

HOME HEALTH FOUNDATION, INC.  
AND AFFILIATES  
AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT ON  
CONSOLIDATED FINANCIAL STATEMENTS

Board of Directors  
Home Health Foundation Inc., and Affiliates  
Lawrence, Massachusetts

We have audited the accompanying consolidated balance sheets of Home Health Foundation Inc., and Affiliates as of September 30, 2011 and 2010 and the related 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 Home Health Foundation Inc., and Affiliates management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Home Health Foundation Inc., and Affiliates at September 30, 2011 and 2010 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "A. O. O'Neil", is positioned to the right of the main text block.

Concord, New Hampshire  
January 26, 2012

HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2011 AND 2010

ASSETS

	2011	2010
Current Assets		
Cash and cash equivalents	\$ 11,979,731	\$ 9,375,531
Investments	6,285,215	6,836,045
Patient accounts receivable, less allowances for doubtful accounts of \$1,141,646 and \$1,221,202 at September 30, 2011 and 2010, respectively	7,977,336	11,061,354
Other current assets	1,058,506	1,093,754
Total Current Assets	27,300,788	28,366,684
Assets Limited As To Use	58,158,160	54,431,819
Property And Equipment, Net	9,693,991	10,049,399
TOTAL ASSETS	\$ 95,152,939	\$ 92,847,902

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	\$ 2,193,605	\$ 1,868,837
Accrued payroll and related expenses	2,803,608	3,454,676
Due to third-party payers	5,928,033	5,928,033
Deferred revenue	2,151,943	2,492,561
Current portion of long term debt	118,896	113,960
Total Current Liabilities	13,196,085	13,858,067
Long Term Debt, Excluding Current Portion	3,149,569	3,268,061
Total Liabilities	16,345,654	17,126,128
Net Assets		
Unrestricted	77,819,308	74,760,970
Temporarily restricted	871,977	844,804
Permanently restricted	116,000	116,000
Total Net Assets	78,807,285	75,721,774
TOTAL LIABILITIES AND NET ASSETS	\$ 95,152,939	\$ 92,847,902

(See accompanying notes to these consolidated financial statements)

HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Operating Revenue		
Net patient service revenue	\$ 59,661,637	\$ 59,341,132
Other operating revenue	510,266	659,367
Total Operating Revenue	60,171,903	60,000,499
Operating Expenses		
Salaries and benefits	43,476,940	41,104,056
Other operating expenses	11,881,694	12,232,219
Depreciation and amortization	568,179	549,434
Bad debt expense	722,508	697,981
Interest Expense	125,092	129,710
Total Operating Expenses	56,774,413	54,713,400
OPERATING SURPLUS	3,397,490	5,287,099
Other Revenue and Gains		
Contributions and net fundraising income	615,769	465,265
Investment income	1,874,112	1,847,273
Realized gains on investment transactions	396,401	239,503
Change in unrealized gains on investments	(3,442,066)	2,963,095
Total Other Revenue and Gains	(555,784)	5,515,136
EXCESS OF REVENUE OVER EXPENSES	2,841,706	10,802,235
Net assets released from restriction for capital acquisition	237,006	416,314
Change in unrealized gain on financial instruments	(20,374)	(102,187)
INCREASE IN UNRESTRICTED NET ASSETS	\$ 3,058,338	\$ 11,116,362

(See accompanying notes to these consolidated financial statements)

HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Unrestricted Net Assets:		
Excess of revenue over expenses	\$ 2,841,706	\$ 10,802,235
Net assets released from restriction for capital acquisition	237,006	416,314
Change in unrealized gain on financial instruments	(20,374)	(102,187)
Increase in Unrestricted Net Assets	3,058,338	11,116,362
Temporarily Restricted Net Assets:		
Contributions	358,393	138,244
Net assets released for operations	(94,214)	(6,895)
Net assets released for capital acquisition	(237,006)	(416,314)
Increase (Decrease) in Temporarily Restricted Net Assets	27,173	(284,965)
Increase in Net Assets	3,085,511	10,831,397
Net assets, beginning of year	75,721,774	64,890,377
NET ASSETS, END OF YEAR	\$ 78,807,285	\$ 75,721,774

(See accompanying notes to these consolidated financial statements)

HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	\$ 3,085,511	\$ 10,831,397
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	568,179	549,434
Bad debt expense, net of recoveries	722,508	697,981
Realized gains on investment transactions	(396,401)	(239,503)
Change in unrealized gains on investments	3,442,066	(2,963,095)
Change in unrealized gains on financial instrument	20,374	102,187
Restricted contributions	(358,393)	(138,244)
Pledge payments received	(237,006)	(416,314)
(Increase) decrease in the following assets:		
Patient accounts receivable	2,361,510	(2,539,453)
Other current assets	35,248	(453,758)
Increase (decrease) in the following liabilities:		
Accounts payable and accrued expenses	304,394	(399,842)
Accrued payroll and related expenses	(651,068)	318,401
Due to third-party payers	-	334,403
Deferred revenue	(340,618)	107,266
<b>Net Cash Provided By Operating Activities</b>	<b>8,556,304</b>	<b>5,790,860</b>
Cash Flows From Investing Activities		
Purchase of investments	(15,256,779)	(16,473,466)
Sale of investments	9,272,609	12,210,117
Restricted contributions	358,393	138,244
Capital expenditures	(212,771)	(347,967)
<b>Net Cash Used By Investing Activities</b>	<b>(5,838,548)</b>	<b>(4,473,072)</b>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(113,556)	(108,936)
<b>Net Cash Used By Financing Activities</b>	<b>(113,556)</b>	<b>(108,936)</b>
Net Increase in Cash and Cash Equivalents	2,604,200	1,208,852
Cash and cash equivalents, beginning of year	9,375,531	8,166,679
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 11,979,731</b>	<b>\$ 9,375,531</b>

(See accompanying notes to these consolidated financial statements)



HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Home Health Foundation, Inc., "HHF", is a non-stock, non-profit corporation organized in Massachusetts. HHF's primary purposes are to act as a holding company and provide management services to affiliated home care providers providing services to patients in the Merrimack Valley, including southern New Hampshire and the seacoast. HHF is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3).

Affiliates

Home Health VNA, Inc., "HHVNA", is a non-stock, non-profit corporation organized in Massachusetts, whose primary purpose is to provide home health care services. HHVNA is exempt from federal income taxes under the Internal Revenue code section 501(c)(3).

Merrimack Valley Hospice, Inc., "MVH", is a non-stock, non-profit corporation organized in Massachusetts, whose primary purpose is to provide hospice care services to terminally ill patients. MVH is exempt from federal income taxes under the Internal Revenue code section 501(c)(3).

Home Care, Inc., "HCI", is a non-stock, non-profit corporation organized in Massachusetts, whose primary purposes are to provide home health care, homemaker and child care services. HCI is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3).

Principles of Consolidation

The consolidated financial statements include the accounts of HHF and its subsidiaries: HHVNA, MVH, and HCI; collectively. These agencies will be referred to as "the Association". The affiliations are through a common board membership. All significant intercompany balances and transactions have been eliminated in consolidation.

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

### Income Taxes

The Association consists of four public charities under Section 501(c)(3) of the Internal Revenue Code. As public charities, the Association is 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 Association's tax position and concluded that the Association has no unrelated business income or uncertain tax positions that require adjustment to the financial statements.

### Use of Estimates

The preparation of 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.

### 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 with readily determined fair value are reported at market. Investment income, realized gains and losses and unrealized gains and losses are reported as an increase or decrease in unrestricted net assets unless otherwise stipulated by the donor or state law.

### Assets Limited as to Use

Assets limited as to use include board designated assets and assets that are limited as to use per donor restrictions.

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

### 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. Provisions for depreciation are computed on the straight-line method by annual charges to operations over the useful lives of the related assets.

### 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 for various programs. Permanently restricted net assets are those restricted by donors to be maintained by the Association in perpetuity, the income is available for operations and hospice and palliative nursing education programs.

### Gifts of Long-lived Assets

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that 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. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### 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.

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

The Association provides medically necessary services to Medicaid patients at cost, exceeding Medicaid reimbursement, which the Association considers partial charity care. Services reimbursed for Medicaid eligible patients are reimbursed either directly by the State or by third party payers contracted by the State.

The Association provides homemaker services to indigent patients at cost, exceeding reimbursement received, which the Association also considers to be partial charity care. Services are reimbursed by a third party payer contracted by the State.

Charity care provided under the Association's established sliding fee scale policy and partial charity care equal to the amount cost exceeds reimbursement to Medicaid eligible and indigent patients is summarized below:

	<u>2011</u>	<u>2010</u>
VNA	\$1,556,715	\$1,228,272
Merrimack Valley Hospice	149,243	72,970
Home Care Inc	<u>504,645</u>	<u>224,309</u>
Total	<u>\$2,210,603</u>	<u>\$1,525,551</u>

### 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 operations 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.

### Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Conditional promises to give are not included as support until the conditions are substantially met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Excess (Deficit) of Revenue Over Expenses

The statement of operations includes excess (deficit) of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess (deficit) of revenue over expenses consistent with industry practice, include 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 restrictions were to be used for the purposes of acquiring such assets).

NOTE 2 INVESTMENTS

Investments stated at fair value and consist of the following at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Fixed Income		
Certificate of deposit	\$ 2,895,205	\$ 3,020,839
Money markets	3,390,008	3,815,207
Taxable bonds	6,384,470	6,572,405
Fixed income fund	17,302,881	9,117,321
Equity Mutual Funds		
Large cap	11,345,040	17,859,076
Small cap	3,021,142	2,419,073
All cap value	6,351,591	8,061,571
International equities	10,249,366	9,441,568
Emerging markets	<u>2,515,695</u>	<u>-</u>
Total	<u>\$ 63,455,398</u>	<u>\$ 60,307,060</u>
Investments	\$ 6,285,215	\$ 6,836,045
Assets limited as to use (Note 3)	<u>57,170,183</u>	<u>53,471,015</u>
Total	<u>\$ 63,455,398</u>	<u>\$ 60,307,060</u>

Cash and cash equivalents included in investments are excluded from cash and cash equivalents for cash flow purposes.

## NOTE 2 INVESTMENTS (CONTINUED)

Financial accounting standards have 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 Foundation's investments are based on level 1 inputs.

## NOTE 3 ASSETS LIMITED AS TO USE

The composition of assets limited as to use at September 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Pledges receivable (Note 4)	\$ 273,425	\$ 471,578
Cash and cash equivalents	714,552	489,226
Investments (Note 2)	<u>57,170,183</u>	<u>53,471,015</u>
Total	<u>\$ 58,158,160</u>	<u>\$ 54,431,819</u>
Designated by board:		
For long term growth	\$ 57,170,183	\$ 53,471,015
By donor:		
Temporarily restricted	871,977	844,804
Permanently restricted	<u>116,000</u>	<u>116,000</u>
Total	<u>\$ 58,158,160</u>	<u>\$ 54,431,819</u>

Cash and cash equivalents, included in assets limited as to use, are not considered cash and cash equivalents for cash flow purposes.

#### NOTE 4 PROMISES TO GIVE

A summary of unconditional promises to give included in assets limited as to use at September 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Unconditional promises to give before unamortized discount and allowance for uncollectable pledges	\$ 299,634	\$ 568,994
Allowance for uncollectable pledges	<u>(26,209)</u>	<u>(97,416)</u>
Net unconditional promises to give (Note 3)	<u>\$ 273,425</u>	<u>\$ 471,578</u>
Scheduled amounts due in:		
Less than one year	<u>\$ 273,425</u>	<u>\$ 471,578</u>
Total	<u>\$ 273,425</u>	<u>\$ 471,578</u>

#### NOTE 5 ENDOWMENTS

The Association's donor restricted endowments are invested in cash and cash equivalents. All income earned (there is no change in fair value) is expended in the year earned.

#### NOTE 6 PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of property and equipment at September 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,248,221	\$ 1,248,221
Building and improvements	8,206,443	8,190,217
Furniture and equipment	<u>4,164,173</u>	<u>3,967,629</u>
Total	13,618,837	13,406,067
Less, accumulated depreciation	<u>3,924,846</u>	<u>3,356,668</u>
Property and Equipment, Net	<u>\$ 9,693,991</u>	<u>\$ 10,049,399</u>

## NOTE 7 LONG TERM DEBT

Long term debt consisted of the following at September 30, 2011:

2011 Series Massachusetts Development Finance Agency Revenue Bonds – see terms below	\$ 3,268,465
Less current portion	<u>118,896</u>
Total long term debt, less current maturities	<u>\$ 3,149,569</u>

In July, 2009 the Association and its other affiliates issued a total of \$3,500,000 in Massachusetts Development Finance Agency Revenue Bonds (the “Bonds”). These Bonds were issued as Merrimack Valley Hospice Issue, Series 2009. The proceeds from the 2009 Series bonds were used to fund construction of the Merrimack Valley Hospice House.

The revenue bond indenture places limits on the incurrence of additional borrowings and requires that the Association and its affiliates satisfy certain measures of financial performance as long as the bonds are outstanding.

During 2009 the Association entered into an interest rate swap agreement with TD Bank effectively converting \$2,500,000 of the 2009 Series variable rate debt to a fixed rate of 4.42% for the period August 27, 2009 through August 27, 2019. The remaining balance (\$1,000,000) of the 2009 Series debt is not subject to the swap agreement and is a variable rate based on 69.0000% x one month USD-LIBOR rate.

The Association uses the interest rate swap agreement in order to manage its interest rate risk associated with its outstanding debt. The swap effectively converts interest rates on variable rate bonds to fixed rates. The interest rate swap agreement meets the definition of derivative instruments. The Association has elected not to utilize hedge accounting treatment for the interest rate swaps. According, the change in the market value and cash flow impact of the derivative instruments was accounted for as non-operating activity. At September 30, 2011 and 2010 the fair market value of the interest rate swap agreement was \$210,130 and \$189,756, respectively.

A schedule of principal repayments on long-term debt follows:

Year Ending <u>September 30,</u>	Long-Term <u>Debt</u>
2012	\$ 118,896
2013	124,789
2014	130,582
2015	136,602
2016	142,658
Thereafter	<u>2,614,938</u>
Total	<u>\$3,268,465</u>



#### NOTE 8 NET PATIENT SERVICE REVENUE

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

	<u>2011</u>	<u>2010</u>
Medicare	\$ 39,161,369	\$ 38,080,464
Medicaid	4,066,091	4,096,875
Elder services	4,353,734	4,163,112
Other third-party payers	9,904,275	11,240,605
Private pay	<u>2,176,168</u>	<u>1,760,076</u>
Total	<u>\$ 59,661,637</u>	<u>\$ 59,341,132</u>

#### NOTE 9 MALPRACTICE INSURANCE

The Association insures its medical malpractice risks on a claims made basis. There were no known malpractice claims outstanding at September 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 10 UNEMPLOYMENT TAX

The Association elected to become noncontributory for Massachusetts and New Hampshire unemployment tax purposes and is responsible for bearing the cost of benefits paid to employees who terminate involuntarily. No significant unemployment claims have been asserted against the Association at September 30, 2011.

## NOTE 11 FUNCTIONAL EXPENSES

The Association provides various services to residents within its geographic location. Expenses related to providing these services are as follows:

	<u>2011</u>	<u>2010</u>
Program services	\$ 50,097,358	\$ 48,511,924
Administrative and general	<u>6,677,055</u>	<u>6,201,476</u>
Total	<u>\$ 56,774,413</u>	<u>\$ 54,713,400</u>

## NOTE 12 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 operating leases for office facilities and equipment that have initial or remaining lease terms in excess of one year as of September 30, 2011.

<u>Year Ending,</u>	<u>Minimum Lease</u>
2012	\$ 552,392
2013	542,770
2014	515,254
2015	513,780
2016	<u>85,630</u>
Total	<u>\$ 2,209,826</u>

Rental expense amounted to \$558,616 and \$549,721 for the years ended September 30, 2011 and 2010, respectively.

#### NOTE 13 RETIREMENT PLAN

The Association has a tax sheltered annuity program, which covers substantially all employees. The Association matches the employee's contribution up to 5% of an employee's annual salary. The cost of the annuity program amounted to \$891,438 and \$824,034 for the years ended September 30, 2011 and 2010, respectively.

#### NOTE 14 CONCENTRATIONS OF RISK

The Association has cash deposits in major financial institutions in excess of \$250,000, which exceed federal depository insurance limits. The financial institutions have strong credit rating and management believes the credit risk related to these deposits is minimal.

The Association grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. An analysis of accounts receivable by funding source at September 30, 2011 follows:

Medicare	58%
Medicaid	9%
Elder services	8%
Other	<u>25%</u>
Total	<u>100%</u>

#### NOTE 15 PRIOR YEAR COMPARATIVE AMOUNTS

Certain prior year amounts have been reclassified to be consistent with current year presentation.

#### NOTE 16 SUBSEQUENT EVENTS

For financial reporting purposes, subsequent events have been evaluated by management through January 26, 2012, which is the date the financial statements were available to be issued.

## HOME HEALTH FOUNDATION, INC. AND AFFILIATES

## CONSOLIDATING BALANCE SHEETS

SEPTEMBER 30, 2011

## ASSETS

	Home Health Foundation, Inc.	Home Health VNA, Inc.	Merrimack Valley Hospice, Inc.	Home Care, Inc.	Consolidating Entries	2011 Consolidated Totals
Current Assets						
Cash and cash equivalents	\$ 549,094	\$ 5,810,149	\$ 5,630,669	\$ (10,181)	\$ -	\$ 11,979,731
Investments	2,538,067	2,047,088	1,700,060	-	-	6,285,215
Patient accounts receivable, net	-	5,067,499	1,999,207	910,630	-	7,977,336
Other current assets	532,628	392,184	111,350	22,344	-	1,058,506
Due from affiliates	1,408,439	2,055,548	-	-	(3,463,987)	-
Total Current Assets	5,028,228	15,372,468	9,441,286	922,793	(3,463,987)	27,300,788
Assets Limited As To Use	54,459,576	222,285	3,305,994	170,305	-	58,158,160
Property And Equipment, Net	58,494	810,203	8,819,216	6,078	-	9,693,991
TOTAL ASSETS	<u>\$ 59,546,298</u>	<u>\$ 16,404,956</u>	<u>\$ 21,566,496</u>	<u>\$ 1,099,176</u>	<u>\$ (3,463,987)</u>	<u>\$ 95,152,939</u>

## LIABILITIES AND NET ASSETS

Current Liabilities						
Accounts payable and accrued expenses	\$ 106,074	\$ 771,002	\$ 1,251,762	\$ 64,767	\$ -	\$ 2,193,605
Accrued payroll and related expenses	245,249	1,799,176	418,156	341,027	-	2,803,608
Due to affiliates	-	-	2,701,436	762,551	(3,463,987)	-
Due to third-party payers	-	5,928,033	-	-	-	5,928,033
Deferred revenue	1,300	2,006,301	49,000	95,342	-	2,151,943
Current portion, long term debt	-	-	118,896	-	-	118,896
Total Current Liabilities	352,623	10,504,512	4,539,250	1,263,687	(3,463,987)	13,196,085
Long term debt, excluding current portion	-	-	3,149,569	-	-	3,149,569
Total Liabilities	352,623	10,504,512	7,688,819	1,263,687	(3,463,987)	16,345,654
Net Assets						
Unrestricted	59,177,675	5,678,159	13,298,290	(334,816)	-	77,819,308
Temporarily restricted	-	222,285	479,387	170,305	-	871,977
Permanently restricted	16,000	-	100,000	-	-	116,000
Total Net Assets	59,193,675	5,900,444	13,877,677	(164,511)	-	78,807,285
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 59,546,298</u>	<u>\$ 16,404,956</u>	<u>\$ 21,566,496</u>	<u>\$ 1,099,176</u>	<u>\$ (3,463,987)</u>	<u>\$ 95,152,939</u>

(See accompanying notes to these consolidated financial statements)

## HOME HEALTH FOUNDATION, INC. AND AFFILIATES

## CONSOLIDATING BALANCE SHEETS

SEPTEMBER 30, 2010

## ASSETS

	Home Health Foundation, Inc.	Home Health VNA, Inc.	Merrimack Valley Hospice, Inc.	Home Care, Inc.	Consolidating Entries	2010 Consolidated Totals
Current Assets						
Cash and cash equivalents	\$ 1,919,820	\$ 5,290,973	\$ 1,923,060	\$ 241,678	\$ -	\$ 9,375,531
Investments	2,529,324	2,035,322	2,271,399	-	-	6,836,045
Patient accounts receivable, net	-	7,394,703	2,868,464	798,187	-	11,061,354
Other current assets	480,379	471,953	111,643	29,779	-	1,093,754
Due from affiliates	3,214,881	-	-	-	(3,214,881)	-
Total Current Assets	8,144,404	15,192,951	7,174,566	1,069,644	(3,214,881)	28,366,684
Assets Limited As To Use	50,647,398	177,614	3,438,587	168,220	-	54,431,819
Property And Equipment, Net	3,233	869,641	9,169,313	7,212	-	10,049,399
TOTAL ASSETS	<u>\$ 58,795,035</u>	<u>\$ 16,240,206</u>	<u>\$ 19,782,466</u>	<u>\$ 1,245,076</u>	<u>\$ (3,214,881)</u>	<u>\$ 92,847,902</u>

## LIABILITIES AND NET ASSETS

Current Liabilities						
Accounts payable and accrued expenses	\$ 112,485	\$ 558,262	\$ 1,158,851	\$ 39,239	\$ -	\$ 1,868,837
Accrued payroll and related expenses	299,925	2,256,744	499,039	398,968	-	3,454,676
Due to affiliates	-	667,287	2,242,103	305,491	(3,214,881)	-
Due to third-party payers	-	5,928,033	-	-	-	5,928,033
Deferred revenue	1,300	2,134,295	251,466	105,500	-	2,492,561
Current portion, long term debt	-	-	113,960	-	-	113,960
Total Current Liabilities	413,710	11,544,621	4,265,419	849,198	(3,214,881)	13,858,067
Long term debt, excluding current portion	-	-	3,268,061	-	-	3,268,061
Total Liabilities	413,710	11,544,621	7,533,480	849,198	(3,214,881)	17,126,128
Net Assets						
Unrestricted	58,365,325	4,517,973	11,650,014	227,658	-	74,760,970
Temporarily restricted	-	177,612	498,972	168,220	-	844,804
Permanently restricted	16,000	-	100,000	-	-	116,000
Total Net Assets	58,381,325	4,695,585	12,248,986	395,878	-	75,721,774
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 58,795,035</u>	<u>\$ 16,240,206</u>	<u>\$ 19,782,466</u>	<u>\$ 1,245,076</u>	<u>\$ (3,214,881)</u>	<u>\$ 92,847,902</u>

(See accompanying notes to these consolidated financial statements)

HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Home Health Foundation, Inc.	Home Health VNA, Inc.	Merrimack Valley Hospice, Inc.	Home Care, Inc.	Consolidating Entries	2011 Consolidated Totals
Operating Revenue						
Net patient service revenue	\$ -	\$ 39,233,217	\$ 14,513,459	\$ 6,778,102	\$ (863,141)	\$ 59,661,637
Other operating revenue	2,757,792	954,876	101,322	199,717	(3,503,441)	510,266
Total Operating Revenue	<u>2,757,792</u>	<u>40,188,093</u>	<u>14,614,781</u>	<u>6,977,819</u>	<u>(4,366,582)</u>	<u>60,171,903</u>
Operating Expenses						
Salaries and benefits	2,715,308	27,328,008	7,101,911	6,331,713	-	43,476,940
Other operating expenses	674,521	8,491,573	5,875,271	1,206,911	(4,366,582)	11,881,694
Depreciation and amortization	9,090	186,042	371,913	1,134	-	568,179
Bad debt expense	-	554,000	144,508	24,000	-	722,508
Interest Expense	1,160	-	123,932	-	-	125,092
Total Operating Expenses	<u>3,400,079</u>	<u>36,559,623</u>	<u>13,617,535</u>	<u>7,563,758</u>	<u>(4,366,582)</u>	<u>56,774,413</u>
OPERATING SURPLUS (LOSS)	<u>(642,287)</u>	<u>3,628,470</u>	<u>997,246</u>	<u>(585,939)</u>	<u>-</u>	<u>3,397,490</u>
Other Revenue and Gains						
Contributions and net fundraising income	13,705	54,784	524,160	23,120	-	615,769
Investment income	1,820,642	26,492	26,633	345	-	1,874,112
Realized gain (loss) on investment transactions	359,448	-	36,953	-	-	396,401
Change in unrealized gain on investments	(3,288,718)	-	(153,348)	-	-	(3,442,066)
Total Other Revenue and Gains	<u>(1,094,923)</u>	<u>81,276</u>	<u>434,398</u>	<u>23,465</u>	<u>-</u>	<u>(555,784)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	<u>(1,737,210)</u>	<u>3,709,746</u>	<u>1,431,644</u>	<u>(562,474)</u>	<u>-</u>	<u>2,841,706</u>
Net assets released from restriction for capital acquisition	-	-	237,006	-	-	237,006
Change in unrealized gain on financial instrument			(20,374)			(20,374)
Equity transfer from (to) affiliates	2,549,560	(2,549,560)	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 812,350</u>	<u>\$ 1,160,186</u>	<u>\$ 1,648,276</u>	<u>\$ (562,474)</u>	<u>\$ -</u>	<u>\$ 3,058,338</u>

(See accompanying notes to these consolidated financial statements)

HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Home Health Foundation, Inc.	Home Health VNA, Inc.	Merrimack Valley Hospice, Inc.	Home Care, Inc.	Consolidating Entries	2010 Consolidated Totals
Operating Revenue						
Net patient service revenue	\$ -	\$ 40,459,753	\$ 13,337,980	\$ 5,852,742	\$ (309,343)	\$ 59,341,132
Other operating revenue	2,774,478	938,029	128,615	219,226	(3,400,981)	659,367
Total Operating Revenue	<u>2,774,478</u>	<u>41,397,782</u>	<u>13,466,595</u>	<u>6,071,968</u>	<u>(3,710,324)</u>	<u>60,000,499</u>
Operating Expenses						
Salaries and benefits	2,649,634	26,704,933	6,553,193	5,196,296	-	41,104,056
Other operating expenses	599,375	8,062,807	6,320,975	959,386	(3,710,324)	12,232,219
Depreciation and amortization	1,991	177,246	369,063	1,134	-	549,434
Bad debt expense	-	368,285	318,425	11,271	-	697,981
Interest Expense	962	-	128,748	-	-	129,710
Total Operating Expenses	<u>3,251,962</u>	<u>35,313,271</u>	<u>13,690,404</u>	<u>6,168,087</u>	<u>(3,710,324)</u>	<u>54,713,400</u>
OPERATING SURPLUS (LOSS)	<u>(477,484)</u>	<u>6,084,511</u>	<u>(223,809)</u>	<u>(96,119)</u>	<u>-</u>	<u>5,287,099</u>
Other Revenue and Gains						
Contributions and net fundraising income	29,155	71,866	325,886	38,358	-	465,265
Investment income	1,739,722	55,184	51,840	527	-	1,847,273
Realized gains on investment transactions	221,249	-	18,254	-	-	239,503
Change in unrealized gain on investments	2,616,195	-	346,900	-	-	2,963,095
Total Other Revenue and Gains	<u>4,606,321</u>	<u>127,050</u>	<u>742,880</u>	<u>38,885</u>	<u>-</u>	<u>5,515,136</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	<u>4,128,837</u>	<u>6,211,561</u>	<u>519,071</u>	<u>(57,234)</u>	<u>-</u>	<u>10,802,235</u>
Net assets released from restriction for capital acquisition	-	-	416,314	-	-	416,314
Loss on disposal of assets	-	-	-	-	-	-
Change in unrealized gain on financial instrument			(102,187)			(102,187)
Equity transfer from (to) affiliates	5,800,000	(5,800,000)	-	-	-	-
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>\$ 9,928,837</u>	<u>\$ 411,561</u>	<u>\$ 833,198</u>	<u>\$ (57,234)</u>	<u>\$ -</u>	<u>\$ 11,116,362</u>

(See accompanying notes to these consolidated financial statements)

HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Home Health Foundation, Inc.	Home Health VNA, Inc.	Merrimack Valley Hospice, Inc.	Home Care, Inc.	Consolidating Entries	2011 Consolidated Totals
Unrestricted Net Assets:						
Excess (deficit) of revenue over expenses	\$ (1,737,210)	\$ 3,709,746	\$ 1,431,644	\$ (562,474)	\$ -	\$ 2,841,706
Net assets released from restriction for capital acquisition	-	-	237,006	-	-	237,006
Change in unrealized gain on financial instrument			(20,374)			(20,374)
Equity transfer from ( to) affiliates	2,549,560	(2,549,560)	-	-	-	-
Increase (decrease) in Unrestricted Net Assets	812,350	1,160,186	1,648,276	(562,474)	-	3,058,338
Temporarily Restricted Net Assets:						
Contributions	-	109,844	223,249	25,300	-	358,393
Net assets released for operations	-	(65,171)	(5,828)	(23,215)	-	(94,214)
Net assets released for capital acquisition	-	-	(237,006)	-	-	(237,006)
Increase (Decrease) in Temporarily Restricted Net Assets	-	44,673	(19,585)	2,085	-	27,173
Increase (Decrease) in Net Assets	812,350	1,204,859	1,628,691	(560,389)	-	3,085,511
Net assets, beginning of year	58,381,325	4,695,585	12,248,986	395,878	-	75,721,774
NET ASSETS, END OF YEAR	\$ 59,193,675	\$ 5,900,444	\$ 13,877,677	\$ (164,511)	\$ -	\$ 78,807,285

(See accompanying notes to these consolidated financial statements)



HOME HEALTH FOUNDATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Home Health Foundation, Inc.	Home Health VNA, Inc.	Merrimack Valley Hospice, Inc.	Home Care, Inc.	Consolidating Entries	2010 Consolidated Totals
Unrestricted Net Assets:						
Excess (deficit) of revenue over expenses	\$ 4,128,837	\$ 6,211,561	\$ 519,071	\$ (57,234)	\$ -	\$ 10,802,235
Net assets released from restriction for capital acquisition	-	-	416,314	-	-	416,314
Change in unrealized gain on financial instrument	-	-	(102,187)	-	-	(102,187)
Loss on disposal of assets	-	-	-	-	-	-
Equity transfer from ( to) affiliates	5,800,000	(5,800,000)	-	-	-	-
Increase (decrease) in Unrestricted Net Assets	9,928,837	411,561	833,198	(57,234)	-	11,116,362
Temporarily Restricted Net Assets:						
Contributions	-	73,965	64,279	-	-	138,244
Net assets released for operations	-	-	-	(6,895)	-	(6,895)
Net assets released for capital acquisition	-	-	(416,314)	-	-	(416,314)
Increase (Decrease) in Temporarily Restricted Net Assets	-	73,965	(352,035)	(6,895)	-	(284,965)
Increase (Decrease) in Net Assets	9,928,837	485,526	481,163	(64,129)	-	10,831,397
Net assets, beginning of year	48,452,488	4,210,059	11,767,823	460,007	-	64,890,377
NET ASSETS, END OF YEAR	\$ 58,381,325	\$ 4,695,585	\$ 12,248,986	\$ 395,878	\$ -	\$ 75,721,774

(See accompanying notes to these consolidated financial statements)