

**OLD COLONY ELDER SERVICES, INC.
AND SUBSIDIARY**

YEARS ENDED JUNE 30, 2012 AND 2011



A Limited Liability Partnership

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OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

YEARS ENDED JUNE 30, 2012 AND 2011

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Independent Auditors' Report

Board of Directors
Old Colony Elder Services, Inc.
Brockton, Massachusetts

We have audited the accompanying consolidated statements of financial position of Old Colony Elder Services, Inc. and Subsidiary (the Organization) as of June 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Old Colony Elder Services, Inc. and Subsidiary as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2012 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads 'LGCD & LLP'.

November 9, 2012

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OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,111,841	\$ 673,856
Cash – Board-designated	700,000	700,000
Accounts receivable, less allowance for doubtful accounts (2012, \$16,021; 2011, \$3,426)	4,173,193	4,194,817
Prepaid expenses and other	<u>13,698</u>	<u>93,538</u>
Total current assets	5,998,732	5,662,211
Investments	1,560,714	1,523,269
Property and equipment, less accumulated depreciation	<u>2,908,081</u>	<u>2,908,458</u>
Total assets	<u>\$ 10,467,527</u>	<u>\$ 10,093,938</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of long-term debt	\$ 67,173	\$ 52,959
Accounts payable	2,716,814	2,647,157
Accrued expenses	753,815	1,003,232
Deferred revenue	<u>11,090</u>	<u>59,014</u>
Total current liabilities	3,548,892	3,762,362
Long-term debt, less current portion	<u>1,023,148</u>	<u>1,095,088</u>
Total liabilities	<u>4,572,040</u>	<u>4,857,450</u>
Contingency and commitment (Notes 9 and 11)		
Net assets:		
Unrestricted:		
Board-designated	700,000	700,000
Undesignated	<u>5,193,011</u>	<u>4,530,253</u>
	5,893,011	5,230,253
Temporarily restricted	<u>2,476</u>	<u>6,235</u>
Total net assets	<u>5,895,487</u>	<u>5,236,488</u>
Total liabilities and net assets	<u>\$ 10,467,527</u>	<u>\$ 10,093,938</u>

See notes to consolidated financial statements.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenue and support:						
Grants and contracts	\$ 25,849,359		\$ 25,849,359	\$ 24,113,914	\$ 1,025	\$ 24,114,939
Investment income, net	43,362		43,362	176,686		176,686
Contributions	242,118		242,118	240,741		240,741
Fundraising	20,634		20,634	16,879		16,879
Rental income	90,222		90,222	79,694		79,694
Net assets released from restrictions	3,759	\$ (3,759)	- 0 -	412	(412)	- 0 -
Total operating revenue and support	26,249,454	(3,759)	26,245,695	24,628,326	613	24,628,939
Operating expenses:						
Program	23,802,138		23,802,138	22,365,725		22,365,725
Management and general	1,778,244		1,778,244	1,859,230		1,859,230
Fundraising	6,314		6,314	3,945		3,945
Total operating expenses	25,586,696		25,586,696	24,228,900		24,228,900
Increase (decrease) in net assets	662,758	(3,759)	658,999	399,426	613	400,039
Net assets, beginning of year	5,230,253	6,235	5,236,488	4,830,827	5,622	4,836,449
Net assets, end of year	\$ 5,893,011	\$ 2,476	\$ 5,895,487	\$ 5,230,253	\$ 6,235	\$ 5,236,488

See notes to consolidated financial statements.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 658,999	\$ 400,039
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	250,635	232,281
Net losses (gains) on investments	5,712	(117,014)
Provision for losses on accounts receivable	20,836	8,815
Changes in assets and liabilities:		
Accounts receivable	788	(1,912,831)
Prepaid expenses and other	79,840	(36,573)
Accounts payable	69,657	243,663
Accrued expenses	(249,417)	281,344
Deferred revenue	(47,924)	17,846
	<u>789,126</u>	<u>(882,430)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	577,679	325,672
Purchase of:		
Investments and reinvested earnings	(620,836)	(370,544)
Property and equipment	(250,258)	(361,474)
	<u>(293,415)</u>	<u>(406,346)</u>
Net cash used in investing activities		
Cash used in financing activities, principal payments on long-term debt	<u>(57,726)</u>	<u>(49,420)</u>
Net increase (decrease) in cash and cash equivalents	437,985	(1,338,196)
Cash and cash equivalents, beginning of year	<u>1,373,856</u>	<u>2,712,052</u>
Cash and cash equivalents, end of year	<u>\$ 1,811,841</u>	<u>\$ 1,373,856</u>
Supplemental disclosure, cash paid for interest	<u>\$ 71,106</u>	<u>\$ 82,356</u>

See notes to consolidated financial statements.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

1. Description of organization and summary of significant accounting policies:

Principles of consolidation:

The consolidated financial statements include the accounts and transactions of Old Colony Elder Services, Inc. (OCES) and its wholly-owned subsidiary, Brockton Main Street, LLC (BMS) (collectively referred to as the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Description of organization:

OCES, a private nonprofit organization, is designated as an Aging Services Access Point (ASAP) by the Massachusetts Executive Office of Elder Affairs (EOEA). OCES' purpose is to implement federal and state programs in 22 towns and the City of Brockton in Massachusetts. OCES services Avon and Stoughton in Norfolk County, Easton in Bristol County, the City of Brockton and the towns of Abington, Rockland, Hanover, Marshfield, Pembroke, Hanson, Whitman, Bridgewater, East Bridgewater, West Bridgewater, Halifax, Duxbury, Kingston, Plympton, Plymouth, Carver, Middleboro, Lakeville and Wareham in Plymouth County.

OCES' various programs include:

Home Care:

Care management and coordinated social services are provided to frail and vulnerable elders through the State Home Care, Protective Services, Enhanced Community Options, Community Choices, Clinical Assessment and Eligibility, and Congregate and Supportive Housing programs.

Title III C:

Nutrition services are provided to eligible elders in congregate settings or through home delivery.

Other:

Shelter, meals, supervision, personal care and/or transportation are provided in a family setting to infirm or disabled individuals through the Adult Family Care and Personal Care Attendant programs. OCES also coordinates services under the Family Caregiver, Money Management and Senior Care Organization programs.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

1. Description of organization and summary of significant accounting policies (continued):

Description of organization (continued):

The majority of OCES programs are funded by federal, state and local governments and are dependent upon continued funding. Management believes that there is sufficient bipartisan support for these programs to reasonably expect future funding to allow a continuation of such programs.

BMS was organized for the purpose of purchasing the building located at 144 Main Street, Brockton, Massachusetts, which serves principally as the OCES main office.

Basis of financial statement presentation:

The Organization's net assets and activities that increase or decrease net assets are classified as either unrestricted, temporarily restricted or permanently restricted:

Unrestricted net assets are those without any donor-imposed restrictions as to their use and are available for the general operations of the Organization.

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Temporarily restricted net assets consist of funds restricted for use with the Elder Education and Community Outreach (EECO) program. The EECO program is a collaborative effort of OCES and other local organizations to bring professional education, information services and health screenings to seniors.

Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. During the years ended June 30, 2012 and 2011, the Organization did not have any permanently restricted net assets.

Revenue, gains and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments or other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions and net assets released from restrictions:

Contribution revenue is recorded as received. If the contribution is made in assets other than cash, the amount of the contribution is measured at the fair value of the asset contributed at the date the contribution or unconditional promise to give is made by the donor.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

1. Description of organization and summary of significant accounting policies (continued):

Contributions and net assets released from restrictions (continued):

Contributions of cash, including unconditional promises to give, and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 consolidated statements of activities and changes in net assets as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted contributions.

Gifts of long-lived assets such as property and 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. Absent 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.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value measurements:

Accounting guidance pertaining to fair value measurements provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs that are not corroborated by market data

Cash and cash equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011

1. Description of organization and summary of significant accounting policies (continued):

Cash and cash equivalents (continued):

Cash is held in two financial institutions whose deposits are federally insured. At June 30, 2011, the Organization had \$537 on deposit in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) under its revised limits. There were no amounts in excess at June 30, 2012.

At June 30, 2011, the Organization had cash equivalents consisting of overnight repurchase agreements with a bank that were supported by U.S. Treasury securities held in the name of the bank totaling \$1,020,572. Under arrangements with the bank, excess cash balances were invested daily into overnight repurchase agreements. The Organization had no cash equivalents at June 30, 2012.

Cash – Board-designated:

The Board of Directors has designated \$700,000 of the Organization's unrestricted net assets to be set aside for future program expansion and funding of operations.

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the consolidated financial statements.

Investments:

The Organization's investments are stated at fair value using Level 1 inputs.

The cost of investments sold is determined using the specific identification method.

The Organization invests in a professionally managed portfolio. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the Organization's consolidated financial statements.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

1. Description of organization and summary of significant accounting policies (continued):

Investments (continued):

The Organization evaluates its investments for other than temporary impairment on an ongoing basis. A decline in the fair value of an other than trading security below cost that is deemed to be other than temporary results in a new cost basis for the security which is equivalent to its fair value. In evaluating other than temporary impairment, the Organization considers its intent and ability to hold its investments until recovery and other relevant factors.

Property and equipment:

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over estimated useful lives of 39 years for the building and 4-5 years for equipment. Routine repairs and maintenance costs are charged to operations while those which materially improve or extend the lives of existing assets are capitalized.

The Organization evaluates long-lived assets held and used by the Organization for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Organization did not record any impairment losses during the years ended June 30, 2012 or 2011.

Revenue recognition:

The Organization's revenues are reported when the services are provided or when expenditures covered by a grant are incurred. Contracts are primarily billed based upon a unit rate reimbursement or actual costs incurred. The Organization's primary revenue source is the Commonwealth of Massachusetts (the Commonwealth), which subjects the Organization to various regulations promulgated by the Commonwealth of Massachusetts Operational Services Division (the Division), EOEA and the Executive Office of Health and Human Services.

Excess of revenues over expenses from the Commonwealth supported programs, up to certain defined amounts, are available for retention by the Organization. Amounts in excess of the defined amounts are payable back to the Commonwealth. No amounts were due back to the Commonwealth at June 30, 2012 or 2011.

Rental income:

BMS leased space in its building to an unrelated tenant in 2012 and 2011. Rentals from this lease are recognized as revenue under the operating method as rentals are received or become due.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011

1. Description of organization and summary of significant accounting policies (continued):

Retirement plan:

The Organization funds its defined contribution 401(k) plan as costs are accrued.

Income taxes:

OCES is organized under the provisions of Chapter 180 of the Massachusetts General Laws, and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

BMS is a single-member limited liability company and is considered a disregarded entity for income tax reporting purposes.

The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2009.

Subsequent events:

The Organization has evaluated subsequent events through November 9, 2012, the date that the accompanying consolidated financial statements were available to be issued.

2. Investments:

Investments consist of the following:

	2012	2011
Money market funds	\$ 110,950	\$ 36,070
U.S. Government agency obligations, rated Aaa	395,848	636,932
Corporate and foreign bonds:		
Rated:		
A1	50,338	
A2	201,289	53,037
A3	54,338	54,429
	305,965	107,466

(continued)

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

2. Investments (continued):

Investments consist of the following (continued):

	<u>2012</u>	<u>2011</u>
Equity securities:		
Materials	\$ 20,255	\$ 21,927
Consumer	26,026	22,171
Consumer staples	24,271	21,491
Health care	24,369	20,983
Energy	20,171	26,309
Financial	21,894	19,313
Industrial	22,509	22,734
Information	19,371	19,458
Telecommunication	23,023	27,838
Utilities	23,613	21,782
	<u>225,502</u>	<u>224,006</u>
Mutual funds:		
Domestic fixed income	188,592	177,437
International fixed income	90,455	89,573
Domestic equity	152,373	133,011
International equity	91,029	118,774
	<u>522,449</u>	<u>518,795</u>
	<u>\$ 1,560,714</u>	<u>\$ 1,523,269</u>

Net investment income is comprised of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 58,340	\$ 68,568
Net gain (loss) on investments	(5,712)	117,014
Fees	(9,266)	(8,896)
	<u>\$ 43,362</u>	<u>\$ 176,686</u>

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

3. Property and equipment:

	2012	2011
Land	\$ 137,000	\$ 137,000
Building	1,456,018	1,456,018
Building improvements	1,330,832	1,276,521
Furniture and fixtures	786,648	724,185
Computer equipment	527,761	394,463
	4,238,259	3,988,187
Less accumulated depreciation	1,330,178	1,079,729
	\$ 2,908,081	\$ 2,908,458

Property and equipment includes amounts held for lease with a cost basis totaling \$860,903 and \$839,043 at June 30, 2012 and 2011, respectively. Accumulated depreciation on property held for lease totaled \$149,587 and \$125,115 at June 30, 2012 and 2011, respectively.

4. Accrued expenses:

	2012	2011
Retirement plan	\$ 166,388	\$ 262,098
Payroll and benefits	260,123	387,392
Employee vacation benefits	300,554	300,483
Other	26,750	53,259
	\$ 753,815	\$ 1,003,232

5. Line of credit:

At June 30, 2012 and 2011, the Organization has a line of credit (line) with a financial institution. The line expires on December 31, 2012, bears interest at the prime rate less .50% or a floor of 3.5%, whichever is greater (3.50% at June 30, 2012 and 2011), and requires the Organization to meet certain covenants. The Organization has maximum available borrowings of \$500,000 under the line, which is collateralized by all of the Organization's assets. At June 30, 2012 and 2011, no borrowings were outstanding under the line.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

6. Long-term debt and subsequent event:

	2012	2011
<p>Note payable, bank, amortized over twenty years, payable in monthly principal and interest installments of \$8,164 (\$9,151 prior to March 2012) with a final balloon payment due on October 29, 2019. The note bears interest at 4.75% (6.99% prior to March 2012) per annum and is collateralized by (a) a first lien mortgage, (b) assignment of leases and rents, and (c) property, as defined in the loan agreement.</p>	\$ 909,283	\$ 955,564
<p>Note payable, bank, amortized over twenty years, payable in monthly principal and interest installments of \$1,624 (\$1,830 prior to March 2012) with a final balloon payment due on October 29, 2019. The note bears interest at 4.75% (6.99% prior to March 2012) per annum and is collateralized by (a) substantially all assets, and (b) property, as defined in the loan agreement.</p>	181,038	192,483
<p>Less current portion</p>	1,090,321 67,173	1,148,047 52,959
	\$ 1,023,148	\$ 1,095,088

In March 2012, the Organization entered into loan modification agreements with the bank, which modified the monthly payments and interest rates on the notes payable.

In October 2012, the notes payable, bank were refinanced in the amount of \$1,475,000, under terms similar to the previous notes. Proceeds obtained that exceed the outstanding principal on the previous notes will be used for improvements to the Organization's leased property (see Note 7). The new note bears interest at 4.75% and is due in monthly installments of principal and interest of \$8,468, beginning November 16, 2012 and continuing through October 16, 2022.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

6. Long-term debt and subsequent event (continued):

Annual maturities of long-term debt, excluding the effects of the refinancing in October 2012, are presented in the following table. The effects of the refinancing on the following maturities are not considered to be significant:

<u>Year ending June 30,</u>	
2013	\$ 67,173
2014	70,495
2015	73,794
2016	77,376
2017	81,133
Thereafter	<u>720,350</u>
	<u>\$ 1,090,321</u>

The notes payable contain restrictive covenants relating to, among others, maintenance of certain financial ratios and compliance with certain laws and regulations. As of June 30, 2012 and 2011, the Organization was in compliance with these covenants.

7. Operating lease and subsequent event:

In July 2012, BMS increased the rental space leased by a tenant and extended the lease term through August 2019. At June 30, 2012, minimum future rentals under the lease are as follows:

<u>Year ending June 30,</u>	
2013	\$ 201,909
2014	227,994
2015	233,322
2016	238,786
2017	244,350
Thereafter	548,972

8. Retirement plan:

The Organization maintains a 401(k) retirement plan which covers all eligible employees who meet specified age and service requirements. The Organization's annual contribution is discretionary and is subject to annual approval by the Board of Directors. During the years ended June 30, 2012 and 2011, the Organization contributed \$166,388 and \$262,098, respectively, representing 3% and 5%, respectively, of eligible employees' compensation.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

9. Surplus revenue retention:

The Commonwealth of Massachusetts Not-For-Profit Provider Surplus Revenue Retention Policy pursuant to 808 CMR 1.19(3) of the Pricing, Reporting and Auditing for Social Programs, allows a provider to retain a portion of annual net surplus for future use. This net surplus, from the revenues and expenses associated with services provided to Purchasing Agencies which are subject to 808 CMR 1.00, may not exceed 5% of said provider's annual revenue. Furthermore, the cumulative amount of the provider's net surplus may not exceed 20% of the provider's prior years' revenues from Purchasing Agencies.

According to the Division's accounting and reporting policies, surplus revenue retention within the allowable limits is to be reported or disclosed as a component of unrestricted net assets. Any surplus revenue retained in excess of the aforementioned limits is to be reported as an unrestricted liability.

Excess surplus revenues may be recouped by the Commonwealth via price reductions in future agreements, by the return of such funds to the Commonwealth, or by the Commonwealth stipulating the use of such funds.

The Division has authorized a waiver for EOEA to implement its own surplus revenue retention policy which provides, among other things, that the Organization provide EOEA with a plan detailing the proposed use of said surplus funds.

The Organization has no surplus revenue that would be required to be reported as a liability at June 30, 2012 or 2011. The following presents the components of unrestricted net assets:

	Other Unrestricted Net Assets	Commonwealth of Massachusetts Cumulative Revenue Surplus	Total Unrestricted Net Assets
Balance at June 30, 2010	\$ 4,380,456	\$ 450,371	\$ 4,830,827
Change in net assets	<u>479,006</u>	<u>(79,580)</u>	<u>399,426</u>
Balance at June 30, 2011	4,859,462	370,791	5,230,253
Change in net assets	<u>770,155</u>	<u>(107,397)</u>	<u>662,758</u>
Balance at June 30, 2012	<u>\$ 5,629,617</u>	<u>\$ 263,394</u>	<u>\$ 5,893,011</u>

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2012 AND 2011

10. Concentrations:

OCES' financial instruments that may be subject to concentrations of credit risk consist of cash, accounts receivable and investments.

The Organization depends heavily on the Commonwealth for funding. Approximately 56% and 60% of revenues for the years ended June 30, 2012 and 2011, respectively, were from contracts with the Commonwealth.

Approximately \$1,617,000 (39%) and \$2,409,000 (56%) of accounts receivable at June 30, 2012 and 2011, respectively, is due from the Commonwealth.

11. Collective bargaining agreement and subsequent event:

The Organization had a collective bargaining agreement (agreement), which expired June 30, 2012, covering approximately 28% of the Organization's labor force at June 30, 2012. Subsequent to year-end, the Organization entered into an agreement under substantially similar terms through June 30, 2016.



**Independent Auditors' Report on Supplementary
Information – Statement of Functional Expenses**

Board of Directors
Old Colony Elder Services, Inc.
Brockton, Massachusetts

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidated statements of functional expenses are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated statements of functional expenses have been subjected to the auditing procedures applied in the audits 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. In our opinion, the consolidated statements of functional expenses are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads 'LGCD LLP'. The letters are cursive and somewhat stylized.

November 9, 2012

A Limited Liability Partnership

10 Weybosset Street, Suite 700, Providence, RI 02903 • (p) 401.421.4800 • 1.800.927.LGCD • (f) 401.421.0643 • www.lgcd.com

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012			
	Program	Management and general	Fundraising	Totals
Purchased services and subcontractors	\$ 12,753,132			\$ 12,753,132
Employee compensation and related expenses	6,349,649	\$ 1,120,205	\$ 2,212	7,472,066
Occupancy costs	303,521	51,298		354,819
Other program and operating expenses	4,221,124	49,573	1,216	4,271,913
Direct administrative expenses		107,827		107,827
Other expenses	62,007	311,411	2,886	376,304
Depreciation	112,705	137,930		250,635
	<u>\$ 23,802,138</u>	<u>\$ 1,778,244</u>	<u>\$ 6,314</u>	<u>\$ 25,586,696</u>
	2011			
	Program	Management and general	Fundraising	Totals
Purchased services and subcontractors	\$ 11,686,442			\$ 11,686,442
Employee compensation and related expenses	6,140,862	\$ 1,222,856	\$ 1,845	7,365,563
Occupancy costs	291,729	49,714		341,443
Other program and operating expenses	3,984,165	33,048		4,017,213
Direct administrative expenses	141	109,364		109,505
Other expenses	153,394	320,959	2,100	476,453
Depreciation	108,992	123,289		232,281
	<u>\$ 22,365,725</u>	<u>\$ 1,859,230</u>	<u>\$ 3,945</u>	<u>\$ 24,228,900</u>



**Independent Auditors' Report on Supplementary Information –
Schedule of Expenditures of Federal Awards**

Board of Directors
Old Colony Elder Services, Inc.
Brockton, Massachusetts

We have audited the accompanying consolidated statement of financial position of Old Colony Elder Services, Inc. and Subsidiary (the Organization) as of June 30, 2012, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the 2012 basic consolidated financial statements of Old Colony Elder Services, Inc. and Subsidiary taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the 2012 basic consolidated 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

November 9, 2012

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OLD COLONY ELDER SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTE THERETO

YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Identifying Number	Expenditures
<i>U.S Department of Housing & Urban Development:</i>			
Resident Opportunity and Support Services	14.870		\$ 14,867
<i>U.S. Department of Health & Human Services:</i>			
<i>Passed through the Massachusetts Executive Office of Elder Affairs & Old Colony Planning Council Administration on Aging</i>			
Title III, Part D – Disease Prevention and Health Promotion Services	93.043	0366-ffy12ocpcaaa-12-D2	15,495
Title III, Part E – Family Caregiver Support Aging Cluster:	93.052	0363-ffy12ocpcaaa-11-E2	178,234
Title III, Part C – Nutrition Services	93.045	0366-ffy12ocpcaaa-13-C2	504,427
Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	0366-ffy12ocpcaaa-10-B1	21,071
Nutrition Services Incentive Program	93.053		111,814
<i>Passed through the Commonwealth of Massachusetts</i>			
Title IV & II – Discretionary Projects	93.048	0364-2012B30-921-13-C	23,030
Alzheimer’s Disease Demonstration Grant	93.051		2,138
<i>Total Expenditures of Federal Awards</i>			<u>\$ 871,076</u>

1. Summary of significant accounting policies:

The schedule of expenditures of federal awards includes the federal grant activity of Old Colony Elder Services, Inc. and Subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.



**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of Directors
Old Colony Elder Services, Inc.
Brockton, Massachusetts

We have audited the consolidated financial statements of Old Colony Elder Services, Inc. and Subsidiary (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards (Continued)**

Board of Directors
Old Colony Elder Services, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, and management of Old Colony Elder Services, Inc. and Subsidiary, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LJC & D LLP

November 9, 2012



**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Board of Directors
Old Colony Elder Services, Inc.
Brockton, Massachusetts

Compliance

We have audited the compliance of Old Colony Elder Services, Inc. and Subsidiary (the Organization) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2012. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Independent Auditors' Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133 (Continued)**

Board of Directors
Old Colony Elder Services, Inc.

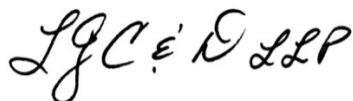
Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, and management of Old Colony Elder Services, Inc. and Subsidiary, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 9, 2012

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2012

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u> x </u> no	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	<u> x </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> x </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u> x </u> no	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	<u> x </u> none reported	
Type of auditors’ report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	<u> x </u> no	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
<u>93.045, 93.044, 93.053</u>	<u>Title IIC – Aging Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$300,000 </u>
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Auditee qualified as low-risk auditee?	<u> x </u> yes	_____ no
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OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.