

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2010 AND 2009 (RESTATED)

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
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LarsonAllen[®] LLP

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INDEPENDENT AUDITORS' REPORT

Board of Directors
South Cove Nursing Facilities Foundation, Inc.
and Subsidiaries
Boston, Massachusetts

We have audited the accompanying consolidated statements of financial position of South Cove Nursing Facilities Foundation, Inc. and Subsidiaries as of December 31, 2010 and 2009 (Restated), and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of South Cove Nursing Facilities Foundation, Inc. and Subsidiaries as of December 31, 2010 and 2009, and its consolidated changes in net assets, cash flows, and functional expenses for the years then ended in conformity with U.S. generally accepted accounting principles.

We have also audited the adjustments described in Note 16 that were applied to restate the 2009 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

LarsonAllen LLP
LarsonAllen LLP

Quincy, Massachusetts
April 27, 2011



**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009 (RESTATED)**

ASSETS	2010	(Restated) 2009
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,059,381	\$ 3,311,516
Certificates of Deposit	127,427	126,834
Marketable Securities	8,679,198	7,497,147
Accounts Receivable - Residents (Net of Estimated Uncollectible Accounts)	506,315	537,343
Receivable - Other	56,827	137,267
Prepaid Expenses	131,220	122,514
Deferred Income Taxes	325,000	-
Total Current Assets	12,885,368	11,732,621
ASSETS LIMITED AS TO USE		
By Donor Restriction:		
Cash	370	2,927
Marketable Securities	28,023	25,967
By HUD Regulatory Agreement:		
Mortgage Escrows	93,053	112,467
Reserve for Replacement	115,876	248,475
Total Assets Limited as to Use	237,322	389,836
PROPERTY AND EQUIPMENT		
Land	66,000	66,000
Building	4,621,159	4,621,158
Building Improvements	1,538,063	1,322,321
Equipment	924,230	911,275
Total	7,149,452	6,920,754
Less - Accumulated Depreciation	4,124,334	3,904,499
Net	3,025,118	3,016,255
Construction in Progress	108,745	78,651
Property and Equipment, Net	3,133,863	3,094,906
OTHER ASSETS		
Due from Related Party	19,390	21,731
Deferred Financing Costs, Net	57,463	64,333
Software, Net	1,711	3,422
Other Intangible Assets	54,675	54,675
Total Other Assets	133,239	144,161
Total Assets	\$ 16,389,792	\$ 15,361,524

See accompanying Notes to Consolidated Financial Statements.

	<u>2010</u>	<u>(Restated) 2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 115,649	\$ 109,191
Accounts Payable	137,320	110,098
Accrued Expenses	714,924	634,450
Payroll Taxes Payable	52,934	45,983
Total Current Liabilities	<u>1,020,827</u>	<u>899,722</u>
LONG-TERM DEBT, Net of Current Maturities	<u>2,536,609</u>	<u>2,652,258</u>
Total Liabilities	3,557,436	3,551,980
NET ASSETS		
Unrestricted	12,803,963	11,780,650
Temporarily Restricted	8,393	8,894
Permanently Restricted	20,000	20,000
Total Net Assets	<u>12,832,356</u>	<u>11,809,544</u>
Total Liabilities and Net Assets	<u>\$ 16,389,792</u>	<u>\$ 15,361,524</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009 (RESTATED)**

	<u>2010</u>	<u>(Restated) 2009</u>
UNRESTRICTED NET ASSETS		
REVENUES, GAINS AND OTHER SUPPORT		
Net Patient Service Revenue	\$ 8,658,852	\$ 8,329,049
Contributions and Grants	34,029	52,624
Investment Income	234,923	201,890
Realized Gain on Marketable Securities - Net	1,267,305	128,554
Other Than Temporary Decline in Marketable Securities	(150,377)	-
Other Revenue	32,781	48,649
Total Unrestricted Revenues and Gains	<u>10,077,513</u>	<u>8,760,766</u>
Net Assets Released from Restrictions	4,124	-
Total Unrestricted Revenues, Gains, and Other Support	<u>10,081,637</u>	<u>8,760,766</u>
EXPENSES		
Salaries and Benefits	5,998,020	5,543,826
Medical Supplies and Drugs	253,070	177,344
Insurance and Other	2,298,062	2,136,201
Provision for Bad Debts	15,464	113,260
Depreciation and Amortization	228,417	223,597
Interest	155,683	161,809
Total Expenses	<u>8,948,716</u>	<u>8,356,037</u>
OPERATING INCOME BEFORE INCOME TAXES	1,132,921	404,729
INCOME TAXES		
Federal Income Tax Benefit	252,750	-
State Income Tax Benefit	72,250	-
Total	<u>325,000</u>	<u>-</u>
EXCESS OF REVENUES, GAINS AND OTHER SUPPORT OVER EXPENSES AND LOSSES	1,457,921	404,729
Unrealized Gain (Loss) on Marketable Securities	<u>(434,608)</u>	<u>937,238</u>
NET INCREASE IN UNRESTRICTED NET ASSETS	1,023,313	1,341,967
TEMPORARILY RESTRICTED NET ASSETS		
Unrealized Gain on Marketable Securities	3,003	4,261
Realized Gain (Loss) on Marketable Securities	53	(77)
Investment Income	567	651
Net Assets Released from Restrictions	<u>(4,124)</u>	<u>-</u>
NET INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(501)</u>	<u>4,835</u>
CHANGE IN NET ASSETS	1,022,812	1,346,802
Net Assets - Beginning of Year (Note 16)	<u>11,809,544</u>	<u>10,462,742</u>
NET ASSETS - END OF THE YEAR	<u>\$ 12,832,356</u>	<u>\$ 11,809,544</u>

See accompanying Notes to Consolidated Financial Statements.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (RESTATED)**

	2010	(Restated) 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,022,812	\$ 1,346,802
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations:		
Unrealized (Gain) Loss on Marketable Securities, Net Other Than Temporary Decline in Marketable Securities	431,605	(941,499)
Realized Gain on Sales of Marketable Securities, Net	(1,267,358)	(128,477)
Restricted Investment Income Received	(567)	(651)
Depreciation and Amortization	228,417	223,597
Provision for Losses on Accounts Receivable	15,464	113,260
Deferred Income Taxes	(325,000)	-
(Increase) Decrease in:		
Accounts Receivable	15,564	(44,515)
Other Receivables	80,440	(86,702)
Prepaid Expenses	(8,706)	8,499
Purchase of Software	-	(5,133)
Increase (Decrease) in:		
Accounts Payable	27,221	(17,011)
Accrued Expenses and Payroll Taxes Payable	87,425	62,152
Net Cash Provided by Operating Activities	457,694	530,322
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(228,698)	(284,225)
Additions to Construction in Progress	(30,094)	-
Deposits to Reserve for Replacement	(34,800)	(35,788)
Withdrawals from Reserve for Replacement	167,399	173,940
Net Deposits (to) from Escrows Accounts	19,414	(24,305)
Certificates of Deposit Matured	126,857	-
Purchases of Certificates of Deposit	(127,450)	(126,834)
Proceeds from Sales/Maturities of Marketable Securities	12,668,745	1,891,102
Purchases of Marketable Securities	(13,164,919)	(2,027,527)
Net Cash Used by Investing Activities	(603,546)	(433,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (to) Related Parties	2,341	(2,833)
Proceeds from Restricted Investment Income	567	651
Repayment of Long-Term Debt	(109,191)	(103,093)
Net Cash Used by Financing Activities	(106,283)	(105,275)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(252,135)	(8,590)
Cash and Cash Equivalents at Beginning of Year	3,311,516	3,320,106
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,059,381	\$ 3,311,516
SUPPLEMENTAL DISCLOSURES		
Interest	\$ 156,207	\$ 162,304

See accompanying Notes to Consolidated Financial Statements.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010**

FUNCTIONAL EXPENSES	Program Services			Supporting Services		Total
	Nursing Home	Nursing Home (Realty)	Learning Center	Management and General	Fund-Raising	
Salaries and Benefits	\$ 5,896,050	\$ -	\$ -	\$ 101,970	\$ -	\$ 5,998,020
Office Supplies and Services	48,879	-	-	12,276	-	61,155
Payroll/Bookkeeping Services	43,061	-	-	-	-	43,061
Scholarship	-	-	8,963	-	-	8,963
Donations	-	-	-	-	-	-
Grant Expenses	-	-	8,333	-	-	8,333
Meetings	-	-	-	15,741	-	15,741
Professional Services	205,500	-	-	39,042	-	244,542
Telephone	26,024	-	-	-	-	26,024
Advertising	8,537	-	-	800	-	9,337
Licenses and Dues	10,137	-	-	-	-	10,137
Accounting	7,520	10,100	-	5,100	-	22,720
Legal	2,848	-	-	33,461	-	36,309
Insurance	67,495	64,302	-	-	-	131,797
User Fee Assessment	636,990	-	-	-	-	636,990
Provision for Bad Debts	15,464	-	-	-	-	15,464
Tuition and Education	6,555	-	-	-	-	6,555
Late Charges	-	-	-	-	-	-
Miscellaneous	12,771	-	-	280	-	13,051
Real Estate Tax	-	131,303	-	-	-	131,303
Interest	-	155,683	-	-	-	155,683
Plant	114,678	-	-	-	-	114,678
Utilities	216,041	-	-	-	-	216,041
Dietary	352,448	-	-	-	-	352,448
Laundry	20,464	-	-	-	-	20,464
Housekeeping	44,741	-	-	-	-	44,741
Medical	253,070	-	-	-	-	253,070
Recreation	6,587	-	-	-	-	6,587
Therapy	90,873	-	-	-	-	90,873
Quality Assurance	24,192	-	-	-	-	24,192
Other Consultants	22,020	-	-	-	-	22,020
Depreciation and Amortization	1,711	226,706	-	-	-	228,417
Total Functional Expenses	<u>\$ 8,134,656</u>	<u>\$ 588,094</u>	<u>\$ 17,296</u>	<u>\$ 208,670</u>	<u>\$ -</u>	<u>\$ 8,948,716</u>

See accompanying Notes to Consolidated Financial Statements.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009 (RESTATED)**

	Program Services			Supporting Services		Total
	Nursing Home	Nursing Home (Realty)	Learning Center	Management and General	Fund-Raising	
FUNCTIONAL EXPENSES						
Salaries and Benefits	\$ 5,457,987	\$ -	\$ -	\$ 85,840	\$ -	\$ 5,543,827
Office Supplies and Services	43,495	500	-	1,163	-	45,158
Payroll/Bookkeeping Services	22,600	-	-	-	-	22,600
Scholarship	-	-	8,398	-	-	8,398
Special Events	-	-	650	-	-	650
Grant Expenses	-	-	29,000	-	-	29,000
Meetings	-	-	-	14,353	-	14,353
Professional Services	193,200	-	-	24,128	-	217,328
Telephone	18,390	-	-	-	-	18,390
Advertising	9,886	-	-	-	-	9,886
Licenses and Dues	11,701	-	-	-	-	11,701
Accounting	-	-	-	26,758	-	26,758
Legal	-	-	-	107	-	107
Insurance	82,244	81,983	-	-	-	164,227
User Fee Assessment	487,724	-	-	-	-	487,724
Provision for Bad Debts	113,260	-	-	-	-	113,260
Tuition and Education	6,817	-	-	-	-	6,817
Late Charges	-	-	-	73	-	73
Miscellaneous	14,680	-	-	285	-	14,965
Real Estate Tax	-	118,848	-	-	-	118,848
Interest	-	161,809	-	-	-	161,809
Plant	201,309	-	-	-	-	201,309
Utilities	192,872	-	-	-	-	192,872
Dietary	345,587	-	-	-	-	345,587
Laundry	59,295	-	-	-	-	59,295
Housekeeping	46,823	-	-	-	-	46,823
Medical	177,344	-	-	-	-	177,344
Recreation	11,912	-	-	-	-	11,912
Therapy	38,916	-	-	-	-	38,916
Quality Assurance	24,608	-	-	-	-	24,608
Other Consultants	17,895	-	-	-	-	17,895
Depreciation and Amortization	1,711	221,886	-	-	-	223,597
Total Functional Expenses	<u>\$ 7,580,256</u>	<u>\$ 585,026</u>	<u>\$ 38,048</u>	<u>\$ 152,707</u>	<u>\$ -</u>	<u>\$ 8,356,037</u>

See accompanying Notes to Consolidated Financial Statements.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Cove Nursing Facilities Foundation, Inc. and Subsidiaries (the Organization) present the consolidated financial statements of the following entities: South Cove Nursing Facilities Foundation, Inc. (the Foundation), a not-for-profit corporation formed for the purpose of creating a long-term care facility to serve the South Cove Community; South Cove Realty Company Limited Partnership (the Realty), a limited partnership formed for the purpose of constructing and holding the land, building and equipment of the 100-bed long-term care facility; and South Cove Manor, Inc. (the Nursing Home), a C-Corporation formed to carry out the nursing home operations.

The Nursing Home is a 100% owned subsidiary of the Foundation. The Realty is 100% owned by the Nursing Home and Foundation. Consequently, effective controls and policy functions of the entities are embodied in the Foundation.

A summary of the Organization's significant accounting policies follows:

Basis of Consolidation

The consolidated financial statements include all the accounts of the above entities. All significant inter-company balances and transactions have been eliminated.

Net Assets

Net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Include contributions which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Patient Service Revenue

Private patient service revenue is reported at the estimated net realizable amounts. Third-party payor revenues are recorded as indicated in Note 2.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and Cash Equivalents

The Organization considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use are not considered cash and cash equivalents for purposes of the statement of cash flows.

Property and Equipment

Property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Gifts of long-lived assets are recorded at their fair market value at the date of donation and reported as unrestricted support unless explicit donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Assets with an estimated useful life of more than one-year and a historical cost or donated value of at least \$1,000 are capitalized.

Income Taxes

The Foundation is a not-for-profit corporation as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to section 501(a) of the code. Should the status of the Foundation be challenged in the future, its 2007 through 2010 tax years are open for examination by federal and state taxing authorities.

The Realty is a limited partnership and does not incur federal or state income taxes. Instead, the earnings and losses are included in the partners' respective non-profit and corporate income tax returns and are taxed based on their particular tax situations. The Realty's 2007 through 2010 tax years are open for examination by federal and state taxing authorities.

The Nursing Home is a C corporation whose provisions for income taxes are based on net income reported for financial reporting purposes. Deferred income taxes arise from differences in financial and income tax accounting methods, principally arising from depreciation accounting. Tax credits are treated as a reduction of the provision for income taxes in the year in which the credits arise. The Nursing Home's 2007 through 2010 tax years are open for examination by federal and state taxing authorities.

Accounts Receivable

Accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Credit is extended to customers and collateral is not required. The Organization determines delinquent accounts based on individual facts and circumstances. Historically, the Organization has not charged interest on accounts that are deemed to be delinquent.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Excess of Revenues, Gains and Other Support Over Expenses and Losses

The statement of activities includes excess of revenues, gains and other support over expenses and losses. Changes in unrestricted net assets which are excluded from excess of revenues, gains and other support over expenses and losses, consistent with industry practice, include the changes in net unrealized gains and losses on investments, transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets).

Deferred Finance Costs

Deferred finance costs are amortized over the period the obligation is outstanding using the effective interest method. Amortization charged to operations was \$6,870 and \$7,138 for 2010 and 2009, respectively.

Marketable Securities

Investments in money market and equity securities with readily determinable fair values and investments in debt securities are measured at their fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues and gains over expenses and losses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess of revenues and gains over expenses and losses. The fair value of investments has been determined primarily by quoted market prices at the statement of financial position date.

Declines in fair market values below original cost of individual securities are evaluated to determine if the declines are other-than-temporary impairments. Changes in the economic environment, earnings performance, general market conditions and the investor's ability to hold a security until the market recovers are indicators that are used. If the impairment is determined to be other-than-temporary, an impairment loss is recognized and the fair value of the investment becomes the new cost basis.

Assets Limited as to Use

Assets limited as to use include assets set aside by donors for restricted purposes; and assets held in trust under a U.S. Department of Housing and Urban Development (HUD) Regulatory Agreement.

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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Promotional Advertising

Promotional advertising costs are expensed as incurred. Promotional advertising costs charged to operations amounted to \$9,337 and \$9,886 for 2010 and 2009, respectively.

Software

Software with a historical cost of \$10,075 and \$10,075 at December 31, 2010 and 2009, respectively, are amortized over a three-year period using the straight-line method. Accumulated amortization amounted to \$8,364 and \$6,653 as of December 31, 2010 and 2009, respectively. Amortization charged to operations amounted to \$1,711 and \$1,711 for 2010 and 2009, respectively. The estimated amortization to be charged to operations for the next year is as follows: 2011, \$1,711.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

Other Intangible Assets

The Organization owns a 27-bed nursing home license with an acquired cost of \$54,675 and has reflected the licenses on the statement of financial position as an "Intangible Asset". Intangible assets, with indefinite lives, are required to be reviewed for impairment on an annual basis. The Organization has reviewed the carrying value of the intangible asset at December 31, 2010 and 2009 and has determined that an impairment adjustment is not required.

Fair Value Measurement

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that The Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurement (Continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Organizations may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The Organizations began applying the above measurement principles for nonfinancial and nonfinancial liabilities that are recognized and disclosed in the financial statements on a nonrecurring basis beginning January 1, 2009.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 27, 2011, the date the financial statements were available to be issued.

NOTE 2 PATIENT SERVICE REVENUES FROM THIRD PARTY PAYORS

Summary of the Payment Arrangements with Third Party Payors

Medicaid - Standard Payments to Nursing Facilities

The Organization receives reimbursement from the Commonwealth of Massachusetts under a standard rate of reimbursement payment system for the care and services rendered to publicly-aided patients pursuant to regulations promulgated by the Division of Health Care Finance and Policy. Under the regulations, current year rates are a combination of actual base year costs blended with industry standards adjusted for inflation. The base year costs are subject to audit and may result in a retroactive rate adjustment for the current year.

Medicare - Prospective Payment System

The Organization receives reimbursement for the care of certain patients under the federally sponsored Medicare prospective payment system (PPS) through an insurance intermediary. The federal rates utilize facility case-mix resident assessment data, completed by the skilled nursing facility (SNF), to assign patients into one of the Resource Utilization Groups (RUGS). SNF's must complete the resident assessments according to a specific time schedule designed for Medicare payment. SNF's that do not comply with this requirement will be paid at a default payment (the lowest of the federal rates) for the days of a patient's care for which the SNF is not in compliance.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
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DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 2 PATIENT SERVICE REVENUES FROM THIRD PARTY PAYORS (CONTINUED)

Medicare - Prospective Payment System (Continued)

The PPS program mandates the implementation of fee schedules for SNF therapy services to residents not in a covered Part A stay and to non-residents who receive outpatient rehabilitation services from the SNF. The Centers for Medicare and Medicaid Services imposed a limit for both physical therapy (including speech therapy) and occupational therapy, however an exception may be granted if the patient meets certain criteria.

NOTE 3 RECEIVABLES

Accounts Receivable

Accounts receivable is comprised of the following at December 31, 2010 and 2009:

	2010	2009
Private Residents	\$ 94,303	\$ 97,876
Medicare Residents	227,605	190,167
Publicly-Aided Residents	274,407	398,300
Allowance for Uncollectibles	(90,000)	(149,000)
Accounts Receivable, Net	<u>\$ 506,315</u>	<u>\$ 537,343</u>

Receivables - Other

Receivables - Other is comprised of the following at December 31, 2010 and 2009:

	2010	2009
Estimated Due from Medicaid	\$ 665	\$ 665
Due from Employees	28,000	49,000
Interest Receivable	19,730	27,009
Due from Replacement Reserve Escrow	-	60,593
Payroll Tax Refund	8,432	-
Total	<u>\$ 56,827</u>	<u>\$ 137,267</u>

The receivable due from the replacement reserve was a result of a timing difference of a disbursement from reserve account to deposit made by the Organization.

NOTE 4 PROPERTY AND EQUIPMENT

The useful lives of property and equipment for purposes of computing depreciation are:

Building	40 years
Building Improvements	20 years
Equipment	10 years

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 4 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charged to operations amounted to \$214,748 and \$221,886 for 2010 and 2009, respectively. Property and equipment with a total cost of \$7,149,452 are pledged as collateral for long-term debt.

At December 31, 2010, the Organization has incurred and capitalized \$108,745 of development costs related to the relocation of the existing nursing home facility. The project is in the development and feasibility stage. No decisions have been made as to the final course of action.

NOTE 5 RELATED PARTY TRANSACTIONS

The Organization has entered into the following transactions with related parties:

Related Party Loans

Related party loans, which bear no interest and have no fixed repayment terms and the Organization has agreed not to demand payment from the entity noted below for at least 12 months from the date of the financial statements are as follows:

	Balance at December 31,	
	2010	2009
Due from Related Parties:		
Mei Wah Village, Inc.	\$ 19,390	\$ 21,731

NOTE 6 LONG-TERM DEBT

The Organization is obligated under long-term debt at December 31, 2010 and 2009, as follows:

	2010	2009
5.76% HUD insured mortgage to Wells Fargo Bank National Association, due November 1, 2025, secured by substantially all assets of the Realty, payable in monthly installments of \$22,116 including interest.	\$ 2,652,258	\$ 2,761,449
Less: Current Maturities	115,649	109,191
Long-Term Debt, Net	\$ 2,536,609	\$ 2,652,258

Interest incurred on the above long-term debt amounted to \$155,683 and \$161,809 for 2010 and 2009, respectively.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Following are maturities of long-term debt for each of the next five years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 115,649
2012	122,489
2013	129,733
2014	137,406
2015	145,533

NOTE 7 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the Organization’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009.

	<u>2010</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Marketable Securities:				
Equities	\$ 3,533,846	\$ 3,533,846	\$ -	\$ -
International Equities	911,955	911,955	-	-
Taxable Bonds	2,071,485	2,071,485	-	-
International Bonds	217,596	217,596	-	-
Mutual Funds	471,451	-	471,451	-
Hedge Funds	811,455	-	-	811,455
Real Estate Fund	414,455	307,907	-	106,548
Commodities	246,955	246,955	-	-
Total	<u>\$ 8,679,198</u>	<u>\$ 7,289,744</u>	<u>\$ 471,451</u>	<u>\$ 918,003</u>
Marketable Securities (Restricted):				
Equities	\$ 14,472	\$ 14,472	\$ -	\$ -
International Equities	3,257	3,257	-	-
Taxable Bonds	10,294	10,294	-	-
Total	<u>\$ 28,023</u>	<u>\$ 28,023</u>	<u>\$ -</u>	<u>\$ -</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

	2009			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Marketable Securities:				
Fixed Income	\$ 2,070,358	\$ 2,070,358	\$ -	\$ -
Common Stock	2,473,186	2,473,186	-	-
Mutual Funds	2,060,278	-	2,060,278	-
Hedge Funds	752,493	-	-	752,493
Real Estate Fund	140,832	-	-	140,832
Total	<u>\$ 7,497,147</u>	<u>\$ 4,543,544</u>	<u>\$ 2,060,278</u>	<u>\$ 893,325</u>
Marketable Securities (Restricted):				
Fixed Income	\$ 10,934	\$ 10,934	\$ -	\$ -
Common Stock	15,033	15,033	-	-
Total	<u>\$ 25,967</u>	<u>\$ 25,967</u>	<u>\$ -</u>	<u>\$ -</u>

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended December 31, 2010 and 2009:

	Total	Hedge Funds	Real Estate Funds
Beginning Balance as of January 1, 2009	\$ 931,096	\$ 673,693	\$ 257,403
Dividends Received	5,508	-	5,508
Unrealized Gain (Loss)	(43,279)	78,800	(122,079)
Balance as of December 31, 2009	893,325	752,493	140,832
Other Than Temporary Decline in Investment	(143,452)	-	(143,452)
Unrealized Gain (Loss)	168,130	58,962	109,168
Balance as of December 31, 2010	<u>\$ 918,003</u>	<u>\$ 811,455</u>	<u>\$ 106,548</u>

At December 31, 2010, certain securities classified as available for sale were written down by \$150,377 to their estimated realizable value, because, in the opinion of management, the decline in market value of those securities is considered to be other than temporary.

The fair values of mutual funds, hedge funds and real estate funds are valued at the net asset value (NAV) per share for 2010 and 2009.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
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DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 8 DONOR RESTRICTED FUNDS

The Organization has received donor-restricted contributions, which have been accounted for as temporarily and permanently restricted net assets, depending on the existence of and/or nature of any donor restrictions. The principal was placed in permanent endowment funds, with income only used to satisfy the donor requirements. Donor-restricted funds include cash and marketable securities that are carried at quoted market value at the statement of financial position date (see Note 7 for details).

The Board of Directors has classified the endowment and related appreciation/ depreciation in accordance with Massachusetts general law under G.L.c. 180A. The original value of the permanent endowment is classified as permanently restricted. Under Massachusetts law, unless explicitly stated otherwise by the donor, the appreciation and depreciation on investments are classified as temporarily restricted.

Change in Endowment Net Assets for the years ended December 31, 2010 and 2009 are:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Restricted Assets - January 1, 2009	\$ 4,059	\$ 20,000
Investment Income	651	-
Realized Loss on Marketable Securities	(77)	-
Unrealized Gain on Marketable Securities	4,261	-
	<hr/>	<hr/>
Restricted Assets - December 31, 2009	8,894	20,000
Investment Income	567	-
Realized Gain on Marketable Securities	53	-
Unrealized Gain on Marketable Securities	3,003	-
Net Assets Released from Restrictions	(4,124)	-
	<hr/>	<hr/>
Restricted Assets - December 31, 2010	<u>\$ 8,393</u>	<u>\$ 20,000</u>

NOTE 9 ASSET LIMITED AS TO USE

Donor Restriction

The Organization has received donor-restricted contributions that have been accounted for as temporarily and permanently restricted net assets, depending on the existence of and/or nature of any donor restrictions. (See Note 8 for details).

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 9 ASSET LIMITED AS TO USE (CONTINUED)

HUD Regulatory Agreement

Under the terms of the Department of Housing and Urban Development (HUD) regulatory agreement, the Organization is required to make monthly payments to an escrow account to cover FHA mortgage insurance, property insurance and real estate taxes. In addition, the Organization must make monthly payments of \$2,900 to a reserve for replacements which may be used for capital expenditures and major repairs. Withdrawals from the reserve for replacements are subject to approval by HUD. The escrow balances are invested in cash and cash equivalents.

NOTE 10 INCOME TAXES

The Nursing Home recognizes deferred tax assets and liabilities for future tax consequences of events that have already been recognized in the Organization's financial statements or tax returns. Valuation allowances are established, if necessary, to reduce deferred tax asset accounts to the amounts that will more than likely be realized. The provision for income tax expense is the current tax payable to the period, plus or minus the net change in the deferred tax assets or liability accounts. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law, the effects of future changes in tax laws or rates are not anticipated. Computation of the deferred federal tax liability and asset was done by using an average graduated tax rate of 25% for 2010 and 2009. The deferred state liability and asset was calculated using a tax rate of 9.5% for 2010 and 2009.

Provision for income tax benefit, which has been included in the caption "Insurance and other" on Exhibit B, consists of the following components:

	<u>2010</u>	<u>2009</u>
Due Currently:		
Federal	\$ -	\$ -
State	3,900	4,500
Total	<u>\$ 3,900</u>	<u>\$ 4,500</u>

Total deferred tax assets are calculated to effect future deductible temporary differences caused by allowance for uncollectibles, vacation wage and payroll tax accruals, and a net operating loss carryforward.

The Organization's total deferred tax assets and deferred tax liabilities at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Deferred Tax Assets	\$ 765,000	\$ 815,000
Deferred Tax Liabilities	-	-
Valuation Allowance Adjustments	(440,000)	(815,000)
Net Deferred Tax Assets	<u>\$ 325,000</u>	<u>\$ -</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 10 INCOME TAXES (CONTINUED)

As of December 31, 2010, a loss carryforward of approximately \$1,928,000 is available to offset future taxable income and will begin to expire in 2011. At December 31, 2010, management estimates that a portion of the deferred tax asset is likely to be recognized during 2011, consequently, the valuation allowance was reduced accordingly and the asset is being recognized as current on the statement of financial position. Management believes that the remaining deferred tax asset is unlikely to be recognized.

NOTE 11 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of the following:

Cash and Cash Equivalents

The Organization maintains cash and cash equivalents balances in several federally insured financial institutions in the same geographic area. The cash exceeding federally insured limits totaled \$2,063,905 at December 31, 2010. During the year there may be times when uninsured cash is significantly higher.

Marketable Securities

Marketable securities in the amount of \$8,707,221 at December 31, 2010.

Accounts Receivable - Patients

The Organization extends unsecured credit to their private patients and patients covered under third-party payor arrangements. Accounts receivable from private patients and third-party payors totaled \$506,315 at December 31, 2010. See Note 2 and Note 3 for details of third-party payor arrangements and receivable balances, respectively.

Due from Related Parties

The Organization extends unsecured credit to their affiliate. The balance due from related parties totaled \$19,390 at December 31, 2010. See Note 5 for further details.

NOTE 12 CERTIFICATES OF DEPOSIT

At December 31, 2010 and 2009, the certificates of deposit are classified as held to maturity, which are being carried at cost. All certificates of deposit are due within one year or less and have been classified as current.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 13 PENSION PLAN

Defined Contribution Plan

The Organization sponsors a defined contribution pension plan covering substantially all of its employees. Pension costs are determined as 3 percent of each covered employee's salary and totaled \$105,234 and \$85,367 for 2010 and 2009, respectively. Pension costs are being funded on a current basis.

NOTE 14 COMMITMENTS

The Organization entered into a Purchase Option and Right of Refusal Agreement, expiring in March 2030, to acquire and renovate an existing property in the City of Boston. The purchase price will be determined by the amount of outstanding debt at the date of transfer from the seller, if the Organization exercises its option to acquire the property.

NOTE 15 CONTINGENCIES

A significant portion of the Organization's net revenues and accounts receivable are derived from services reimbursable under the Medicaid and the Medicare programs. There are numerous healthcare reform proposals being considered on the federal and state levels. The Organization cannot predict at this time whether any of these proposals will be adopted or, if adopted and implemented, what effect such proposals would have on the Organization.

A significant portion of the Organization's revenues is derived from services reimbursable under the Medicaid program (see Note 2). The base year costs utilized in calculating the Medicaid prospective rates are subject to audit which could result in a retroactive rate adjustment for all years in which that base year's costs are utilized in calculating the prospective rate. It is not possible at this time to determine whether the Organization will be audited or if a retroactive rate adjustment would result.

A portion of the Organization's revenues are derived from services under the Medicare program, (see Note 2). Under the program, some cost report cost centers are subject to potential for an audit for a period of three years from the date of issuance of a Notification of Provider Reimbursement by the fiscal intermediary (FI). It is not possible at this time to determine whether the Organization's filed cost reports will be audited. The Organization's Medicare Claims are also subject to audit or medical review by the FI. It is not possible at this time to determine whether the Organization's claims will be subjected to post payment review by the FI or if a retroactive rate adjustment would result.

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009 (RESTATED)**

NOTE 16 PRIOR PERIOD ADJUSTMENT

The 2009 financial statements have been restated to reflect a liability for Accrued Personnel Time on the Nursing Home. As a result of the restatement the retained earnings of the Nursing Home decreased by \$202,725, as of December 31, 2008.

In addition, the December 31, 2009 financial statements have been restated to reflect the additional liability for the Accrued Personnel Time on the Nursing Home. The restatement resulted in an increase in accrued payroll liability and related payroll expenses of \$15,890, as of December 31, 2009. As a result the Nursing Home retained earnings decreased by \$15,890 as of December 31, 2009.

The 2009 financial statements have been restated to reflect the reclassification of certificates of deposit with original maturity dates over three months from cash and cash equivalents. As a result of the restatement the cash and cash equivalent balance has been decreased by \$126,834, as of December 31, 2009.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
South Cove Nursing Facilities Foundation, Inc.
and Subsidiaries
Boston, Massachusetts

Our report on our audits of the basic consolidated financial statements of South Cove Nursing Facilities Foundation, Inc. and Subsidiaries for the years ended December 31, 2010 and 2009 (Restated) appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on pages 21 through 37 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The supplementary information on pages 23 through 30 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.

The additional information presented on pages 31 to 38 has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and, accordingly, we express no opinion on it.

LarsonAllen LLP
LarsonAllen LLP

Quincy, Massachusetts
April 27, 2011

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

ASSETS	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 3,059,381	\$ -	\$ 3,059,381	\$ 1,228,003	\$ 1,742,272	\$ 89,106
Certificates of Deposit	127,427	-	127,427	-	127,427	-
Marketable Securities	8,679,198	-	8,679,198	8,679,198	-	-
Accounts Receivable Patients - (Net of Estimated Uncollectible Accounts)	506,315	-	506,315	-	506,315	-
Receivable - Other	56,827	(221,580)	278,407	19,730	37,097	221,580
Prepaid Expenses	131,220	-	131,220	-	88,857	42,363
Deferred Income Taxes	325,000	-	325,000	-	325,000	-
Total Current Assets	<u>12,885,368</u>	<u>(221,580)</u>	<u>13,106,948</u>	<u>9,926,931</u>	<u>2,826,968</u>	<u>353,049</u>
ASSETS LIMITED AS TO USE						
By Donor for Restriction:						
Cash	370	-	370	370	-	-
Marketable Securities	28,023	-	28,023	28,023	-	-
By HUD Regulatory Agreement:						
Mortgagee Escrows	93,053	-	93,053	-	-	93,053
Reserve for Replacement	115,876	-	115,876	-	-	115,876
Total Assets Limited as to Use	<u>237,322</u>	<u>-</u>	<u>237,322</u>	<u>28,393</u>	<u>-</u>	<u>208,929</u>
PROPERTY AND EQUIPMENT						
Land	66,000	-	66,000	-	-	66,000
Building	4,621,159	-	4,621,159	-	-	4,621,159
Building Improvements	1,538,063	-	1,538,063	-	-	1,538,063
Equipment	924,230	-	924,230	-	-	924,230
Total	7,149,452	-	7,149,452	-	-	7,149,452
Less - Accumulated Depreciation	4,124,334	-	4,124,334	-	-	4,124,334
Net	3,025,118	-	3,025,118	-	-	3,025,118
Construction in Progress	108,745	-	108,745	30,094	23,148	55,503
Property and Equipment, Net	<u>3,133,863</u>	<u>-</u>	<u>3,133,863</u>	<u>30,094</u>	<u>23,148</u>	<u>3,080,621</u>
OTHER ASSETS						
Investment in Subsidiaries	-	(3,063,783)	3,063,783	3,052,037	11,746	-
Due from Related Parties	19,390	(26,144)	45,534	45,534	-	-
Deferred Financing Costs, Net	57,463	-	57,463	-	-	57,463
Software	1,711	-	1,711	-	1,711	-
Other Intangible Assets	54,675	-	54,675	-	54,675	-
Total Other Assets	<u>133,239</u>	<u>(3,089,927)</u>	<u>3,223,166</u>	<u>3,097,571</u>	<u>68,132</u>	<u>57,463</u>
Total Assets	<u>\$ 16,389,792</u>	<u>\$ (3,311,507)</u>	<u>\$ 19,701,299</u>	<u>\$ 13,082,989</u>	<u>\$ 2,918,248</u>	<u>\$ 3,700,062</u>

LIABILITIES AND NET ASSETS	<u>Consolidated Total</u>	<u>Eliminations</u>	<u>Subtotal</u>	<u>South Cove Nursing Facilities Foundation, Inc.</u>	<u>South Cove Manor, Inc.</u>	<u>South Cove Realty Ltd Partnership</u>
CURRENT LIABILITIES						
Current Maturities of Long-Term Debt	\$ 115,649	\$ -	\$ 115,649	\$ -	\$ -	\$ 115,649
Accounts Payable	137,320	-	137,320	-	137,320	-
Accrued Expenses	714,924	-	714,924	32,018	667,556	15,350
Payroll Taxes Payable	<u>52,934</u>	-	<u>52,934</u>	-	<u>52,934</u>	-
Total Current Liabilities	1,020,827	-	1,020,827	32,018	857,810	130,999
LONG-TERM DEBT, Net of Current Maturities	2,536,609	-	2,536,609	-	-	2,536,609
DUE TO RELATED PARTIES	<u>-</u>	<u>(247,723)</u>	<u>247,723</u>	<u>-</u>	<u>219,922</u>	<u>27,801</u>
Total Liabilities	3,557,436	(247,723)	3,805,159	32,018	1,077,732	2,695,409
NET ASSETS						
Unrestricted/Retained Earnings/Partners' Capital	12,803,963	(3,063,784)	15,867,747	13,022,578	1,840,516	1,004,653
Temporarily Restricted	8,393	-	8,393	8,393	-	-
Permanently Restricted	<u>20,000</u>	-	<u>20,000</u>	<u>20,000</u>	-	-
Total Net Assets	<u>12,832,356</u>	<u>(3,063,784)</u>	<u>15,896,140</u>	<u>13,050,971</u>	<u>1,840,516</u>	<u>1,004,653</u>
Total Liabilities and Net Assets	<u>\$ 16,389,792</u>	<u>\$ (3,311,507)</u>	<u>\$ 19,701,299</u>	<u>\$ 13,082,989</u>	<u>\$ 2,918,248</u>	<u>\$ 3,700,062</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009 (RESTATED)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

ASSETS	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 3,311,516	\$ -	\$ 3,311,516	\$ 1,726,770	\$ 1,485,540	\$ 99,206
Certificates of Deposit	126,834	-	126,834	-	126,834	-
Marketable Securities	7,497,147	-	7,497,147	7,497,147	-	-
Accounts Receivable Patients - (Net of Estimated Uncollectible Accounts)	537,343	-	537,343	-	537,343	-
Receivable - Other	137,267	(191,644)	328,911	27,009	110,258	191,644
Prepaid Expenses	122,514	-	122,514	-	79,394	43,120
Total Current Assets	<u>11,732,621</u>	<u>(191,644)</u>	<u>11,924,265</u>	<u>9,250,926</u>	<u>2,339,369</u>	<u>333,970</u>
ASSETS LIMITED AS TO USE						
By Donor Restriction:						
Cash	2,927	-	2,927	2,927	-	-
Marketable Securities	25,967	-	25,967	25,967	-	-
By HUD Regulatory Agreement:						
Mortgagee Escrow's	112,467	-	112,467	-	-	112,467
Reserve for Replacement	248,475	-	248,475	-	-	248,475
Total Assets Limited as to Use	<u>389,836</u>	<u>-</u>	<u>389,836</u>	<u>28,894</u>	<u>-</u>	<u>360,942</u>
PROPERTY AND EQUIPMENT						
Land	66,000	-	66,000	-	-	66,000
Building	4,621,158	-	4,621,158	-	-	4,621,158
Building Improvements	1,322,321	-	1,322,321	-	-	1,322,321
Equipment	911,275	-	911,275	-	-	911,275
Total	<u>6,920,754</u>	<u>-</u>	<u>6,920,754</u>	<u>-</u>	<u>-</u>	<u>6,920,754</u>
Less - Accumulated Depreciation	3,904,499	-	3,904,499	-	-	3,904,499
Net	<u>3,016,255</u>	<u>-</u>	<u>3,016,255</u>	<u>-</u>	<u>-</u>	<u>3,016,255</u>
Construction in Progress	78,651	-	78,651	-	23,148	55,503
Property and Equipment, Net	<u>3,094,906</u>	<u>-</u>	<u>3,094,906</u>	<u>-</u>	<u>23,148</u>	<u>3,071,758</u>
OTHER ASSETS						
Investment in Subsidiaries	-	(2,764,577)	2,764,577	2,752,691	11,886	-
Due from Related Parties	21,731	21,552	179	179	-	-
Deferred Financing Costs, Net	64,333	-	64,333	-	-	64,333
Software	3,422	-	3,422	-	3,422	-
Other Intangible Assets	54,675	-	54,675	-	54,675	-
Total Other Assets	<u>144,161</u>	<u>(2,743,025)</u>	<u>2,887,186</u>	<u>2,752,870</u>	<u>69,983</u>	<u>64,333</u>
Total Assets	<u>\$ 15,361,524</u>	<u>\$ (2,934,669)</u>	<u>\$ 18,296,193</u>	<u>\$ 12,032,690</u>	<u>\$ 2,432,500</u>	<u>\$ 3,831,003</u>

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Maturities of Long-Term Debt	\$ 109,191	\$ -	\$ 109,191	\$ -	\$ -	\$ 109,191
Accounts Payable	110,098	-	110,098	-	110,098	-
Accrued Expenses	634,450	-	634,450	4,531	606,813	23,106
Payroll Taxes Payable	45,983	-	45,983	-	45,983	-
Total Current Liabilities	<u>899,722</u>	<u>-</u>	<u>899,722</u>	<u>4,531</u>	<u>762,894</u>	<u>132,297</u>
LONG-TERM DEBT, Net of Current Maturities	2,652,258	-	2,652,258	-	-	2,652,258
DUE TO RELATED PARTIES	<u>-</u>	<u>(170,092)</u>	<u>170,092</u>	<u>-</u>	<u>142,291</u>	<u>27,801</u>
Total Liabilities	3,551,980	(170,092)	3,722,072	4,531	905,185	2,812,356
NET ASSETS						
Unrestricted/Retained Earnings/Partners' Capital	11,780,650	(2,764,577)	14,545,227	11,999,265	1,527,315	1,018,647
Temporarily Restricted	8,894	-	8,894	8,894	-	-
Permanently Restricted	20,000	-	20,000	20,000	-	-
Total Net Assets	<u>11,809,544</u>	<u>(2,764,577)</u>	<u>14,574,121</u>	<u>12,028,159</u>	<u>1,527,315</u>	<u>1,018,647</u>
Total Liabilities and Net Assets	<u>\$ 15,361,524</u>	<u>\$ (2,934,669)</u>	<u>\$ 18,296,193</u>	<u>\$ 12,032,690</u>	<u>\$ 2,432,500</u>	<u>\$ 3,831,003</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
UNRESTRICTED NET ASSETS						
REVENUES, GAINS, AND OTHER SUPPORT						
Net Patient Service Revenue	\$ 8,658,852	\$ -	\$ 8,658,852	\$ -	\$ 8,658,852	\$ -
Contributions and Grants	34,029	-	34,029	34,029	-	-
Investment Income	234,923	(1,100)	236,023	229,459	5,464	1,100
Realized Gain on Marketable Securities-Net Other Than Temporary Decline in Investments	1,267,305	-	1,267,305	1,267,305	-	-
Other Revenue	(150,377)	-	(150,377)	(150,377)	-	-
	<u>32,781</u>	<u>(573,000)</u>	<u>605,781</u>	<u>-</u>	<u>32,781</u>	<u>573,000</u>
Total Unrestricted Revenues and Gains	10,077,513	(574,100)	10,651,613	1,380,416	8,697,097	574,100
Net Assets Released from Restrictions	<u>4,124</u>	<u>-</u>	<u>4,124</u>	<u>4,124</u>	<u>-</u>	<u>-</u>
Total Unrestricted Revenues, Gains, and Other Support	10,081,637	(574,100)	10,655,737	1,384,540	8,697,097	574,100
EXPENSES						
Salaries and Benefits	5,998,020	-	5,998,020	101,970	5,896,050	-
Medical Supplies and Drugs	253,070	-	253,070	-	253,070	-
Insurance and Other	2,298,062	(573,000)	2,871,062	123,996	2,541,361	205,705
Provision for Bad Debts	15,464	-	15,464	-	15,464	-
Depreciation and Amortization	228,417	-	228,417	-	1,711	226,706
Interest	155,683	(1,100)	156,783	-	1,100	155,683
Total Expenses	<u>8,948,716</u>	<u>(574,100)</u>	<u>9,522,816</u>	<u>225,966</u>	<u>8,708,756</u>	<u>588,094</u>
INCOME (LOSS) BEFORE OTHER ITEMS	1,132,921	-	1,132,921	1,158,574	(11,659)	(13,994)
OTHER ITEMS						
Investment Income-Subsidiaries	-	(299,207)	299,207	299,347	(140)	-
Federal Income Tax Benefit	252,750	-	252,750	-	252,750	-
State Income Tax Benefit	72,250	-	72,250	-	72,250	-
Total Other Items	<u>325,000</u>	<u>(299,207)</u>	<u>624,207</u>	<u>299,347</u>	<u>324,860</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES, GAINS AND OTHER SUPPORT OVER EXPENSES AND LOSSES	1,457,921	(299,207)	1,757,128	1,457,921	313,201	(13,994)
UNREALIZED LOSS ON MARKETABLE SECURITIES	<u>(434,608)</u>	<u>-</u>	<u>(434,608)</u>	<u>(434,608)</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	1,023,313	(299,207)	1,322,520	1,023,313	313,201	(13,994)

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
TEMPORARILY RESTRICTED NET ASSETS						
Unrealized Gain on Marketable Securities	3,003	-	3,003	3,003	-	-
Realized Gain on Marketable Securities	53	-	53	53	-	-
Investment Income	567	-	567	567	-	-
Net Assets Released from Restrictions	(4,124)	-	(4,124)	(4,124)	-	-
NET DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(501)	-	(501)	(501)	-	-
CHANGE IN NET ASSETS	1,022,812	(299,207)	1,322,019	1,022,812	313,201	(13,994)
Net Assets - Beginning of Year	11,809,544	(2,764,577)	14,574,121	12,028,159	1,527,315	1,018,647
Additional Paid-In Capital	-	-	-	-	-	-
Distributions	-	-	-	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 12,832,356</u>	<u>\$ (3,063,784)</u>	<u>\$ 15,896,140</u>	<u>\$ 13,050,971</u>	<u>\$ 1,840,516</u>	<u>\$ 1,004,653</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009 (RESTATED)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
UNRESTRICTED NET ASSETS						
REVENUES, GAINS, AND OTHER SUPPORT						
Net Patient Service Revenue	\$ 8,329,049	\$ -	\$ 8,329,049	\$ -	\$ 8,329,049	\$ -
Contributions and Grants	52,624	-	52,624	35,365	17,259	-
Investment Income	201,890	(2,900)	204,790	193,173	7,729	3,888
Realized Loss on Marketable Securities-Net	128,554	-	128,554	128,554	-	-
Other Revenue	48,649	(780,000)	828,649	-	48,649	780,000
Total Unrestricted Revenues and Gains	<u>8,760,766</u>	<u>(782,900)</u>	<u>9,543,666</u>	<u>357,092</u>	<u>8,402,686</u>	<u>783,888</u>
Net Assets Released from Restrictions	-	-	-	-	-	-
Total Unrestricted Revenues, Gains, and Other Support	8,760,766	(782,900)	9,543,666	357,092	8,402,686	783,888
EXPENSES						
Salaries and Benefits	5,543,826	-	5,543,826	85,839	5,457,987	-
Medical Supplies and Drugs	177,344	-	177,344	-	177,344	-
Insurance and Other	2,136,201	(780,000)	2,916,201	78,085	2,636,785	201,331
Provision for Bad Debts	113,260	-	113,260	-	113,260	-
Depreciation and Amortization	223,597	-	223,597	-	1,711	221,886
Interest	161,809	(2,900)	164,709	-	2,900	161,809
Total Expenses	<u>8,356,037</u>	<u>(782,900)</u>	<u>9,138,937</u>	<u>163,924</u>	<u>8,389,987</u>	<u>585,026</u>
INCOME BEFORE OTHER ITEMS	404,729	-	404,729	193,168	12,699	198,862
OTHER ITEMS						
Investment Income-Subsidiaries	-	(229,442)	229,442	227,452	1,990	-
Total Other Items	<u>-</u>	<u>(229,442)</u>	<u>229,442</u>	<u>227,452</u>	<u>1,990</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES, GAINS AND OTHER SUPPORT OVER EXPENSES AND LOSSES	404,729	(229,442)	634,171	420,620	14,689	198,862
UNREALIZED GAIN ON MARKETABLE SECURITIES	<u>937,238</u>	<u>-</u>	<u>937,238</u>	<u>937,238</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	1,341,967	(229,442)	1,571,409	1,357,858	14,689	198,862

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
TEMPORARILY RESTRICTED NET ASSETS						
Unrealized Gain on Marketable Securities	4,261	-	4,261	4,261	-	-
Realized Loss on Marketable Securities	(77)	-	(77)	(77)	-	-
Investment Income	651	-	651	651	-	-
NET INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	4,835	-	4,835	4,835	-	-
CHANGE IN NET ASSETS	1,346,802	(229,442)	1,576,244	1,362,693	14,689	198,862
Net Assets - Beginning of Year	10,665,467	(3,292,135)	13,957,602	10,665,466	1,222,351	2,069,785
Prior Year Adjustment	(202,725)	-	(202,725)	-	(202,725)	-
Net Assets - Beginning of Year, as Restated	10,462,742	(3,292,135)	13,754,877	10,665,466	1,019,626	2,069,785
Additional Paid-In Capital	-	(493,000)	493,000	-	493,000	-
Distributions	-	1,250,000	(1,250,000)	-	-	(1,250,000)
NET ASSETS - END OF YEAR (As Restated)	\$ 11,809,544	\$ (2,764,577)	\$ 14,574,121	\$ 12,028,159	\$ 1,527,315	\$ 1,018,647

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF EXPENSES
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
ADMINISTRATIVE AND GENERAL						
Salaries - Administrator	\$ 111,501	\$ -	\$ 111,501	\$ -	\$ 111,501	\$ -
Management Fee	198,000	-	198,000	-	198,000	-
Salaries - Clerical	281,365	-	281,365	-	281,365	-
Salaries - Foundation	91,835	-	91,835	91,835	-	-
Pension	105,234	-	105,234	-	105,234	-
Office Supplies and Expense	61,156	-	61,156	12,277	48,879	-
Tuition and Education	15,518	-	15,518	8,963	6,555	-
Salaries - Staff Development	81,007	-	81,007	-	81,007	-
Late Charges	-	-	-	-	-	-
Telephone	26,024	-	26,024	-	26,024	-
Advertising	9,337	-	9,337	800	8,537	-
Travel and Meetings	15,741	-	15,741	15,741	-	-
Licenses and Dues	10,417	-	10,417	280	10,137	-
Employee Benefits	31,738	-	31,738	-	31,738	-
General Expenses	12,771	-	12,771	-	12,771	-
Accounting	22,720	-	22,720	5,100	7,520	10,100
Professional Fees Other	7,500	-	7,500	-	7,500	-
Bookkeeping and Payroll Services	43,061	-	43,061	-	43,061	-
Legal	36,309	-	36,309	33,461	2,848	-
Payroll Taxes	410,699	-	410,699	7,815	402,884	-
Health Insurance	384,653	-	384,653	-	384,653	-
Insurance - Other	124,925	-	124,925	2,319	67,495	55,111
User Fee Assessment	636,990	-	636,990	-	636,990	-
Interest on Working Capital	-	(1,100)	1,100	-	1,100	-
Amortization of Software	1,711	-	1,711	-	1,711	-
Donations	-	-	-	-	-	-
Fines and Penalties	-	-	-	-	-	-
Investment Fees	29,678	-	29,678	29,678	-	-
BRA Grant Expenses	8,333	-	8,333	8,333	-	-
Breakfast Grant Expenses	-	-	-	-	-	-
Anniversary Celebration Expenses	9,364	-	9,364	9,364	-	-
Bad Debts	15,464	-	15,464	-	15,464	-
Total	2,783,051	(1,100)	2,784,151	225,966	2,492,974	65,211

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
PROPERTY EXPENSES						
Rent - Real Estate	-	(573,000)	573,000	-	573,000	-
Property Insurance	9,191	-	9,191	-	-	9,191
Real Estate Taxes	131,303	-	131,303	-	-	131,303
Interest	155,683	-	155,683	-	-	155,683
Depreciation	219,836	-	219,836	-	-	219,836
Amortization	6,870	-	6,870	-	-	6,870
Total	<u>522,883</u>	<u>(573,000)</u>	<u>1,095,883</u>	<u>-</u>	<u>573,000</u>	<u>522,883</u>
PLANT OPERATIONS						
Salaries	200,747	-	200,747	-	200,747	-
Purchased Services	84,360	-	84,360	-	84,360	-
Supplies and Expense	30,318	-	30,318	-	30,318	-
Utilities	216,041	-	216,041	-	216,041	-
Total	<u>531,466</u>	<u>-</u>	<u>531,466</u>	<u>-</u>	<u>531,466</u>	<u>-</u>
DIETARY						
Salaries	432,261	-	432,261	-	432,261	-
Food	312,243	-	312,243	-	312,243	-
Purchased Services	19,200	-	19,200	-	19,200	-
Supplies and Expenses	21,005	-	21,005	-	21,005	-
Total	<u>784,709</u>	<u>-</u>	<u>784,709</u>	<u>-</u>	<u>784,709</u>	<u>-</u>
LAUNDRY AND LINEN						
Salaries	100,394	-	100,394	-	100,394	-
Purchased services	9,426	-	9,426	-	9,426	-
Supplies and Expenses	8,004	-	8,004	-	8,004	-
Linen and Bedding	3,034	-	3,034	-	3,034	-
Total	<u>120,858</u>	<u>-</u>	<u>120,858</u>	<u>-</u>	<u>120,858</u>	<u>-</u>
HOUSEKEEPING						
Salaries	207,407	-	207,407	-	207,407	-
Supplies and Expenses	44,741	-	44,741	-	44,741	-
Total	<u>252,148</u>	<u>-</u>	<u>252,148</u>	<u>-</u>	<u>252,148</u>	<u>-</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
NURSING						
Salary - Director	101,425	-	101,425	-	101,425	-
Salaries - R.N.	1,050,030	-	1,050,030	-	1,050,030	-
Salaries - L.P.N.	470,197	-	470,197	-	470,197	-
Salaries - Nurses Aides	1,606,816	-	1,606,816	-	1,606,816	-
Salaries - Orientation	900	-	900	-	900	-
Supplies and Expense	148,686	-	148,686	-	148,686	-
Total	<u>3,378,054</u>	-	<u>3,378,054</u>	-	<u>3,378,054</u>	-
MEDICAL SERVICES						
MMQ Nurse	75,383	-	75,383	-	75,383	-
Medical Records Consultant	3,420	-	3,420	-	3,420	-
Quality Assurance Nurse	24,192	-	24,192	-	24,192	-
Total	<u>102,995</u>	-	<u>102,995</u>	-	<u>102,995</u>	-
SOCIAL SERVICE						
Salaries	65,997	-	65,997	-	65,997	-
Consultant	9,600	-	9,600	-	9,600	-
Total	<u>75,597</u>	-	<u>75,597</u>	-	<u>75,597</u>	-
RECREATION						
Salaries	186,111	-	186,111	-	186,111	-
Supplies and Expense	6,587	-	6,587	-	6,587	-
Total	<u>192,698</u>	-	<u>192,698</u>	-	<u>192,698</u>	-
CONSULTANTS						
Medical Director	9,000	-	9,000	-	9,000	-
Pharmacy Consultant	3,420	-	3,420	-	3,420	-
Physical Therapy	33,422	-	33,422	-	33,422	-
Speech Therapy	1,475	-	1,475	-	1,475	-
Occupational Therapy	4,181	-	4,181	-	4,181	-
Total	<u>51,498</u>	-	<u>51,498</u>	-	<u>51,498</u>	-

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
ANCILLARIES						
Pharmacy	41,771	-	41,771	-	41,771	-
Physical Therapy	79,520	-	79,520	-	79,520	-
Occupational Therapy	7,456	-	7,456	-	7,456	-
Speech Therapy	3,897	-	3,897	-	3,897	-
Radiology	8,407	-	8,407	-	8,407	-
Laboratory	10,239	-	10,239	-	10,239	-
Other	1,469	-	1,469	-	1,469	-
Total	<u>152,759</u>	<u>-</u>	<u>152,759</u>	<u>-</u>	<u>152,759</u>	<u>-</u>
 Total Expenses	 <u>\$ 8,948,716</u>	 <u>\$ (574,100)</u>	 <u>\$ 9,522,816</u>	 <u>\$ 225,966</u>	 <u>\$ 8,708,756</u>	 <u>\$ 588,094</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF EXPENSES
YEAR ENDED DECEMBER 31, 2009
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
ADMINISTRATIVE AND GENERAL						
Salaries - Administrator	\$ 121,514	\$ -	\$ 121,514	\$ -	\$ 121,514	\$ -
Management Fee	193,200	-	193,200	-	193,200	-
Salaries - Clerical	279,499	-	279,499	-	279,499	-
Salaries - Foundation	79,257	-	79,257	79,257	-	-
Pension	85,367	-	85,367	-	85,367	-
Office Supplies and Expense	45,158	-	45,158	1,163	43,495	500
Tuition and Education	15,215	-	15,215	8,398	6,817	-
Salaries - Staff Development	83,037	-	83,037	-	83,037	-
Late Charges	73	-	73	-	73	-
Telephone	18,390	-	18,390	-	18,390	-
Advertising	9,886	-	9,886	-	9,886	-
Travel and Meetings	14,353	-	14,353	14,353	-	-
Licenses and Dues	11,986	-	11,986	285	11,701	-
Employee Benefits	46,914	-	46,914	-	46,914	-
General Expenses	14,680	-	14,680	-	14,680	-
Accounting	26,758	-	26,758	-	26,758	-
Professional Fees	-	-	-	-	-	-
Bookkeeping and Payroll Services	22,600	-	22,600	-	22,600	-
Legal	107	-	107	107	-	-
Payroll Taxes	395,570	-	395,570	6,489	389,081	-
Health Insurance	344,207	-	344,207	-	344,207	-
Insurance - Other	152,525	-	152,525	94	82,244	70,187
User Fee Assessment	487,724	-	487,724	-	487,724	-
Interest on Working Capital	-	(2,900)	2,900	-	2,900	-
Amortization of Software	1,711	-	1,711	-	1,711	-
Donations	650	-	650	650	-	-
Fines and Penalties	-	-	-	-	-	-
Investment Fees	24,128	-	24,128	24,128	-	-
BRA Grant Expenses	16,667	-	16,667	16,667	-	-
Breakfast Grant Expenses	12,333	-	12,333	12,333	-	-
Anniversary Celebration Expenses	-	-	-	-	-	-
Bad Debts	113,260	-	113,260	-	113,260	-
Total	2,616,769	(2,900)	2,619,669	163,924	2,385,058	70,687

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
AND SUBSIDIARIES
CONSOLIDATING SCHEDULES OF EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2009
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
PROPERTY EXPENSES						
Rent - Real Estate	-	(780,000)	780,000	-	780,000	-
Property Insurance	11,796	-	11,796	-	-	11,796
Real Estate Taxes	118,848	-	118,848	-	-	118,848
Interest	161,809	-	161,809	-	-	161,809
Depreciation	214,748	-	214,748	-	-	214,748
Amortization	7,138	-	7,138	-	-	7,138
Total	<u>514,339</u>	<u>(780,000)</u>	<u>1,294,339</u>	<u>-</u>	<u>780,000</u>	<u>514,339</u>
PLANT OPERATIONS						
Salaries	195,593	-	195,593	-	195,593	-
Purchased Services	201,310	-	201,310	-	201,310	-
Supplies and Expense	-	-	-	-	-	-
Utilities	192,872	-	192,872	-	192,872	-
Total	<u>589,775</u>	<u>-</u>	<u>589,775</u>	<u>-</u>	<u>589,775</u>	<u>-</u>
DIETARY						
Salaries	411,690	-	411,690	-	411,690	-
Food	303,935	-	303,935	-	303,935	-
Purchased Services	20,870	-	20,870	-	20,870	-
Supplies and Expenses	20,782	-	20,782	-	20,782	-
Total	<u>757,277</u>	<u>-</u>	<u>757,277</u>	<u>-</u>	<u>757,277</u>	<u>-</u>
LAUNDRY AND LINEN						
Salaries	83,078	-	83,078	-	83,078	-
Purchased services	43,164	-	43,164	-	43,164	-
Supplies and Expenses	10,964	-	10,964	-	10,964	-
Linen and Bedding	5,167	-	5,167	-	5,167	-
Total	<u>142,373</u>	<u>-</u>	<u>142,373</u>	<u>-</u>	<u>142,373</u>	<u>-</u>
HOUSEKEEPING						
Salaries	194,173	-	194,173	-	194,173	-
Supplies and Expenses	46,823	-	46,823	-	46,823	-
Total	<u>240,996</u>	<u>-</u>	<u>240,996</u>	<u>-</u>	<u>240,996</u>	<u>-</u>

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
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CONSOLIDATING SCHEDULES OF EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2009
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
NURSING						
Salary - Director	98,779	-	98,779	-	98,779	-
Salaries - R.N.	761,086	-	761,086	-	761,086	-
Salaries - L.P.N.	447,755	-	447,755	-	447,755	-
Salaries - Nurses Aides	1,580,815	-	1,580,815	-	1,580,815	-
Salaries - Orientation	15,999	-	15,999	-	15,999	-
Supplies and Expense	97,320	-	97,320	-	97,320	-
Total	<u>3,001,754</u>	-	<u>3,001,754</u>	-	<u>3,001,754</u>	-
MEDICAL SERVICES						
MMQ Nurse	75,404	-	75,404	-	75,404	-
Medical Records Consultant	3,135	-	3,135	-	3,135	-
Quality assurance nurse	24,608	-	24,608	-	24,608	-
Total	<u>103,147</u>	-	<u>103,147</u>	-	<u>103,147</u>	-
SOCIAL SERVICE						
Salaries	62,436	-	62,436	-	62,436	-
Consultant	5,760	-	5,760	-	5,760	-
Total	<u>68,196</u>	-	<u>68,196</u>	-	<u>68,196</u>	-
RECREATION						
Salaries	181,558	-	181,558	-	181,558	-
Supplies and Expense	11,912	-	11,912	-	11,912	-
Total	<u>193,470</u>	-	<u>193,470</u>	-	<u>193,470</u>	-
CONSULTANTS						
Medical Director	9,000	-	9,000	-	9,000	-
Pharmacy Consultant	3,135	-	3,135	-	3,135	-
Physical Therapy	32,131	-	32,131	-	32,131	-
Speech Therapy	2,636	-	2,636	-	2,636	-
Occupational Therapy	5,751	-	5,751	-	5,751	-
Total	<u>52,653</u>	-	<u>52,653</u>	-	<u>52,653</u>	-

**SOUTH COVE NURSING FACILITIES FOUNDATION, INC.
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CONSOLIDATING SCHEDULES OF EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2009
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)
(UNAUDITED)**

	Consolidated Total	Eliminations	Subtotal	South Cove Nursing Facilities Foundation, Inc.	South Cove Manor, Inc.	South Cove Realty Ltd Partnership
ANCILLARIES						
Pharmacy	26,805	-	26,805	-	26,805	-
Physical Therapy	27,563	-	27,563	-	27,563	-
Occupational Therapy	7,456	-	7,456	-	7,456	-
Speech Therapy	3,897	-	3,897	-	3,897	-
Radiology	4,241	-	4,241	-	4,241	-
Laboratory	4,931	-	4,931	-	4,931	-
Other	395	-	395	-	395	-
Total	<u>75,288</u>	<u>-</u>	<u>75,288</u>	<u>-</u>	<u>75,288</u>	<u>-</u>
Total Expenses	<u>\$ 8,356,037</u>	<u>\$ (782,900)</u>	<u>\$ 9,138,937</u>	<u>\$ 163,924</u>	<u>\$ 8,389,987</u>	<u>\$ 585,026</u>