

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

YEARS ENDED JUNE 30, 2014 AND 2013



OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

YEARS ENDED JUNE 30, 2014 AND 2013

CONTENTS

	Page
Independent Auditors' Report	1-2
Consolidated Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-16
Independent Auditors' Report on Supplementary Information – Consolidated Statements of Functional Expenses	17
Consolidated Statements of Functional Expenses	18
Independent Auditors' Report on Supplementary Information – Schedule of Expenditures of Federal Awards	19
Schedule of Expenditures of Federal Awards and Note Thereto	20
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	21-22
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	23-25
Schedule of Findings and Questioned Costs	26-27



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Old Colony Elder Services, Inc. and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 of America 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditors' Report (continued)

Board of Directors
Old Colony Elder Services, Inc.

Auditors' Responsibility (Continued)

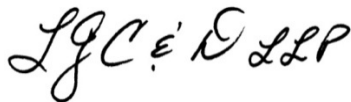
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.



Providence, Rhode Island
November 14, 2014

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash:		
Operating	\$ 1,374,181	\$ 1,574,107
Board-designated	700,000	700,000
Accounts receivable, less allowance for doubtful accounts (2014, \$17,293; 2013, \$4,573)	6,263,605	4,522,203
Prepaid expenses and other	<u>14,325</u>	<u>12,358</u>
Total current assets	8,352,111	6,808,668
Investments	1,770,257	1,635,770
Property and equipment, less accumulated depreciation	<u>3,365,256</u>	<u>3,375,756</u>
Total assets	<u>\$ 13,487,624</u>	<u>\$ 11,820,194</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of long-term debt	\$ 30,120	\$ 30,120
Accounts payable	3,640,099	3,176,898
Accrued expenses	760,195	719,625
Deferred revenue	<u>3,703</u>	<u>10,595</u>
Total current liabilities	4,434,117	3,937,238
Long-term debt, less current portion	<u>1,391,657</u>	<u>1,423,944</u>
Total liabilities	<u>5,825,774</u>	<u>5,361,182</u>
Contingency and commitment (Notes 9 and 11)		
Net assets:		
Unrestricted:		
Board-designated	700,000	700,000
Undesignated	<u>6,958,176</u>	<u>5,756,019</u>
Total unrestricted	7,658,176	6,456,019
Temporarily restricted	<u>3,674</u>	<u>2,993</u>
Total net assets	<u>7,661,850</u>	<u>6,459,012</u>
Total liabilities and net assets	<u>\$ 13,487,624</u>	<u>\$ 11,820,194</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, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating revenue and support:						
Grants and contracts	\$ 33,588,100		\$ 33,588,100	\$ 28,906,998		\$ 28,906,998
Investment income, net	136,153		136,153	73,343		73,343
Contributions	266,312	\$ 845	267,157	235,897	\$ 683	236,580
Fundraising	12,648		12,648	21,755		21,755
Rental income	229,566		229,566	156,133		156,133
Net assets released from restrictions	164	(164)	-	166	(166)	-
Total operating revenue and support	<u>34,232,943</u>	<u>681</u>	<u>34,233,624</u>	<u>29,394,292</u>	<u>517</u>	<u>29,394,809</u>
Operating expenses:						
Program	31,103,505		31,103,505	26,892,138		26,892,138
Management and general	1,922,909		1,922,909	1,934,007		1,934,007
Fundraising	4,372		4,372	5,139		5,139
Total operating expenses	<u>33,030,786</u>		<u>33,030,786</u>	<u>28,831,284</u>		<u>28,831,284</u>
Increase in net assets	1,202,157	681	1,202,838	563,008	517	563,525
Net assets, beginning of year	<u>6,456,019</u>	<u>2,993</u>	<u>6,459,012</u>	<u>5,893,011</u>	<u>2,476</u>	<u>5,895,487</u>
Net assets, end of year	<u>\$ 7,658,176</u>	<u>\$ 3,674</u>	<u>\$ 7,661,850</u>	<u>\$ 6,456,019</u>	<u>\$ 2,993</u>	<u>\$ 6,459,012</u>

See notes to consolidated financial statements.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,202,838	\$ 563,525
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	244,598	258,305
Net gains on investments	(99,350)	(35,728)
Provision for losses on accounts receivable	33,795	8,690
Proceeds from restricted contributions	(845)	(683)
Changes in assets and liabilities:		
Accounts receivable	(1,775,197)	(357,700)
Prepaid expenses and other	(1,967)	1,340
Accounts payable	463,201	460,084
Accrued expenses	40,570	(34,190)
Deferred revenue	(6,892)	(495)
Net cash provided by operating activities	<u>100,751</u>	<u>863,148</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	333,755	515,217
Purchases of:		
Investments and reinvested earnings	(368,892)	(554,545)
Property and equipment	(234,098)	(725,980)
Net cash used in investing activities	<u>(269,235)</u>	<u>(765,308)</u>
Cash flows from financing activities:		
Proceeds from long-term debt		1,475,000
Principal payments on long-term debt	(32,287)	(1,111,257)
Proceeds from restricted contributions	845	683
Net cash provided by (used in) financing activities	<u>(31,442)</u>	<u>364,426</u>
Net increase (decrease) in cash	(199,926)	462,266
Cash, beginning of year	<u>2,274,107</u>	<u>1,811,841</u>
Cash, end of year	<u>\$ 2,074,181</u>	<u>\$ 2,274,107</u>
Supplemental disclosure, cash paid for interest	<u>\$ 69,327</u>	<u>\$ 61,190</u>

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

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 through the Adult Family Care and Personal Care Attendant programs. OCES also coordinates services under the Family Caregiver, Money Management, Senior Care Options and One Care Plan programs. OCES provides information and referral about in-home and community-based services for older adults and individuals with disabilities. OCES also offers several education seminars through its Healthy Living Programs.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

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 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 and the Greater Brockton Area Hoarding Task Force 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. The Greater Brockton Area Hoarding Task Force program educates the Brockton community about hoarding and available resources.

Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. During the years ended June 30, 2014 and 2013, 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, 2014 AND 2013

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 of America 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, 2014 AND 2013

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, 2014, the Organization's deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Depositors Insurance Fund (MDIF). At June 30, 2013, the Organization had \$30,725 on deposit in excess of FDIC and MDIF-insured amounts, including Board-designated amounts. The Organization had no cash equivalents at June 30, 2014 or 2013.

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. No collateral is obtained. 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, 2014 AND 2013

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 a 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 improvements 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, 2014 or 2013.

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, 2014 or 2013.

Rental income:

BMS leased space in its building to an unrelated tenant in 2014 and 2013. 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, 2014 AND 2013

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 2011.

Subsequent events:

The Organization has evaluated subsequent events through November 14, 2014, the date that the accompanying consolidated financial statements were available to be issued.

2. Investments:

Investments consist of the following:

	2014	2013
Money market funds	\$ 26,346	\$ 35,896
U.S. Government agency obligations, rated Aaa	482,934	429,521
Corporate and foreign bonds:		
Rated:		
Aa3	50,522	49,635
Aa2	53,690	53,363
A1	51,643	50,691
A2	238,817	239,080
	394,672	392,769

(continued)

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

YEARS ENDED JUNE 30, 2014 AND 2013

2. Investments (continued):

Investments consist of the following (continued):

	2014	2013
Equity securities:		
Materials	\$ 25,444	\$ 23,015
Consumer	25,598	23,062
Consumer staples	24,562	23,436
Health care	26,776	23,761
Energy	28,376	22,803
Financial	25,914	22,983
Industrial	24,667	22,626
Information	24,698	22,799
Telecommunication	25,354	23,645
Utilities	27,247	22,231
	<u>258,636</u>	<u>230,361</u>
Mutual funds:		
Domestic fixed income	211,631	194,255
International fixed income	106,654	97,102
Domestic equity	181,208	161,731
International equity	108,176	94,135
	<u>607,669</u>	<u>547,223</u>
	<u>\$ 1,770,257</u>	<u>\$ 1,635,770</u>

Net investment income is comprised of the following:

	2014	2013
Interest and dividends	\$ 46,387	\$ 47,403
Net gain on investments	99,350	35,728
Fees	(9,584)	(9,788)
	<u>\$ 136,153</u>	<u>\$ 73,343</u>

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2014 AND 2013

3. Property and equipment:

	2014	2013
Land	\$ 137,000	\$ 137,000
Building	1,456,018	1,456,018
Building improvements	2,052,951	1,919,859
Furniture and fixtures	897,082	844,650
Computer equipment	517,520	606,712
	5,060,571	4,964,239
Less accumulated depreciation	1,695,315	1,588,483
	\$ 3,365,256	\$ 3,375,756

Property and equipment includes amounts held for lease with a cost basis totaling \$1,294,242 and \$1,451,201 at June 30, 2014 and 2013, respectively. Accumulated depreciation on property held for lease totaled \$186,214 and \$174,720 at June 30, 2014 and 2013, respectively.

4. Accrued expenses:

	2014	2013
Retirement plan	\$ 108,773	\$ 85,097
Payroll and benefits	299,088	269,249
Employee vacation benefits	312,834	324,333
Other	39,500	40,946
	760,195	719,625
	\$ 760,195	\$ 719,625

5. Line of credit:

At June 30, 2014 and 2013, the Organization has a line of credit (line) with a financial institution. The line expires on December 31, 2014, bears interest at the prime rate less .50% or a floor of 3.50%, whichever is greater (3.50% at June 30, 2014 and 2013), 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, 2014 and 2013, no borrowings were outstanding under the line.

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

YEARS ENDED JUNE 30, 2014 AND 2013

6. Long-term debt:

	2014	2013
<p>Note payable, bank, to be amortized over twenty-five years, payable in monthly principal and interest installments of \$8,468 with a final balloon payment due on October 16, 2022. The note bears interest at 4.75% per annum through October 15, 2017, at which date the interest rate shall adjust to the Five Year Federal Home Loan Classic Advance Rate (2.09% at June 30, 2014) plus 3.00% per annum. Upon conversion, the bank shall adjust the amount of the monthly payment, including principal and interest. The note is collateralized by property, as defined in the loan agreement.</p>	\$ 1,421,777	\$ 1,454,064
<p>Less current portion</p>	30,120	30,120
	\$ 1,391,657	\$ 1,423,944

Annual maturities of long-term debt are presented in the following table. The effects of the change in monthly principal payments beginning October 15, 2017 are not expected to be significant.

Year ending June 30,	
2015	\$ 30,120
2016	36,593
2017	38,370
2018	40,232
2019	42,185
Thereafter	1,234,277
	\$ 1,421,777

The note payable contains restrictive covenants relating to, among others, maintenance of certain financial ratios and compliance with certain laws and regulations. As of June 30, 2014, the Organization was in compliance with these covenants.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

7. Operating lease:

In July 2012, BMS increased the amount of rental space leased by a tenant and extended the lease term through August 2019. At June 30, 2014, minimum future rentals under the lease are as follows:

<u>Year ending June 30,</u>	
2015	\$ 233,322
2016	238,786
2017	244,350
2018	250,120
2019	256,018
Thereafter	42,834

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 (3% of eligible employees' compensation) is discretionary and is subject to annual approval by the Board of Directors. Effective January 1, 2013, the 401(k) retirement plan transitioned to a calendar year plan from a fiscal year plan. For the years ended June 30, 2014 and 2013, the Organization's contribution was \$217,976 and \$161,742, respectively.

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 a 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.

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

9. Surplus revenue retention (continued):

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, 2014 or 2013. The following presents the components of unrestricted net assets:

	Other Unrestricted Net Assets	Commonwealth of Massachusetts Cumulative Revenue Surplus	Total Unrestricted Net Assets
	<u> </u>	<u> </u>	<u> </u>
Balance at June 30, 2012	\$ 5,629,617	\$ 263,394	\$ 5,893,011
Change in net assets	<u>654,088</u>	<u>(91,080)</u>	<u>563,008</u>
Balance at June 30, 2013	6,283,705	172,314	6,456,019
Change in net assets	<u>981,352</u>	<u>220,805</u>	<u>1,202,157</u>
Balance at June 30, 2014	<u>\$ 7,265,057</u>	<u>\$ 393,119</u>	<u>\$ 7,658,176</u>

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 52% and 56% of revenues for the years ended June 30, 2014 and 2013, respectively, were from contracts with the Commonwealth.

Approximately 47% and 46% of accounts receivable at June 30, 2014 and 2013, respectively, is due from the Commonwealth.

11. Collective bargaining agreement:

The Organization has a collective bargaining agreement, which expires June 30, 2016, covering approximately 24% of the Organization's labor force at June 30, 2014.



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

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 years ended June 30, 2014 and 2013, and have issued our report thereon dated November 14, 2014, which contains an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the 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 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 consolidated 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 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 & Co LLP'.

Providence, Rhode Island
November 14, 2014

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, 2014 AND 2013

	2014			
	Program	Management and general	Fundraising	Totals
Purchased services and subcontractors	\$ 17,672,939			\$ 17,672,939
Employee compensation and related expenses	7,725,213	\$ 1,133,443	\$ 2,317	8,860,973
Occupancy costs	372,633	59,443		432,076
Other program and operating expenses	5,104,531	165,472		5,270,003
Direct administrative expenses		96,440		96,440
Other expenses	109,483	342,219	2,055	453,757
Depreciation	118,706	125,892		244,598
	<u>\$ 31,103,505</u>	<u>\$ 1,922,909</u>	<u>\$ 4,372</u>	<u>\$ 33,030,786</u>
	2013			
	Program	Management and general	Fundraising	Totals
Purchased services and subcontractors	\$ 14,560,371			\$ 14,560,371
Employee compensation and related expenses	7,026,797	\$ 1,093,060	\$ 2,531	8,122,388
Occupancy costs	358,868	56,577		415,445
Other program and operating expenses	4,738,968	209,260		4,948,228
Direct administrative expenses		102,809		102,809
Other expenses	88,748	332,382	2,608	423,738
Depreciation	118,386	139,919		258,305
	<u>\$ 26,892,138</u>	<u>\$ 1,934,007</u>	<u>\$ 5,139</u>	<u>\$ 28,831,284</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 consolidated financial statements of Old Colony Elder Services, Inc. and Subsidiary (the Organization) as of June 30, 2014, and have issued our report thereon dated November 14, 2014, which contains an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements as a whole.

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

Providence, Rhode Island
November 14, 2014

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTE THERETO

YEAR ENDED JUNE 30, 2014

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		\$ 60,891
<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>			
<i>Title III, Part D – Disease Prevention and Health Promotion Services</i>			
	93.043	0366-ffy13ocpcaaa-12-D2	20,080
<i>Title III, Part E – Family Caregiver Support Aging Cluster:</i>			
<i>Title III, Part C – Nutrition Services</i>			
	93.045	0366-ffy13ocpcaaa-13-C2	479,010
<i>Title III, Part B – Grants for Supportive Services and Senior Centers</i>			
	93.044	0366-ffy13ocpcaaa-10-B1	39,570
<i>Nutrition Services Incentive Program</i>			
	93.053		142,398
<i>Passed through the Commonwealth of Massachusetts:</i>			
<i>Title IV & II – Discretionary Projects</i>			
	93.048	0364-2013B30-921-13-C	4,554
<i>Alzheimer’s Disease Demonstration Grant</i>			
	93.051	ADRD2013OLDCOLONY000	6,244
<i>Affordable Care Act – Aging and Disability Resource Center</i>			
	93.517	ADRC91101191OLDCOLON	25,188
<i>Money Follows the Person Rebalancing Demonstration</i>			
	93.791	MFPOLDCOLONY20130000	40,500
<i>Total Expenditures of Federal Awards</i>			<u>\$ 928,921</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 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Old Colony Elder Services, Inc. and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2014, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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)**

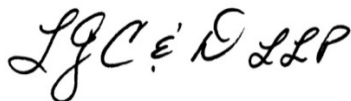
Board of Directors
Old Colony Elder Services, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Providence, Rhode Island
November 14, 2014



Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
OMB Circular A-133 (Continued)**

Board of Directors
Old Colony Elder Services, Inc.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of 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, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

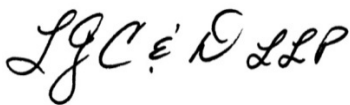
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

**Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
OMB Circular A-133 (Continued)**

Board of Directors
Old Colony Elder Services, Inc.

Report on Internal Control Over Compliance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "LJC & D LLP".

Providence, Rhode Island
November 14, 2014

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified		
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:	Unmodified		
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>
--	--------------------------------------

Auditee qualified as low-risk auditee?	<u> X </u> yes	_____ no
--	------------------	----------

OLD COLONY ELDER SERVICES, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.