Vinfen Corporation and Affiliates

Consolidated Financial Statements
and
Supplementary Information

Years Ended June 30, 2011 and 2010

Vinfen Corporation and Affiliates

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended June 30, 2011 and 2010

C O N T E N T S

McGladrey

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of Vinfen Corporation and Affiliates (the "Organization") as of June 30, 2011, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of Vinfen Corporation and Affiliates as of and for the year ended June 30, 2010, were audited by other auditors whose report, dated November 4, 2010, expressed an unqualified opinion on those statements. However, such auditors based their opinion as it relates to Vinfen Corporation of Connecticut, Inc., Vinfen Corporation of Larchmont, Inc., Vinfen Corporation of Forest, Inc. and Vinfen Corporation of Plain, Inc., wholly-owned affiliates, on audit reports furnished to them by other auditors. The financial statements of Vinfen Corporation of Connecticut, Inc., Vinfen Corporation of Larchmont, Inc., Vinfen Corporation of Forest, Inc. and Vinfen Corporation of Plain, Inc., reflect total assets of $6,078,330 as of June 30, 2010 and total revenue of $10,253,290 for the year then ended.

We conducted our audit 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 also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion as to the effectiveness of Vinfen Corporation and Affiliates' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the June 30, 2011 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vinfen Corporation and Affiliates as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

November 14, 2011
Boston, Massachusetts

Vinfen Corporation and Affiliates

Consolidated Statements of Financial Position

June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 9,051,473**	$ 3,827,836
Accounts receivable, net	**8,034,636**	8,997,658
Assets whose use is limited	**2,350,463**	2,260,614
Prepaid expenses and other assets	**1,930,186**	1,222,701
Total current assets	**21,366,758**	16,308,809
Property and equipment, net	**33,529,019**	33,445,406
Assets whose use is limited	**1,154,401**	1,224,484
Board designated investments	**10,000,000**	10,000,000
Deferred financing costs, net	**605,083**	604,441
Other assets	**214,048**	207,500
Total assets	**$ 66,869,309**	$ 61,790,640
LIABILITIES AND NET ASSETS		
Current liabilities:		
Lines of credit	**$ -**	$ 360,000
Current portion of long-term debt	**824,628**	452,702
Accounts payable	**2,762,892**	2,147,652
Accrued vacation	**2,843,128**	3,001,629
Other accrued expenses	**8,822,024**	8,032,538
Client funds	**2,017,666**	1,918,367
Other liabilities	**-**	371,431
Total current liabilities	**17,270,338**	16,284,319
Long-term debt, net of current portion	**23,568,760**	22,949,131
Capital advances	**1,326,829**	1,326,829
Other liabilities	**563,728**	-
Total liabilities	**42,729,655**	40,560,279
Commitments and contingencies		
Net assets:		
Unrestricted	**23,608,841**	20,740,309
Temporarily restricted	**530,813**	490,052
Total net assets	**24,139,654**	21,230,361
Total liabilities and net assets	**$ 66,869,309**	$ 61,790,640

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statements of Activities

Years Ended June 30, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Revenues and other support:						
Contract revenue	$ 103,941,684	$ -	$ 103,941,684	$ 99,313,139	$ -	$ 99,313,139
Client fees	5,199,816	-	5,199,816	5,244,207	-	5,244,207
Rental subsidies	1,333,090	-	1,333,090	918,081	-	918,081
Contributions and grants	24,478	239,371	263,849	36,917	530,105	567,022
Investment income	38,911	-	38,911	16,372	-	16,372
Other operating revenue	439,052	-	439,052	577,947	-	577,947
Net assets released from restrictions	198,610	(198,610)	-	301,240	(301,240)	-
Total revenues and other support	111,175,641	40,761	111,216,402	106,407,903	228,865	106,636,768
Expenses:						
Program services:						
Psychiatric rehabilitation	52,429,386	-	52,429,386	50,355,548	-	50,355,548
Developmental services	43,477,810	-	43,477,810	39,271,698	-	39,271,698
Clinical services	665,337	-	665,337	1,829,509	-	1,829,509
Supported housing	143,736	-	143,736	124,431	-	124,431
Total program services	96,716,269	-	96,716,269	91,581,186	-	91,581,186
Administrative and general	11,936,484	-	11,936,484	12,018,130	-	12,018,130
Total expenses	108,652,753	-	108,652,753	103,599,316	-	103,599,316
Change in net assets from operations	2,522,888	40,761	2,563,649	2,808,587	228,865	3,037,452
Non-operating income (expense):						
Gain (loss) on sale/disposal of property and equipment	538,839	-	538,839	(575,195)	-	(575,195)
Loss on interest rate swap contracts	(192,297)	-	(192,297)	(74,900)	-	(74,900)
Loss on discontinued operations	(898)	-	(898)	(39,020)	-	(39,020)
Total non-operating income (expense)	345,644	-	345,644	(689,115)	-	(689,115)
Change in net assets	2,868,532	40,761	2,909,293	2,119,472	228,865	2,348,337
Net assets at beginning of year	20,740,309	490,052	21,230,361	18,620,837	261,187	18,882,024
Net assets at end of year	$ 23,608,841	$ 530,813	$ 24,139,654	$ 20,740,309	$ 490,052	$ 21,230,361

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 2,909,293	$ 2,348,337
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,814,285	2,852,491
Amortization of deferred financing costs	184,054	80,485
Provision for bad debts	(37,094)	(41,278)
(Gain) loss on disposal of property and equipment	(538,839)	575,195
Loss on interest rate swap agreements	192,297	74,900
Change in accounts receivable	1,000,116	(2,722,447)
Change in prepaid expenses and other assets	(714,033)	(182,318)
Change in accounts payable	615,240	573,206
Change in accrued vacation	(158,501)	74,333
Change in other accrued expenses	789,486	56,461
Total adjustments	4,147,011	1,341,028
Net cash provided by operating activities	7,056,304	3,689,365
Cash flows from investing activities:		
Purchases of property and equipment	(4,112,959)	(4,961,950)
Proceeds from sale of property and equipment	1,753,900	1,087,301
Increase in assets whose use is limited	79,533	326,420
Net cash used in investing activities	(2,279,526)	(3,548,229)
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	(360,000)	360,000
Proceeds from long-term debt	9,788,728	423,000
Proceeds from capital advances	-	42,978
Repayments on long-term debt	(8,797,173)	(721,087)
Deferred financing costs	(184,696)	-
Net cash provided by financing activities	446,859	104,891
Net increase in cash and cash equivalents	5,223,637	246,027
Cash and cash equivalents, beginning of year	3,827,836	3,581,809
Cash and cash equivalents, end of year	$ 9,051,473	$ 3,827,836
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,145,524	$ 1,000,216

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statement of Functional Expenses

Year Ended June 30, 2011

	Psychiatric Rehabilitation	Developmental Services	Clinical Services	Supported Housing	Total Programs	Administrative and General	Totals
Operating expenses:							
Salaries and wages	$ 32,358,438	$ 27,273,922	$ 270,114	$ -	$ 59,902,474	$ 6,559,898	$ 66,462,372
Payroll taxes and employee benefits	6,350,792	5,822,460	65,777	-	12,239,029	1,147,399	13,386,428
Total salaries and related benefits	38,709,230	33,096,382	335,891	-	72,141,503	7,707,297	79,848,800
Occupancy expenses	5,590,231	3,307,017	84,386	43,316	9,024,950	200,468	9,225,418
Professional fees	1,690,091	434,171	188,184	3,330	2,315,776	1,119,668	3,435,444
Depreciation and amortization	877,213	1,215,037	9,040	72,718	2,174,008	824,331	2,998,339
Transportation	1,027,977	1,319,332	19	-	2,347,328	85,349	2,432,677
Food	1,128,353	907,260	831	-	2,036,444	8,606	2,045,050
Supplies	889,129	819,422	3,505	-	1,712,056	249,340	1,961,396
Repairs and maintenance	683,125	685,617	27,476	20,793	1,417,011	211,345	1,628,356
Communication and data	539,780	309,528	9,603	-	858,911	425,804	1,284,715
Staff training	548,041	408,514	2,910	-	959,465	287,017	1,246,482
Interest	288,179	573,804	-	-	861,983	202,401	1,064,384
Equipment and rental	130,835	103,871	1,145	-	235,851	339,546	575,397
Insurance	215,630	132,445	2,347	3,577	353,999	118,675	472,674
Other expenses	111,572	165,410	-	2	276,984	156,637	433,621
Total expenses	$ 52,429,386	$ 43,477,810	$ 665,337	$ 143,736	$ 96,716,269	$ 11,936,484	$ 108,652,753

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statement of Functional Expenses…continued

Year Ended June 30, 2010

	Psychiatric Rehabilitation	Developmental Services	Clinical Services	Supported Housing	Total Programs	Administrative and General	Totals
Operating expenses:							
Salaries and wages	$ 29,100,533	$ 24,251,854	$ 972,035	$ -	$ 54,324,422	$ 6,310,152	$ 60,634,574
Payroll taxes and employee benefits	6,591,334	5,654,883	301,605	-	12,547,822	1,362,231	13,910,053
Total salaries and related benefits	35,691,867	29,906,737	1,273,640	-	66,872,244	7,672,383	74,544,627
Occupancy expenses	5,107,923	2,986,284	106,191	36,735	8,237,133	412,469	8,649,602
Professional fees	3,599,554	257,494	289,769	3,338	4,150,155	867,479	5,017,634
Depreciation and amortization	927,464	1,098,739	42,694	69,170	2,138,067	794,909	2,932,976
Transportation	931,051	1,177,080	153	-	2,108,284	121,138	2,229,422
Supplies	731,120	843,061	7,732	-	1,581,913	278,451	1,860,364
Food	1,021,450	825,833	2,106	-	1,849,389	8,806	1,858,195
Repairs and maintenance	647,436	593,518	15,018	11,444	1,267,416	192,955	1,460,371
Communication and data	593,645	304,613	19,864	-	918,122	502,343	1,420,465
Interest	266,299	509,450	-	-	775,749	316,603	1,092,352
Staff training	364,695	347,868	9,333	-	721,896	360,686	1,082,582
Equipment and rental	118,189	65,763	4,126	-	188,078	358,470	546,548
Insurance	232,794	154,643	3,632	3,533	394,602	131,438	526,040
Other expenses	122,061	200,615	55,251	211	378,138	-	378,138
Total expenses	$ 50,355,548	$ 39,271,698	$ 1,829,509	$ 124,431	$ 91,581,186	$ 12,018,130	$ 103,599,316

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 Connecticut”) for the purpose of providing community-based services to individuals with disabilities in Connecticut. Vinfen Connecticut provides services in the Greater Hartford Area.

In May 2001, the United States Department of Housing and Urban Development ("HUD") approved Vinfen’s application for financing housing for 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") for the operation of 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 statements of financial position and 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, 2011 and 2010.

The Organization reports gifts of cash and other assets as restricted support if there are donor restrictions as to purpose or time. 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.

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. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 $102,340,000 and $97,670,000 for the years ended June 30, 2011 and 2010, respectively). Substantially all accounts receivable as of June 30, 2011 and 2010 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 an interest-bearing commercial checking account to preserve its corpus. Interest is recorded when earned and is included in investment income in the statement of activities.

Accounts Receivable

Accounts receivable due from state agencies 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. Receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Accounts receivable as of June 30, 2011 and 2010 totaling $8,034,636 and $8,997,658, respectively, are reflected net of an allowance for doubtful accounts totaling $253,715 and $290,809, respectively.

Fair Value Measurements

Effective for the year ended June 30, 2011, the Organization adopted Accounting Standards Update ("ASU") 2010-06, *Improving Disclosures about Fair Value Measurements*. This new accounting guidance under ASC 820, *Fair Value Measurements and Disclosures*, was issued by the Financial Accounting Standards Board ("FASB") on January 21, 2010. 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. The following information incorporates these new disclosure requirements except for the Level 3 roll-forward information which is not required until fiscal year 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

Under the FASB's 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.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

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"), OTC derivatives 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.

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 statements of financial position as an interest rate swap agreement, 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 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.

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.

Vinfen Corporation and Affiliates
Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

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 five years, or the remainder of the lease
Equipment and furnishings	Three to ten 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 and loss is reported and charged to operations. During the year ended June 30, 2011, Vinfen sold two properties and recorded a net gain of $754,531. During the year ended June 30, 2010, Vinfen sold three properties and recorded a net loss of $93,846. Such amounts are included within the gain (loss) on the sale/disposal of property and equipment on the consolidated statement of activities.

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

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. An impairment is identified based on the excess of the carrying amount over the fair value of those assets.

Assets Whose Use is Limited

Assets whose use is limited represent funds required to be held in escrow for the Organization's clients, bond agreements, and capital advance agreements (Note 3). These funds consist of mutual funds and cash accounts and are recorded at fair value as of June 30, 2011 and 2010, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

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 are a certificate of deposit totaling $124,048 and $117,500 as of June 30, 2011 and 2010, respectively, and a bed license to operate a nursing home facility totaling $90,000 as of both June 30, 2011 and 2010. The certificate of deposit is recorded at fair value. Interest earned is reported as investment income in the statement of activities.

Revenue Recognition

The Organization records revenue when services are provided and expenses as 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 the 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, 2011 and 2010.

Approximately 75% 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 for the years ended June 30, 2011 and 2010.

The Connecticut Department of Social Services (“DSS”) generally reimburses Community Living Arrangements (“CLA”) prospectively for room and board costs, however, each new CLA is reimbursed using interim rates, subject to cost settlement, until their first full year of operation becomes the base period. Vinfen of Connecticut opened a new CLA in March 2010 that was paid an interim rate through June 30, 2011. Management has estimated and accrued $2,176 owed to DSS for the year ended June 30, 2011. DSS has settled the June 30, 2010 interim rate period and determined that Vinfen of Connecticut is owed $3,111. This amount is recorded in accounts receivable as of June 30, 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. Vinfen 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 and $30,463 for the years ended June 30, 2011 and 2010, respectively.

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.

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 2008.

Advertising

The Organization expenses advertising costs 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 change in the value of swap agreements and the gain/loss on sale/disposal of property and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("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* (ASU 2011-04). The amendments in this update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. 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, 2010 consolidated financial statements to conform to the June 30, 2011 presentation.

3. ASSETS WHOSE USE IS LIMITED

As of June 30, 2011 and 2010, assets whose use is limited is comprised of the following:

	2011	2010
Debt service reserve funds	$ 1,425,081	$ 1,512,411
Client funds	2,017,666	1,918,367
Replacement reserve funds	62,117	54,320
Total	3,504,864	3,485,098
Less - current	2,350,463	2,260,614
Long-term	$ 1,154,401	$ 1,224,484

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2011 and 2010:

	2011	2010
Land	$ 6,690,904	$ 6,666,121
Buildings and improvements	34,009,784	32,919,395
Furniture and equipment	8,913,090	7,732,310
Construction in progress	87,244	541,017
	49,701,022	47,858,843
Less - accumulated depreciation	(16,172,003)	(14,413,437)
	$ 33,529,019	$ 33,445,406

Construction in progress represents costs incurred in connection with various construction projects to support program operations. The estimated remaining costs to complete these projects total $74,000. These projects are expected to be completed by June 2012.

Vinfen Corporation and Affiliates
Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010

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	2011	2010
Bond issuance costs (net of accumulated amortization of $455,125 and $340,964 as of June 30, 2011 and 2010, respectively).	1-30 years	$ 571,223	$ 532,551
Term loan issuance costs (net of accumulated amortization of $9,955 and $17,958 as of June 30, 2011 and 2010, respectively).	5-30 years	32,515	69,541
Line of credit fees (net of accumulated amortization of $1,656 and $652 as of June 30, 2011 and 2010, respectively).	2 years	1,345	2,349
		$ 605,083	$ 604,441

6. LINES OF CREDIT

Vinfen has 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 London Interbank Offered Rate ("LIBOR") plus 170 basis points (1.88% and 2.05% as of June 30, 2011 and 2010, respectively) and expires on December 31, 2011 at which time, the amount borrowed becomes due. Amounts outstanding on this line of credit totaled $0 and $360,000 as of June 30, 2011 and 2010, respectively.

Vinfen has a working capital line of credit with a $2,000,000 borrowing limit through Citizens Bank. The working capital line of credit bears interest at LIBOR plus 250 basis points (2.68% and 2.85% as of June 30, 2011 and 2010, respectively) and expires on December 31, 2011. There were no borrowings on this line of credit as of June 30, 2011 and 2010, respectively.

Both line of credit agreements have covenants that require Vinfen to maintain minimum ratios of debt service coverage and liabilities to total tangible net assets. Management has determined that the Organization is in compliance with these financial covenants.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010

7. LONG-TERM DEBT

	2011	2010
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 $8,420,000 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.	$ 12,310,000	$ 13,055,000
Mass HEFA Variable Rate Demand Revenue Bonds issued with an irrevocable direct-pay letter of credit from a bank which was being confirmed by the Federal Home Loan Bank of Boston. The bonds bore interest at 2.49% and required annual principal payments ranging from $46,422 to $247,200 through June 15, 2032, plus interest payments. The financing required Vinfen to maintain a debt service coverage ratio of 1.25, minimum leverage ratios, and requires written consent for additional indebtedness, as defined in the loan document. On December 1, 2010, these bonds were paid in full with the proceeds of a new bond issuance.	-	5,591,334
On December 1, 2010 Vinfen refinanced all of its outstanding Mass HEFA Variable Rate Demand Revenue Bonds in the amount of $5,235,409 and Citizens 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% (2.07% as of June 30, 2011). The bonds are amortized over a 20-year period requiring monthly principal payments ranging from $22,100 to $5,425,000 through December 31, 2020, plus monthly interest payments. The bonds are required to be purchased by Vinfen on December 31, 2020. The MDFA Bonds were privately placed with Citizens Bank as the holder.	8,625,400	-

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010

7. LONG-TERM DEBT…continued

	2011	2010
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, unless gross cash receipts, as defined, exceed cash expenditures, as defined, by 105%, as determined on an annual basis. The rate of interest on this debt is 0%.	184,175	184,175
In 2010, Vinfen received a loan commitment of $980,775 from CEDAC for the purpose of renovating the property at 424 Jamaica Way, Boston, Massachusetts of which $400,000 has been funded. This loan matures in August 2040, and is extendable to August 2051 at Vinfen's option. Principal payments are not required until maturity, unless gross cash receipts, as defined, exceed cash expenditures, as defined, by 105%, as determined on an annual basis. The rate of interest on this debt is 0%.	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, unless gross cash receipts, as defined, exceed cash expenditures, as defined, by 105%, as determined on an annual basis. The rate of interest on this debt is 0%.	390,000	-
In June 2009, Vinfen received a $2,339,377 Term Loan from Citizens Bank to refinance property acquired through borrowings against its lines of credit. The Term Loan was secured by mortgages on the refinanced properties. Loan interest was calculated at LIBOR plus 2.4% (2.58% as of June 30, 2010) and required monthly principal payments of $9,747. This debt was paid in full in December 2010.	-	2,222,407
In 2009, Vinfen of Connecticut received a real estate loan from Citizens 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.	845,796	872,421

7. LONG-TERM DEBT…continued

	2011	2010
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.	672,579	736,854
In 2010, Vinfen of Connecticut received a real estate loan from Citizens 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% (2.04% as of June 30, 2011) 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.	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 $1,405 through April 2013.	12,948	-
Massachusetts Facility Consolidation Fund awarded 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. The note calls for annual payments equal to the amount by which gross cash receipts, as defined, exceed cash expenditures, as defined, by 105%. 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
Massachusetts Facility Consolidation Fund awarded 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. The note calls for annual payments equal to the amount by which gross cash receipts, as defined, exceed cash expenditures, as defined, by 105%. 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

7. LONG-TERM DEBT…continued

	2011	2010
Massachusetts Facility Consolidation Fund awarded 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. The note calls for annual payments equal to the amount by which gross cash receipts, as defined, exceed cash expenditures, as defined, by 105%. CEDAC has the right to extend the maturity date for additional periods of up to 10 years each, as long as the organization 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	24,393,388	23,401,833
Less - current portion	824,628	452,702
Long-term debt, net of current portion	$ 23,568,760	$ 22,949,131

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

2012	$ 824,628
2013	858,772
2014	1,656,184
2015	911,874
2016	1,129,939
Thereafter	19,011,991
Total long-term debt	$ 24,393,388

The fair market value of outstanding long-term debt approximated $24,390,000 and $21,650,000 as of June 30, 2011 and 2010, 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 $7,640,000 as of June 30, 2011. The swap contract is due to expire on December 31, 2020. The swap agreement was recorded within other liabilities at fair value on the consolidated statement of financial position. The fair value of the interest rate swap agreement was a liability of $563,728 as of June 30, 2011.

On July 11, 2006, Vinfen entered into an interest rate swap agreement for the Mass HEFA Series M-3C issue to lock in the interest cash outflows at a fixed rate of 4.42%. The swap contract was scheduled to expire on June 1, 2016. The notional amount for the agreement was $2,807,200 as of June 30, 2010, and the fair value of the liability was $371,431 as of June 30, 2010. The swap agreement was recorded at fair value within other liabilities on the consolidated statement of financial position. This interest rate swap agreement was terminated on December 7, 2010.

8. INTEREST RATE SWAP…continued

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

	Liability Derivatives	
	Balance Sheet Location	Fair Value
Derivative not designated as hedging instruments: Interest rate swaps	Other liabilities	$ 563,728

The effect on the statements of activity for the year ended June 30, 2011 consists of the following:

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

The fair values of derivative instruments at June 30, 2010 are as follows:

	Liability Derivatives	
	Balance Sheet Location	Fair Value
Derivative not designated as hedging instruments: Interest rate swaps	Other liabilities	$ 371,431

The effect on the statements of activity for the year ended June 30, 2010 consists of the following:

Derivatives Not designated as Hedging Instruments	Location of Gain Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative
Interest rate swaps	Non-operating income (expense)	$ (74,900)

Vinfen Corporation and Affiliates
Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010

9. CAPITAL ADVANCES

Capital advances consist of the following as of June 30, 2011 and 2010:

HUD provided capital advances for renovations of three facilities. 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.	$ 1,215,201
The State of Connecticut provided Vinfen of Connecticut with working capital advances for two new programs in 2006 and one new program in 2009. These advances have no formal repayment terms.	111,628
Capital advances	$ 1,326,829

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

10. RETIREMENT PLANS

The Organization has a profit sharing plan (the “Plan”) covering all Organization 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 fiscal year ending June 30, 2010, Vinfen contributed for the first half of the year 3% or 9% of semi-annual salaries depending on the employee’s tenure and for the second half of the year has approved a contribution not to exceed 9% of semi-annual salaries for all eligible participants to the Plan. For the fiscal year ending June 30, 2011, the Organization accrued a contribution ranging from 3% to 9% of annual salaries for all eligible participants to the Plan.

The funding of the second half of fiscal year’s 2010 contribution to the Plan was made in September 2011 and the funding for fiscal year’s 2011 contribution to the Plan will be made by the close of fiscal year 2012.

Retirement plan expense amounted to $1,525,882 and $2,247,058 for the years ended June 30, 2011 and 2010, 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

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
2012	$ 4,679,089	$ 891,610	$ 203,003	$ 5,773,702
2013	2,158,464	646,506	147,876	2,952,846
2014	1,565,710	515,132	9,912	2,090,754
2015	1,135,610	112,223	-	1,247,833
2016	613,716	12,381	-	626,097
Thereafter	1,305,850	-	-	1,305,850
	$ 11,458,439	$ 2,177,852	$ 360,791	$ 13,997,082

Total lease expense under all leases for the years ended June 30, 2011 and 2010 totaled $8,134,431 and $6,799,113, respectively.

12. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2011 and 2010, net assets totaling $198,610 and $301,240 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, 2011 and 2010 are comprised of the following:

	2011	2010
Contributions with purpose restrictions:		
Director Scholarships	$ 14,185	$ 14,185
Gateway Arts Program	278,974	194,567
Funds to support services above and beyond contractual funding	113,052	117,682
VA Peer Support	-	6,942
Bronstein Respite	75,086	129,597
Citizens Recovery Grant – Recovery Learning Center	19,202	19,202
Friends of Metro Boston Support	13,644	4,600
Other	16,670	3,277
	$ 530,813	$ 490,052

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2011 and 2010

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, 2011 and 2010:

	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

	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, 2010
Other assets:				
Certificate of deposit	$ -	$ 117,500	$ -	$ 117,500
Assets whose use is limited:				
Federated Government Obligation Fund	1,413,692	-	-	1,413,692
	$ 1,413,692	$ 117,500	$ -	$ 1,531,192
Other liabilities:				
Interest rate swap liability	$ -	$ 371,431	$ -	$ 371,431

The valuation of the Organization's derivative financial instrument, which is the 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

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 2010, the Organization wrote off the development costs amounting to $481,349 in Olmsted Green SNF after two unsuccessful attempts to sell the development rights during 2010. This amount is reported in the loss on disposal/sale of property and equipment.

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 and its license has been deactivated temporarily through December 31, 2011. The ceasing of operations was accounted for and presented in the statement of activities as discontinued operations, and amounted to a loss of $898 and $39,020 for the years ended June 30, 2011 and 2010, respectively.

As of June 30, 2010, Vinfen Corporation transferred $3,833,445 of equity to Family Rehabilitation Services, Inc. representing the intercompany balance which was due from Family Rehabilitation Services, Inc. at the balance sheet date.

17. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 14, 2011, 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 audit was made for the purpose of forming an opinion on the basic consolidated financial statements for the year ended June 30, 2011 taken as a whole. The consolidating information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, results of activities, and cash flows of the individual companies. The consolidating information for the year ended June 30, 2011 has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The consolidating information for the year ended June 30, 2010 was audited by other auditors, and included entities for which those auditors relied on other auditors, whose report, dated November 4, 2010, indicated that the consolidating information had been subjected to the auditing procedures applied in the audit of the consolidated financial statements and expressed an opinion that such information was fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. However, such auditors based their opinion as it relates to Vinfen Corporation of Connecticut, Inc., Vinfen Corporation of Larchmont, Inc., Vinfen Corporation of Forest, Inc. and Vinfen Corporation of Plain, Inc., wholly-owned affiliates, on audit reports furnished to them by other auditors. The financial statements of Vinfen Corporation of Connecticut, Inc., Vinfen Corporation of Larchmont, Inc., Vinfen Corporation of Forest, Inc. and Vinfen Corporation of Plain, Inc., reflect total assets of $6,078,330 as of June 30, 2010 and total revenue of $10,253,290 for the year then ended.

McGladrey & Pullen, LLP

November 14, 2011
Boston, Massachusetts

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 and cash equivalents	$ 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	2,280,129	70,334	-	-	-	-	-	-	2,350,463
Prepaid expenses and other assets	1,804,620	124,151	1,275	-	-	-	140	-	1,930,186
Total current assets	18,633,820	2,716,677	25,023	45,096	860	1,965	26,349	(83,032)	21,366,758
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	8,269,128	515,152	101,406	3,538	2,080	21,786	-	-	8,913,090
Construction in progress	87,244	-	-	-	-	-	-	-	87,244
	44,300,794	3,340,681	101,406	715,270	667,000	613,977	-	(38,106)	49,701,022
Less - accumulated depreciation	(14,851,914)	(759,599)	(91,148)	(159,543)	(144,352)	(165,447)	-	-	(16,172,003)
	29,448,880	2,581,082	10,258	555,727	522,648	448,530	-	(38,106)	33,529,019
Assets whose use is limited	1,096,701	-	-	22,717	20,256	14,727	-	-	1,154,401
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:									
Lines of credit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	715,190	109,438	-	-	-	-	-	-	824,628
Accounts payable	2,696,840	80,068	19,150	33,620	21,141	14,417	-	(102,344)	2,762,892
Accrued vacation	2,570,178	272,950	-	-	-	-	-	-	2,843,128
Other accrued expenses	7,840,165	971,391	-	14,379	328	545	8,125	(12,909)	8,822,024
Client funds	1,947,464	70,202	-	-	-	-	-	-	2,017,666
Total current liabilities	15,769,837	1,504,049	19,150	47,999	21,469	14,962	8,125	(115,253)	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	-	-	-	-	-	-	-	563,728
Due to affiliates	-	2,845,154	2,998,569	31,799	12,693	19,187	-	(5,907,402)	-
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 Financial Position…continued

June 30, 2010

	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 and cash equivalents	$ 2,736,586	$ 1,055,960	$ -	$ 2,388	$ 4,662	$ 5,492	$ 22,748	$ -	$ 3,827,836
Accounts receivable, net	7,935,690	938,038	98,481	19,954	5,495	-	-	-	8,997,658
Assets whose use is limited	2,196,279	64,335	-	-	-	-	-	-	2,260,614
Prepaid expenses and other assets	1,060,721	136,998	24,842	-	-	-	140	-	1,222,701
Total current assets	13,929,276	2,195,331	123,323	22,342	10,157	5,492	22,888	-	16,308,809
Property and equipment:									
Land	6,260,396	350,111	-	36,466	52,342	4,912	-	(38,106)	6,666,121
Building and improvements	28,864,689	2,047,258	143,710	665,841	611,598	586,299	-	-	32,919,395
Furniture and equipment	7,076,249	472,223	156,434	3,538	2,080	21,786	-	-	7,732,310
Construction in progress	528,017	13,000	-	-	-	-	-	-	541,017
	42,729,351	2,882,592	300,144	705,845	666,020	612,997	-	(38,106)	47,858,843
Less - accumulated depreciation	(13,225,638)	(613,880)	(177,091)	(131,758)	(121,978)	(143,092)	-	-	(14,413,437)
	29,503,713	2,268,712	123,053	574,087	544,042	469,905	-	(38,106)	33,445,406
Assets whose use is limited	1,170,163	-	-	22,181	18,822	13,318	-	-	1,224,484
Board designated investments	10,000,000	-	-	-	-	-	-	-	10,000,000
Deferred financing costs, net	581,757	15,650	-	2,710	2,167	2,157	-	-	604,441
Other assets	207,500	-	-	-	-	-	-	-	207,500
Due from affiliates	5,066,545	-	-	-	-	-	-	(5,066,545)	-
Total assets	$ 60,458,954	$ 4,479,693	$ 246,376	$ 621,320	$ 575,188	$ 490,872	$ 22,888	$ (5,104,651)	$ 61,790,640
LIABILITIES AND NET ASSETS									
Current liabilities:									
Lines of credit	$ 360,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 360,000
Current portion of long-term debt	361,801	90,901	-	-	-	-	-	-	452,702
Accounts payable	1,871,479	194,643	25,533	33,244	30,107	14,977	-	(22,331)	2,147,652
Accrued vacation	2,726,030	275,599	-	-	-	-	-	-	3,001,629
Other accrued expenses	6,915,860	1,017,137	81,636	1,489	6,569	6,081	3,766	-	8,032,538
Client funds	1,854,032	64,335	-	-	-	-	-	-	1,918,367
Other liabilities	371,431	-	-	-	-	-	-	-	371,431
Total current liabilities	14,460,633	1,642,615	107,169	34,733	36,676	21,058	3,766	(22,331)	16,284,319
Long-term debt, net of current portion	20,691,115	1,518,374	-	180,857	315,302	243,483	-	-	22,949,131
Capital advances	-	111,628	-	502,300	356,900	356,001	-	-	1,326,829
Due to affiliates	21,334	2,160,441	2,817,573	12,986	12,693	19,187	-	(5,044,214)	-
Total liabilities	35,173,082	5,433,058	2,924,742	730,876	721,571	639,729	3,766	(5,066,545)	40,560,279
Net assets:									
Unrestricted	24,795,820	(953,365)	(2,678,366)	(109,556)	(146,383)	(148,857)	19,122	(38,106)	20,740,309
Temporarily restricted	490,052	-	-	-	-	-	-	-	490,052
Total net assets	25,285,872	(953,365)	(2,678,366)	(109,556)	(146,383)	(148,857)	19,122	(38,106)	21,230,361
Total liabilities and net assets	$ 60,458,954	$ 4,479,693	$ 246,376	$ 621,320	$ 575,188	$ 490,872	$ 22,888	$ (5,104,651)	$ 61,790,640

Vinfen Corporation and Affiliates

Consolidating Statement of Activities

Year Ended June 30, 2011

	Vinfen Corporation			Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Totals
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted		
Revenues and other support:											
Contract revenue	$ 91,250,364	$ -	$ 91,250,364	$ 12,175,275	$ 431,692	$ 33,857	$ 28,692	$ 21,804	$ -	$ -	$ 103,941,684
Client fees	5,191,023	-	5,191,023	-	8,793	-	-	-	-	-	5,199,816
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	-	-	-	-	-	60,859	43,832	39,045	-	-	143,736
Total program services	85,505,903	-	85,505,903	10,401,293	665,337	60,859	43,832	39,045	-	-	96,716,269
Administrative and general	11,246,641	-	11,246,641	1,646,997	2,060	26,303	11,166	10,889	-	(1,007,572)	11,936,484
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 property and equipment	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

Vinfen Corporation and Affiliates

Consolidating Statement of Activities…continued

Year Ended June 30, 2010

	Vinfen Corporation			Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Totals
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted		
Revenues and other support:											
Contract revenue	$ 87,606,086	$ -	$ 87,606,086	$ 10,104,230	$ 1,526,425	$ 31,414	$ 24,116	$ 20,868	$ -	$ -	$ 99,313,139
Client fees	5,241,782	-	5,241,782	-	2,425	-	-	-	-	-	5,244,207
Rental subsidies	877,036	-	877,036	-	-	18,289	12,112	10,644	-	-	918,081
Contributions and grants	36,917	530,105	567,022	-	-	-	-	-	-	-	567,022
Investment income	16,285	-	16,285	-	-	29	34	24	-	-	16,372
Other operating revenue	528,289	-	528,289	31,530	18,128	-	-	-	-	-	577,947
Management fee	822,971	-	822,971	-	-	-	-	-	-	(822,971)	-
Net assets released from restrictions	301,240	(301,240)	-	-	-	-	-	-	-	-	-
Total revenues and other support	95,430,606	228,865	95,659,471	10,135,760	1,546,978	49,732	36,262	31,536	-	(822,971)	106,636,768
Expenses:											
Program services:											
Psychiatric rehabilitation	49,371,924	-	49,371,924	983,624	-	-	-	-	-	-	50,355,548
Developmental services	31,690,282	-	31,690,282	7,581,416	-	-	-	-	-	-	39,271,698
Clinical services	-	-	-	-	1,829,509	-	-	-	-	-	1,829,509
Supported housing	-	-	-	-	-	46,011	40,794	37,626	-	-	124,431
Total program services	81,062,206	-	81,062,206	8,565,040	1,829,509	46,011	40,794	37,626	-	-	91,581,186
Administrative and general	11,306,015	-	11,306,015	1,469,211	690	32,248	16,702	16,235	-	(822,971)	12,018,130
Total expenses	92,368,221	-	92,368,221	10,034,251	1,830,199	78,259	57,496	53,861	-	(822,971)	103,599,316
Change in net assets from operations	3,062,385	228,865	3,291,250	101,509	(283,221)	(28,527)	(21,234)	(22,325)	-	-	3,037,452
Non-operating income (expense):											
Loss on sale/disposal of property and equipment	(575,195)	-	(575,195)	-	-	-	-	-	-	-	(575,195)
Loss on interest rate swap contracts	(74,900)	-	(74,900)	-	-	-	-	-	-	-	(74,900)
Transfer to affiliate	(3,833,445)	-	(3,833,445)	-	-	-	-	-	3,833,445	-	-
Loss on discontinued operations	-	-	-	-	-	-	-	-	(39,020)	-	(39,020)
Total non-operating income (expense)	(4,483,540)	-	(4,483,540)	-	-	-	-	-	3,794,425	-	(689,115)
Change in net assets	(1,421,155)	228,865	(1,192,290)	101,509	(283,221)	(28,527)	(21,234)	(22,325)	3,794,425	-	2,348,337
Net assets at beginning of year	26,216,975	261,187	26,478,162	(1,054,874)	(2,395,145)	(81,029)	(125,149)	(126,532)	(3,775,303)	(38,106)	18,882,024
Net assets at end 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