2010
AUDIT
013874

Vinfen Corporation and Subsidiaries

Consolidated Financial Statements
June 30, 2010 and 2009

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June 30, 2010 and 2009

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013874

Report of Independent Auditors

To the Board of Directors of
Vinfen Corporation

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, cash flows and functional expenses, present fairly, in all material respects, the financial position of Vinfen Corporation and its Subsidiaries (the "Corporation") at June 30, 2010 and 2009, and the results of their operations, changes in their net assets, their cash flows, and their functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit 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., wholly-owned subsidiaries, which statements reflect total assets of $6,078,330 as of June 30, 2010, and total revenues of $10,253,290 for the year then ended. We also did not audit the financial statements of Family Rehabilitation Services, Inc., Vinfen Corporation of Connecticut, Inc., Vinfen Corporation of Larchmont, Inc., Vinfen Corporation of Forest, Inc., and Vinfen Corporation of Plain, Inc., wholly-owned subsidiaries, which statements reflect total assets of $5,150,425 as of June 30, 2009, and total revenues of $8,567,754 for the year then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Family Rehabilitation Services, Inc., Vinfen Corporation of Connecticut, Inc., Vinfen Corporation of Larchmont, Inc., Vinfen Corporation of Forest, Inc., and Vinfen Corporation of Plain, Inc., is based solely on the reports of the other auditors. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

November 4, 2010

Vinfen Corporation and Subsidiaries
Consolidated Balance Sheets
June 30, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 3,819,291	$ 3,581,809
Accounts receivable (net of allowance for doubtful accounts of $290,809 and $332,087 in 2010 and 2009, respectively)	8,990,748	6,233,933
Current portion of assets whose use is limited	514,067	709,610
Prepaid expenses and other current assets	1,222,701	1,247,883
Total current assets	14,546,807	11,773,235
Property and equipment		
Land	6,666,121	6,711,827
Building and improvements	32,899,686	30,272,238
Furniture and equipment	7,732,310	6,529,582
Construction in progress	631,017	1,448,512
	47,929,134	44,962,159
Less accumulated depreciation	(14,411,101)	(11,930,341)
Total property and equipment, net	33,518,033	33,031,818
Other assets		
Assets whose use is limited, less current portion	1,170,163	1,183,541
Board-designated investments	10,000,000	10,000,000
Other assets	597,407	651,551
Total other assets	11,767,570	11,835,092
Total assets	$ 59,832,410	$ 56,640,145
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 2,024,607	$ 1,579,645
Accrued expenses	8,481,376	8,271,332
Accrued vacation	3,001,629	2,927,296
Current portion of long-term debt	812,702	728,062
Deferred revenue	5,775	1,276
Total current liabilities	14,326,089	13,507,611
Long-term debt, less current portion	22,209,489	22,232,216
Capital advances	2,066,471	2,023,493
Total liabilities	38,602,049	37,763,320
Commitments and contingencies		
Net assets		
Unrestricted net assets	20,740,309	18,615,638
Temporarily restricted net assets	490,052	261,187
Total net assets	21,230,361	18,876,825
Total liabilities and net assets	$ 59,832,410	$ 56,640,145

The accompanying notes are an integral part of these consolidated financial statements.

Vinfen Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended June 30, 2010 and 2009

	2010	2009
Revenues		
Government and private fees, grants and contracts	$ 99,392,120	$ 91,012,438
Program revenues	5,244,207	5,141,674
Investment income	16,372	82,770
Donated facilities and services	30,463	30,463
Other	589,894	382,495
Net assets released from restrictions	301,240	319,465
Total revenues	105,574,296	96,969,305
Compensation expenses		
Salaries and wages	60,378,304	58,290,167
Employee benefits	8,473,085	8,504,954
Payroll taxes	5,576,961	4,946,803
Total compensation expenses	74,428,350	71,741,924
Other expenses		
Operating expenses	19,081,430	18,347,406
Professional fees and contract services expenses	5,133,534	2,321,363
Donated facilities and services	30,463	30,463
Depreciation and amortization	2,939,856	2,961,084
Bad debt expense	54,524	178,539
Total other expenses	27,239,807	23,838,855
Total expenses before interest expense, effect of interest rate swap, and loss on disposal/sale of property and equipment	101,668,157	95,580,779
Excess of revenues over expenses before interest expense, effect of interest rate swap, and loss on disposal/sale of property and equipment	3,906,139	1,388,526
Interest expense and effect of interest rate swap	1,167,253	1,192,768
Loss on disposal/sale of property and equipment	575,195	-
Excess of revenues over expenses	2,163,691	195,758
Loss on discontinued operations	39,020	636,125
Change in unrestricted net assets	$ 2,124,671	$ (440,367)

The accompanying notes are an integral part of these consolidated financial statements.

Vinfen Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2010 and 2009

	2010	2009
Excess of revenues over expenses	$ 2,163,691	$ 195,758
Loss on discontinued operations	39,020	636,125
Change in unrestricted net assets	2,124,671	(440,367)
Changes in temporarily restricted net assets		
Contributions	530,105	268,200
Net assets released from restrictions	(301,240)	(332,047)
Increase (decrease) in temporarily restricted net assets	228,865	(63,847)
Increase (decrease) in net assets	2,353,536	(504,214)
Net assets, beginning of year	18,876,825	19,381,039
Net assets, end of year	$ 21,230,361	$ 18,876,825

The accompanying notes are an integral part of these consolidated financial statements.

Vinfen Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 2,353,536	$ (504,214)
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation and amortization	2,939,856	2,976,667
Loss on disposal/sale of property and equipment	575,195	-
Unrealized loss on interest rate swap	74,900	84,096
Changes in operating assets and liabilities		
(Increase)/decrease in accounts receivable	(2,756,814)	2,489,383
Decrease in prepaid expenses and other assets	71,594	326,924
Increase in deferred revenue	4,499	-
Increase/(decrease) in accounts payable, accrued expenses and accrued vacation	785,829	1,165,062
Net cash provided by operating activities	4,048,595	6,537,918
Cash flows from investing activities		
Additions of property and equipment	(5,219,958)	(4,145,976)
Proceeds from sale of property and equipment	1,087,301	-
(Increase) decrease in assets whose use is limited	216,653	(21,922)
Increase in board-designated investments	-	(459,876)
Net cash used in investing activities	(3,916,004)	(4,627,774)
Cash flows from financing activities		
Proceeds from borrowings	783,000	3,239,376
Proceeds from capital advances	42,978	-
Payments made on long-term debt	(721,087)	(2,779,560)
Net cash provided by financing activities	104,891	459,816
Increase in cash and cash equivalents	237,482	2,369,960
Cash and cash equivalents at beginning of year	3,581,809	1,211,849
Cash and cash equivalents at end of year	$ 3,819,291	$ 3,581,809
Supplemental cash flow information		
Interest paid	$ 1,000,216	$ 1,000,988
Property and equipment purchase amounts remaining in accrued expenses	$ 45,973	$ 139,258

The accompanying notes are an integral part of these consolidated financial statements.

Vinfen Corporation and Subsidiaries
Consolidated Statements of Functional Expenses
Years Ended June 30, 2010 and 2009

	2010			
	Program	Fundraising	Administration	Total
Compensation	$ 65,729,891	$ -	$ 8,698,459	$ 74,428,350
Other expenses				
Occupancy expenses	7,410,718		545,257	7,955,975
Program/operating	13,647,033		1,556,820	15,203,853
Administrative	2,122,459		760,112	2,882,571
Depreciation and amortization	2,202,778		737,078	2,939,856
Total other	25,382,988	-	3,599,267	28,982,255
Total expenses	$ 91,112,879	$ -	$ 12,297,726	$ 103,410,605

	2009			
	Program	Fundraising	Administration	Total
Compensation	$ 63,304,587	$ 47,507	$ 8,389,830	$ 71,741,924
Other expenses				
Occupancy expenses	6,811,325	-	480,045	7,291,370
Program/operating	10,443,982	277	1,279,922	11,724,181
Administrative	2,163,946	3,861	887,181	3,054,988
Depreciation and amortization	2,301,047	560	659,477	2,961,084
Total other	21,720,300	4,698	3,306,625	25,031,623
Total expenses	$ 85,024,887	$ 52,205	$ 11,696,455	$ 96,773,547

The accompanying notes are an integral part of these consolidated financial statements.

1. Operations and Organization

Vinfen Corporation (the "Corporation" or "Vinfen") was formed in July 1977, under provision of the General Laws of Massachusetts, Chapter 180. The Corporation is located in Cambridge, Massachusetts and provides comprehensive community-based services to individuals with disabilities including psychiatric and developmental disabilities.

In March 1988, the Corporation 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.

The Corporation 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, 2010. The ceasing of the operations was accounted for and presented in the statement of operations as discontinued operations, and amounted to a loss of $39,020 and $636,125 for the years ended June 30, 2010 and 2009, 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.

Vinfen Corporation also is the sole member of Vinfen Clinical Services, Inc., a nonprofit subsidiary formed in November 1998. Vinfen Clinical Services, Inc. will deliver psychiatric services and has not commenced operations as of June 30, 2010.

In January 2000, Vinfen formed a wholly-owned nonprofit corporation, Vinfen Corporation of Connecticut, Inc., for the purpose of providing services to disabled populations in Connecticut. It commenced operations in February 2000.

In December 2000, Vinfen incorporated Vinfen Foundation, Inc., a wholly-owned subsidiary for the purpose of conducting fundraising and managing the Corporation's restricted assets. Vinfen Foundation, Inc. obtained recognition as a 501(c)(3) on November 20, 2007. Operations have not commenced as of June 30, 2010.

In May 2001, the United States Department of Housing and Urban Development ("HUD") approved the application for financing housing for Vinfen clients. In December 2000, the Corporation formed a wholly-owned nonprofit corporation, Vinfen Corporation of Larchmont, Inc. ("Larchmont").

In November 2001, HUD approved two additional applications for financing housing. During fiscal year 2003, the Corporation formed wholly-owned nonprofit corporations, Vinfen of Forest, Inc. ("Forest") and Vinfen Corporation of Plain Inc. ("Plain") for the operation of two homes for Vinfen clients.

Larchmont was recognized as a 501(c)(3) organization on May 24, 2001. Forest and Plain were recognized as 501(c)(3) organizations on July 3, 2003 and November 13, 2003, respectively. All three entities commenced operations in January 2005.

In January 2005, Vinfen formed Olmsted Green Skilled Nursing Facility, Inc. ("Olmsted Green SNF"), a wholly-owned subsidiary, 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 Corporation 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. The Corporation also 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.

In March 2007, Vinfen Housing Corporation was formed for the purpose of ownership, development and provision of housing for disabled persons. It was recognized as a 501(c)(3) organization on March 25, 2008. It has not commenced operations as of June 30, 2010.

In March 2007, Vinfen incorporated Vinfen Housing at Olmsted Green, Inc. ("Olmsted Housing"), a wholly-owned subsidiary, for the purpose of owning and providing housing to low-income individuals with disabilities who are receiving services from The Commonwealth of Massachusetts Department of Mental Health. Olmsted Housing obtained a 501(c)(3) status on February 11, 2008. Olmsted Housing has paid a deposit of $133,600 and expects to purchase six townhouse units from the Lena New Boston Corporation, which is developing housing at the Mattapan, Massachusetts site. Approximately 50% of the units' purchase price will be financed by a pre-approved grant from the Massachusetts Facilities Consolidated Fund. The balance of the cost will be financed with conventional debt. Construction has not commenced as of June 30, 2010.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of the Corporation and its wholly-owned operating subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in banks with a maturity of three months or less at the time of purchase. Certain balances meeting the definition of cash equivalents have been classified as investments as a result of the Corporation's intent to segregate these designated funds from cash available for current operations.

Board-Designated Investments

In November 2000, the Board of Directors voted to institute a Depreciation Reserve Fund to help fund future asset purchases at Vinfen. The $10,000,000 fund is held in a money market account, a NOW account, an interest-bearing checking account, and the Corporation's operating account with a nightly repurchase agreement. Targeted funding of $10 million was met at June 30, 2009.

Revenue Recognition
The Corporation receives the majority of revenues (approximately $97,640,000 and $89,240,000 for the years ended June 30, 2010 and 2009, respectively), from state governments as contract funding for programs.

Generally, the Corporation is paid a predetermined rate for services rendered. Revenues are recorded at the time services are provided.

Property and Equipment
Property and equipment are stated at cost at the time of acquisition or fair market value at the time of donation. Depreciation is recorded on a straight-line basis based on the following estimated useful lives:

Asset	Life
Buildings - Commercial	40 years
Buildings - Residential	27.5 years
Building improvements	20 years
Leasehold improvements	Five years, or for the remainder of the lease if less than five years
Equipment and furnishings	Three to ten years

Expenditures for maintenance and repairs are charged to expense as incurred; 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 credited or charged to operations.

In fiscal year 2010, Vinfen Corporation sold three properties and recorded a net loss of $93,846 which is included in the loss on disposal/sale of property and equipment.

Equipment Grants
Equipment granted by certain contracts remains the property of the awarding agency. To conform to the requirements of the Commonwealth of Massachusetts, the Corporation capitalizes equipment received/purchased through grants/contracts and depreciates the related assets in accordance with the Corporation's policies. The revenue associated with these grants/contracts is recognized in the year of the grant. Equipment grant revenue totaled $46,850 and $107,981 for the years ended June 30, 2010 and 2009, respectively.

Assets Whose Use is Limited
Assets whose use is limited represents amounts required to be held in escrow for the Corporation's Bonds and Capital Advance agreements (Note 4). Investments are recorded at fair value and consist of money market funds or certificates of deposit.

Temporarily Restricted Net Assets
Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Temporarily restricted net assets include gifts which can be expended but for which restrictions have not yet been met. When the restriction expires, either by the passage of time or by the purpose of the gift being met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restriction.

Donated Facilities and Services
Donated facilities and services represent the estimated fair value of services provided to the Corporation. Contributed facilities are provided on an at-will basis. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills.

Donated services received from the Massachusetts Department of Developmental Services totaled $30,463 for the years ended June 30, 2010 and 2009, and have been reflected as revenues and expenses in the statements of operations.

Expenses
All expenses are reported in the unrestricted class of net assets. The classification, Operating Expenses, includes such expense types as rent and lease payments for property, vehicles and equipment; staff and client transportation; utilities; repairs and maintenance; staff training costs; food, program, medical and office supplies; data processing and insurance; internet, telephone and other communication expense.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to programs and supporting services.

Income Taxes
The Corporation and each of its consolidated subsidiaries are tax-exempt entities under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and are exempt from federal income taxes pursuant to Section 501(a) of the Code.

New Accounting Pronouncements
Effective July 1, 2008, the Corporation adopted new accounting guidance which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued and requires disclosure of the date through which an entity has evaluated subsequent events. Subsequent events have been evaluated through October 29, 2010, which is the date financial statements were issued.

On July 1, 2008, the Corporation adopted new accounting guidance related to fair value measurements which establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP") and expands disclosures about fair value measurements. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Corporation for financial instruments measured at fair value on a recurring basis: The three levels of inputs are as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

- Level 3 – Unobservable inputs in which there is little or no market data.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

- Income approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

The following fair value hierarchy tables present information about the Corporation's liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations. There were no assets requiring disclosure under the standard.

As of June 30, 2010:

	Level 1	Level 2	Level 3
Swap agreement	$ -	$ -	$ 371,431
Total liabilities at fair value	$ -	$ -	$ 371,431

As of June 30, 2009:

	Level 1	Level 2	Level 3
Swap agreement	$ -	$ -	$ 296,531
Total liabilities at fair value	$ -	$ -	$ 296,531

The following tables present a rollforward of the liabilities carried at fair value as of June 30, 2010 and 2009 that are classified within Level 3 of the fair value hierarchy. The table reflects losses for the year. Additionally, both observable and unobservable inputs may be used to determine the fair value of positions that the Corporation has classified within the Level 3 category. As a result, the unrealized losses for liabilities within Level 3 may include changes in fair value that were attributable to both observable and unobservable inputs.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Swap Agreement
Balance, July 1, 2009	$ 296,531
Unrealized losses	74,900
Balance, June 30, 2010	$ 371,431

		Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Swap Agreement
Balance, July 1, 2008	$	212,435
Unrealized losses		84,096
Balance, June 30, 2009	$	296,531

3. Other Assets

Other assets are amortized over the life of the associated debt and consist of the following at June 30:

	Amortization Period	2010	2009
HEFA Series A bond issuance costs (net of accumulated amortization of $331,417 and $302,908 at June 30, 2010 and 2009, respectively)	30 Years	$ 523,851	$ 552,360
HEFA Pool O-1 bond issuance costs (net of accumulated amortization of $7,455 and $0 at June 30, 2010 and 2009, respectively)	14 months	2,033	-
HEFA Series M-3C bond issuance costs (net of accumulated amortization of $43,863 and $18,799 at June 30, 2010 and 2009, respectively)	Seven Years	-	25,064
HEFA Pool O-1 #2 bond issuance costs (net of accumulated amortization of $2,092 and $0 at June 30, 2010 and 2009, respectively)	46 months	6,667	-
Term Loan Citizens Bank (Vinfen) - debt issuance cost (net of accumulated amortization of $12,961 and $0 at June 30, 2010 and 2009, respectively)	Five Years	46,857	66,395
Term Loan Citizens Bank (Connecticut) - debt issuance cost (net of accumulated amortization of $4,329 and $131 at June 30, 2010 and 2009, respectively)	Five Years	15,650	7,732
Line of credit fees (net of accumulated amortization of $652 at June 30, 2010)	23 months	2,349	-
		$ 597,407	$ 651,551

4. Long-Term Debt

Long-term debt consists of the following at June 30:

	2010	2009
Bonds payable: HEFA Series A 1998	$ 13,055,000	$ 13,455,000
Bonds payable: HEFA Pool O-1 (formerly Series M-1A)	3,060,786	3,127,323
Bonds payable: HEFA Pool O-1 #2 (formerly Series M-3C)	2,530,548	2,956,768
CEDAC loan	184,175	184,175
Term Loan: Citizens Bank (Vinfen)	2,222,407	2,339,377
Term Loan: Citizens Bank (Vinfen of Connecticut)	872,421	897,635
Line of credit: Citizens Bank	360,000	-
Note payable (Vinfen of Connecticut)	736,854	-
Total long-term debt	23,022,191	22,960,278
Less current portion	(812,702)	(728,062)
	$ 22,209,489	$ 22,232,216

In November 1998 the Corporation 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. Funds in the amount of $9,337,000 were deposited in escrow for refunding of the defeased bonds, and these bonds have since been refunded. Additional proceeds were used for refinancing mortgages on the Corporation's properties, acquisition of a building, the upgrade of the Corporation's computer systems, and repair and renovation of the Corporation's 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 through 2028 ranging from $215,000 to $8,420,000. The bonds are redeemable at the option of the Corporation beginning in November 2008 at 101% and at decreasing amounts to 100% in November 2010 and thereafter.

The Corporation 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 between Vinfen, People Care, Hancock Manor and Vinfen Clinical Services (the "Obligated Group") contains certain financial covenants which include a requirement that the Obligated Group maintain a debt service coverage ratio of at least 1.15. The Indenture also allows the Obligated Group to incur additional debt which, under some circumstances, may be on a parity with, or senior to, the Mass HEFA Series A Bonds.

On October 1, 2003, the Corporation obtained variable rate financing from the Mass HEFA Series M-1A Pool. The proceeds of this financing were used to repay a portion of an outstanding line of credit, note payable, and a mortgage totaling $2,452,174, and the remaining balance was used to fund certain project costs of the Corporation.

On June 29, 2006, the Corporation obtained variable rate financing from the Mass HEFA Series M-3C Pool. The proceeds of this financing were used to repay a portion of an outstanding line of credit, totaling $1,367,000, and the remaining balance was used to fund certain project costs of the Corporation.

On August 3, 2009, the Corporation's Mass HEFA Series M-1A and Series M-3C variable rate debt was refunded and replaced by the issuance of Mass HEFA's Variable Rate Demand Revenue Bonds, Pool Loan Program Issue, Series O-1, Tranche 1. The new Mass HEFA issue has an irrevocable direct-pay letter of credit from Citizens Bank which is being confirmed by the Federal Home Loan Bank of Boston ("Confirming Bank"). The amount of Vinfen's Mass HEFA debt remains unchanged and all terms of the Pool M documents remain in full force and effect, except as supplemented and amended principally by the Pool O Trust Indenture and a 2009 Amendment to the original Reimbursement Agreement. The Amendment provides for payment of the fees associated with the confirmation being provided by the Confirming Bank. The confirming letter of credit expires on August 13, 2012. The amortization schedule of the M-1A bonds is accelerated by the issuance of the Series O-1 bonds by making the final payment one year earlier and equal to the final two years payments as stated in the M-1A documents. In addition, the financing requires the Corporation 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. The debt at June 30, 2010 bears interest at 0.249%.

On October 1, 2009, Vinfen made a $302,000 principal payment related to the former M-3C bonds, now part of the new Series O-1 bonds, resulting from the sale of real property financed by the M-3C pool.

In August 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. In 2006, CEDAC reduced the rate of interest on this debt to 0%, retroactive to the issuance of the loan. Prior to 2006, the loan had accrued simple interest at the rate of 5% per year. The loan agreement has covenants which include use restrictions and profitability limits for this property.

The Corporation has an asset purchase line of credit with a $2,000,000 borrowing limit and a working capital line of credit with a $2,000,000 borrowing limit with Citizens Bank as of June 30, 2010. The asset purchase line of credit bears interest at LIBOR plus 170 basis points and expires on December 31, 2011 at which time, the amount borrowed becomes due. The working capital line of credit bears interest at LIBOR plus 250 basis points and expires on December 31, 2010. Both lines have covenants that require the Corporation to maintain minimum ratios of debt service coverage and liabilities to total tangible net assets. Amounts outstanding on the asset purchase line were $360,000 and $0 at June 30, 2010 and 2009, respectively. There have been no draws on the working capital line in fiscal year 2010. At June 30, 2010, the interest on the asset purchase line of credit was 2.05%.

In June 2009, Vinfen received a $2,339,377 Term Loan from Citizens Bank to refinance the real property acquired through borrowing against its Citizens Bank lines of credit. The Term Loan is collaterized by mortgages on the refinanced properties. The loan bears interest at LIBOR plus 2.4% and principal payments of $9,747 are due monthly. At June 30, 2010 the interest rate was 2.75%. The loan matures on June 1, 2014 when all outstanding interest and principal are payable. There are covenants that must be met related to this loan that are similar to that on other existing Vinfen debt.

In June 2009, Vinfen of Connecticut received a $900,000 Term Loan from Citizens Bank to refinance the real property acquired through $802,907 of borrowings against the Vinfen Citizens Bank asset purchase lines of credit and to provide $97,093 for capital improvements. The Term Loan is collateralized by mortgages on the refinanced properties and a guaranty from Vinfen Corporation. Monthly payments of $6,130 are due on the last day of each month. The loan bears interest at 5.38% and matures on May 30, 2014 when all outstanding interest and principal are payable.

In September 2009, Vinfen of Connecticut purchased the office building in which it had previously leased space from the lessors. The lessors gave a 10-year mortgage note due September 11, 2019 in the amount of $783,000. This note has a fixed interest rate of 5.0%. Payments of $8,305 are due monthly beginning October 2009.

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

2011	$ 812,702
2012	1,216,544
2013	886,132
2014	3,442,457
2015	826,635
Thereafter	15,837,722
Total long-term debt	$ 23,022,192

The fair market value of outstanding Mass HEFA long-term debt approximated $16,894,158 and $17,730,076 as of June 30, 2010 and 2009, respectively, based on quoted market prices of similar issues.

Interest Rate Swaps

On October 15, 2003, the Corporation entered into a variable to fixed interest rate swap agreement for the Mass HEFA Series M-1A issue that fixed the interest rate at 3.35% on the portion of the borrowings that refinanced outstanding debt. This swap contract expired on October 15, 2008.

On July 11, 2006, the Corporation entered into a variable to fixed interest rate swap agreement for the Mass HEFA Series M-3C issue that fixed the interest rate at 4.42%. This swap contract will expire on June 1, 2016. The notional amount for this agreement was $2,807,200 and $2,927,200 as of June 30, 2010 and 2009, respectively, and the fair value was $(371,431) and $(296,531) as of June 30, 2010 and 2009, respectively.

The swap agreement is recorded at fair value on the consolidated balance sheet, with the resulting unrealized loss of $74,900 recorded within the excess of revenues over expenses on the consolidated statement of operations.

These swaps, while serving as economic hedges, do not qualify as an accounting hedge under the accounting guidance.

The net interest expense, and the change in the fair value of the swap, is reflected in the consolidated statements of operations for years ending June 30, 2010 and 2009 as follows:

	2010	2009
Interest expense before the effect of interest rate swap	$ 971,277	$ 1,015,306
Swap interest expense	121,076	93,366
Change in fair value of swap contract	74,900	84,096
	$ 1,167,253	$ 1,192,768

As of June 30, 2010 and 2009, assets whose use is limited is comprised of the following:

	2010	2009
Mass HEFA Series A 1998 Debt Service Reserve Fund	$ 1,114,191	$ 1,114,191
Mass HEFA Series A 1998 Debt Service Fund	299,501	297,708
Mass HEFA Pool O-1 Debt Service Reserve Fund	30,621	31,296
Mass HEFA Pool O-1 Debt Service Fund	632	9,866
Mass HEFA Pool O-1 Bond Expense Fund	22,470	16,763
Mass HEFA Pool O-1 # 2 Expense Fund	19,581	10,554
Mass HEFA Pool O-1 # 2 Debt Service Reserve Fund	25,352	29,583
Mass HEFA Pool O-1 # 2 Debt Service Interest Fund	62	742
Mass HEFA Pool O-1 # 2 Interest Rebate Fund	-	1,632
Bronstein Fund Cash Account	117,500	112,500
HUD Construction Funds	-	223,168
HUD Escrows	54,320	45,148
	$ 1,684,230	$ 1,893,151

5. Capital Advances

During 2004, the Massachusetts Facilities Consolidation Fund awarded through CEDAC $739,642 in grants to Larchmont, Forest and Plain for the purchase of facilities.

In addition, under Capital Advance agreements, HUD provided capital advances to Larchmont, Forest and Plain in the amount of $1,215,201 to renovate facilities. These advances bear interest at 5.4% and 5.0%. The advances will be forgiven with no interest due as long as the properties are used to serve disabled people for a period of forty years under the provision of Section 811 of the National Housing Act of 1990. The advances are collateralized by mortgages on the properties.

The State of Connecticut provided Vinfen of Connecticut with a working capital advance of $68,650 that represented the final month's billing on two new programs opened in 2006. An additional $42,978 was given for a new program opened in 2009 for a total of $111,628 at June 30, 2010.

Collectively, under these agreements, $2,066,471 and $2,023,493 were outstanding at June 30, 2010 and 2009, respectively.

6. Retirement Plans

The Corporation has a defined contribution retirement plan covering substantially all employees. For fiscal years ending prior to June 30, 2005, the Corporation contributed 9% of eligible participants' annual salaries to the plan. On July 1, 2005, the plan was amended so that for employees hired or rehired after that date, the Corporation would contribute 3% of eligible annual salaries to the plan. Vinfen also converted the plan from a money purchase plan to a profit-sharing plan, which allows for discretionary employer contributions for highly compensated individuals that may vary from year to year, as necessary, so that the plan can satisfy required nondiscrimination tests, which might not be met under a money purchase plan structure. Additionally, for contributions made on eligible earnings after January 1, 2007, the plan's vesting requirements were reduced from a five-year cliff vesting schedule to a graduated schedule to conform to the Pension Protection Act of 2006. Effective January 1, 2010, the Plan was amended to comply with the Pension Protection Act of 2006 and Internal Revenue Code section 415 and to effect certain other plan design including, but not limited to, changing the contribution formula to a fully discretionary one to be determined by the Board of Directors on a year-to-year basis. The amendment also gives the Board of Directors the right to provide for differing contribution rates among different entities in the Plan. Pension expense amounted to $2,247,058 and $2,873,093 for the years ended June 30, 2010 and 2009, respectively.

7. Commitments and Contingencies

At June 30, 2010, the Corporation had operating leases for program facilities, motor vehicles and other equipment. Aggregate noncancellable minimum rental requirements under these leases are as follows for the years ending June 30:

	Facilities	Vehicles	Equipment	Total
2011	$ 4,300,561	$ 823,222	$ 209,697	$ 5,333,480
2012	2,782,355	481,455	183,379	3,447,189
2013	1,529,314	280,550	123,591	1,933,455
2014	1,101,237	163,244	-	1,264,481
2015	600,537	43,221	-	643,758
Thereafter	1,601,058	-	-	1,601,058
	$ 11,915,062	$ 1,791,692	$ 516,667	$ 14,223,421

Total rent expense on all leases for the years ended June 30, 2010 and 2009 were $6,799,113 and $6,753,955, respectively.

On June 22, 2010, Vinfen purchased a parcel of land for $250,000 in Holliston, Massachusetts for the purpose of developing a 5-bedroom medically intense residence for developmentally disabled persons. On July 15, 2010, Vinfen entered into a binding contract for the construction of the residence amounting to $715,000. The contract called for occupancy in early October 2010 and payment within 30-days after issuance of the Certificate of Occupancy, which was issued on October 4, 2010. Vinfen will finance acquisition of this property with cash, $537,708 in grant funding from CEDAC to be received in fiscal year 2012 and a draw from its asset purchase line of credit, pending permanent financing.

On October 5, 2010, Vinfen entered into a Purchase and Sale Agreement to acquire a property in Danvers, Massachusetts it currently leases from the landlord for $381,500. Vinfen will finance the acquisition of this property with cash and a draw from its asset purchase line of credit, pending permanent financing.

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

8. Subsequent Events

On August 1, 2010, Vinfen made a $299,835 principal payment on the Series O-1 bonds, resulting from the sale of real property financed with that debt. This repayment is not reflected in the current portion of long-term debt at June 30, 2010. Management has evaluated all subsequent events through the audit opinion date of November 4, 2010.

Supplementary Information

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Report of Independent Auditors on Accompanying Consolidating Information

To the Board of Directors of
Vinfen Corporation

The report on our audits of the consolidated financial statements, in which we indicated the extent of our reliance on the reports of other auditors, of Vinfen Corporation (the "Corporation") as of June 30, 2010 and 2009, and for the years then ended appears on page 1 of this document. We did not audit 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., wholly-owned subsidiaries, which statements reflect total assets of $6,078,330 as of June 30, 2010, and total revenues of $10,253,290 for the year then ended. We also did not audit the financial statements of Family Rehabilitation Services, Inc., Vinfen Corporation of Connecticut, Inc., Vinfen Corporation of Larchmont, Inc., Vinfen Corporation of Forest, Inc., and Vinfen Corporation of Plain, Inc., wholly-owned subsidiaries, which statements reflect total assets of $5,150,425 as of June 30, 2009, and total revenues of $8,567,754 for the year then ended. Those audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, and results of operations and changes in unrestricted net assets of the individual entities. Accordingly, we do not express an opinion on the financial position and results of operations and changes in unrestricted net assets of the individual entities. However, the consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 4, 2010

Vinfen Corporation and Subsidiaries
Supplementary Consolidating Information
Consolidating Balance Sheets
June 30, 2010

	Vinfen	Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Total
Assets									
Current assets									
Cash and cash equivalents	$ 2,736,586	$ 1,055,960	$ (8,545)	$ 2,388	$ 4,662	$ 5,492	$ 22,748	$ -	$ 3,819,291
Accounts receivable, net	7,935,690	938,038	98,481	19,954	5,495	-	(6,910)	-	8,990,748
Current portion of assets whose use is limited	459,747	-	-	22,181	18,822	13,317	-	-	514,067
Prepaid expenses and other current assets	1,060,721	136,998	24,842	-	-	-	140	-	1,222,701
Total current assets	12,192,744	2,130,996	114,778	44,523	28,979	18,809	15,978	-	14,546,807
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	641,809	613,765	588,455	-	-	32,899,686
Furniture and equipment	7,076,249	472,223	156,434	3,538	2,080	21,786	-	-	7,732,310
Construction in progress	618,017	13,000	-	-	-	-	-	-	631,017
	42,819,351	2,882,592	300,144	681,813	668,187	615,153	-	(38,106)	47,929,134
Less: Accumulated depreciation	(13,225,638)	(613,880)	(177,091)	(129,422)	(121,978)	(143,092)	-	-	(14,411,101)
Total property and equipment, net	29,593,713	2,268,712	123,053	552,391	546,209	472,061	-	(38,106)	33,518,033
Other assets									
Assets whose use is limited, less current portion	1,170,163	-	-	-	-	-	-	-	1,170,163
Due from affiliate	5,066,545	-	-	-	-	-	-	(5,066,545)	-
Board-designated investments	10,000,000	-	-	-	-	-	-	-	10,000,000
Investment in subsidiaries	(4,038,739)	-	-	-	-	-	-	4,038,739	-
Other assets	581,757	15,650	-	-	-	-	-	-	597,407
Total other assets	12,779,726	15,650	-	-	-	-	-	(1,027,806)	11,767,570
Total assets	$ 54,566,183	$ 4,415,358	$ 237,831	$ 596,914	$ 575,188	$ 490,870	$ 15,978	$ (1,065,912)	$ 59,832,410

Vinfen Corporation and Subsidiaries
Supplementary Consolidating Information
Consolidating Balance Sheets
June 30, 2010

	Vinfen	Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Total
Liabilities and Net Assets									
Current liabilities									
Accounts payable	$ 1,795,288	$ 194,643	$ 16,988	$ 14,768	$ 1,282	$ 1,638	$ -	$ -	$ 2,024,607
Accrued expenses	7,357,707	1,017,137	81,636	8,287	13,674	6,079	(3,144)	-	8,481,376
Accrued vacation	2,726,030	275,599	-	-	-	-	-	-	3,001,629
Current portion of long-term debt	721,801	90,901	-	-	-	-	-	-	812,702
Deferred revenue	5,775	-	-	-	-	-	-	-	5,775
Total current liabilities	12,606,601	1,578,280	98,624	23,055	14,956	7,717	(3,144)	-	14,326,089
Due to affiliate		2,160,441	2,817,573	21,592	34,413	32,526	-	(5,066,545)	-
Long-term debt, less current portion	20,691,115	1,518,374	-	-	-	-	-	-	22,209,489
Capital advances	-	111,628	-	683,157	672,202	599,484	-	-	2,066,471
Total liabilities	33,297,716	5,368,723	2,916,197	727,804	721,571	639,727	(3,144)	(5,066,545)	38,602,049
Net assets									
Unrestricted net assets (deficits)	20,778,415	(953,365)	(2,678,366)	(130,890)	(146,383)	(148,857)	19,122	4,000,633	20,740,309
Temporarily restricted net assets	490,052	-	-	-	-	-	-	-	490,052
Total net assets	21,268,467	(953,365)	(2,678,366)	(130,890)	(146,383)	(148,857)	19,122	4,000,633	21,230,361
Total liabilities and net assets	$ 54,566,183	$ 4,416,358	$ 237,831	$ 596,914	$ 575,188	$ 490,870	$ 15,978	$ (1,065,912)	$ 59,832,410

Vinfen Corporation and Subsidiaries
Supplementary Consolidating Information
Consolidating Statements of Operations and Changes in Unrestricted Net Assets
Year Ended June 30, 2010

	Vinfen	Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Total
Revenues									
Government and private fees, grants and contracts	$ 87,644,022	$ 10,104,230	$ 1,526,425	$ 49,703	$ 36,228	$ 31,512	$ -	$ -	$ 99,392,120
Program revenues	5,241,782	-	2,425	-	-	-	-	-	5,244,207
Investment income	16,285	-	-	29	34	24	-	-	16,372
Donated facilities and services	30,463	-	-	-	-	-	-	-	30,463
Investment income from equity in affiliates	3,545,826						-	(3,545,826)	-
Other	540,235	31,530	18,129	-	-	-	-	-	589,894
Net assets released from restrictions	301,240	-	-	-	-	-	-	-	301,240
Total revenues	97,319,853	10,135,760	1,546,979	49,732	36,262	31,536	-	(3,545,826)	105,574,296
Compensation expense									
Salaries and wages	53,528,327	5,877,942	972,035	-	-	-	-	-	60,378,304
Employee benefits	7,332,694	1,054,093	86,298	-	-	-	-	-	8,473,085
Payroll taxes	4,844,272	517,382	215,307	-	-	-	-	-	5,576,961
Total compensation expenses	65,705,293	7,449,417	1,273,640	-	-	-	-	-	74,428,350
Other operating expenses									
Operating expenses	16,680,469	2,166,238	169,774	27,130	20,546	17,273	-	-	19,081,430
Professional fees and contract services expenses	4,587,439	206,228	289,769	21,641	14,252	14,205	-	-	5,133,534
Donated facilities and services	30,463	-	-	-	-	-	-	-	30,463
Depreciation and amortization	2,695,641	132,352	42,694	24,088	22,698	22,383	-	-	2,939,856
Bad debt expense		-	54,323	201			-	-	54,524
Total other expenses	23,994,012	2,504,818	556,560	73,060	57,496	53,861	-	-	27,239,807
Total expenses before interest expense, effect of interest rate swap, and loss on disposal/sale of property and equipment	89,699,305	9,954,235	1,830,200	73,060	57,496	53,861	-	-	101,668,157
Excess (deficiency) of revenues over expenses before interest expense, effect of interest rate swap, and loss on disposal/sale of property and equipment	7,620,548	181,525	(283,221)	(23,328)	(21,234)	(22,325)	-	(3,545,826)	3,906,139
Interest expense and effect of interest rate swap	1,087,237	80,016	-	-	-	-	-	-	1,167,253
Loss on disposal/sale of property and equipment	575,195	-	-	-	-	-	-	-	575,195
Excess (deficiency) of revenues over expenses	5,958,116	101,509	(283,221)	(23,328)	(21,234)	(22,325)	-	(3,545,826)	2,163,691
Loss on discontinued operations	-	-	-	-	-	-	39,020	-	39,020
Transfer to affiliate	(3,833,445)	-	-	-	-	-	3,833,445	-	-
Change in unrestricted net assets	2,124,671	101,509	(283,221)	(23,328)	(21,234)	(22,325)	3,794,425	(3,545,826)	2,124,671
Unrestricted net assets, beginning of the year	18,653,744	(1,054,874)	(2,395,145)	(107,562)	(125,149)	(126,532)	(3,775,303)	7,546,459	18,615,638
Unrestricted net assets, end of the year	$ 20,778,415	$ (953,365)	$ (2,678,366)	$ (130,890)	$ (146,383)	$ (148,857)	$ 19,122	$ 4,000,633	$ 20,740,309

Vinfen Corporation and Subsidiaries
Supplementary Consolidating Information
Consolidating Balance Sheets
June 30, 2009

	Vinfen	Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Total
Assets									
Current assets									
Cash and cash equivalents	$ 2,400,641	$ 903,937	$ (3,102)	$ 22,046	$ (15)	$ 5,095	$ 253,207	$ -	$ 3,581,809
Accounts receivable, net	5,354,332	464,977	209,796	1,295	1,784	1,924	199,825	-	6,233,933
Current portion of assets whose use is limited	448,139	-	-	83,091	82,812	95,568	-	-	709,610
Prepaid expenses and other current assets	1,149,485	69,392	27,442	-	-	-	1,564	-	1,247,883
Total current assets	9,352,597	1,438,306	234,136	106,432	84,581	102,587	454,596	-	11,773,235
Property and equipment									
Land	6,370,501	285,712	-	36,466	52,342	4,912	-	(38,106)	6,711,827
Building and improvements	27,145,039	1,146,061	143,110	635,683	613,827	588,518	-	-	30,272,238
Furniture and equipment	5,977,824	369,020	156,434	2,438	2,080	21,786	-	-	6,529,582
Construction in progress	1,446,759	1,753	-	-	-	-	-	-	1,448,512
	40,940,123	1,802,546	299,544	674,587	668,249	615,216	-	(38,106)	44,962,159
Less: Accumulated depreciation	(10,991,417)	(485,726)	(127,672)	(105,412)	(99,344)	(120,770)	-	-	(11,930,341)
Total property and equipment, net	29,948,706	1,316,820	171,872	569,175	568,905	494,446	-	(38,106)	33,031,818
Other assets									
Assets whose use is limited, less current portion	1,176,696	-	-	5,101	1,744	-	-	-	1,183,541
Due from affiliate	9,162,511	-	-		-	-	-	(9,162,511)	-
Board-designated investments	10,000,000	-	-	-	-	-	-	-	10,000,000
Investment in subsidiaries	(7,584,565)	-	-	-	-	-	-	7,584,565	-
Other assets	643,819	7,732	-	-	-	-	-	-	651,551
Total other assets	13,398,461	7,732	-	5,101	1,744	-	-	(1,577,946)	11,835,092
Total assets	$ 52,699,764	$ 2,762,858	$ 406,008	$ 680,708	$ 655,230	$ 597,033	$ 454,596	$ (1,616,052)	$ 56,640,145

Vinfen Corporation and Subsidiaries
Supplementary Consolidating Information
Consolidating Balance Sheets
June 30, 2009

	Vinfen	Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Total
Liabilities and Net Assets									
Current liabilities									
Accounts payable	$ 1,427,890	$ 67,385	$ 41,461	$ 5,803	$ 943	$ 353	$ 35,810	$ -	$ 1,579,645
Accrued expenses	7,586,236	601,201	10,467	12,388	5,890	7,053	48,097	-	8,271,332
Accrued vacation	2,708,065	219,231	-	-	-	-	-	-	2,927,296
Current portion of long-term debt	702,848	25,214	-	-	-	-	-	-	728,062
Deferred revenue	-	-	-	-	-	1,276	-	-	1,276
Total current liabilities	12,425,039	913,031	51,928	18,191	6,833	8,682	83,907	-	13,507,611
Due to affiliate	-	1,963,629	2,749,225	86,922	101,344	115,399	4,145,992	(9,162,511)	-
Long-term debt, less current portion	21,359,794	872,422	-	-	-	-	-	-	22,232,216
Capital advances	-	68,650	-	683,157	672,202	599,484	-	-	2,023,493
Total liabilities	33,784,833	3,817,732	2,801,153	788,270	780,379	723,565	4,229,899	(9,162,511)	37,763,320
Unrestricted net assets (deficits)	18,653,744	(1,054,874)	(2,395,145)	(107,562)	(125,149)	(126,532)	(3,775,303)	7,546,459	18,615,638
Temporarily restricted net assets	261,187	-	-	-	-	-	-	-	261,187
Total net assets	18,914,931	(1,054,874)	(2,395,145)	(107,562)	(125,149)	(126,532)	(3,775,303)	7,546,459	18,876,825
Total liabilities and net assets	$ 52,699,764	$ 2,762,858	$ 406,008	$ 680,708	$ 655,230	$ 597,033	$ 454,596	$ (1,616,052)	$ 56,640,145

Vinfen Corporation and Subsidiaries
Supplementary Consolidating Information
Consolidating Statements of Operations and Changes in Unrestricted Net Assets
Year Ended June 30, 2009

	Vinfen	Vinfen of Connecticut	People Care	Vinfen of Larchmont	Vinfen of Forest	Vinfen of Plain	Hancock Manor	Eliminations	Total
Revenues									
Government and private fees, grants and contracts	$ 80,687,866	$ 8,428,550	$ 1,781,660	$ 50,757	$ 33,029	$ 30,576	$ -	$ -	$ 91,012,438
Program revenues	5,090,280	-	51,394	-	-	-	-	-	5,141,674
Investment income	82,698	-	-	27	28	17	-	-	82,770
Donated facilities and services	30,463	-	-	-	-	-	-	-	30,463
Investment income from equity in affiliates	(1,382,091)	-	-	-	-	-	-	1,382,091	-
Other	619,692	24,770	3,811	-	-	-	-	(265,778)	382,495
Net assets released from restrictions	319,465	-	-	-	-	-	-	-	319,465
Total revenues	85,448,373	8,453,320	1,836,865	50,784	33,057	30,593	-	1,116,313	96,969,305
Compensation expense									
Salaries and wages	52,280,582	4,966,490	1,043,095	-	-	-	-	-	58,290,167
Employee benefits	7,644,382	767,091	93,481	-	-	-	-	-	8,504,954
Payroll taxes	4,418,188	442,146	86,469	-	-	-	-	-	4,946,803
Total compensation expenses	64,343,152	6,175,727	1,223,045	-	-	-	-	-	71,741,924
Other operating expenses									
Operating expenses	15,971,143	2,053,489	316,805	25,097	21,426	17,625	-	(58,179)	18,347,406
Professional fees and contract services expenses	1,569,036	168,608	524,699	32,107	12,765	14,148	-	-	2,321,363
Donated facilities and services	30,463	-	-	-	-	-	-	-	30,463
Depreciation and amortization	2,785,944	55,611	48,742	23,630	22,687	24,470	-	-	2,961,084
Bad debt expense	-	-	178,539	-	-	-	-	-	178,539
Total other expenses	20,356,586	2,277,708	1,068,785	80,834	56,878	56,243	-	(58,179)	23,838,855
Total expenses, before interest expense and effect of interest rate swap	84,699,738	8,453,435	2,291,830	80,834	56,878	56,243	-	(58,179)	95,580,779
Excess (deficiency) of revenues over expenses before interest expense and effect of interest rate swap	748,635	(115)	(454,965)	(30,050)	(23,821)	(25,650)	-	1,174,492	1,388,526
Interest expense and effect of interest rate swap	1,189,002	3,766	-	-	-	-	-	-	1,192,768
Excess (deficiency) of revenues over expenses	(440,367)	(3,881)	(454,965)	(30,050)	(23,821)	(25,650)	-	1,174,492	195,758
Loss on discontinued operations	-	-	-	-	-	-	(843,724)	(207,599)	(636,125)
Change in unrestricted net assets	(440,367)	(3,881)	(454,965)	(30,050)	(23,821)	(25,650)	(843,724)	1,382,091	(440,367)
Unrestricted net assets, beginning of year	19,094,111	(1,050,993)	(1,940,180)	(77,512)	(101,328)	(100,882)	(2,931,579)	6,164,368	19,056,005
Unrestricted net assets (deficits), end of year	$ 18,653,744	$ (1,054,874)	$ (2,395,145)	$ (107,562)	$ (125,149)	$ (126,532)	$ (3,775,303)	$ 7,546,459	$ 18,615,638