$ 2,622,319	\$ (741,075)	\$ 340,583,026

* Includes Backus Condominium Association

Backus Corporation and Subsidiaries
Consolidating Balance Sheet (continued)

September 30, 2010

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Health Care, Inc.	WWB Corp.	Eliminations	Consolidated
Liabilities and net assets						
Current liabilities:						
Accounts payable-trade		\$ 10,129,146	\$ 625,229	\$ 187,951		\$ 10,942,326
Salaries and wages, payroll taxes and taxes withheld from payroll		6,206,054	309,223	390,051		6,905,328
Due to affiliates			203,033	521,197	\$ (724,230)	
Other accrued liabilities		8,967,664	1,281,437	462,776		10,711,877
Due to third-party reimbursement agencies		2,614,222		349,193		2,963,415
Current portion of long-term debt		2,032,691				2,032,691
Total current liabilities		29,949,777	2,418,922	1,911,168	(724,230)	33,555,637
Other liabilities:						
Long-term debt, less current portion		64,591,831				64,591,831
Employee related obligations		57,973,203				57,973,203
Self-insured professional liability		10,514,332				10,514,332
Due to third-party reimbursement agencies		12,767,632				12,767,632
Other		349,678				349,678
		146,196,676				146,196,676
Net assets:						
Common stock				1,000	(1,000)	
Unrestricted	\$127,466	147,366,124	1,065,854	710,151	(15,845)	149,253,750
Temporarily restricted		4,101,543				4,101,543
Permanently restricted		7,475,420				7,475,420
Total net assets	127,466	158,943,087	1,065,854	711,151	(16,845)	160,830,713
Total liabilities and net assets	\$127,466	\$ 335,089,540	\$ 3,484,776	\$ 2,622,319	\$ (741,075)	\$ 340,583,026

* Includes Backus Condominium Association

Backus Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2010

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Operating revenues:								
Net patient service revenue		\$ 270,048,715		\$ 5,497,679		\$ 7,378,559	\$ (23,449)	\$ 282,901,504
Other operating revenue	\$ 593,530	4,673,356		87,120		6,752	(1,003,481)	4,357,277
Net assets released from restrictions		91,211						91,211
	593,530	274,813,282		5,584,799		7,385,311	(1,026,930)	287,349,992
Operating expenses:								
Salaries, wages and professional fees	174,812	109,179,026		4,740,065		4,148,270	(531,853)	117,710,320
Payroll taxes and other fringe benefits	55,510	27,181,443		978,613		1,406,492		29,622,058
Supplies, insurance and other	25,447	91,056,415		1,716,164		1,920,311	(495,077)	94,223,260
Provision for uncollectible accounts		14,409,876		(11,974)		64,261		14,462,163
Depreciation and amortization		17,480,126		27,483		27,000		17,534,609
Interest		3,185,038						3,185,038
	255,769	262,491,924		7,450,351		7,566,334	(1,026,930)	276,737,448
Operating (loss) income	337,761	12,321,358		(1,865,552)		(181,023)		10,612,544
Nonoperating gains and (losses):								
Contributions and donations		328,840						328,840
Investment income	77	6,218,347		2,213,811		54,520		8,486,755
Other		(116,761)		197,389		(3,562)		77,066
	77	6,430,426		2,411,200		50,958		8,892,661
Excess (deficiency) of revenues over expenses	\$ 337,838	\$ 18,751,784		\$ 545,648		\$ (130,065)		\$ 19,505,205

* Includes Backus Condominium Association

Backus Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended September 30, 2010

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Unrestricted net assets:								
Excess (deficiency) of revenues over expenses (continued)	\$ 337,838	\$ 18,751,784		\$ 545,648		\$ (130,065)		\$ 19,505,205
Merger of Properties		1,402,938			\$(1,402,938)			
Intercompany transfer		(73,056)		73,056				
Pension curtailment		34,536,288						34,536,288
Change in pension funding obligation		(9,564,206)						(9,564,206)
Increase (decrease) in unrestricted net assets	337,838	45,053,748		618,704	(1,402,938)	(130,065)		44,477,287
Temporarily restricted net assets:								
Contributions		126,631						126,631
Income from investments		618,691						618,691
Merger of Foundation			\$(34,308,847)				34,308,847	
Net assets released from restrictions		(91,211)						(91,211)
Increase (decrease) in temporarily restricted net assets		654,111	(34,308,847)				34,308,847	654,111
Permanently restricted net assets:								
Contributions		358,064						358,064
Income from investments		121,091						121,091
Merger of Foundation			(6,838,627)				6,838,627	
Change in net assets held in trust		134,435						134,435
Increase (decrease) in permanently restricted net assets		613,590	(6,838,627)				6,838,627	613,590
Increase (decrease) in net assets	337,838	46,321,449	(41,147,474)	618,704	(1,402,938)	(130,065)	41,147,474	45,744,988
Net assets (deficit) at beginning of year	(210,372)	112,621,638	41,147,474	447,150	1,402,938	841,216	(41,164,319)	115,085,725
Net assets at end of year	\$ 127,466	\$ 158,943,087	\$	\$ 1,065,854	\$	\$ 711,151	\$ (16,845)	\$ 160,830,713

* Includes Backus Condominium Association

Backus Health Care, Inc., and Subsidiaries

Consolidating Balance Sheet

September 30, 2010

	Backus Health Care, Inc. (Parent)	CONNCare	BPS, LLC	Eliminations	Backus Health Care, Inc., and Subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	\$ 11,463	\$ 1,228,148	\$ 373,089		\$ 1,612,700
Accounts receivable, less allowance for uncollectible accounts		369,242	469,699		838,941
Inventories of supplies		85,421			85,421
Prepaid expenses		9,376	10,906		20,282
Due from affiliates	61,560	2,340,589		\$(2,402,149)	
Total current assets	<u>73,023</u>	<u>4,032,776</u>	<u>853,694</u>	<u>(2,402,149)</u>	<u>2,557,344</u>
Property, plant and equipment:					
Buildings and leasehold improvements		19,619			19,619
Equipment		244,681	61,648		306,329
Accumulated depreciation		(152,895)	(27,818)		(180,713)
		<u>111,405</u>	<u>33,830</u>		<u>145,235</u>
Other assets		782,197			782,197
	<u>\$ 73,023</u>	<u>\$ 4,926,378</u>	<u>\$ 887,524</u>	<u>\$ (2,402,149)</u>	<u>\$ 3,484,776</u>
Liabilities and net assets					
Current liabilities:					
Accounts payable – trade		\$ 10,233	\$ 614,996		\$ 625,229
Salaries and wages, payroll taxes and taxes withheld from payroll		246,716	62,507		309,223
Other accrued liabilities		1,281,437			1,281,437
Due to affiliates	\$ 67,520	197,073	2,340,589	\$ (2,402,149)	203,033
Total current liabilities	<u>67,520</u>	<u>1,735,459</u>	<u>3,018,092</u>	<u>(2,402,149)</u>	<u>2,418,922</u>
Net assets (deficit)	5,503	3,190,919	(2,130,568)		1,065,854
Total liabilities and net assets	<u>\$ 73,023</u>	<u>\$ 4,926,378</u>	<u>\$ 887,524</u>	<u>\$ (2,402,149)</u>	<u>\$ 3,484,776</u>

Backus Health Care, Inc., and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2010

	Backus Health Care, Inc. (Parent)	CONNCare	BPS, LLC	Eliminations	Backus Health Care, Inc., and Subsidiaries
Operating revenues:					
Net patient service revenue		\$ 3,608,723	\$ 1,888,956		\$ 5,497,679
Other operating revenue	\$ 36,936	68,042	19,078	\$ (36,936)	87,120
Total revenues	36,936	3,676,765	1,908,034	(36,936)	5,584,799
Expenses:					
Salaries and wages		2,634,018	2,106,047		4,740,065
Payroll taxes and fringe benefits		719,574	259,039		978,613
Supplies and other	39,186	714,272	999,642	(36,936)	1,716,164
Provision for uncollectible accounts		(69,754)	57,780		(11,974)
Depreciation and amortization		14,905	12,578		27,483
Total expenses	39,186	4,013,015	3,435,086	(36,936)	7,450,351
Operating loss	(2,250)	(336,250)	(1,527,052)		(1,865,552)
Nonoperating gains:					
Investment income	6	2,213,805			2,213,811
Other		197,389			197,389
(Deficiency) excess of revenue over expenses	(2,244)	2,074,944	(1,527,052)		545,648
Net assets (deficit) at beginning of year	7,747	1,044,627	(605,224)		447,150
Intercompany transfer		71,348	1,708		73,056
Net assets (deficit) at end of year	\$ 5,503	\$ 3,190,919	\$(2,130,568)	\$	\$ 1,065,854

WWB, Inc., and Subsidiary

Consolidating Balance Sheet

September 30, 2010

	WWB (Parent)	Backus Home Health Care	Eliminations	WWB, Inc., and Subsidiary
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,087,166	\$ 34,655		\$ 1,121,821
Accounts receivable, less allowance for uncollectible accounts		949,013		949,013
Prepaid expenses and other		6,202		6,202
Due from affiliates	563,194		\$(563,194)	
Total current assets	1,650,360	989,870	(563,194)	2,077,036
Property, plant and equipment:				
Buildings and leasehold improvements		445,975		445,975
Equipment		102,089		102,089
Accumulated depreciation		(46,442)		(46,442)
		501,622		501,622
Other assets	39,861	3,800		43,661
	<u>\$ 1,690,221</u>	<u>\$ 1,495,292</u>	<u>\$ (563,194)</u>	<u>\$ 2,622,319</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable		\$ 187,951		\$ 187,951
Salaries and wages, payroll taxes and taxes withheld from payroll		390,051		390,051
Other accrued liabilities		462,776		462,776
Due to third party reimbursement agencies		349,193		349,193
Due to affiliates	\$ 521,197	563,194	\$ (563,194)	521,197
Total current liabilities	521,197	1,953,165	(563,194)	1,911,168
Common stock	1,000			1,000
Retained earnings (deficit)	1,168,024	(457,873)		710,151
Total liabilities and net assets	<u>\$ 1,690,221</u>	<u>\$ 1,495,292</u>	<u>\$ (563,194)</u>	<u>\$ 2,622,319</u>

WWB, Inc., and Subsidiary

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2010

	<u>WWB</u>	<u>Backus Home Health Care</u>	<u>Eliminations</u>	<u>WWB, Inc., and Subsidiary</u>
Operating revenues:				
Net patient service revenue		\$ 7,378,559		\$ 7,378,559
Other operating revenue		6,752		6,752
Total revenues		7,385,311		7,385,311
Expenses:				
Salaries and wages		4,148,270		4,148,270
Payroll taxes and fringe benefits		1,406,492		1,406,492
Supplies and other	\$ 67,510	1,852,801		1,920,311
Provision for uncollectible accounts		64,261		64,261
Depreciation and amortization		27,000		27,000
Total expenses	67,510	7,498,824		7,566,334
Operating (loss) income	(67,510)	(113,513)		(181,023)
Nonoperating gains:				
Investment income	53,219	1,301		54,520
Other		(3,562)		(3,562)
Excess of revenue over expenses	(14,291)	(115,774)		(130,065)
Net assets (deficit) at beginning of year	1,182,315	(342,099)		840,216
Net assets (deficit) at end of year	<u>\$ 1,168,024</u>	<u>\$ (457,873)</u>	<u>\$</u>	<u>\$ 710,151</u>

Backus Corporation and Subsidiaries

Consolidating Balance Sheet

September 30, 2009

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 45,846	\$ 57,570,735	\$ 2,085,506	\$ 1,108,911	\$ 140,738	\$ 1,203,331		\$ 62,155,067
Assets whose use is limited – required for current liabilities		7,240,812						7,240,812
Accounts receivable, less allowance for uncollectible accounts		36,111,295		839,709	30,125	1,051,140		38,032,269
Pledges receivable			533,993					533,993
Inventories of supplies		3,252,641		114,966				3,367,607
Prepaid expenses and other		925,340		9,671	85,556	2,669		1,023,236
Due from affiliates	27,582	3,901,924					\$ (3,929,506)	
Total current assets	73,428	109,002,747	2,619,499	2,073,257	256,419	2,257,140	(3,929,506)	112,352,984
Assets whose use is limited:								
Board-designated and donor restricted		44,500,233	36,512,604					81,012,837
Held by trustee		22,743,662	2,327,313					25,070,975
Total assets whose use is limited		67,243,895	38,839,917					106,083,812
Less assets whose use is limited – required for current liabilities								
		7,240,812						7,240,812
		60,003,083	38,839,917					98,843,000
Interest in Foundation		41,147,474					(41,147,474)	
Property, plant, and equipment, net		98,131,132		90,657	5,593,682	23,597		103,839,068
Deferred financing costs		2,025,397						2,025,397
Other assets	1,000	1,801,751		966,810		85,112	(16,845)	2,837,828
	\$ 74,428	\$ 312,111,584	\$ 41,459,416	\$ 3,130,724	\$ 5,850,101	\$ 2,365,849	\$ (45,093,825)	\$ 319,898,277

* Includes Backus Condominium Association

Backus Corporation and Subsidiaries
Consolidating Balance Sheet (continued)

September 30, 2009

	Backus Corp.	William W. Backus Hospital * (consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Liabilities and net assets								
Current liabilities:								
Accounts payable-trade		\$ 10,508,835	\$ 11,448	\$ 394,244	\$ 30,263	\$ 198,721		\$ 11,143,511
Salaries and wages, payroll taxes and taxes withheld from payroll		8,205,022	531	369,819		379,856		8,955,228
Due to affiliates	\$ 284,800		45,983	118,309	3,336,782	143,632	\$ (3,929,506)	
Other accrued liabilities		7,190,212	253,980	1,801,202		322,633		9,568,027
Due to third-party reimbursement agencies		1,831,013				479,791		2,310,804
Current portion of long-term debt		1,825,000			8,475			1,833,475
Total current liabilities	284,800	29,560,082	311,942	2,683,574	3,375,520	1,524,633	(3,929,506)	33,811,045
Other liabilities:								
Long-term debt, less current portion		63,931,536			1,064,144			64,995,680
Employee related obligations		84,442,697						84,442,697
Self-insured professional liability		10,580,762						10,580,762
Due to third-party reimbursement agencies		10,307,215						10,307,215
Other		667,654			7,499			675,153
		169,929,864			1,071,643			171,001,507
Net assets:								
Common stock						1,000	(1,000)	
Unrestricted	(210,372)	102,312,376		447,150	1,402,938	840,216	(15,845)	104,776,463
Temporarily restricted		3,447,432	34,308,847				(34,308,847)	3,447,432
Permanently restricted		6,861,830	6,838,627				(6,838,627)	6,861,830
Total net assets	(210,372)	112,621,638	41,147,474	447,150	1,402,938	841,216	(41,164,319)	115,085,725
Total liabilities and net assets	\$ 74,428	\$ 312,111,584	\$ 41,459,416	\$ 3,130,724	\$ 5,850,101	\$ 2,365,849	\$ (45,093,825)	\$ 319,898,277

* Includes Backus Condominium Association

Backus Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

Year Ended September 30, 2009

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Operating revenues:								
Net patient service revenue		\$ 259,652,271		\$ 5,073,240		\$ 7,128,542	\$ (88,665)	\$ 271,765,388
Other operating revenue	\$ 125,004	4,213,341		81,199	\$ 1,099,706	22,154	(1,129,211)	4,412,193
Net assets released from restrictions			\$ 547,411				(460,917)	86,494
	125,004	263,865,612	547,411	5,154,439	1,099,706	7,150,696	(1,678,793)	276,264,075
Operating expenses:								
Salaries, wages and professional fees	256,742	112,184,033	155,336	4,348,579	24,755	3,938,367		120,907,812
Payroll taxes and other fringe benefits	35,218	27,425,902	40,414	969,731	3,238	970,523		29,445,026
Supplies, insurance and other	18,420	74,547,698	351,661	3,963,600	741,108	1,727,287	(1,217,876)	80,131,898
Provision for uncollectible accounts		16,898,318		74,663		133,520		17,106,501
Depreciation and amortization		16,939,369		28,162	352,257	15,236		17,335,024
Interest		3,091,298			270,372			3,361,670
	310,380	251,086,618	547,411	9,384,735	1,391,730	6,784,933	(1,217,876)	268,287,931
Operating (loss) income	(185,376)	12,778,994		(4,230,296)	(292,024)	365,763	(460,917)	7,976,144
Nonoperating gains and (losses):								
Contributions and donations							429,646	429,646
Change in equity interest in net assets of the Foundation		(3,735,563)					3,735,563	
Investment income	92	2,432,928		2,347,772	(2,049)	164,759	234,131	5,177,633
	92	(1,302,635)		2,347,772	(2,049)	164,759	4,399,340	5,607,279
Excess (deficiency) of revenues over expenses	\$ (185,284)	\$ 11,476,359	\$	\$ (1,882,524)	\$ (294,073)	\$ 530,522	\$ 3,938,423	\$ 13,583,423

* Includes Backus Condominium Association

Backus Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended September 30, 2009

	Backus Corp.	William W. Backus Hospital *(consolidated)	Backus Foundation	Backus Health Care, Inc.	Backus Properties Inc.	WWB Corp.	Eliminations	Consolidated
Unrestricted net assets:								
Excess (deficiency) of revenues over expenses (continued)	\$ (185,284)	\$ 11,476,359		\$ (1,882,524)	\$ (294,073)	\$ 530,522	\$ 3,938,423	\$ 13,583,423
Change in equity interest in net assets of the Foundation		3,938,423					(3,938,423)	
Change in pension funding obligation		(45,512,326)						(45,512,326)
Increase (decrease) in unrestricted net assets	(185,284)	(30,097,544)		(1,882,524)	(294,073)	530,522		(31,928,903)
Temporarily restricted net assets:								
Contributions			\$ 1,172,398				(429,646)	742,752
Income from investments		1,350	548,528				(234,131)	315,747
Change in equity interest in net assets of the Foundation		970,655					(970,655)	
Net assets released from restrictions			(547,411)				460,917	(86,494)
Increase (decrease) in temporarily restricted net assets		972,005	1,173,515				(1,173,515)	972,005
Permanently restricted net assets:								
Contributions			970,000					970,000
Change in net assets held in trust			(28,978)					(28,978)
Change in equity interest in net assets of the Foundation		941,022					(941,022)	
Increase in permanently restricted net assets		941,022	941,022				(941,022)	941,022
Increase (decrease) in net assets	(185,284)	(28,184,517)	2,114,537	(1,882,524)	(294,073)	530,522	(2,114,537)	(30,015,876)
Net assets (deficit) at beginning of year	(25,088)	140,806,155	39,032,937	2,329,674	1,697,011	310,694	(39,049,782)	145,101,601
Net assets (deficit) at end of year	\$ (210,372)	\$ 112,621,638	\$ 41,147,474	\$ 447,150	\$ 1,402,938	\$ 841,216	\$ (41,164,319)	\$ 115,085,725

* Includes Backus Condominium Association

Backus Health Care, Inc., and Subsidiaries

Consolidating Balance Sheet

September 30, 2009

	Backus Health Care, Inc. (Parent)	CONNCare	BPS, LLC	Eliminations	Backus Health Care, Inc., and Subsidiaries
Assets					
Current assets:					
Cash and cash equivalents	\$ 11,457	\$ 834,815	\$ 262,639		\$ 1,108,911
Accounts receivable, less allowance for uncollectible accounts		511,479	328,230		839,709
Inventories of supplies		114,966			114,966
Prepaid expenses		9,113	558		9,671
Due from affiliates	24,624	749,606		\$ (774,230)	
Total current assets	36,081	2,219,979	591,427	(774,230)	2,073,257
Property, plant and equipment:					
Buildings and leasehold improvements		59,768			59,768
Equipment		268,112	48,323		316,435
Accumulated depreciation		(270,306)	(15,240)		(285,546)
		57,574	33,083		90,657
Other assets		966,810			966,810
	\$ 36,081	\$ 3,244,363	\$ 624,510	\$ (774,230)	\$ 3,130,724
Liabilities and net assets					
Current liabilities:					
Accounts payable – trade		\$ 13,318	\$ 380,926		\$ 394,244
Salaries and wages, payroll taxes and taxes withheld from payroll		270,617	99,202		369,819
Other accrued liabilities		1,801,202			1,801,202
Due to affiliates	\$ 28,334	114,599	749,606	\$ (774,230)	118,309
Total current liabilities	28,334	2,199,736	1,229,734	(774,230)	2,683,574
Net assets (deficit)	7,747	1,044,627	(605,224)		447,150
Total liabilities and net assets	\$ 36,081	\$ 3,244,363	\$ 624,510	\$ (774,230)	\$ 3,130,724

Backus Health Care, Inc., and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2009

	Backus Health Care, Inc. (Parent)	CONNCare	BPS, LLC	Eliminations	Backus Health Care, Inc., and Subsidiaries
Operating revenues:					
Net patient service revenue		\$ 3,943,958	\$ 1,129,282		\$ 5,073,240
Other operating revenue	\$ 36,936	67,042	14,157	\$ (36,936)	81,199
Total revenues	36,936	4,011,000	1,143,439	(36,936)	5,154,439
Expenses:					
Salaries and wages		2,870,703	1,477,876		4,348,579
Payroll taxes and fringe benefits		805,491	164,240		969,731
Supplies and other	38,486	3,098,692	863,358	(36,936)	3,963,600
Provision for uncollectible accounts		4,057	70,606		74,663
Depreciation and amortization		17,434	10,728		28,162
Total expenses	38,486	6,796,377	2,586,808	(36,936)	9,384,735
Operating loss	(1,550)	(2,785,377)	(1,443,369)		(4,230,296)
Nonoperating gains:					
Investment income	20	2,347,630	122		2,347,772
Deficiency of revenue over expenses	(1,530)	(437,747)	(1,443,247)		(1,882,524)
Net assets at beginning of year	9,277	1,482,374	838,023		2,329,674
Net assets (deficit) at end of year	\$ 7,747	\$ 1,044,627	\$ (605,224)	\$	\$ 447,150

WWB, Inc., and Subsidiary

Consolidating Balance Sheet

September 30, 2009

	WWB (Parent)	Backus Home Health Care	Eliminations	WWB, Inc., and Subsidiary
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,061,007	\$ 142,324		\$ 1,203,331
Accounts receivable, less allowance for uncollectible accounts		1,051,140		1,051,140
Prepaid expenses and other		2,669		2,669
Due from affiliates	184,628		\$ (184,628)	
Total current assets	1,245,635	1,196,133	(184,628)	2,257,140
Property, plant and equipment:				
Lease improvements		3,872		3,872
Equipment		350,608		350,608
Accumulated depreciation		(330,883)		(330,883)
		23,597		23,597
Other assets	81,312	3,800		85,112
	<u>\$ 1,326,947</u>	<u>\$ 1,223,530</u>	<u>\$ (184,628)</u>	<u>\$ 2,365,849</u>
Liabilities and net assets				
Current liabilities:				
Accounts payable		\$ 198,721		\$ 198,721
Salaries and wages, payroll taxes and taxes withheld from payroll		379,856		379,856
Other accrued liabilities		322,633		322,633
Due to third party reimbursement agencies		479,791		479,791
Due to affiliates	\$ 143,632	184,628	\$ (184,628)	143,632
Total current liabilities	143,632	1,565,629	(184,628)	1,524,633
Common stock	1,000			1,000
Retained earnings (deficit)	1,182,315	(342,099)		840,216
Total liabilities and net assets	<u>\$ 1,326,947</u>	<u>\$ 1,223,530</u>	<u>\$ (184,628)</u>	<u>\$ 2,365,849</u>

WWB, Inc., and Subsidiary

Consolidating Statement of Operations and Changes in Net Assets

September 30, 2009

	<u>WWB</u>	<u>Backus Home Health Care</u>	<u>Eliminations</u>	<u>WWB, Inc., and Subsidiary</u>
Operating revenues:				
Net patient service revenue		\$ 7,128,542		\$ 7,128,542
Other operating revenue		22,154		22,154
Total revenues		7,150,696		7,150,696
Expenses:				
Salaries and wages		3,938,367		3,938,367
Payroll taxes and fringe benefits		970,523		970,523
Supplies and other	\$ 80,645	1,646,642		1,727,287
Provision for uncollectible accounts		133,520		133,520
Depreciation and amortization		15,236		15,236
Total expenses	80,645	6,704,288		6,784,933
Operating (loss) income	(80,645)	446,408		365,763
Nonoperating gains:				
Investment income	164,599	160		164,759
Excess of revenue over expenses	83,954	446,568		530,522
Net assets (deficit) at beginning of year	1,098,361	(788,667)		309,694
Net assets (deficit) at end of year	<u>\$ 1,182,315</u>	<u>\$ (342,099)</u>	<u>\$</u>	<u>\$ 840,216</u>