Vinfen Corporation and Affiliates

Consolidated Financial Statements
and
Supplementary Information

Years Ended June 30, 2012 and 2011

Vinfen Corporation and Affiliates

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended June 30, 2012 and 2011

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors
Vinfen Corporation and Affiliates
Cambridge, Massachusetts

We have audited the accompanying consolidated statements of financial position of Vinfen Corporation and Affiliates (the "Organization") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, 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 of America. 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 Vinfen Corporation and Affiliates as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey LLP

November 9, 2012
Boston, Massachusetts

Vinfen Corporation and Affiliates

Consolidated Statements of Financial Position

June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash	**$ 12,952,885**	$ 9,051,473
Accounts receivable, net	**7,193,101**	8,034,636
Assets whose use is limited	**2,606,196**	2,346,177
Prepaid expenses and other current assets	**994,821**	1,978,649
Total current assets	**23,747,003**	21,410,935
Property and equipment, net	**34,483,953**	33,480,556
Assets whose use is limited	**1,197,620**	1,158,687
Board designated investments	**10,000,000**	10,000,000
Deferred financing costs, net	**573,609**	605,083
Other assets	**-**	214,048
Total assets	**$ 70,002,185**	$ 66,869,309
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	**$ 859,960**	$ 824,628
Accounts payable	**2,413,899**	2,710,409
Accrued vacation	**2,565,610**	2,843,128
Other accrued expenses	**9,974,368**	8,874,507
Client funds	**2,285,575**	2,017,666
Total current liabilities	**18,099,412**	17,270,338
Long-term debt, net of current portion	**23,289,264**	23,568,760
Capital advances	**1,327,428**	1,326,829
Other liabilities	**1,062,822**	563,728
Total liabilities	**43,778,926**	42,729,655
Commitments and contingencies		
Net assets:		
Unrestricted	**25,552,611**	23,608,841
Temporarily restricted	**670,648**	530,813
Total net assets	**26,223,259**	24,139,654
Total liabilities and net assets	**$ 70,002,185**	$ 66,869,309

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Revenues and other support:						
Contract revenue	**$ 107,852,307**	**$ -**	**$ 107,852,307**	$ 103,281,964	$ -	$ 103,281,964
Client fees	**5,743,836**	**-**	**5,743,836**	5,859,536	-	5,859,536
Rental subsidies	**1,579,225**	**-**	**1,579,225**	1,333,090	-	1,333,090
Contributions and grants	**1,946**	**251,009**	**252,955**	24,478	239,371	263,849
Investment income	**39,755**	**-**	**39,755**	38,911	-	38,911
Other operating revenue	**461,338**	**-**	**461,338**	439,052	-	439,052
Net assets released from restrictions	**111,174**	**(111,174)**	**-**	198,610	(198,610)	-
Total revenues and other support	**115,789,581**	**139,835**	**115,929,416**	111,175,641	40,761	111,216,402
Expenses:						
Program services:						
Psychiatric rehabilitation	**56,162,098**	**-**	**56,162,098**	52,429,386	-	52,429,386
Developmental services	**44,710,755**	**-**	**44,710,755**	43,477,810	-	43,477,810
Clinical services	**423,292**	**-**	**423,292**	665,337	-	665,337
Supported housing	**125,840**	**-**	**125,840**	145,979	-	145,979
Total program services	**101,421,985**	**-**	**101,421,985**	96,718,512	-	96,718,512
Administrative and general	**11,775,607**	**-**	**11,775,607**	11,934,241	-	11,934,241
Fundraising	**61,880**	**-**	**61,880**	-	-	-
Total expenses	**113,259,472**	**-**	**113,259,472**	108,652,753	-	108,652,753
Change in net assets from operations	**2,530,109**	**139,835**	**2,669,944**	2,522,888	40,761	2,563,649
Non-operating income (expense):						
Gain (loss) on sale/disposal of assets	**(94,864)**	**-**	**(94,864)**	538,839	-	538,839
Loss on interest rate swap contracts	**(499,094)**	**-**	**(499,094)**	(192,297)	-	(192,297)
Gain (loss) on discontinued operations	**7,619**	**-**	**7,619**	(898)	-	(898)
Total non-operating income (expense)	**(586,339)**	**-**	**(586,339)**	345,644	-	345,644
Change in net assets	**1,943,770**	**139,835**	**2,083,605**	2,868,532	40,761	2,909,293
Net assets at beginning of year	**23,608,841**	**530,813**	**24,139,654**	20,740,309	490,052	21,230,361
Net assets at end of year	**$ 25,552,611**	**$ 670,648**	**$ 26,223,259**	$ 23,608,841	$ 530,813	$ 24,139,654

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2012

	Psychiatric Rehabilitation	Developmental Services	Clinical Services	Supported Housing	Training Center	Facility Maintenance	Total Programs	Administrative and General	Fundraising	Totals
Operating expenses:										
Salaries and wages	$ 34,212,643	$ 28,141,769	$ 143,316	$ -	$ 306,084	$ 249,615	$ 63,053,427	$ 6,145,121	$ 17,746	$ 69,216,294
Payroll taxes and employee benefits	7,482,398	6,544,480	42,067	-	115,054	86,029	14,270,028	1,212,142	2,965	15,485,135
Total salaries and related benefits	41,695,041	34,686,249	185,383	-	421,138	335,644	77,323,455	7,357,263	20,711	84,701,429
Occupancy expenses	5,517,142	3,242,396	23,318	35,995	210,737	301	9,029,889	174,557	919	9,205,365
Depreciation and amortization	921,945	1,087,476	6,047	69,827	10,512	-	2,095,807	805,722	-	2,901,529
Professional fees	1,369,451	263,849	184,278	3,253	82,432	-	1,903,263	937,365	4,141	2,844,769
Transportation	1,151,469	1,403,630	-	-	1,295	31,451	2,587,845	89,946	12	2,677,803
Food	1,277,579	926,243	251	-	259	-	2,204,332	8,882	-	2,213,214
Supplies	1,107,610	814,049	3,316	-	8,291	211	1,933,477	267,378	2,997	2,203,852
Equipment and rental	669,587	184,386	3,612	-	13,775	3,859	875,219	755,146	-	1,630,365
Communication and data	537,463	269,154	6,375	-	5,744	2,685	821,421	459,907	350	1,281,678
Repairs and maintenance	661,366	447,018	8,781	6,894	18,868	2,982	1,145,909	116,996	-	1,262,905
Interest	278,158	599,218	-	-	-	-	877,376	245,497	-	1,122,873
Insurance	229,593	136,393	2,362	3,737	2,781	299	375,165	120,621	-	495,786
Other expenses	71,079	95,501	626	-	1,746	34	168,986	184,768	32,750	386,504
Staff training	95,151	89,317	525	-	6,886	-	191,879	175,510	-	367,389
Facility maintenance allocation	166,951	163,973	-	6,134	531	(379,384)	(41,795)	41,795	-	-
Training center allocation	406,455	337,945	1,391	-	(784,995)	1,918	(37,286)	37,286	-	-
Bad debt expense (recovery)	6,058	(36,042)	(2,973)	-	-	-	(32,957)	(3,032)	-	(35,989)
Total expenses	$ 56,162,098	$ 44,710,755	$ 423,292	$ 125,840	$ -	$ -	$ 101,421,985	$ 11,775,607	$ 61,880	$ 113,259,472

Vinfen Corporation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2011

	Psychiatric Rehabilitation	Developmental Services	Clinical Services	Supported Housing	Training Center	Facility Maintenance	Total Programs	Administrative and General	Fundraising	Totals
Operating expenses:										
Salaries and wages	$ 32,358,438	$ 27,273,922	$ 270,114	$ -	$ 314,418	$ 281,095	$ 60,497,987	$ 6,573,330	$ -	$ 67,071,317
Payroll taxes and employee benefits	6,350,902	5,822,460	65,777	-	149,466	83,329	12,471,934	1,202,650	-	13,674,584
Total salaries and related benefits	38,709,340	33,096,382	335,891	-	463,884	364,424	72,969,921	7,775,980	-	80,745,901
Occupancy expenses	5,590,231	3,307,017	84,386	45,559	236,509	545	9,264,247	198,250	-	9,462,497
Depreciation and amortization	877,213	1,215,037	9,040	72,718	11,149	-	2,185,157	824,331	-	3,009,488
Professional fees	1,690,091	434,171	221,498	3,330	84,440	-	2,433,530	1,119,668	-	3,553,198
Transportation	1,027,977	1,319,332	19	-	146	32,451	2,379,925	86,831	-	2,466,756
Food	1,128,353	907,260	831	-	-	-	2,036,444	8,606	-	2,045,050
Supplies	889,129	819,422	3,505	-	4,545	655	1,717,256	249,370	-	1,966,626
Equipment and rental	130,835	103,871	1,145	-	10,702	73	246,626	339,550	-	586,176
Communication and data	539,780	309,528	9,603	-	5,717	5,834	870,462	426,071	-	1,296,533
Repairs and maintenance	517,695	469,032	23,159	9,117	10,903	3,635	1,033,541	180,672	-	1,214,213
Interest	288,179	573,804	-	-	-	-	861,983	202,401	-	1,064,384
Insurance	215,630	132,445	2,347	3,579	2,410	349	356,760	118,691	-	475,451
Other expenses	107,480	75,574	1,975	-	210	-	185,239	171,191	-	356,430
Staff training	121,903	47,271	113	-	7,205	-	176,492	166,929	-	343,421
Facility maintenance allocation	165,430	216,585	4,317	11,676	317	(410,410)	(12,085)	12,085	-	-
Training center allocation	425,941	361,199	2,797	-	(838,137)	2,444	(45,756)	45,756	-	-
Bad debt expense (recovery)	4,179	89,880	(35,289)	-	-	-	58,770	7,859	-	66,629
Total expenses	$ 52,429,386	$ 43,477,810	$ 665,337	$ 145,979	$ -	$ -	$ 96,718,512	$ 11,934,241	$ -	$ 108,652,753

Vinfen Corporation and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 2,083,605	$ 2,909,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,844,552	2,825,434
Amortization of deferred financing costs	56,977	184,054
Provision for bad debts	(175,783)	(37,094)
(Gain) loss on sale/disposal of assets	94,864	(538,839)
Loss on interest rate swap contracts	499,094	192,297
Change in accounts receivable	1,017,318	1,000,116
Change in prepaid expenses and other current assets	1,106,349	(762,496)
Change in accounts payable	(296,510)	562,757
Change in accrued vacation	(277,518)	(158,501)
Change in other accrued expenses	1,099,861	841,969
Total adjustments	5,969,204	4,109,697
Net cash provided by operating activities	8,052,809	7,018,990
Cash flows from investing activities:		
Purchases of property and equipment	(3,883,787)	(4,075,645)
Proceeds from sale of assets	32,501	1,753,900
Change in assets whose use is limited	(31,043)	79,533
Net cash used in investing activities	(3,882,329)	(2,242,212)
Cash flows from financing activities:		
Repayments on line of credit	-	(360,000)
Proceeds from long-term debt	580,477	9,788,728
Proceeds from capital advances	599	-
Repayments on long-term debt	(824,641)	(8,797,173)
Deferred financing costs	(25,503)	(184,696)
Net cash (used in) provided by financing activities	(269,068)	446,859
Net increase in cash	3,901,412	5,223,637
Cash, beginning of year	9,051,473	3,827,836
Cash, end of year	$ 12,952,885	$ 9,051,473
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,142,327	$ 1,145,524

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

1. NATURE OF ORGANIZATION

Vinfen Corporation ("Vinfen") was formed in July 1977 as a not-for-profit organization to provide comprehensive community-based services to individuals with disabilities, primarily adults with psychiatric and developmental disabilities. Vinfen provides services in Eastern Massachusetts from the Lawrence/Lowell area down to Boston, the South Shore, and the Cape.

In March 1988, Vinfen formed a for-profit wholly-owned subsidiary, Travis Corporation. Travis Corporation operates an outpatient clinic ("People Care") which provides treatment and consultation to individuals with psychiatric disabilities. Travis Corporation restated its articles of organization and was recognized as a 501(c)(3) organization effective January 28, 1999.

In January 2000, Vinfen formed an affiliate not-for-profit corporation, Vinfen Corporation of Connecticut, Inc. (“Vinfen of Connecticut”). Vinfen of Connecticut operates Community Living Arrangements, Supported Living Arrangements and other residential and day programs for individuals with special needs who are located throughout the State of Connecticut.

In May 2001, the United States Department of Housing and Urban Development ("HUD") approved Vinfen’s application for financing housing for low income individuals served. Vinfen formed three affiliate not-for-profit supportive housing corporations, Vinfen Corporation of Larchmont, Inc. ("Larchmont"), Vinfen of Forest, Inc. ("Forest") and Vinfen Corporation of Plain, Inc. ("Plain"), which own and operate three HUD sponsored residential facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of Vinfen Corporation and Affiliates have been prepared on the accrual basis of accounting and in accordance with the reporting principles of not-for-profit accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of Vinfen Corporation and its affiliated organizations, Vinfen of Connecticut, People Care, Larchmont, Forest, and Plain (collectively the “Organization”). All significant intercompany transactions and balances have been eliminated in the consolidation.

Classification and Reporting of Net Assets

The Organization reports three classes of net assets and the changes in those net assets in the consolidated statements of financial position and consolidated statements of activities, respectively. The three classes of net assets are unrestricted, temporarily restricted, and permanently restricted. These classifications are based on the existence or absence of donor-imposed restrictions. The three classifications are defined as follows:

Unrestricted Net Assets

Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Classification and Reporting of Net Assets…continued

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and that are satisfied by either the passage of time or by actions of the Organization.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization or by a third party foundation or trustee for the benefit of the Organization. Generally, the donors of these assets permit the Organization to use, all or in part, the income earned on related investments for general or specific purposes. Unexpended appreciation on permanently restricted net assets is included in temporarily restricted net assets. The Organization had no permanently restricted activity during the years ended June 30, 2012 and 2011.

Use of Estimates

The preparation of 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 reported amounts of revenue and expenses during the reporting period. The more significant items presented herein affected by the use of estimates are the allowances for uncollectible receivables, depreciable lives of property and equipment, accrued pension expense, and the functional allocation of expenses. Actual results could differ from estimates.

Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. Certain balances meeting the definition of cash equivalents have been classified as investments as a result of the Organization’s intent to segregate these designated funds from cash available for current operations.

Concentration of Credit Risk

Cash

The Organization deposits its cash in major financial institutions that, at times, may exceed federally insured limits by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Concentration of Credit Risk…continued

Revenue

The Organization receives the majority of its revenues from state governments as contract funding for its programs (approximately $106,500,000 and $102,100,000 for the years ended June 30, 2012 and 2011, respectively). Substantially all accounts receivable as of June 30, 2012 and 2011 are due from state agencies.

Board-Designated Investments

In November 2000, the Board of Directors voted to institute a Board Designated Fund to help sustain the long-term operations of the Organization. The fund is carried at fair value and is held in a commercial checking account to preserve its corpus. Interest is recorded when earned and is included in investment income in the consolidated statement of activities.

Accounts Receivable

Accounts receivable due from state agencies, municipalities, and directly from clients are carried at the original charge for the services provided less amounts covered by third party payors and less an estimated allowance for doubtful accounts. Accounts receivable, where a third party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third party payors, if any. Management determines the allowance for doubtful accounts by identifying troubled accounts and by a review of an aging of accounts. Account receivables are written off as bad debt expense when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as a reduction of bad debt expense when received. Accounts receivable as of June 30, 2012 and 2011 totaling $7,193,101 and $8,034,636, respectively, are reflected net of an allowance for doubtful accounts totaling $77,933 and $253,715, respectively.

Fair Value Measurements

The Organization follows Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures about Fair Value Measurements*. The additional disclosures required about fair value measurements include, among other things, *(a)* the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, *(b)* the gross, rather than net, basis for certain Level 3 roll-forward information, *(c)* use of a "class" basis rather than a "major category" basis for assets and liabilities, and *(d)* valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements.

Under the Financial Accounting Standards Board's ("FASB") authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities and listed derivatives. As required by fair value standards, the Organization does not adjust the quoted prices for these investments, even in situations where the Organization may hold a large position and a sale could reasonably impact the quoted price.

Securities that are listed on the United States securities exchange are valued at their last sales price on the largest United States securities exchange on which such securities have traded. Securities that are listed on an international exchange are valued at the last sales price from the largest exchange within the individual security's country of jurisdiction.

Level 2 - Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments, which are generally included in this category, include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. Level 2 also includes practical expedient investments with redemption periods of ninety days or less.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies. Level 3 also includes practical expedient investments with redemption periods of more than ninety days.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Federated Government Obligation Funds

Valued at published net asset values, or quoted market prices, for identical assets provided by the fund manager.

Vinfen Corporation and Affiliates

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

United States Treasury Notes

Valued at published quoted market prices.

Certificate of Deposit

Valuation inputs utilized by the bank for the certificate of deposit under level 2 are based on estimated cash flow projections that utilize an appropriate discount rate based on the maturity date.

Derivative Instruments

Derivatives are fair valued according to their classification as over-the-counter ("OTC") and consist of interest rate swaps. These derivatives are valued using third party services. Observable market inputs include yield curves (the LIBOR swap curve and applicable base swap curves).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no significant changes in valuation methodologies during the years ended June 30, 2012 and 2011.

Derivative Financial Instruments

FASB ASC 815, *Derivatives and Hedging*, establishes accounting and reporting standards for derivative and hedging activities, and requires organizations to record derivative instruments as assets or liabilities, measures at fair value. Derivative instruments are classified on the consolidated statements of financial position as long-term other liabilities, and the recognition of gains or losses resulting from changes in the value of the interest rate swap are recorded as changes in unrestricted net assets in the consolidated statements of activities. The Organization entered into an interest rate swap agreement as part of its overall strategy to reduce exposure to fluctuations in interest rates. The Organization does not enter into financial instruments for trading or speculative purposes.

Vinfen Corporation and Affiliates

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value of Financial Instruments

The Organization has estimated the fair value of financial instruments using available market information and appropriate valuation methodologies. The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term borrowings approximates fair value due to the short maturity of these instruments. Rates currently available to the Organization for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. The Organization uses quoted market prices for its long-term debt when traded as an asset in an active market. When quoted market prices are not available, fair value of long-term debt is estimated using an expected present value technique.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the time of the donation. Depreciation is recorded on the straight-line basis over the estimated useful life of the assets as follows:

Asset	Life
Buildings – Commercial	40 years
Buildings – Residential	27.5 years
Building improvements	20 years
Leasehold improvements	The lesser of twenty years, or the remainder of the lease
Furniture and equipment	3-10 years

Equipment granted by certain contracts remains the property of the awarding agency. To conform to the requirements of state financing agencies, the Organization capitalizes equipment received/purchased through grants/contracts and depreciates the related assets in accordance with the Organization’s policies.

Expenditures for maintenance and repairs are charged to expenses, whereas major betterments are capitalized.

When assets are disposed, sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain (loss) is reported and charged to non-operating income (expense) on the consolidated statement of activities. During the year ended June 30, 2012, the Organization reported a net loss from the sale and disposal of property and equipment totaling $33,338, which is included within the caption gain (loss) on the sale/disposal of assets on the consolidated statements of activities. During the year ended June 30, 2011, the Organization reported a net gain from the sale and disposal of property and equipment totaling $538,839 which was primarily due to the sale of two properties by Vinfen.

Costs associated with on-going projects are accumulated as construction in progress until completion. The completed asset is then reclassified to property and equipment and depreciated over its estimated useful life once placed in service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management assesses the recoverability of long-lived assets by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets. The Organization had no impairment of its long-lived assets for the years ended June 30, 2012 and 2011.

Assets Whose Use is Limited

Assets whose use is limited represent funds held in escrow for individuals served, bond agreements, and capital advance agreements (Note 3). These funds consist of mutual funds, treasury notes and cash accounts, and are recorded at fair value as of June 30, 2012 and 2011.

Deferred Financing Costs

Financing costs of obtaining long-term debt are capitalized and are being amortized over the period the obligations are outstanding using the effective interest or straight-line method.

Other Assets

Included in other assets as of June 30, 2011 are a certificate of deposit totaling $124,048 and a bed license agreement to operate a nursing home facility totaling $90,000. During the year ended June 30, 2012, the certificate of deposit expired and the funds were transferred to cash. In addition, the Organization sold its bed license agreement which resulted in a net loss of $61,526. This loss is included within the caption gain (loss) on the sale/disposal of assets on the consolidated statements of activities.

Revenue Recognition

The Organization records revenue when services are provided and expenses are incurred. The majority of the Organization's clients are supported by state funded agencies through the Commonwealth of Massachusetts and the State of Connecticut. Vinfen is subject to the regulations and rate formulas of the Massachusetts Executive Office for Administration and Finance Operational Services Division (“OSD”). Revenue is recorded at Vinfen's rates of reimbursement as certified by OSD.

Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by Vinfen for expenditures in accordance with its exempt purposes, provided such expenditures are reimbursable under OSD regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment, and are reported as liabilities. There were no amounts in excess of these limits as of June 30, 2012 and 2011.

As of June 30, 2012 and 2011, approximately 73% and 75%, respectively, of Vinfen of Connecticut’s funding is subject to a cost settlement process. The process entails matching the amount funded by the Connecticut Department of Developmental Services to actual reimbursable costs. Amounts received in excess of costs are to be refunded to the State with certain adjustments. Management does not believe there are any amounts to be refunded to the State of Connecticut as of June 30, 2012 and 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Contributions

Contributions are recognized as revenue in the period received. Contributions of assets other than cash are recorded at their estimated fair value. The Organization reports gifts of cash and other assets 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 statement of activities as net assets released from restrictions.

Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the service received. Contributed services totaled $18,923 for the year ended June 30, 2011. The Organization did not receive contributed services during the year ended June 30, 2012.

Income Taxes

The Organization is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization is subject to federal and state income taxes on unrelated business income, if any.

The Organization follows the FASB guidance, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Organization has no material uncertainties in income taxes. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for fiscal years before 2009. The Organization will account for interest and penalties related to uncertain tax positions, if any, as part of operating expenses.

Advertising

Advertising costs are expensed as incurred.

Operating Activities

The consolidated statements of activities reflect a subtotal for the change in net assets from operations. This subtotal reflects revenues that the Organization received for operating purposes and all operating expenses. Non-operating activity reflects all other activity, including but not limited to the gain/loss on the sale of property and equipment and other assets, change in the value of its interest rate swap contracts, and the gain/loss on discontinued operations.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04*, Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption of this guidance is not expected to have a material impact on the Organization's financial statements.

Reclassifications

Certain reclassifications have been made to the June 30, 2011 consolidated financial statements to conform to the June 30, 2012 presentation.

3. ASSETS WHOSE USE IS LIMITED

As of June 30, 2012 and 2011, assets whose use is limited is comprised of the following:

	2012	2011
Debt service reserve funds	$ 1,446,960	$ 1,425,081
Client funds	2,285,575	2,017,666
Replacement reserve funds	71,281	62,117
	3,803,816	3,504,864
Less - current	2,606,196	2,346,177
Long-term	$ 1,197,620	$ 1,158,687

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2012 and 2011:

	2012	2011
Land	$ 7,299,351	$ 6,690,904
Buildings and improvements	36,248,463	34,009,784
Furniture and equipment	9,303,728	8,864,627
Construction in progress	429,160	87,244
	53,280,702	49,652,559
Less - accumulated depreciation and amortization	(18,796,749)	(16,172,003)
	$ 34,483,953	$ 33,480,556

4. PROPERTY AND EQUIPMENT...continued

Construction in progress represents costs incurred in connection with various construction projects to support program operations. The estimated remaining costs to complete these projects is $1,900,000. These projects are expected to be completed by February 2013.

5. DEFERRED FINANCING COSTS

The costs of obtaining long-term debt were capitalized and are being amortized over the period the obligations are outstanding using the effective interest rate or straight-line method and consist of the following at June 30:

	Amortization Period	2012	2011
Bond issuance costs (net of accumulated amortization of $502,438 and $452,793 as of June 30, 2012 and 2011, respectively).	1-30 years	$ 521,578	$ 571,223
Term loan issuance costs (net of accumulated amortization of $17,861 and $11,874 as of June 30, 2012 and 2011, respectively).	5-30 years	52,031	32,515
Line of credit fees (net of accumulated amortization of $3,001 and $1,656 as of June 30, 2012 and 2011, respectively).	2 years	-	1,345
		$ 573,609	$ 605,083

6. LINES OF CREDIT

Vinfen had an asset purchase line of credit with a $2,000,000 borrowing limit through Citizens Bank. The asset purchase line of credit bears interest at the London Interbank Offered Rate (“LIBOR”) plus 170 basis points (1.95% and 1.88% as of June 30, 2012 and 2011, respectively) and expired on September 30, 2012. There were no borrowings on this line of credit as of June 30, 2012 and 2011, respectively.

Vinfen has a demand working capital line of credit with a $3,000,000 borrowing limit through Citizens Bank. The working capital line of credit bears interest at LIBOR plus 250 basis points (2.75% and 2.68% as of June 30, 2012 and 2011, respectively) and is subject to an annual bank review on December 31. There were no borrowings on this line of credit as of June 30, 2012 and 2011, respectively.

The asset purchase line of credit agreement had covenants that require Vinfen to maintain minimum ratios of debt service coverage and liabilities to total tangible net assets. Management had determined that the Organization was in compliance with these financial covenants.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

7. LONG-TERM DEBT

	2012	2011
In November 1998, Vinfen issued $16,515,000 of Series A tax-exempt bonds through the Massachusetts Health and Educational Facilities Authority ("Mass HEFA"). The proceeds from the sale of the Series A Bonds provided for the defeasance of a 1994 bond issue. Additional proceeds were used for refinancing mortgages on Vinfen's properties, acquisition of a building, the upgrade of Vinfen's computer systems, and repair and renovation of properties. The interest rate on the 1998 Mass HEFA Series A Bonds varies between 4.0% and 5.3% based on their maturities. Interest payments are to be made semiannually in May and November. Principal payments are to be made annually in November ranging from $215,000 to $1,055,000 through 2028. The bonds are redeemable at Vinfen's option at fair value. Vinfen granted the holders of the Series A Bonds a lien on gross revenues and receipts to the extent necessary to ensure payment of annual debt service requirements. The Master Trust Indenture agreement contains certain financial covenants which include the maintenance of a debt service coverage ratio of at least 1.15. Management has determined that the Organization is in compliance with these financial covenants.	$ 11,870,000	$ 12,310,000
On December 1, 2010, Vinfen refinanced its outstanding Mass HEFA Variable Rate Demand Revenue Bonds in the amount of $5,235,409 and bank long-term debt and construction line of credit debt totaling $3,367,571 with Massachusetts Development Finance Agency ("MDFA") Revenue Bonds, Vinfen Corporation Issue, Series 2010 ("MDFA Series Bonds") in the amount of $8,758,000. The interest rate on the MDFA Series Bonds is 68% of LIBOR plus 2.85% (2.10% as of June 30, 2012 and 2011). The bonds are amortized over a 20-year period requiring monthly principal payments ranging from $22,100 to $34,200 through December 31, 2020, plus monthly interest payments. At December 31, 2020, the remaining unamortized bonds of $5,425,000 is required to be purchased by Vinfen. The MDFA Bonds were privately placed with a bank as the holder. The agreement contains certain financial covenants which include the maintenance of a debt service coverage ratio of at least 1.25 and a leverage ratio not to exceed 3.5. Management has determined that the Organization is in compliance with these financial covenants.	8,353,600	8,625,400
Balance forward	$20,223,600	$20,935,400

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

7. LONG-TERM DEBT…continued

	2012	2011
Balance forward	$20,223,600	$20,935,400
In 1998, Vinfen received a loan of $184,175 from the Community Economic Development Assistance Corporation ("CEDAC") for the purpose of renovating the property at 374 Dorchester Street, Boston, Massachusetts. This loan matures in August 2029, and is extendable to 2039 at Vinfen's option. Principal payments are not required until maturity. The rate of interest on this debt is 0%. This note is collateralized by a second mortgage on the property.	184,175	184,175
In 2010, Vinfen received a loan commitment of $980,477 from CEDAC for the purpose of renovating the property at 424 Jamaica Way, Boston, Massachusetts. This loan matures in August 2040, and is extendable to August 2051 at Vinfen's option. Principal payments are not required until maturity. The rate of interest on this debt is 0%. This note is collateralized by a second mortgage on the property.	980,477	400,000
In 2010, Vinfen received a loan of $390,000 from CEDAC for the purpose of renovating the property at 4 Wilson Ave., Dedham, Massachusetts. This loan matures in August 2041, and is extendable to August 2051 at Vinfen's option. Principal payments are not required until maturity. The rate of interest on this debt is 0%. This note is collateralized by a second mortgage on the property.	390,000	390,000
In 2009, Vinfen of Connecticut received a real estate loan from a bank. The loan is guaranteed by Vinfen Corporation and is secured by mortgages on four residential facilities. The loan has a 5.38% fixed interest rate with monthly principal and interest payments of $6,130 over a 59 month period. The loan has a $762,113 balloon payment due in May 2014.	817,809	845,796
In 2009, Vinfen of Connecticut received a real estate loan from an individual. The loan is secured by a mortgage on a commercial office building. The loan has a 5.00% fixed interest rate with monthly principal and interest payments of $8,305 through September 2019.	605,014	672,579
Balance forward	$23,201,075	$23,427,950

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

7. LONG-TERM DEBT…continued

	2012	2011
Balance forward	$23,201,075	$23,427,950
In 2010, Vinfen of Connecticut received a real estate loan from a bank. The loan is guaranteed by Vinfen Corporation and is secured by a mortgage on a residential facility. The loan's interest rate is LIBOR plus 1.75% (1.96% and 2.04% as of June 30, 2012 and 2011, respectively) and requires monthly principal and interest payments of $1,120 over a 59 month period. The loan has a $173,328 balloon payment due in August 2015.	203,621	212,848
In 2010, Vinfen and Vinfen of Connecticut entered into two Small Business Energy Advantage loans with 0% interest. Repayment is through monthly principal payments of $407 through June 2013.	4,886	12,948
In 2004, the Massachusetts Facility Consolidation Fund was awarded to Plain through CEDAC for the purchase of the Plain facility. The interest rate on this note is 0% and the note is payable in May 2034. CEDAC has the right to extend the maturity date for additional periods of up to ten years each, as long as Plain is providing low income housing to disabled individuals and it is determined that a need exists in the community for this housing. This note is collateralized by a second mortgage on the property.	243,483	243,483
In 2004, the Massachusetts Facility Consolidation Fund was awarded to Forest through CEDAC for the purchase of the Forest facility. The interest rate on this note is 0% and the note is payable in May 2034. CEDAC has the right to extend the maturity date for additional periods of up to ten years each, as long as Forest is providing low income housing to disabled individuals and it is determined that a need exists in the community for this housing. This note is collateralized by a second mortgage on the property.	315,302	315,302
In 2005, the Massachusetts Facility Consolidation Fund was awarded to Larchmont through CEDAC for the purchase of the Larchmont facility. The interest rate on this note is 0% and the note is payable in May 2034. CEDAC has the right to extend the maturity date for additional periods of up to 10 years each, as long as Larchmont is providing low income housing to disabled individuals and it is determined that a need exists in the community for this housing. This note is collateralized by a second mortgage on the property.	180,857	180,857
Total long-term debt	24,149,224	24,393,388
Less - current portion	859,960	824,628
Long-term debt, net of current portion	$ 23,289,264	$ 23,568,760

7. LONG-TERM DEBT…continued

Maturities of long-term debt are as follows for the years ending June 30:

2013	$ 859,960
2014	1,656,744
2015	912,631
2016	1,127,420
2017	993,510
Thereafter	18,598,959
Total long-term debt	$ 24,149,224

The fair market value of outstanding long-term debt approximated $24,150,000 and $24,390,000 as of June 30, 2012 and 2011, respectively, based on quoted market prices of similar issues.

8. INTEREST RATE SWAP

On December 1, 2010, Vinfen entered into an interest rate swap agreement for the MDFA Series 2010 bonds. This agreement locks in the interest cash outflow at a fixed rate of 2.98%. The notional amount for this agreement was $7,399,800 and $7,640,000 as of June 30, 2012 and 2011, respectively. The swap contract is due to expire on December 31, 2020. The swap agreement is recorded within other liabilities at fair value on the consolidated statements of financial position. The fair value of the interest rate swap agreement was a liability of $1,062,822 and $563,728 as of June 30, 2012 and 2011, respectively.

The fair values of derivative instruments as of June 30, 2012 and 2011 are as follows:

	Liability Derivatives		
	Balance Sheet Location	Fair Value as of June 30, 2012	Fair Value as of June 30, 2011
Derivative not designated as hedging instruments: Interest rate swaps	Other liabilities	$ 1,062,822	$ 563,728

The effect on the consolidated statements of activities for the years ended June 30, 2012 and 2011 consists of the following:

Derivatives Not designated as Hedging Instruments	Location of Loss Recognized in Income On Derivative	Amount of Loss Recognized in Income on Derivative for 2012	Amount of Loss Recognized in Income on Derivative for 2011
Interest rate swaps	Non-operating income (expense)	$ (499,094)	$ (192,297)

9. CAPITAL ADVANCES

Capital advances consist of the following as of June 30, 2012 and 2011:

HUD provided capital advances for renovations of three facilities totaling $1,215,800 and 1,215,201 as of June 30, 2012 and 2011, respectively. These advances bear interest at 5.375%. Interest will be forgiven as long as the properties are used to serve disabled people for a period of forty years (2044 and 2045), under the provision of Section 811 of the National Housing Act of 1990. These advances are collateralized by mortgages on the properties.

The State of Connecticut provided Vinfen of Connecticut with working capital advances for two new programs in 2006 and one new program in 2009 totaling $111,628 as of June 30, 2012 and 2011. These advances have no formal repayment terms.

Management does not anticipate any principal payments on these advances during the succeeding five years.

10. RETIREMENT PLANS

The Organization has a profit sharing plan (the “Plan”) covering all eligible employees. Annual contributions to the Plan are at the discretion of the Board of Directors and can vary among the different Organization related entities that participate in the Plan. The Plan does not allow for employee contributions. Employer contributions, with earnings thereon, are 100% vested over the participants’ first five years of service.

For the years ending June 30, 2012 and 2011, the Organization accrued contributions ranging from 3% to 9% of annual salaries for all eligible participants to the Plan.

The funding for fiscal year’s 2011 contribution to the Plan was made in February 2012. The funding for fiscal year’s 2012 contribution to the plan is expected to be made in February 2013.

Retirement plan expense amounted to $2,308,337 and $1,525,882 for the years ended June 30, 2012 and 2011, respectively.

In addition, Vinfen has a 403(b) tax deferred retirement plan for all of its employees. Under the plan, employees may contribute up to the Internal Revenue Service indexed maximum amount for each calendar year. Vinfen does not contribute to this plan.

11. COMMITMENTS AND CONTINGENCIES

In May 2012, Vinfen received a loan commitment of $537,707 from CEDAC for the purpose of developing the property at 57 Indian Ridge Road, South Holliston, Massachusetts. The loan would be at an interest rate of 0% and would require no principal payments until maturity in May 2042. In September 2012, CEDAC funded this loan commitment.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

11. COMMITMENTS AND CONTINGENCIES…continued

Vinfen leases facilities, motor vehicles, and other equipment. Future minimum lease payments under these leases are as follows for the years ending June 30:

	Facilities	Vehicles	Equipment	Total
2013	$ 4,030,913	$ 1,194,965	$ 188,291	$ 5,414,169
2014	2,424,570	1,013,539	40,277	3,478,386
2015	1,857,777	558,512	2,026	2,418,315
2016	1,116,823	223,213	-	1,340,036
2017	737,062	41,810	-	778,872
Thereafter	875,088	-	-	875,088
	$ 11,042,233	$ 3,032,039	$ 230,594	$ 14,304,866

Total lease expense under all leases for the years ended June 30, 2012 and 2011 totaled $7,614,913 and $8,134,431, respectively.

12. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2012 and 2011, net assets totaling $111,174 and $198,610, respectively, were released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes or by the occurrence of events specified by the donors.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2012 and 2011 are comprised of the following:

	2012	2011
Contributions with purpose restrictions:		
Director Scholarships	$ 13,685	$ 14,185
Gateway Arts Program	392,950	278,974
Funds to support services above and beyond contractual funding	147,267	128,437
Bronstein Respite	75,756	75,086
Citizens Recovery Grant – Recovery Learning Center	14,611	19,202
Friends of Metro Boston Support	20,594	13,644
Other	5,785	1,285
	$ 670,648	$ 530,813

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2012 and 2011

14. FAIR VALUE MEASUREMENT

The following tables summarize Vinfen's assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and 2011:

	Assets/Liabilities Measured at Fair Value on a Recurring Basis			
	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total June 30, 2012
Assets whose use is limited:				
United States Treasury Notes	$ 1,126,339	$ -	$ -	$ 1,126,339
Federated Government Obligation Fund	320,621	-	-	320,621
	$ 1,446,960	$ -	$ -	$ 1,446,960
Other liabilities:				
Interest rate swap liability	$ -	$ 1,062,822	$ -	$ 1,062,822

	Assets/Liabilities Measured at Fair Value on a Recurring Basis			
	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total June 30, 2011
Other assets:				
Certificate of deposit	$ -	$ 124,048	$ -	$ 124,048
Assets whose use is limited:				
Federated Government Obligation Fund	1,425,081	-	-	1,425,081
	$ 1,425,081	$ 124,048	$ -	$ 1,549,129
Other liabilities:				
Interest rate swap liability	$ -	$ 563,728	$ -	$ 563,728

The valuation of the Organization's derivative financial instrument (interest rate swap contract) is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. As a result, the Organization has determined that its derivative valuation is classified in Level 2 of the fair value hierarchy.

15. LEGAL MATTERS

The Organization is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Organization has defensible positions and any ultimate liabilities will not materially affect the financial position of the Organization.

16. DISCONTINUED OPERATIONS

Vinfen is the sole member of Family Rehabilitation Services, Inc. ("Hancock Manor"), a nonprofit corporation formed in February 1992 to acquire and operate a 72-bed skilled nursing home in Dorchester, Massachusetts. Hancock Manor ceased operations on April 13, 2009. The ceasing of operations was accounted for and presented in the consolidated statement of activities as discontinued operations, and amounted to a gain (loss) of $7,619 and ($898) for the years ended June 30, 2012 and 2011, respectively. In September 2012, Hancock Manor was merged into Vinfen Corporation.

In January 2005, Vinfen formed Olmsted Green Skilled Nursing Facility, Inc. ("Olmsted Green SNF"), a not-for-profit corporation for the purpose of building and operating a 123-bed nursing facility to replace the 72-bed Hancock Manor. Olmsted Green SNF was recognized as a 501 (c)(3) organization on July 31, 2007. On October 3, 2007, the Organization signed a commitment to purchase land located on the site formerly known as Boston State Hospital in Mattapan, Massachusetts, and obtained Determination of Need approval on May 28, 2008. In 2009, Vinfen decided not to pursue financing nor construction of Olmsted Green SNF due to uncertainty of the HUD financing. In 2012, the Organization sold its nursing bed licenses along with its Determination of Need approval which resulted in a net loss of $61,526. This amount is reported in gain (loss) on disposal/sale of assets line in the consolidated statement of activities. In September 2012, Olmsted Green SNF was merged into Vinfen Corporation.

17. SUBSEQUENT EVENTS

On September 30, 2012, North Suffolk Mental Health Association (“NSHMA”), an unrelated not-for-profit organization, transferred control of two of its HUD entities, Merrimack Housing Corporation (“Merrimack”) and Westland Community Housing Corporation (“Westland”) to Vinfen. As Vinfen possesses the service contracts for the clients being housed in these two HUD entities, Vinfen and NSHMA deemed it prudent for Vinfen to assume control of these entities by having Merrimack and Westland’s board of directors replaced with members from Vinfen’s board of directors. This transfer of control was approved by HUD, CEDAC, and the State of Massachusetts Department of Mental Health.

The fair value of Merrimack and Westland’s combined assets and liabilities is estimated to be $2,000,000 and $2,500,000, respectively. A formal valuation process is currently underway for both of these HUD entities and management does not expect the fair value of the assets and liabilities to materially different from the estimated value.

In September 2012, Vinfen received a loan from CEDAC totaling $537,707 for property that was developed at 57 Indian Ridge Road, South Holliston, Massachusetts.

17. SUBSEQUENT EVENTS…continued

In September 2012, the Organization merged several of its inactive affiliates into Vinfen Corporation. In addition to those disclosed in Note 16, Vinfen Housing Corporation, Vinfen Housing at Olmsted Green, Inc., and Vinfen Clinical Services, Inc. were also merged into Vinfen Corporation.

The Organization has evaluated subsequent events through November 9, 2012, which is the date these financial statements were issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Vinfen Corporation and Affiliates
Cambridge, Massachusetts

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies 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 consolidating 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 consolidated financial statements or to the consolidated 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.

McGladrey LLP

November 9, 2012
Boston, Massachusetts

Vinfen Corporation and Affiliates

Consolidating Statement of Financial Position
June 30, 2012

	Vinfen Corporation	Vinfen of Connecticut, Inc.	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Totals
ASSETS									
Current assets:									
Cash	$ 11,445,908	$ 1,470,856	$ -	$ 1,122	$ 930	$ 257	$ 33,812	$ -	$ 12,952,885
Accounts receivable, net	6,655,188	511,791	25,307	-	-	-	815	-	7,193,101
Assets whose use is limited	2,537,356	68,840	-	-	-	-	-	-	2,606,196
Prepaid expenses and other current assets	917,377	77,164	280	-	-	-	-	-	994,821
Total current assets	21,555,829	2,128,651	25,587	1,122	930	257	34,627	-	23,747,003
Property and equipment:									
Land	6,838,948	404,789	-	36,466	52,342	4,912	-	(38,106)	7,299,351
Building and improvements	31,917,255	2,456,085	-	675,266	612,578	587,279	-	-	36,248,463
Furniture and equipment	8,649,115	525,803	101,406	3,538	2,080	21,786	-	-	9,303,728
Construction in progress	429,160	-	-	-	-	-	-	-	429,160
	47,834,478	3,386,677	101,406	715,270	667,000	613,977	-	(38,106)	53,280,702
Less - accumulated depreciation	(17,252,893)	(908,363)	(96,528)	(184,406)	(166,741)	(187,818)	-	-	(18,796,749)
	30,581,585	2,478,314	4,878	530,864	500,259	426,159	-	(38,106)	34,483,953
Assets whose use is limited	1,134,253	-	-	24,336	22,160	16,871	-	-	1,197,620
Board designated investments	10,000,000	-	-	-	-	-	-	-	10,000,000
Deferred financing costs, net	556,805	10,178	-	2,554	2,041	2,031	-	-	573,609
Due from affiliates	5,618,991	-	-	-	-	-	-	(5,618,991)	-
Total assets	$ 69,447,463	$ 4,617,143	$ 30,465	$ 558,876	$ 525,390	$ 445,318	$ 34,627	$ (5,657,097)	$ 70,002,185
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current portion of long-term debt	$ 745,000	$ 114,960	$ -	$ -	$ -	$ -	$ -	$ -	$ 859,960
Accounts payable	2,300,504	83,732	25,528	10,417	22,540	19,445	-	(48,267)	2,413,899
Accrued vacation	2,295,867	269,743	-	-	-	-	-	-	2,565,610
Other accrued expenses	9,118,041	847,394	1,035	547	104	463	6,784	-	9,974,368
Client funds	2,216,735	68,840	-	-	-	-	-	-	2,285,575
Total current liabilities	16,676,147	1,384,669	26,563	10,964	22,644	19,908	6,784	(48,267)	18,099,412
Long-term debt, net of current portion	21,033,252	1,516,370	-	180,857	315,302	243,483	-	-	23,289,264
Capital advances	-	111,628	-	502,300	356,900	356,600	-	-	1,327,428
Other liabilities	1,062,822	-	-	1,117	903	1,106	-	(3,126)	1,062,822
Due to affiliates	-	2,287,581	3,216,366	30,680	12,215	18,756	2,000	(5,567,598)	-
Total liabilities	38,772,221	5,300,248	3,242,929	725,918	707,964	639,853	8,784	(5,618,991)	43,778,926
Net assets:									
Unrestricted	30,004,594	(683,105)	(3,212,464)	(167,042)	(182,574)	(194,535)	25,843	(38,106)	25,552,611
Temporarily restricted	670,648	-	-	-	-	-	-	-	670,648
Total net assets	30,675,242	(683,105)	(3,212,464)	(167,042)	(182,574)	(194,535)	25,843	(38,106)	26,223,259
Total liabilities and net assets	$ 69,447,463	$ 4,617,143	$ 30,465	$ 558,876	$ 525,390	$ 445,318	$ 34,627	$ (5,657,097)	$ 70,002,185

Vinfen Corporation and Affiliates

Consolidating Statement of Financial Position
June 30, 2011

	Vinfen Corporation	Vinfen of Connecticut, Inc.	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Totals
ASSETS									
Current assets:									
Cash	$ 7,123,873	$ 1,898,284	$ -	$ 282	$ 860	$ 1,965	$ 26,209	$ -	$ 9,051,473
Accounts receivable, net	7,425,198	623,908	23,748	44,814	-	-	-	(83,032)	8,034,636
Assets whose use is limited	2,275,843	70,334	-	-	-	-	-	-	2,346,177
Prepaid expenses and other current assets	1,853,083	124,151	1,275	-	-	-	140	-	1,978,649
Total current assets	18,677,997	2,716,677	25,023	45,096	860	1,965	26,349	(83,032)	21,410,935
Property and equipment:									
Land	6,230,501	404,789	-	36,466	52,342	4,912	-	(38,106)	6,690,904
Building and improvements	29,713,921	2,420,740	-	675,266	612,578	587,279	-	-	34,009,784
Furniture and equipment	8,220,665	515,152	101,406	3,538	2,080	21,786	-	-	8,864,627
Construction in progress	87,244	-	-	-	-	-	-	-	87,244
	44,252,331	3,340,681	101,406	715,270	667,000	613,977	-	(38,106)	49,652,559
Less - accumulated depreciation	(14,851,914)	(759,599)	(91,148)	(159,543)	(144,352)	(165,447)	-	-	(16,172,003)
	29,400,417	2,581,082	10,258	555,727	522,648	448,530	-	(38,106)	33,480,556
Assets whose use is limited	1,100,987	-	-	22,717	20,256	14,727	-	-	1,158,687
Board designated investments	10,000,000	-	-	-	-	-	-	-	10,000,000
Deferred financing costs, net	583,262	14,991	-	2,632	2,104	2,094	-	-	605,083
Other assets	214,048	-	-	-	-	-	-	-	214,048
Due from affiliates	5,939,623	-	-	-	-	-	-	(5,939,623)	-
Total assets	$ 65,916,334	$ 5,312,750	$ 35,281	$ 626,172	$ 545,868	$ 467,316	$ 26,349	$ (6,060,761)	$ 66,869,309
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current portion of long-term debt	$ 715,190	$ 109,438	$ -	$ -	$ -	$ -	$ -	$ -	$ 824,628
Accounts payable	2,644,357	80,068	19,150	33,620	21,141	14,417	-	(102,344)	2,710,409
Accrued vacation	2,570,178	272,950	-	-	-	-	-	-	2,843,128
Other accrued expenses	7,892,648	971,391	-	14,003	328	545	8,125	(12,533)	8,874,507
Client funds	1,947,464	70,202	-	-	-	-	-	-	2,017,666
Total current liabilities	15,769,837	1,504,049	19,150	47,623	21,469	14,962	8,125	(114,877)	17,270,338
Long-term debt, net of current portion	21,198,375	1,630,743	-	180,857	315,302	243,483	-	-	23,568,760
Capital advances	-	111,628	-	502,300	356,900	356,001	-	-	1,326,829
Other liabilities	563,728	-	-	1,495	478	431	-	(2,404)	563,728
Due to affiliates	-	2,845,154	2,998,569	30,680	12,215	18,756	-	(5,905,374)	-
Total liabilities	37,531,940	6,091,574	3,017,719	762,955	706,364	633,633	8,125	(6,022,655)	42,729,655
Net assets:									
Unrestricted	27,853,581	(778,824)	(2,982,438)	(136,783)	(160,496)	(166,317)	18,224	(38,106)	23,608,841
Temporarily restricted	530,813	-	-	-	-	-	-	-	530,813
Total net assets	28,384,394	(778,824)	(2,982,438)	(136,783)	(160,496)	(166,317)	18,224	(38,106)	24,139,654
Total liabilities and net assets	$ 65,916,334	$ 5,312,750	$ 35,281	$ 626,172	$ 545,868	$ 467,316	$ 26,349	$ (6,060,761)	$ 66,869,309

Vinfen Corporation and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2012

	Vinfen Corporation			Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Eliminations	Totals
Revenues and other support:											
Contract revenue	$ 95,053,290	$ -	$ 95,053,290	$ 12,470,644	$ 241,113	$ 39,063	$ 28,692	$ 19,505	$ -	$ -	$ 107,852,307
Client fees	5,037,400	-	5,037,400	702,097	4,339	-	-	-	-	-	5,743,836
Rental subsidies	1,540,197	-	1,540,197	-	-	13,929	12,156	12,943	-	-	1,579,225
Contributions and grants	-	251,009	251,009	1,946	-	-	-	-	-	-	252,955
Investment income	39,661	-	39,661	-	-	25	40	29	-	-	39,755
Other operating revenue	412,693	-	412,693	46,295	2,350	-	-	-	-	-	461,338
Management fee	1,053,070	-	1,053,070	-	-	-	-	-	-	(1,053,070)	-
Net assets released from restrictions	111,174	(111,174)	-	-	-	-	-	-	-	-	-
Total revenues and other support	103,247,485	139,835	103,387,320	13,220,982	247,802	53,017	40,888	32,477	-	(1,053,070)	115,929,416
Expenses:											
Program services:											
Psychiatric rehabilitation	54,558,849	-	54,558,849	1,603,249	-	-	-	-	-	-	56,162,098
Developmental services	34,964,923	-	34,964,923	9,745,832	-	-	-	-	-	-	44,710,755
Clinical services	-	-	-	-	423,292	-	-	-	-	-	423,292
Supported housing	-	-	-	-	-	49,854	38,809	37,177	-	-	125,840
Total program services	89,523,772	-	89,523,772	11,349,081	423,292	49,854	38,809	37,177	-	-	101,421,985
Administrative and general	10,919,208	-	10,919,208	1,773,836	54,536	33,422	24,157	23,518	-	(1,053,070)	11,775,607
Fundraising	61,880	-	61,880	-	-	-	-	-	-	-	61,880
Total expenses	100,504,860	-	100,504,860	13,122,917	477,828	83,276	62,966	60,695	-	(1,053,070)	113,259,472
Change in net assets from operations	2,742,625	139,835	2,882,460	98,065	(230,026)	(30,259)	(22,078)	(28,218)	-	-	2,669,944
Non-operating income (expense):											
Loss on sale/disposal of assets	(92,518)	-	(92,518)	(2,346)	-	-	-	-	-	-	(94,864)
Loss on interest rate swap contracts	(499,094)	-	(499,094)	-	-	-	-	-	-	-	(499,094)
Gain on discontinued operations	-	-	-	-	-	-	-	-	7,619	-	7,619
Total non-operating income (expense)	(591,612)	-	(591,612)	(2,346)	-	-	-	-	7,619	-	(586,339)
Change in net assets	2,151,013	139,835	2,290,848	95,719	(230,026)	(30,259)	(22,078)	(28,218)	7,619	-	2,083,605
Net assets at beginning of year	27,853,581	530,813	28,384,394	(778,824)	(2,982,438)	(136,783)	(160,496)	(166,317)	18,224	(38,106)	24,139,654
Net assets at end of year	$ 30,004,594	$ 670,648	$ 30,675,242	$ (683,105)	$ (3,212,464)	$ (167,042)	$ (182,574)	$ (194,535)	$ 25,843	$ (38,106)	$ 26,223,259

Vinfen Corporation and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2011

	Vinfen Corporation			Vinfen of		Vinfen of	Vinfen of	Vinfen of	Hancock		
		Temporarily		Connecticut	People Care	Larchmont	Forest	Plain	Manor		
	Unrestricted	Restricted	Totals	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Eliminations	Totals
Revenues and other support:											
Contract revenue	$ 91,250,364	$ -	$ 91,250,364	$ 11,515,555	$ 431,692	$ 33,857	$ 28,692	$ 21,804	$ -	$ -	$ 103,281,964
Client fees	5,191,023	-	5,191,023	659,720	8,793	-	-	-	-	-	5,859,536
Rental subsidies	1,291,684	-	1,291,684	-	-	18,606	12,156	10,644	-	-	1,333,090
Contributions and grants	22,761	239,371	262,132	1,717	-	-	-	-	-	-	263,849
Investment income	38,821	-	38,821	-	-	27	37	26	-	-	38,911
Other operating revenue	376,012	-	376,012	45,839	9,756	7,445	-	-	-	-	439,052
Management fee	1,007,572	-	1,007,572	-	-	-	-	-	-	(1,007,572)	-
Net assets released from restrictions	198,610	(198,610)	-	-	-	-	-	-	-	-	-
Total revenues and other support	99,376,847	40,761	99,417,608	12,222,831	450,241	59,935	40,885	32,474	-	(1,007,572)	111,216,402
Expenses:											
Program services:											
Psychiatric rehabilitation	50,946,900	-	50,946,900	1,482,486	-	-	-	-	-	-	52,429,386
Developmental services	34,559,003	-	34,559,003	8,918,807	-	-	-	-	-	-	43,477,810
Clinical services	-	-	-	-	665,337	-	-	-	-	-	665,337
Supported housing	-	-	-	-	-	62,699	43,874	39,406	-	-	145,979
Total program services	85,505,903	-	85,505,903	10,401,293	665,337	62,699	43,874	39,406	-	-	96,718,512
Administrative and general	11,246,641	-	11,246,641	1,646,997	2,060	24,463	11,124	10,528	-	(1,007,572)	11,934,241
Total expenses	96,752,544	-	96,752,544	12,048,290	667,397	87,162	54,998	49,934	-	(1,007,572)	108,652,753
Change in net assets from operations	2,624,303	40,761	2,665,064	174,541	(217,156)	(27,227)	(14,113)	(17,460)	-	-	2,563,649
Non-operating income (expense):											
Gain (loss) on sale/disposal of assets	625,755	-	625,755	-	(86,916)	-	-	-	-	-	538,839
Loss on interest rate swap contracts	(192,297)	-	(192,297)	-	-	-	-	-	-	-	(192,297)
Loss on discontinued operations	-	-	-	-	-	-	-	-	(898)	-	(898)
Total non-operating income (expense)	433,458	-	433,458	-	(86,916)	-	-	-	(898)	-	345,644
Change in net assets	3,057,761	40,761	3,098,522	174,541	(304,072)	(27,227)	(14,113)	(17,460)	(898)	-	2,909,293
Net assets at beginning of year	24,795,820	490,052	25,285,872	(953,365)	(2,678,366)	(109,556)	(146,383)	(148,857)	19,122	(38,106)	21,230,361
Net assets at end of year	$ 27,853,581	$ 530,813	$ 28,384,394	$ (778,824)	$ (2,982,438)	$ (136,783)	$ (160,496)	$ (166,317)	$ 18,224	$ (38,106)	$ 24,139,654