

VISITING NURSE AND COMMUNITY HEALTH  
FOUNDATION, INC. AND AFFILIATE  
AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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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, 2011 and 2010, and the related consolidated statements of operations, consolidated changes in net assets and of consolidated 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, 2011 and 2010, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America



Concord, New Hampshire  
October 13, 2011

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 578,388	\$ 486,974
Temporary investments	-	83,500
Patient accounts receivable, less allowances for for uncollectible accounts of \$57,177 and \$73,368 at June 30, 2011 and 2010, respectively.	830,076	812,518
Prepaid expenses	77,203	58,230
Total Current Assets	1,485,667	1,441,222
Assets Limited As To Use	608,867	497,704
Property And Equipment, Net	180,676	187,573
TOTAL ASSETS	\$ 2,275,210	\$ 2,126,499

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 239,929	\$ 257,214
Accrued payroll and related expenses	314,974	287,009
Note payable, current maturity	-	46,738
Due to third-party payors	21,000	21,000
Deferred revenue	266,333	346,533
Total Current Liabilities	842,236	958,494
Net Assets		
Unrestricted	1,432,974	1,168,005
TOTAL LIABILITIES AND NET ASSETS	\$ 2,275,210	\$ 2,126,499

(See accompanying notes to these consolidated financial statements)

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Operating Revenue		
Net patient service revenue	\$ 5,785,226	\$ 5,223,563
Other operating revenue	13,658	14,413
Net assets released from restriction for operations	-	8,950
Total Operating Revenue	5,798,884	5,246,926
Operating Expenses		
Salaries and related expenses	4,526,374	4,370,825
Other operating expenses	1,078,154	958,207
Depreciation and amortization	66,212	65,046
Bad debts	29,754	35,512
Interest expense	3,367	2,515
Total Operating Expenses	5,703,861	5,432,105
OPERATING INCOME (LOSS)	95,023	(185,179)
Other Revenue and Gains		
Contributions	62,050	81,592
Investment income	14,161	16,650
Recognized gain on investment transactions	93,735	20,300
Total Other Revenue and Gains	169,946	118,542
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	264,969	(66,637)
Net assets released from restriction for capital acquisition	-	35,700
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	264,969	(30,937)

(See accompanying notes to these consolidated financial statements)

VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance, June 30, 2009	\$ 1,198,942	\$ 8,400	\$ 1,207,342
Deficit of revenue over expenses	(66,637)	-	(66,637)
Contributions	-	36,250	36,250
Net assets released from restrictions for operations	-	(8,950)	(8,950)
Net assets released from restrictions for capital acquisitions	35,700	(35,700)	-
Change in Net Assets	<u>(30,937)</u>	<u>(8,400)</u>	<u>(39,337)</u>
Balance, June 30, 2010	1,168,005	-	1,168,005
Excess of revenue over expenses	264,969	-	264,969
Contributions	-	-	-
Net assets released from restrictions for operations	-	-	-
Net assets released from restrictions for capital acquisitions	-	-	-
Change in Net Assets	<u>264,969</u>	<u>-</u>	<u>264,969</u>
Balance, June 30, 2011	<u>\$ 1,432,974</u>	<u>\$ -</u>	<u>\$ 1,432,974</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, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ 264,969	\$ (39,337)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debts	29,754	35,512
Depreciation and amortization	66,212	65,046
Recognized (gain) loss on investment transactions	(93,735)	(20,300)
Restricted contributions	-	(36,250)
(Increase) decrease in the following assets:		
Patient accounts receivable	(47,312)	(10,948)
Prepaid expenses	(18,973)	(19,822)
Increase (decrease) in the following liabilities:		
Accounts payable and accrued expenses	(17,285)	97,593
Accrued payroll and related expenses	27,965	28,269
Deferred revenue	(80,200)	(25,078)
Net Cash Provided by Operating Activities	131,395	74,685
Cash Flows From Investing Activities		
Capital expenditures	(59,315)	(112,084)
Decrease in temporary investments	83,500	118,274
Proceeds from sale of investments	-	44,650
Purchase of investments	(17,428)	(75,319)
Net Cash Provided (Used) by Investing Activities	6,757	(24,479)
Cash Flows From Financing Activities		
Restricted contributions	-	36,250
Proceeds from long term debt	-	81,000
Principal payments on long-term debt, net of advances	(46,738)	(34,262)
Net Cash (Used) Provided By Financing Activities	(46,738)	82,988

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Net Increase in Cash and Cash Equivalents	91,414	133,194
Cash and cash equivalents, beginning of year	<u>486,974</u>	<u>353,780</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 578,388</u>	<u>\$ 486,974</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 3,367	\$ 2,515

See accompanying notes to these consolidated financial statements



VISITING NURSE AND COMMUNITY HEALTH FOUNDATION, INC.  
AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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.

Charity care at the Association's established rates amounted to \$23,319 and \$23,384 at June 30, 2011 and 2010, respectively.

### 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.

### Excess (Deficit) of Revenue Over Expenses

The consolidated Statements of Operations reflect the excess (deficit) of revenue over expenses. Changes in unrestricted net assets, which are excluded from the excess (deficit) 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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 122,190	\$ 121,127
Fixed Income		
Corporate bonds	28,187	28,324
Mutual funds - equity funds	23,908	-
Equities		
Consumer durables	9,695	-
Consumer non-durables	55,543	50,545
Consumer services	14,038	13,253
Business products and services	37,762	34,873
Capital goods	98,836	64,644
Energy	27,851	13,834
Basic industries	24,927	13,218
Transportation	15,059	9,610
Financial	44,533	38,505
Utility	-	2,662
Preferred stock	52,288	48,562
Foreign stock	<u>54,050</u>	<u>58,547</u>
 Total (Note 3)	 <u>\$ 608,867</u>	 <u>\$ 497,704</u>

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

	<u>2011</u>	<u>2010</u>
Designated by the governing board - for future use	<u>\$ 608,867</u>	<u>\$ 497,704</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, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Property and equipment	\$ 601,161	\$ 543,069
Leasehold improvements	54,952	53,729
Capital lease	<u>154,158</u>	<u>154,158</u>
Total Cost	810,271	750,956
Less, accumulated depreciation	<u>629,595</u>	<u>563,383</u>
Property and Equipment, Net	<u>\$ 180,676</u>	<u>\$ 187,573</u>

## NOTE 4 LINE OF CREDIT

The Association has a \$300,000 line of credit with a local bank through December 31, 2011, collateralized by all business assets, with the interest rate at prime plus .50% (3.75% at June 30, 2011). There was no outstanding balance for the years ended June 30, 2011 and 2010.

#### NOTE 5 NET PATIENT SERVICE REVENUE

Net patient service revenue provided for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Medicare	\$ 4,360,775	\$ 3,750,564
Medicaid	52,410	25,662
Other third-party payers	1,319,381	1,375,470
Private pay	<u>52,660</u>	<u>71,867</u>
Total	<u>\$ 5,785,226</u>	<u>\$ 5,223,563</u>

#### 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, 2011 and 2010 as follows:

	<u>2011</u>	<u>2010</u>
Home care services	\$ 4,736,533	\$ 4,541,016
Administrative and general	<u>967,328</u>	<u>891,089</u>
Total	<u>\$ 5,703,861</u>	<u>\$ 5,432,105</u>

#### NOTE 7 RETIREMENT PLAN

The Association has a qualified 401(k) defined contribution plan that covers substantially all employees who have completed one year of service with a minimum of 1,000 hours of service, and have attained age 21. The plan allows employees to contribute to the plan by electing to defer a portion of their compensation, within IRS limits. Employee contributions are always 100% vested.

The 401(k) plan also provides for the board of directors to determine the employer's contribution on an annual basis. Employees are vested in the employer's contributions over a five-year period upon meeting other plan requirements. The employer's contribution was 2% for the years ended June 30, 2011 and 2010 and amounted to \$34,803 and \$32,572, 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, 2011, Medicare represented 68% 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, 2011.

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2012	\$ 98,924
2013	97,104
2014	97,872
2015	98,256
2016	<u>32,752</u>
Total	<u>\$ 424,908</u>

Rental expense amounted to \$118,018 and \$116,166 for the years ended June 30, 2011 and 2010, 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, 2011, 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 13, 2011, which is the date the financial statements were available to be issued.