

Financials--- balance sheet and income statement from 10Q

ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	September 30, 2008 (Unaudited)	December 31, 2007
Current Assets:		
Cash	\$ 1,961,314	\$ 926,625
Certificate of deposit, restricted	-	209,637
Accounts receivable:		
Long-term care resident receivables, net	1,761,038	2,115,364
Management, consulting and development receivables, net	294,763	259,778
Advances and receivables from affiliates	20,000	27,558
Prepaid expenses and other	472,696	453,219
Total current assets	<u>4,509,811</u>	<u>3,992,181</u>
Restricted Cash	1,105,973	973,975
Property and Equipment, Net	16,806,150	14,425,868
Note Receivable, Net	-	221,413
License, Net	1,189,307	1,189,307
Goodwill	2,638,193	2,638,193
Other Assets		
Total assets	<u>\$ 27,357,925</u>	<u>\$ 24,491,443</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Current portion of notes payable and other debt	\$ 604,893	\$ 773,279
Current portion of notes payable to stockholder	9,432	9,026
Accounts payable	1,205,740	1,416,313
Accrued expenses	2,549,187	2,060,222
Forward purchase contract	900,000	900,000
Total current liabilities	<u>5,269,252</u>	<u>5,158,840</u>
Notes Payable and Other Debt, Net of Current Portion	16,886,455	12,813,338
Notes Payable to Stockholder, Net of Current Portion	38,313	810,084
Other Liabilities	489,689	559,509
Deferred Tax Liability	31,925	-
Minority Interest in Equity of Consolidated Entities	240,853	255,070
Total liabilities	<u>22,956,487</u>	<u>19,596,841</u>
Stockholders' equity:		
Preferred stock, no par value; 500,000 shares authorized; no shares issued or outstanding	-	-
Common stock and additional paid-in capital, no par value; 14,500,000 shares authorized; 3,786,129 shares issued and outstanding	14,351,387	14,063,956
Accumulated deficit	(9,949,949)	(9,169,354)
Total stockholders' equity	<u>4,401,438</u>	<u>4,894,602</u>
Total liabilities and stockholders' equity	<u>\$ 27,357,925</u>	<u>\$ 24,491,443</u>

See notes to consolidated financial statements

ADCARE HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Patient care revenues	\$ 5,731,938	\$5,468,027	\$16,874,113	\$16,292,143
Management, consulting and development fee revenue	453,822	438,299	1,320,725	1,310,908
Total revenue	6,185,760	5,906,326	18,194,838	17,603,051
Expenses:				
Payroll and related payroll costs	4,162,908	3,746,406	11,447,782	11,088,853
Other operating expenses	2,086,919	1,855,225	6,223,303	5,559,608
Depreciation and amortization	222,500	170,103	655,519	510,191
Total expenses	6,472,327	5,771,734	18,326,604	17,158,652
(Loss) Income from Operations	(286,567)	134,592	(131,766)	444,399
Other Income (Expense):				
Interest income	6,381	13,586	20,609	46,894
Interest expense, others	(352,931)	(303,431)	(972,641)	(873,377)
Interest expense, related parties	(14,598)	(16,023)	(43,044)	(51,706)
Minority interest in earnings of consolidated entities	(6,093)	(4,548)	(35,782)	(68,556)
Other expense	-	(37,014)	-	(37,014)
	<u>(367,241)</u>	<u>(347,430)</u>	<u>(1,030,858)</u>	<u>(983,759)</u>
Gain on Acquisition	-	-	413,954	-
(Loss) From Continuing Operations Before				
Income Taxes	(653,808)	(212,838)	(748,670)	(539,360)
Income Tax Expense	(10,641)	-	(31,925)	-
Loss From Continuing Operations	(664,449)	(212,838)	(780,595)	(539,360)
Discontinued Operations:				
Income from discontinued operations	-	608,625	-	587,485
Net (Loss) Income	\$ (664,449)	\$ 395,787	\$ (780,595)	\$ 48,125
Net (Loss) Income Per Share, Basic:				
Continuing operations	\$ (0.18)	\$ (0.06)	\$ (0.21)	\$ (0.14)
Discontinued operations	-	0.16	-	0.16
	<u>\$ (0.18)</u>	<u>\$ 0.10</u>	<u>\$ (0.21)</u>	<u>\$ 0.02</u>
Weighted Average Common Shares Outstanding,				
Basic	3,786,129	3,786,129	3,786,129	3,786,129
Diluted	3,786,129	3,786,129	3,786,129	3,786,129

See notes to consolidated financial statements.