

VISITING NURSE AND COMMUNITY HEALTH  
FOUNDATION, INC. AND AFFILIATE  
AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

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**BRAD BORBIDGE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS  
197 LOUDON ROAD, SUITE 350  
CONCORD, NEW HAMPSHIRE 03301

TELEPHONE 603/224-0849  
TELEFAX 603/224-2397

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED  
FINANCIAL STATEMENTS

Board of Directors  
Visiting Nurse and Community Health  
Foundation, Inc. and Affiliate  
Arlington, Massachusetts

We have audited the accompanying consolidated balance sheets of Visiting Nurse and Community Health Foundation, Inc. and Affiliate, at June 30, 2012 and 2011, 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 Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Visiting Nurse and Community Health Foundation, Inc. and Affiliate at June 30, 2012 and 2011, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America



Concord, New Hampshire  
October 3, 2012

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
Current Assets		
Cash and cash equivalents	\$ 554,210	\$ 578,388
Patient accounts receivable, less allowances for for uncollectible accounts of \$76,904 and \$57,177 at June 30, 2012 and 2011, respectively.	1,021,503	830,076
Prepaid expenses	54,941	77,203
Total Current Assets	1,630,654	1,485,667
Assets Limited As To Use	630,388	608,867
Property And Equipment, Net	164,147	180,676
TOTAL ASSETS	\$ 2,425,189	\$ 2,275,210

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 371,081	\$ 239,929
Accrued payroll and related expenses	362,314	314,974
Due to third-party payors	21,000	21,000
Deferred revenue	308,868	266,333
Total Current Liabilities	1,063,263	842,236
Net Assets		
Unrestricted	1,361,926	1,432,974
TOTAL LIABILITIES AND NET ASSETS	\$ 2,425,189	\$ 2,275,210

(See accompanying notes to these consolidated financial statements)

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Revenue		
Net patient service revenue	\$ 6,088,530	\$ 5,785,226
Other operating revenue	11,855	13,658
Total Operating Revenue	<u>6,100,385</u>	<u>5,798,884</u>
Operating Expenses		
Salaries and related expenses	5,010,204	4,526,374
Other operating expenses	1,105,234	1,078,154
Depreciation and amortization	66,323	66,212
Bad debts	72,845	29,754
Interest expense	2,135	3,367
Total Operating Expenses	<u>6,256,741</u>	<u>5,703,861</u>
OPERATING (LOSS) INCOME	<u>(156,356)</u>	<u>95,023</u>
Other Revenue and Gains		
Contributions	84,943	62,050
Investment income	12,975	14,161
Recognized gain on investment transactions	(12,610)	93,735
Total Other Revenue and Gains	<u>85,308</u>	<u>169,946</u>
(DEFICIT) EXCESS OF REVENUE OVER EXPENSES	<u>(71,048)</u>	<u>264,969</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(71,048)	264,969
Net assets, beginning of year	<u>1,432,974</u>	<u>\$ 1,168,005</u>
NET ASSETS, END OF YEAR	<u><u>1,361,926</u></u>	<u><u>1,432,974</u></u>

(See accompanying notes to these consolidated financial statements)

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ (71,048)	\$ 264,969
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debts	72,845	29,754
Depreciation and amortization	66,323	66,212
Recognized loss (gain) on investment transactions	12,610	(93,735)
(Increase) decrease in the following assets:		
Patient accounts receivable	(264,272)	(47,312)
Prepaid expenses	22,262	(18,973)
Increase (decrease) in the following liabilities:		
Accounts payable and accrued expenses	131,152	(17,285)
Accrued payroll and related expenses	47,340	27,965
Deferred revenue	42,535	(80,200)
Net Cash Provided by Operating Activities	59,747	131,395
Cash Flows From Investing Activities		
Capital expenditures	(49,794)	(59,315)
Decrease in temporary investments	-	83,500
Proceeds from sale of investments	105,601	111,581
Purchase of investments	(139,732)	(129,009)
Net Cash (Used) Provided by Investing Activities	(83,925)	6,757
Cash Flows From Financing Activities		
Principal payments on long-term debt, net of advances	-	(46,738)
Net Cash (Used) Provided By Financing Activities	-	(46,738)

See accompanying notes to these consolidated financial statements

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(24,178)	91,414
Cash and cash equivalents, beginning of year	<u>578,388</u>	<u>486,974</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 554,210</u>	<u>\$ 578,388</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 2,135	\$ 3,367

See accompanying notes to these consolidated financial statements

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The consolidated financial statements include the accounts of Visiting Nurse and Community Health Foundation, Inc. and its Affiliate; Visiting Nurse and Community Health, Inc., collectively referred to as "the Association." All significant inter-company balances and transactions have been eliminated in consolidation.

The Visiting Nurse and Community Health Foundation, Inc., "the Foundation," is a non-stock, non-profit corporation organized in Massachusetts. The Foundation's primary purposes are to act as a holding company.

Visiting Nurse and Community Health, Inc. "(VNCH)" is a non-stock, non-profit corporation in Massachusetts, whose primary purposes are to provide home health care.

At June 30, 2009, all net assets held in the Foundation were transferred to VNCH.

Income Taxes

The Foundation and VNCH are public charities under Section 501(c)(3) of the Internal Revenue Code. As public charities, the Foundation and VNCH are exempt from state and federal income taxes on income earned in accordance with its tax exempt purpose. Unrelated business income is subject to state and federal income tax. Management has evaluated the Foundation and VNCH's tax positions and concluded that the Foundation and VNCH has no unrelated business income or uncertain tax positions that require adjustment to the financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use. Short-term highly liquid investments with an original maturity of more than three months are classified as temporary investments.

### Investments

Investments in equity and debt securities are reported at fair value. Investment income and the recognized change in fair value are included in the excess of revenue over expenses unless otherwise stipulated by the donor or State law.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets, statements of operations, and changes in net assets.

### Property and Equipment

Property and equipment are carried at cost. Maintenance repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. Depreciation is computed using the straight-line method provided over the useful life of each class of depreciable asset.

### Assets Limited As To Use

Assets limited as to use include assets designated by the governing board or restricted by donors.

### Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time period or purpose. There were no temporarily restricted net assets.

Permanently restricted net assets have been restricted by donors to be maintained by the Association in perpetuity. There were no permanently restricted net assets.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Patient Service Revenue

Standard charges for services to all patients are recorded as revenue when services are rendered. Patients unable to pay full charge, who do not have other third-party resources, are charged a reduced amount based on the Association's published sliding fee scale. Reductions in full charge are recognized when the service is rendered.

### Charity Care Policy

The Association provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

### Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. 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 is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

### (Deficit) Excess of Revenue Over Expenses

The consolidated statements of operations and changes in net assets reflect the (deficit) excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from the (deficit) excess of revenue over expenses, consistent with industry practice are permanent 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 purposes of acquiring such assets).

NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use are stated at fair value and consisted of the following at June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 155,961	\$ 122,190
Fixed Income		
Corporate bonds	42,744	28,187
Mutual funds - equity funds	41,300	23,908
Equities		
Consumer durables	5,247	9,695
Consumer non-durables	39,515	55,543
Consumer services	36,568	14,038
Business products and services	39,717	37,762
Capital goods	94,526	98,836
Energy	17,055	27,851
Basic industries	13,062	24,927
Transportation	15,440	15,059
Financial	56,888	44,533
Preferred stock	53,107	52,288
Foreign stock	<u>19,258</u>	<u>54,050</u>
 Total (Note 3)	 <u>\$ 630,388</u>	 <u>\$ 608,867</u>

The composition of assets limited as to use is as follows:

	<u>2012</u>	<u>2011</u>
Designated by the governing board - for future use	<u>\$ 630,388</u>	<u>\$ 608,867</u>

Cash and cash equivalents included in investments and assets limited as to use are excluded from cash and cash equivalents for cash flow purposes.

## NOTE 2 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Financial accounting standards established a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 inputs - quoted prices traded daily in active markets.
- Level 2 inputs - other than quoted prices for active markets that are traded less frequently than daily.
- Level 3 inputs - unobservable inputs.

An investment's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The fair market value of the Association's investments is based on level 1 inputs.

## NOTE 3 PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of property and equipment at June 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Property and equipment	\$ 644,742	\$ 601,161
Leasehold improvements	61,165	54,952
Capital lease	<u>154,158</u>	<u>154,158</u>
Total Cost	860,065	810,271
Less, accumulated depreciation	<u>695,918</u>	<u>629,595</u>
Property and Equipment, Net	<u>\$ 164,147</u>	<u>\$ 180,676</u>

#### NOTE 4 LINE OF CREDIT

The Association has a \$300,000 line of credit with a local bank through December 31, 2012, collateralized by all business assets, with the interest rate at prime plus .50%. There was no outstanding balance for the years ended June 30, 2012 and 2011.

#### NOTE 5 NET PATIENT SERVICE REVENUE

Net patient service revenue provided for the years ended June 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Medicare	\$ 4,856,692	\$ 4,360,775
Medicaid	33,614	52,410
Other third-party payers	1,126,438	1,319,381
Private pay	<u>71,786</u>	<u>52,660</u>
Total	<u>\$ 6,088,530</u>	<u>\$ 5,785,226</u>

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. 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. The Association believes that it is in substantial compliance with all applicable laws and regulations. However, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenues in the year that such amounts become known.

The Association provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Association does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Association is able to provide these services with a component of funds received through local community support which consists of contributions.

#### NOTE 6 FUNCTIONAL EXPENSE

The Association provides various services to residents within its service area. Expenses related to providing these services for the year ended June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Home care services	\$ 5,229,068	\$ 4,736,533
Administrative and general	<u>1,027,673</u>	<u>967,328</u>
Total	<u>\$ 6,256,741</u>	<u>\$ 5,703,861</u>

#### NOTE 7 RETIREMENT PLAN

The Association has a qualified retirement plan under Internal Revenue Code Section 401(k). The employer's contribution was 2% for the years ended June 30, 2012 and 2011 and amounted to \$39,257 and \$34,803, respectively.

#### NOTE 8 CONCENTRATION OF RISK

The Association grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. At June 30, 2012, Medicare represented 74% of the gross accounts receivable. No other individual payer source exceeded 10% of the gross accounts receivable balance.

## NOTE 9 COMMITMENTS AND CONTINGENCIES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under an operating lease for office facilities that have initial or remaining lease terms in excess of one year as of June 30, 2012.

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2013	97,104
2014	97,872
2015	98,256
2016	<u>32,752</u>
Total	<u>\$ 325,984</u>

Rental expense amounted to \$98,924 and \$118,018 for the years ended June 30, 2012 and 2011, respectively.

## NOTE 10 MALPRACTICE INSURANCE

The Association insures its medical malpractice risks on a claims-made basis. There were no known malpractice claims outstanding at June 30, 2012, which in the opinion of management, will be settled for amounts in excess of insurance coverage; nor are there any unasserted claims or incidents which require loss accrual. The Association intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

## NOTE 11 SUBSEQUENT EVENTS

For financial reporting purposes, subsequent events have been evaluated by management through October 3, 2012, which is the date the financial statements were available to be issued.