Vinfen Corporation and Affiliates

Consolidated Financial Statements
and
Supplementary Information

Years Ended June 30, 2014 and 2013

Vinfen Corporation and Affiliates

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended June 30, 2014 and 2013

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McGladrey

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Vinfen Corporation and Affiliates (the "Organization") which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vinfen Corporation and Affiliates as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Boston, Massachusetts
November 14, 2014

Vinfen Corporation and Affiliates

Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 10,090,030**	$ 7,778,892
Accounts receivable, net	**11,653,671**	10,044,749
Assets whose use is limited	**2,213,143**	2,460,925
Prepaid expenses and other current assets	**405,742**	471,128
Total current assets	**24,362,586**	20,755,694
Property and equipment, net	**42,828,099**	39,867,184
Assets whose use is limited	**1,939,147**	1,295,603
Board designated investments	**11,000,000**	10,000,000
Deferred financing costs, net	**308,445**	518,598
Other assets	**729,803**	764,053
Goodwill	**798,856**	798,856
Total assets	**$ 81,966,936**	$ 73,999,988
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	**$ 1,493,929**	$ 1,383,649
Capital advance	**30,000**	-
Accounts payable	**3,978,009**	3,420,752
Accrued vacation	**3,025,159**	2,814,769
Other accrued expenses	**8,593,222**	8,442,598
Client funds	**2,213,143**	2,128,159
Total current liabilities	**19,333,462**	18,189,927
Long-term debt, net of current portion	**27,099,787**	23,336,689
Capital advances	**3,585,628**	2,783,128
Other liabilities	**38,071**	794,423
Total liabilities	**50,056,948**	45,104,167
Commitments and contingencies (See Note 13)		
Net assets:		
Unrestricted	**30,560,253**	27,973,578
Temporarily restricted	**1,349,735**	922,243
Total net assets	**31,909,988**	28,895,821
Total liabilities and net assets	**$ 81,966,936**	$ 73,999,988

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statements of Activities
Years Ended June 30, 2014 and 2013

	2014			2013		
		Temporarily			Temporarily	
	Unrestricted	**Restricted**	**Total**	Unrestricted	Restricted	Total
Revenues and other support:						
Contract revenue	**$ 122,493,407**	**$ -**	**$ 122,493,407**	$ 114,610,794	$ -	$ 114,610,794
Client fees	**6,097,028**	**-**	**6,097,028**	5,813,759	-	5,813,759
Rental subsidies	**1,722,574**	**-**	**1,722,574**	1,667,902	-	1,667,902
Contributions and grants	**6,411**	**705,065**	**711,476**	3,210	460,342	463,552
Investment income	**15,745**	**-**	**15,745**	5,157	-	5,157
Other operating revenue	**581,724**	**-**	**581,724**	528,886	-	528,886
Net assets released from restrictions	**304,711**	**(304,711)**	**-**	208,747	(208,747)	-
Total revenues and other support	**131,221,600**	**400,354**	**131,621,954**	122,838,455	251,595	123,090,050
Expenses:						
Program services:						
Psychiatric rehabilitation	**64,838,567**	**-**	**64,838,567**	60,838,204	-	60,838,204
Developmental disabilities	**49,736,949**	**-**	**49,736,949**	46,909,610	-	46,909,610
Clinical services	**458,523**	**-**	**458,523**	414,567	-	414,567
Supported housing	**386,398**	**-**	**386,398**	255,768	-	255,768
Total program services	**115,420,437**	**-**	**115,420,437**	108,418,149	-	108,418,149
Administrative and general	**13,898,990**	**-**	**13,898,990**	12,180,809	-	12,180,809
Fundraising	**147,280**	**-**	**147,280**	111,509	-	111,509
Total expenses	**129,466,707**	**-**	**129,466,707**	120,710,467	-	120,710,467
Change in net assets from operations	**1,754,893**	**400,354**	**2,155,247**	2,127,988	251,595	2,379,583
Non-operating income (expense):						
Loss on disposal of assets	**(494)**	**-**	**(494)**	(53,712)	-	(53,712)
Inherent contributions	**846,032**	**27,138**	**873,170**	-	-	-
Gain (loss) on interest rate swap contract	**(13,756)**	**-**	**(13,756)**	346,691	-	346,691
Total non-operating income	**831,782**	**27,138**	**858,920**	292,979	-	292,979
Change in net assets	**2,586,675**	**427,492**	**3,014,167**	2,420,967	251,595	2,672,562
Net assets at beginning of year	**27,973,578**	**922,243**	**28,895,821**	25,552,611	670,648	26,223,259
Net assets at end of year	**$ 30,560,253**	**$ 1,349,735**	**$ 31,909,988**	$ 27,973,578	$ 922,243	$ 28,895,821

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2014

	Psychiatric Rehabilitation	Developmental Disabilities	Clinical Services	Supported Housing	Employee Training	Facility Maintenance	Total Program Services	Administrative and General	Fundraising	Totals
Operating expenses:										
Salaries and wages	$ 39,602,064	$ 30,955,155	$ 311,378	$ -	$ 501,510	$ 463,738	$ 71,833,845	$ 7,191,411	$ 107,342	$ 79,132,598
Payroll taxes and employee benefits	7,882,744	6,700,455	32,840	-	154,624	101,216	14,871,879	1,094,092	13,265	15,979,236
Total salaries and related benefits	47,484,808	37,655,610	344,218	-	656,134	564,954	86,705,724	8,285,503	120,607	95,111,834
Occupancy expenses	7,056,711	3,588,999	29,629	123,924	383,652	468	11,183,383	421,773	-	11,605,156
Professional fees	1,871,717	431,053	44,786	6,244	103,363	-	2,457,163	1,616,949	14,705	4,088,817
Depreciation and amortization	973,217	1,285,856	1,082	122,353	17,254	4,269	2,404,031	674,248	-	3,078,279
Transportation	1,342,739	1,566,538	-	-	796	5,990	2,916,063	134,542	39	3,050,644
Food	1,544,170	1,036,117	298	-	1,360	-	2,581,945	4,409	-	2,586,354
Supplies	1,161,436	916,816	1,778	-	17,056	75	2,097,161	266,791	5,005	2,368,957
Repairs and maintenance	742,593	740,693	1,896	77,206	10,961	808	1,574,157	194,598	-	1,768,755
Communication and data	706,671	337,561	1,321	1,564	14,326	2,472	1,063,915	454,284	113	1,518,312
Interest	320,716	753,229	-	354	1,591	1,394	1,077,284	361,779	-	1,439,063
Equipment and rental	288,942	164,598	3,693	-	54,613	675	512,521	764,037	-	1,276,558
Insurance	278,617	167,795	2,479	14,842	11,154	4,408	479,295	146,122	59	625,476
Other expenses	86,037	109,424	1,068	-	22,676	50	219,255	271,517	5,879	496,651
Staff training	100,656	89,145	986	-	4,954	76	195,817	225,087	360	421,264
Bad debt expense (recovery)	470	14,866	22,013	-	-	-	37,349	(6,762)	-	30,587
Employee training allocation	642,189	587,802	2,818	-	(1,301,843)	982	(68,052)	67,539	513	-
Facility maintenance allocation	236,878	290,847	458	39,911	1,953	(586,621)	(16,574)	16,574	-	-
Total expenses	$ 64,838,567	$ 49,736,949	$ 458,523	$ 386,398	$ -	$ -	$ 115,420,437	$ 13,898,990	$ 147,280	$ 129,466,707

See notes to consolidated financial statements.

Vinfen Corporation and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2013

	Psychiatric Rehabilitation	Developmental Disabilities	Clinical Services	Supported Housing	Employee Training	Facility Maintenance	Total Program Services	Administrative and General	Fundraising	Totals
Operating expenses:										
Salaries and wages	$ 37,480,955	$ 29,403,108	$ 144,213	$ -	$ 351,635	$ 411,699	$ 67,791,610	$ 6,315,023	$ 58,485	$ 74,165,118
Payroll taxes and employee benefits	7,441,320	6,175,791	29,095	-	174,584	97,034	13,917,824	1,063,187	7,385	14,988,396
Total salaries and related benefits	44,922,275	35,578,899	173,308	-	526,219	508,733	81,709,434	7,378,210	65,870	89,153,514
Occupancy expenses	6,047,047	3,628,775	27,452	90,953	221,441	-	10,015,668	236,827	-	10,252,495
Professional fees	1,996,514	305,470	190,401	6,305	81,240	-	2,579,930	1,164,655	-	3,744,585
Depreciation and amortization	965,432	1,147,839	3,207	99,319	10,089	3,154	2,229,040	754,349	-	2,983,389
Transportation	1,232,907	1,480,921	-	-	755	5,534	2,720,117	145,200	-	2,865,317
Food	1,438,086	971,549	186	-	324	-	2,410,145	15,156	-	2,425,301
Supplies	1,140,178	947,253	2,674	76	11,841	248	2,102,270	277,306	3,306	2,382,882
Repairs and maintenance	665,579	702,749	3,268	31,188	9,800	687	1,413,271	175,019	-	1,588,290
Communication and data	643,890	313,875	3,527	755	9,329	1,488	972,864	411,612	-	1,384,476
Interest	281,891	616,421	-	205	-	1,519	900,036	240,065	-	1,140,101
Equipment and rental	421,349	178,974	6,499	-	18,497	4,379	629,698	644,894	-	1,274,592
Insurance	253,706	149,760	1,603	8,092	2,877	4,536	420,574	124,318	-	544,892
Other expenses	84,780	50,424	-	-	1,852	226	137,282	318,353	26,477	482,112
Staff training	85,496	90,403	35	-	9,052	-	184,986	218,774	15,856	419,616
Bad debt expense	-	61,451	-	-	-	-	61,451	7,454	-	68,905
Employee training allocation	481,896	378,409	1,544	-	(904,678)	-	(42,829)	42,829	-	-
Facility maintenance allocation	177,178	306,438	863	18,875	1,362	(530,504)	(25,788)	25,788	-	-
Total expenses	$ 60,838,204	$ 46,909,610	$ 414,567	$ 255,768	$ -	$ -	$ 108,418,149	$ 12,180,809	$ 111,509	$ 120,710,467

Vinfen Corporation and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 3,014,167	$ 2,672,562
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,078,279	2,983,389
Amortization of deferred financing costs	519,528	55,011
Provision for bad debts	37,554	15,565
Loss on sale/disposal of assets	494	53,712
(Gain) loss on interest rate swap contract	13,756	(346,691)
Inherent contribution	(873,170)	-
Change in accounts receivable	(1,644,141)	(2,863,687)
Change in prepaid expenses and other current assets	72,557	(41,921)
Change in other assets	34,250	(198,439)
Change in accounts payable	541,941	893,853
Change in accrued vacation	210,390	249,159
Change in other accrued expenses	81,792	(1,558,673)
Change in other liabilities	(9,878)	-
Total adjustments	2,063,352	(758,722)
Net cash provided by operating activities	5,077,519	1,913,840
Cash flows from investing activities:		
Purchases of property and equipment	(4,731,311)	(6,720,222)
Increase in board designated investments	(1,000,000)	-
Decrease (increase) in assets whose use is limited	374,053	(28,418)
Cash received from acquisitions	93,297	10,824
Net cash used in investing activities	(5,263,961)	(6,737,816)
Cash flows from financing activities:		
Proceeds from long-term debt	25,910,000	537,707
Repayments on long-term debt	(22,341,819)	(860,077)
Principal payments under capital lease obligations	(31,339)	(27,647)
Repayment of interest rate swap contract	(729,887)	-
Deferred financing costs	(309,375)	-
Net cash provided by (used in) financing activities	2,497,580	(350,017)
Net increase (decrease) in cash and cash equivalents	2,311,138	(5,173,993)
Cash and cash equivalents, beginning of year	7,778,892	12,952,885
Cash and cash equivalents, end of year	$ 10,090,030	$ 7,778,892
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 985,571	$ 1,087,930
Supplemental schedule of noncash operating and investing activities:		
Property and equipment purchases included in accounts payable	$ 15,316	$ -
Supplemental schedule of noncash investing and financing activities:		
Capital lease obligations - vehicles	$ -	$ 121,393

Supplemental disclosures of investing activities:

Purchase acquisitions - see note 3

1. NATURE OF ORGANIZATION

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

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

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

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

On September 30, 2012, North Suffolk Mental Health Association (“NSHMA”), an unrelated not-for-profit organization, transferred control of two not-for-profit organizations, Merrimack Housing Corporation (“Merrimack”) and Westland Community Housing Corporation (“Westland”), to Vinfen. Merrimack and Westland each own and operate a HUD sponsored residential facility. As Vinfen possesses the service contracts for the clients being housed in these two HUD entities, Vinfen and NSHMA deemed it prudent for Vinfen to assume control of these entities by having Merrimack and Westland’s board of directors replaced with members from Vinfen’s board of directors. The transfer of control was approved by HUD, the Massachusetts Community Economic Development Assistance Corporation (“CEDAC”), and the Commonwealth of Massachusetts Department of Mental Health. Merrimack is a nine unit facility developed in 1992 located in Amesbury, Massachusetts. Merrimack provides housing for low-income individuals under HUD’s 811 program. Westland is an eight unit facility developed in 2001 located in Haverhill, Massachusetts. Westland provides housing for low-income individuals under HUD’s 811 program. See footnote 3 for additional details.

On February 28, 2014, two not-for-profit organizations, Mental Health Resources Plus, Inc. (“MHRP”) and Garden Street Apartments, Inc. (“Garden”), transferred control of their respective organizations to Vinfen. MHRP owns a facility which it rents to Vinfen to operate a Clubhouse program. In addition, the facility has 3 residential apartments which it rents to individuals served by Vinfen. Garden owns and operates two HUD sponsored residential facilities containing 10 rental units. As Vinfen possesses the service contracts for the clients being housed in these properties, it was prudent for Vinfen to assume control of these organizations by having MHRP and Garden’s board of directors replaced with members from Vinfen’s board of directors. The transfer of control was approved by HUD, CEDAC, North Shore Home Consortium, the Federal Home Loan Bank of Boston and Family Bank, and the Commonwealth of Massachusetts Department of Mental Health. On June 30, 2014, MHRP was merged into Vinfen. As a result, MHRP’s net assets totaling $691,848 were contributed to Vinfen on June 30, 2014. See footnote 3 for additional details.

Vinfen Corporation and Affiliates

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 as promulgated by the Financial Accounting Standards Board ("FASB").

Principles of Consolidation

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

Classification and Reporting of Net Assets

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

Unrestricted Net Assets

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

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 net assets during the years ended June 30, 2014 and 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, accrued unemployment insurance, accrued workers' compensation insurance, and the functional allocation of expenses. Actual results could differ from estimates.

Cash Equivalents

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

Concentration of Credit Risk

Cash

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

Revenue

The Organization receives the majority of its revenues from state governments as contract funding for its programs (approximately $120,795,000 and $112,615,000 for the years ended June 30, 2014 and 2013, respectively). Substantially all accounts receivable as of June 30, 2014 and 2013 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 consists of cash and is carried at fair value and is invested to preserve its corpus. Interest is recorded when earned and is included in investment income in the consolidated statements of activities.

Accounts Receivable

Accounts receivable due from state agencies, municipalities, and directly from clients are carried at the original charge for the services provided less amounts covered by third party payors and less an estimated allowance for doubtful accounts. Accounts receivable, where a third party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third party payors, if any. Management determines the allowance for doubtful accounts by identifying troubled accounts and by a review of an aging of accounts. Accounts receivable are written off as bad debt expense when deemed uncollectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Accounts Receivable…continued

Recoveries of accounts receivable previously written off are recorded as a reduction of bad debt expense when received. Accounts receivable as of June 30, 2014 and 2013 totaling $11,653,671 and $10,044,749, respectively, are reflected net of an allowance for doubtful accounts totaling $131,052 and $93,498, respectively.

Fair Value Measurements

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 of more than ninety days.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

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 and United States Treasury Notes

Valued at published quoted market prices.

Derivative Instruments

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

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

There have been no significant changes in valuation methodologies during the years ended June 30, 2014 and 2013.

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, measured at fair value. The Organization entered into an interest rate swap agreement as part of its overall strategy to reduce exposure to fluctuations in interest rates. This derivative instrument is included in the consolidated statements of financial position as a component of long-term other liabilities as of June 30, 2013, and the recognition of gains or losses resulting from changes in the value of the interest rate swap are recorded in the non-operating section of the consolidated statements of activities for the years ended June 30, 2014 and 2013. The interest rate swap agreement liability was settled by the Organization on July 25, 2013 with proceeds from the bond refinancing. The Organization does not enter into financial instruments for trading or speculative purposes.

Vinfen Corporation and Affiliates

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value of Financial Instruments

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

Property and Equipment

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

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

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

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

When assets are disposed, sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reported and charged to non-operating activities on the consolidated statements of activities. During the years ended June 30, 2014 and 2013, the Organization reported a net loss from the disposal of property and equipment totaling $494 and $53,712, respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management assesses the recoverability of long-lived assets by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets. The Organization had no impairment of its long-lived assets for the years ended June 30, 2014 and 2013.

Assets Whose Use is Limited

Assets whose use is limited represent funds held in escrow for individuals served, bond agreements, and capital advance agreements. These funds consist of treasury notes and cash accounts, and are recorded at fair value as of June 30, 2014 and 2013. As a result of the merger with MHRP, a legacy fund was established and is included in assets whose use is limited on the consolidated statement of financial position as of June 30, 2014.

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 method.

Other Assets

Other assets as of June 30, 2014 and 2013 consist of security deposits paid to various landlords for leased properties.

Goodwill

The Organization accounts for acquisitions pursuant to ASC 958-805, *Not-for-Profit Entities, Business Combinations*. Goodwill in such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets, and liabilities assumed. Amounts assigned to goodwill were determined with the assistance of an independent appraiser using a market approach.

Goodwill is tested for impairment on an annual basis or when specific circumstances dictate, between annual tests. When impaired, the carrying value of goodwill is written down to fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Goodwill…continued

Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss. The Organization has an unconditional option to assess qualitative factors before performing the two-step impairment test. If the Organization chooses to assess qualitative factors, the Organization would assess relevant events and circumstances that could affect the fair value of the reporting unit, such as those in FASB ASC 350, *Intangibles – Goodwill and Other*. If, after assessing the qualitative factors, the Organization determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the two-step goodwill impairment test is unnecessary. If the Organization determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the two-step impairment test should be used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). If desired, the Organization may bypass the qualitative assessment described for any reporting unit in any period and proceed directly to performing the two-step goodwill impairment test. During the years ended June 30, 2014 and 2013, management does not believe any impairment of goodwill has occurred.

Other Accrued Expenses

The Organization is partially self insured under its workers' compensation insurance program. The Organization records an insurance reserve for the self insurance portion of claims and maintains stop loss coverage on an individual and aggregate annual claim basis. Management estimates its reserve based on an analysis of claim history, claim lag periods and current status of open claims. Included in other accrued expenses in the accompanying consolidated statements of financial position is a self-insured reserve totaling approximately $441,000 and $206,000 as of June 30, 2014 and 2013, respectively.

Revenue Recognition

The Organization recognizes revenue when there is persuasive evidence of an arrangement, services have been rendered, the fee is fixed or determinable, and collectability is reasonably assured. Amounts billed or collected prior to satisfying the Organization's revenue recognition policy are reflected as deferred revenue.

The majority of the Organization's clients are supported by state funded agencies through the Commonwealth of Massachusetts and the State of Connecticut.

Vinfen is subject to the regulations and rate formulas of the Massachusetts Executive Office for Administration and Finance Operational Services Division ("OSD"). Revenue is recorded at Vinfen's rates of reimbursement as certified by OSD.

Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by Vinfen for expenditures in accordance with its exempt purposes, provided such expenditures are reimbursable under OSD regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment, and are reported as liabilities. There were no amounts in excess of these limits as of June 30, 2014 and 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Revenue Recognition…continued

As of June 30, 2014 and 2013, approximately 93% and 77%, respectively, of Vinfen of Connecticut's funding is subject to a cost settlement process. The process entails matching the amount funded by the Connecticut Department of Developmental Services to actual reimbursable costs. Amounts received in excess of costs are to be refunded to the State with certain adjustments. The final cost settlement liability is netted against accounts receivable in the accompanying consolidated statements of financial position totaling approximately $44,000 as of June 30, 2014. There were no amounts to be refunded to the State of Connecticut as of June 30, 2013.

Contributions

Contributions are recognized in the period received. Contributions of assets other than cash are recorded at their estimated fair value. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. This includes those net assets whose restrictions are met in the same year as received.

Income Taxes

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

The Organization follows the FASB guidance, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Organization has no material uncertainties in income taxes. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for fiscal years before 2011. The Organization will account for interest and penalties related to uncertain tax positions, if any, as part of operating expenses.

Advertising

Advertising costs are expensed as incurred.

Operating Activities

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

Vinfen Corporation and Affiliates
Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…continued

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2017, and interim periods with annual periods beginning after December 15, 2018. Early implementation is not permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

3. ACQUISITIONS

On February 28, 2014, MHRP and Garden came under the control of Vinfen through common board members and management. As a result, the transaction was subject to acquisition accounting under GAAP as required. No consideration was transferred by Vinfen as part of the change of control. As a result of assets acquired exceeding liabilities acquired, an inherent contribution was recorded totaling $873,170.

Following is a summary of the fair value of the assets and liabilities acquired from MHRP and Garden on February 28, 2014, the acquisition date.

Assets	MHRP	Garden	Total
Cash	$ 91,761	$ 1,536	$ 93,297
Accounts receivable	2,310	25	2,335
Prepaid expenses	3,671	3,511	7,182
Property	513,050	780,000	1,293,050
Assets whose use is limited	500,726	184,105	684,831
	$ 1,111,518	$ 969,177	$ 2,080,695
Liabilities			
Current portion of long-term debt	$ 21,896	$ -	$ 21,896
Other accrued expenses	54,794	11,740	66,534
Long-term debt	283,301	-	283,301
Capital advances	30,000	802,500	832,500
Other liabilities	726	2,568	3,294
	390,717	816,808	1,207,525
Net Assets			
Net assets acquired	720,801	152,369	873,170
Total net assets and liabilities	$ 1,111,518	$ 969,177	$ 2,080,695

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

3. ACQUISITIONS…continued

Total revenue earned by MHRP and Garden from March 1, 2014 through June 30, 2014 was approximately $9,000 and $24,000, respectively. The change in unrestricted net assets from March 1, 2014 through June 30, 2014 for MHRP and Garden was $(28,953) and $(23,573), respectively. There was no change in temporarily restricted net assets.

Following is a summary of Vinfen Corporation and Affiliates total revenues, gains and other support and changes in net assets had the acquisitions taken place as of July 1, 2012 for the years ended June 30:

	2014	2013
Revenues, gains and other support	$ 131,747,000	$ 124,524,000
Changes in net assets:		
Unrestricted	$ 2,612,000	$ 2,433,000
Temporarily restricted	427,000	252,000
	$ 3,039,000	$ 2,685,000

On September 30, 2012, Merrimack and Westland came under the control of Vinfen through common board members and management. As a result, the transaction was subject to acquisition accounting under GAAP as required. No consideration was transferred by Vinfen as part of the change of control. As a result of liabilities acquired exceeding assets acquired, goodwill was recorded totaling $798,856.

Following is a summary of the fair value of the assets and liabilities acquired from Merrimack and Westland on September 30, 2012, the acquisition date.

Assets	Merrimack	Westland	Total
Cash	$ 9,830	$ 994	$ 10,824
Accounts receivable	1,773	1,753	3,526
Property	875,000	700,000	1,575,000
Assets whose use is limited	64,517	17,193	81,710
Goodwill	287,729	511,127	798,856
	$ 1,238,849	$ 1,231,067	$ 2,469,916
Liabilities			
Accounts payable	$ 75,000	$ 38,000	$ 113,000
Other accrued expenses	4,018	893	4,911
Long-term debt	343,522	549,962	893,484
Capital advances	814,600	641,100	1,455,700
Other liabilities	1,709	1,112	2,821
	1,238,849	1,231,067	2,469,916
Net Assets			
Net assets acquired	-	-	-
Total net assets and liabilities	$ 1,238,849	$ 1,231,067	$ 2,469,916

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

3. ACQUISITIONS…continued

Total revenue earned by Merrimack and Westland from October 1, 2012 through June 30, 2013 was approximately $68,000 and $41,000 respectively. The change in unrestricted net assets from October 1, 2012 through June 30, 2013 for Merrimack and Westland was $(23,399) and $(14,529), respectively. There was no change in temporarily restricted net assets.

Following is a summary of Vinfen Corporation and Affiliates total revenues, gains and other support and changes in net assets had the acquisitions taken place as of July 1, 2012 for the years ended June 30:

	2013	2012
Revenues, gains and other support	$ 123,127,000	$ 116,071,000
Changes in net assets:		
Unrestricted	$ 2,404,000	$ 1,871,000
Temporarily restricted	252,000	140,000
	$ 2,656,000	$ 2,011,000

4. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited is comprised of the following as of June 30:

	2014	2013
Client funds	$ 2,213,143	$ 2,128,159
Bond project fund	1,080,242	-
Legacy fund – MHRP	506,008	-
Replacement reserve funds	352,897	167,756
Debt service reserve funds	-	1,460,613
	4,152,290	3,756,528
Less - current	2,213,143	2,460,925
Long-term	$ 1,939,147	$ 1,295,603

5. PROPERTY AND EQUIPMENT

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

	2014	2013
Land	$ 9,110,612	$ 8,397,643
Buildings and improvements	47,412,778	42,731,322
Furniture, equipment, and vehicles	10,102,027	9,782,735
Construction in progress	452,462	146,431
	67,077,879	61,058,131
Less - accumulated depreciation and amortization	(24,249,780)	(21,190,947)
	$ 42,828,099	$ 39,867,184

Construction in progress represents costs incurred in connection with various construction projects to support program operations. The estimated remaining costs to complete these projects are $3,310,000. These projects are expected to be completed by June 2015.

Vinfen Corporation and Affiliates
Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

6. 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 method and consist of the following at June 30:

	Amortization Period	2014	2013
Bond issuance costs (net of accumulated amortization of $582,781 and $551,216 as of June 30, 2014 and 2013, respectively).	10-30 years	$ 219,331	$ 472,800
Term loan issuance costs (net of accumulated amortization of $33,802 and $24,094 as of June 30, 2014 and 2013, respectively).	30 years	89,114	45,798
		$ 308,445	$ 518,598

In July 2013, Vinfen defeased its 1999 and 2010 tax exempt bonds. As a result, deferred financing costs relating to these bonds totaling $472,800 were fully amortized as of June 30, 2014.

In October 2013, Vinfen of Connecticut refinanced 3 long-term debt agreements. As a result, deferred financing costs relating to these agreements totaling $5,365 were fully amortized as of June 30, 2014.

7. LINES OF CREDIT

In July 2013, Vinfen obtained an asset purchase line of credit with a $5,000,000 borrowing limit from a bank. The asset purchase line of credit bears interest at the London Interbank Offered Rate (“LIBOR”) plus 150 basis points (1.65% as of June 30, 2014) and expires on December 31, 2016. There were no borrowings on this line of credit as of June 30, 2014.

In July 2013, Vinfen renewed its demand working capital line of credit with a $3,000,000 borrowing limit from a bank. The agreement requires that letter of credit issuances be deducted from the available borrowing limit ($850,000 and $425,000 as of June 30, 2014 and 2013, respectively). The working capital line of credit bears interest at LIBOR plus 150 basis points (1.65% as of June 30, 2014) and is subject to an annual bank review on December 31. At June 30, 2013, the working capital line of credit bore interest at LIBOR plus 250 basis points (2.69%). There were no borrowings on this line of credit as of June 30, 2014 and 2013, respectively.

Both agreements above are associated with a continuing covenants agreement related to the Vinfen Corporation issue, Series 2013 tax exempt bond. The continuing covenants agreement includes minimum ratios of debt service coverage and liabilities to total tangible net assets. The agreements are secured by various mortgages and accounts receivable.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

8. LONG-TERM DEBT

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

	2014	2013
In July 2013, Vinfen issued $24,000,000 of Vinfen Corporation issue, Series 2013 tax-exempt bonds ("2013 Bond") through the Massachusetts Development Finance Agency ("MDFA"). The proceeds were used to defease the 1998 and 2010 series bonds totaling $18,087,878, net of bond escrow reserves, the settlement of the associated interest rate swap contract totaling approximately $730,000, deferred financing costs of approximately $250,000, and funding of a project cash fund of approximately $4,935,000 to be applied to completed and planned construction projects. The interest rate on the 2013 Bond is fixed at 3.23%. The bond is amortized over a fifteen year period, with a ten year term, requiring monthly payments of principal and interest totaling $168,407. The 2013 bond was privately placed with a bank and the remaining unamortized bond of approximately $9,500,000 will be required to be purchased by Vinfen on July 25, 2023. The agreement contains certain financial covenants which include the maintenance of a debt service coverage ratio of at least 1.25 and a leverage ratio not to exceed 3.0. Management has determined that the Organization was in compliance with these financial covenants.	$ 22,855,700	$ -
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 were to be made semiannually in May and November. The bonds were 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 contained certain financial covenants which include the maintenance of a debt service coverage ratio of at least 1.15. Management had determined that the Organization was in compliance with these financial covenants. The bonds were redeemed on July 25, 2013.	-	11,410,000
Balance forward	22,855,700	11,410,000

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

8. LONG-TERM DEBT…continued

	2014	2013
Balance forward	$ 22,855,700	$11,410,000
On December 1, 2010, Vinfen refinanced its outstanding Mass HEFA Variable Rate Demand Revenue Bonds in the amount of $5,235,409 and bank long-term debt and construction line of credit debt totaling $3,367,571 with 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 was 68% of LIBOR plus 2.85% (2.07% as of June 30, 2013). The MDFA Bonds were privately placed with a bank as the holder. The agreement contained certain financial covenants which included the maintenance of a debt service coverage ratio of at least 1.25 and a leverage ratio not to exceed 3.5. Management had determined that the Organization was in compliance with these financial covenants. The bonds were redeemed on July 25, 2013.	-	8,068,600
Since 1998, the Organization has received ten loans from CEDAC for the purpose of renovating ten properties located in Massachusetts. These loans mature on various dates ranging from February 2019 to May 2042. All loans can be extended by CEDAC upon maturity for additional periods of up to 10 years, as long as the property is providing low income housing to disabled individuals and it is determined that a need exists in the community for this housing. Principal payments are not required until maturity. The rate of interest on these loans is 0%. These loans are collateralized by mortgages on the properties	3,813,728	3,725,485
In October 2013, Vinfen of Connecticut received two real estate loans of approximately $1,400,000 and $510,000, respectively, from a bank. The loans were guaranteed by Vinfen Corporation and secured by real estate. The $1,400,000 and $510,000 loans have fixed interest rates of 3.09% and 3.74%, respectively, monthly principal and interest payments of $13,577 and $7,919, respectively, and fully amortize over their 10 year and 6 year terms.	1,778,825	-
In 2009, Vinfen of Connecticut received a real estate loan from a bank. The loan was guaranteed by Vinfen Corporation and secured by mortgages on four residential facilities. The loan had a 5.38% fixed interest rate with monthly principal and interest payments of $6,130 over a 59 month period. The loan was repaid in October 2013.	-	788,129
Balance forward	28,448,253	23,992,214

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

8. LONG-TERM DEBT…continued

	2014	2013
Balance forward	$ 28,448,253	$23,992,214
In 2009, Vinfen of Connecticut received a real estate loan from an individual. The loan was secured by a mortgage on a commercial office building. The loan had a 5.00% fixed interest rate with monthly principal and interest payments of $8,305 through September 2019. The loan was repaid in October 2013.	-	533,992
In 2010, Vinfen of Connecticut received a real estate loan from a bank. The loan was guaranteed by Vinfen Corporation and was secured by a mortgage on a residential facility. The loan's interest rate was LIBOR plus 1.75% (1.94% as of June 30, 2013) and required monthly principal and interest payments of $1,120 over a 59 month period. The loan was repaid in October 2013.	-	194,132
In February 2009, MHRP entered into promissory note arrangements with North Shore Home Consortium ("NSHC"). The notes are non-interest bearing and require no payments until maturity on February 16, 2019. All loans can be extended by NSHC upon maturity for additional periods of up to 10 years, as long as the property is providing affordable housing to low income families. At maturity, MHRP may request that NSHC extend the maturity date for a period of up to the original 20 year term of the note. The notes are secured by real estate. As of June 30, 2014, MHRP was merged into Vinfen and as a result, Vinfen assumed this liability.	145,463	-
Total long-term debt	28,593,716	24,720,338
Less - current portion	(1,493,929)	(1,383,649)
Long-term debt, net of current portion	$ 27,099,787	$ 23,336,689

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

2015	$ 1,493,929
2016	1,554,074
2017	1,605,500
2018	1,658,495
2019	1,996,543
Thereafter	20,285,175
Total long-term debt	$ 28,593,716

The fair market value of outstanding long-term debt approximated $28,594,000 and $24,720,000 as of June 30, 2014 and 2013, respectively, based on quoted market prices of similar issues.

9. CAPITAL LEASES

In July 2012, the Organization entered into five capital lease obligations for the acquisition of vehicles. The leases terms range from thirty-six months to forty-eight months, and require fixed monthly payments ranging from $765 to $987, which include principal, interest (ranging from 6.9% to 7.8% per year), and executory costs (taxes, insurance, maintenance reserve, title and license registration). One lease expires in July 2016 and the remaining four leases expire in June 2016 at which point the Organization is required to purchase the assets.

The leased vehicles are included in the Organization's consolidated statements of financial position and depreciated in the same manner as its other fixed assets. The net book value of the leased vehicles at June 30, 2014 and 2013 was $87,017 and $105,522, respectively. The current and long-term installments on the capital lease obligations are included in other accrued expenses and other liabilities in the consolidated statements of financial position, respectively.

Total capital lease obligations	$ 62,408
Less - current installments	(33,636)
Capital lease obligations, net of current installments	$ 28,772

The future minimum lease payments are as follows for the years ending June 30:

2015	$ 48,564
2016	37,485
2017	765
Total minimum lease payments	86,814
Less – executory costs	(20,051)
Net minimum lease payments	66,763
Less – amounts representing interest	(4,355)
Present value of minimum lease payments	$ 62,408

10. INTEREST RATE SWAP

On December 1, 2010, Vinfen entered into an interest rate swap agreement for the MDFA Series 2010 bonds. This agreement locked in the interest cash outflow at a fixed rate of 2.98%. The notional amount for this agreement was $7,147,200 as of June 30, 2013. The swap agreement is recorded within other liabilities at fair value on the consolidated statements of financial position. The fair value of the interest rate swap agreement was a liability of $716,131 as of June 30, 2013. The interest rate swap agreement liability was settled by the Organization on July 25, 2013 with proceeds from the bond refinancing totaling $729,887.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

10. INTEREST RATE SWAP…continued

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

	Liability Derivatives		
	Balance Sheet Location	Fair Value 2014	Fair Value 2013
Derivative not designated as hedging instruments: Interest rate swap	Other liabilities	$ -	$ 716,131

The effect on the consolidated statements of activities consists of the following as of June 30:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Activities Recognized From Derivative	Amount Recognized for 2014	Amount Recognized for 2013
Interest rate swap	Non-operating income (expense)	$ (13,756)	$ 346,691

11. CAPITAL ADVANCES

Capital advances consist of the following as of June 30:

	2014	2013
In 2004, HUD provided capital advances for renovations of three facilities (Larchmont, Forest, and Plain). These advances bear interest at 5.375%. Interest and principal 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.	$ 1,215,800	$ 1,215,800
In 2006, HUD provided a capital advance for the acquisition and renovation of a facility (Westland). This advance bears interest at 5.375%. Interest and principal will be forgiven as long as the property is used to serve disabled people for a period of forty years (2046), under the provision of Section 811 of the National Housing Act of 1990. This advance is collateralized by a mortgage on the property.	641,100	641,100
In 1999, HUD provided a capital advance for the acquisition and renovation of a facility (Merrimack). This advance bears interest at 6.75%. Interest and principal will be forgiven as long as the property is used to serve disabled people for a period of forty years (2039), under the provision of Section 811 of the National Housing Act of 1990. This advance is collateralized by a mortgage on the property.	814,600	814,600
Balance forward	2,671,500	2,671,500

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

11. CAPITAL ADVANCES …continued

	2014	2013
Balance forward	$ 2,671,500	$ 2,671,500
In 1996, HUD provided a capital advance for the acquisition and renovation of a facility (Garden). This advance bears no interest. Principal will be forgiven as long as the property is used to serve disabled people for a period of forty years (2037), under the provision of Section 811 of the National Housing Act of 1990. This advance is collateralized by a mortgage on the property.	802,500	-
In October 1999, the Federal Home Loan Bank and Family Bank provided a capital advance for the acquisition and renovation of a facility (MHRP). This advance is non-interest bearing. The principal will be forgiven as long as the property is used to serve low income individuals in accordance with the grant agreement for a period of fifteen years from the construction completion date, June 2015.	30,000	-
In 2006 and 2009, the State of Connecticut provided Vinfen of Connecticut with working capital advances for two new programs and one new program, respectively. These advances have no formal repayment terms.	111,628	111,628
Total long-term capital advances	3,615,628	2,783,128
Less - current portion	(30,000)	-
Long-term capital advances, net of current portion	$ 3,585,628	$ 2,783,128

Maturities of capital advances are as follows for the years ending June 30:

2015	$ 30,000
2016	-
2017	-
2018	-
2019	-
Thereafter	3,585,628
Total long-term capital advances	$ 3,615,628

12. RETIREMENT PLANS

The Organization has a retirement savings plan (the “Plan”) covering all eligible employees. Annual contributions to the Plan are at the discretion of the Board of Directors and can vary among the consolidated 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.

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Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

12. RETIREMENT PLANS…continued

For the years ending June 30, 2014 and 2013, the Organization accrued contributions ranging from 2% to 9% of annual salaries for all eligible participants to the Plan.

The funding for the fiscal year 2013 contribution to the Plan was made in February 2014. The funding for the fiscal year 2014 contribution to the plan is expected to be made in February 2015.

Retirement savings expense amounted to $1,314,665 and $1,617,339 for the years ended June 30, 2014 and 2013, 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.

13. 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
2015	$ 5,136,628	$ 1,068,432	$ 17,693	$ 6,222,753
2016	3,722,924	676,207	15,339	4,414,470
2017	3,009,239	378,243	4,857	3,392,339
2018	2,371,657	132,576	-	2,504,233
2019	1,303,041	40,335	-	1,343,376
Thereafter	2,144,183	-	-	2,144,183
	$ 17,687,672	$ 2,295,793	$ 37,889	$ 20,021,354

Total lease expense under all leases for the years ended June 30, 2014 and 2013 totaled $8,921,424 and $7,954,641, respectively.

14. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended June 30, 2014 and 2013, net assets totaling $304,711 and $208,747, respectively, were released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes or by the occurrence of events specified by the donors.

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following as of June 30:

	2014	2013
Contributions with purpose restrictions:		
Director Scholarships	$ 2,185	$ 7,685
Gateway Arts Program	739,431	603,737
Funds to support services above and beyond contractual funding	497,297	200,336
Bronstein Respite	75,756	75,756
Citizens Recovery Grant – Recovery Learning Center	5,183	9,276
Friends of Metro Boston Support	24,354	19,643
Other	5,529	5,810
	$ 1,349,735	$ 922,243

16. FAIR VALUE MEASUREMENT

There were no asset/liabilities measured at fair value on a recurring basis as of June 30, 2014

The following table summarizer's the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

	Assets/Liabilities Measured at Fair Value on a Recurring Basis			
	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Assets whose use is limited:				
United States Treasury Notes	$ 1,126,339	$ -	$ -	$ 1,126,339
Federated Government Obligation Fund	332,766	-	-	332,766
	$ 1,459,105	$ -	$ -	$ 1,459,105
Other liabilities:				
Interest rate swap liability	$ -	$ 716,131	$ -	$ 716,131

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

Vinfen Corporation and Affiliates

Notes to Consolidated Financial Statements
Years Ended June 30, 2014 and 2013

17. 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 sufficient insurance coverage, defensible positions and any ultimate liabilities will not materially affect the financial position of the Organization.

18. MERGERS

On June 30, 2014, the Organization merged MHRP into Vinfen Corporation. As a result, MHRP's net assets totaling $691,848 were contributed to Vinfen Corporation.

19. SUBSEQUENT EVENTS

In July 2014, Vinfen increased its letter of credit arrangement with its bank from $850,000 to $1,100,000 to satisfy an insurance policy requirement.

The Organization purchases and sells properties in the ordinary course of conducting its activities. In July 2014, the Organization purchased a residential property totaling $313,000. In August 2014, the Organization sold a property for $525,000. As a result, the Organization recorded a gain of approximately $400,000 from the sale.

The Organization has evaluated subsequent events through November 14, 2014, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of Vinfen Corporation and Affiliates (the “Organization”) as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon, dated November 14, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

Boston, Massachusetts
November 14, 2014

Vinfen Corporation and Affiliates

Consolidating Statement of Financial Position
June 30, 2014

	Vinfen Corporation	Vinfen Corporation of Connecticut, Inc.	Travis Corporation	Vinfen Corporation of Larchmont, Inc.	Vinfen Corporation of Forest, Inc.	Vinfen Corporation of Plain, Inc.	Merrimack Housing Corporation	Westland Community Housing Corporation	Garden Street Apartments, Inc.	Eliminations	Totals
ASSETS											
Current assets:											
Cash and cash equivalents	$ 8,777,469	$ 1,295,528	$ -	$ 1,193	$ 1,596	$ 1,559	$ 7,583	$ 1,533	$ 3,569	$ -	$ 10,090,030
Accounts receivable, net	10,759,554	856,229	21,400	5,782	-	-	10,091	177	438	-	11,653,671
Assets whose use is limited	2,133,503	79,640	-	-	-	-	-	-	-	-	2,213,143
Prepaid expenses and other current assets	376,096	29,646	-	-	-	-	-	-	-	-	405,742
Total current assets	22,046,622	2,261,043	21,400	6,975	1,596	1,559	17,674	1,710	4,007	-	24,362,586
Property and equipment:											
Land	7,889,763	520,253	-	36,466	52,342	4,912	213,850	272,300	158,832	(38,106)	9,110,612
Buildings and improvements	40,490,173	3,326,360	-	675,266	612,578	591,979	667,554	427,700	621,168	-	47,412,778
Furniture, equipment, and vehicles	9,346,638	601,128	121,406	3,538	2,080	21,786	5,451	-	-	-	10,102,027
Construction in progress	452,462	-	-	-	-	-	-	-	-	-	452,462
	58,179,036	4,447,741	121,406	715,270	667,000	618,677	886,855	700,000	780,000	(38,106)	67,077,879
Less - accumulated depreciation and amortization	(22,148,043)	(1,224,666)	(120,817)	(234,125)	(211,520)	(232,562)	(43,302)	(27,217)	(7,528)	-	(24,249,780)
	36,030,993	3,223,075	589	481,145	455,480	386,115	843,553	672,783	772,472	(38,106)	42,828,099
Assets whose use is limited	1,602,815	-	-	26,403	23,033	19,794	71,172	7,033	188,897	-	1,939,147
Board designated investments	11,000,000	-	-	-	-	-	-	-	-	-	11,000,000
Deferred financing costs, net	252,125	50,103	-	2,395	1,915	1,907	-	-	-	-	308,445
Other assets	702,870	26,933	-	-	-	-	-	-	-	-	729,803
Goodwill	-	-	-	-	-	-	287,729	511,127	-	-	798,856
Due from affiliates	6,449,638	-	-	-	-	-	-	-	-	(6,449,638)	-
Total assets	$ 78,085,063	$ 5,561,154	$ 21,989	$ 516,918	$ 482,024	$ 409,375	$ 1,220,128	$ 1,192,653	$ 965,376	$ (6,487,744)	$ 81,966,936
LIABILITIES AND NET ASSETS											
Current liabilities:											
Current portion of long-term debt	$ 1,291,619	$ 202,310	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,493,929
Capital advance	30,000	-	-	-	-	-	-	-	-	-	30,000
Accounts payable	3,699,800	251,272	4,640	30,991	34,489	43,275	124,541	61,515	29,469	(301,983)	3,978,009
Accrued vacation	2,715,315	309,844	-	-	-	-	-	-	-	-	3,025,159
Other accrued expenses	7,088,974	1,180,782	317,741	589	815	260	1,442	576	2,043	-	8,593,222
Client funds	2,133,503	79,640	-	-	-	-	-	-	-	-	2,213,143
Total current liabilities	16,959,211	2,023,848	322,381	31,580	35,304	43,535	125,983	62,091	31,512	(301,983)	19,333,462
Long-term debt, net of current portion	23,890,146	1,576,515	-	180,857	315,302	243,483	343,522	549,962	-	-	27,099,787
Capital advances	-	111,628	-	502,300	356,900	356,600	814,600	641,100	802,500	-	3,585,628
Other liabilities	31,924	574	-	1,137	904	1,107	1,767	1,238	2,568	(3,148)	38,071
Due to affiliates	-	2,432,188	3,650,668	30,680	12,215	18,756	-	-	-	(6,144,507)	-
Total liabilities	40,881,281	6,144,753	3,973,049	746,554	720,625	663,481	1,285,872	1,254,391	836,580	(6,449,638)	50,056,948
Net assets:											
Unrestricted	35,868,265	(597,817)	(3,951,060)	(229,636)	(238,601)	(254,106)	(65,744)	(61,738)	128,796	(38,106)	30,560,253
Temporarily restricted	1,335,517	14,218	-	-	-	-	-	-	-	-	1,349,735
Total net assets	37,203,782	(583,599)	(3,951,060)	(229,636)	(238,601)	(254,106)	(65,744)	(61,738)	128,796	(38,106)	31,909,988
Total liabilities and net assets	$ 78,085,063	$ 5,561,154	$ 21,989	$ 516,918	$ 482,024	$ 409,375	$ 1,220,128	$ 1,192,653	$ 965,376	$ (6,487,744)	$ 81,966,936

Vinfen Corporation and Affiliates

Consolidating Statement of Financial Position
June 30, 2013

	Vinfen Corporation	Vinfen Corporation of Connecticut, Inc.	Travis Corporation	Vinfen Corporation of Larchmont, Inc.	Vinfen Corporation of Forest, Inc.	Vinfen Corporation of Plain, Inc.	Merrimack Housing Corporation	Westland Community Housing Corporation	Eliminations	Totals
ASSETS										
Current assets:										
Cash and cash equivalents	$ 6,926,325	$ 846,762	$ -	$ 1,295	$ 518	$ 899	$ 1,416	$ 1,677	$ -	$ 7,778,892
Accounts receivable, net	9,265,525	749,066	18,465	-	-	4,128	14,137	2,104	(8,676)	10,044,749
Assets whose use is limited	2,382,565	78,360	-	-	-	-	-	-	-	2,460,925
Prepaid expenses and other current assets	453,891	17,237	-	-	-	-	-	-	-	471,128
Total current assets	19,028,306	1,691,425	18,465	1,295	518	5,027	15,553	3,781	(8,676)	20,755,694
Property and equipment:										
Land	7,400,158	455,721	-	36,466	52,342	4,912	213,850	272,300	(38,106)	8,397,643
Buildings and improvements	36,747,560	3,019,789	-	675,266	612,578	587,279	661,150	427,700	-	42,731,322
Furniture, equipment, and vehicles	9,041,685	592,240	121,406	3,538	2,080	21,786	-	-	-	9,782,735
Construction in progress	142,341	4,090	-	-	-	-	-	-	-	146,431
	53,331,744	4,071,840	121,406	715,270	667,000	613,977	875,000	700,000	(38,106)	61,058,131
Less - accumulated depreciation and amortization	(19,374,562)	(1,058,365)	(119,735)	(209,268)	(189,131)	(210,190)	(18,031)	(11,665)	-	(21,190,947)
	33,957,182	3,013,475	1,671	506,002	477,869	403,787	856,969	688,335	(38,106)	39,867,184
Assets whose use is limited	1,139,312	-	-	25,442	22,985	18,341	70,388	19,135	-	1,295,603
Board designated investments	10,000,000	-	-	-	-	-	-	-	-	10,000,000
Deferred financing costs, net	506,812	5,365	-	2,474	1,978	1,969	-	-	-	518,598
Other assets	737,770	26,283	-	-	-	-	-	-	-	764,053
Goodwill	-	-	-	-	-	-	287,729	511,127	-	798,856
Due from affiliates	5,839,879	-	-	-	-	-	-	-	(5,839,879)	-
Total assets	$ 71,209,261	$ 4,736,548	$ 20,136	$ 535,213	$ 503,350	$ 429,124	$ 1,230,639	$ 1,222,378	$ (5,886,661)	$ 73,999,988
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current portion of long-term debt	$ 1,206,918	$ 176,731	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,383,649
Accounts payable	3,205,103	197,075	12,388	14,953	28,091	30,501	93,262	43,940	(204,561)	3,420,752
Accrued vacation	2,528,503	286,266	-	-	-	-	-	-	-	2,814,769
Other accrued expenses	7,545,192	891,609	3,536	199	245	316	945	556	-	8,442,598
Client funds	2,049,799	78,360	-	-	-	-	-	-	-	2,128,159
Total current liabilities	16,535,515	1,630,041	15,924	15,152	28,336	30,817	94,207	44,496	(204,561)	18,189,927
Long-term debt, net of current portion	20,364,041	1,339,522	-	180,857	315,302	243,483	343,522	549,962	-	23,336,689
Capital advances	-	111,628	-	502,300	356,900	356,600	814,600	641,100	-	2,783,128
Other liabilities	780,816	10,549	-	920	904	1,107	1,709	1,349	(2,931)	794,423
Due to affiliates	-	2,173,961	3,405,451	30,680	12,215	18,756	-	-	(5,641,063)	-
Total liabilities	37,680,372	5,265,701	3,421,375	729,909	713,657	650,763	1,254,038	1,236,907	(5,848,555)	45,104,167
Net assets:										
Unrestricted	32,610,469	(532,976)	(3,401,239)	(194,696)	(210,307)	(221,639)	(23,399)	(14,529)	(38,106)	27,973,578
Temporarily restricted	918,420	3,823	-	-	-	-	-	-	-	922,243
Total net assets	33,528,889	(529,153)	(3,401,239)	(194,696)	(210,307)	(221,639)	(23,399)	(14,529)	(38,106)	28,895,821
Total liabilities and net assets	$ 71,209,261	$ 4,736,548	$ 20,136	$ 535,213	$ 503,350	$ 429,124	$ 1,230,639	$ 1,222,378	$ (5,886,661)	$ 73,999,988

Vinfen Corporation and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2014

	Vinfen Corporation	Vinfen Corporation of Connecticut, Inc.	Travis Corporation	Vinfen Corporation of Larchmont, Inc.	Vinfen Corporation of Forest, Inc.	Vinfen Corporation of Plain, Inc.	Merrimack Housing Corporation	Westland Community Housing Corporation	Garden Street Apartments, Inc.	Mental Health Resources Plus, Inc.	Eliminations	Totals
Revenues and other support:												
Contract revenue	$ 107,861,244	$ 14,674,384	$ (42,221)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 122,493,407
Client fees	5,309,823	784,540	2,665	-	-	-	-	-	-	-	-	6,097,028
Rental subsidies	1,528,005	-	-	35,085	29,192	26,811	53,991	30,301	12,568	6,621	-	1,722,574
Contributions and grants	692,265	19,211	-	-	-	-	-	-	-	-	-	711,476
Investment income	15,428	-	-	19	22	17	35	25	43	156	-	15,745
Other operating revenue	418,207	42,851	-	17,907	11,656	13,893	38,097	24,899	11,592	2,622	-	581,724
Management fee	1,122,219	-	-	-	-	-	-	-	-	-	(1,122,219)	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues and other support	116,947,191	15,520,986	(39,556)	53,011	40,870	40,721	92,123	55,225	24,203	9,399	(1,122,219)	131,621,954
Expenses:												
Program services:												
Psychiatric rehabilitation	61,990,367	2,848,200	-	-	-	-	-	-	-	-	-	64,838,567
Developmental disabilities	38,824,215	10,912,734	-	-	-	-	-	-	-	-	-	49,736,949
Clinical services	-	-	458,523	-	-	-	-	-	-	-	-	458,523
Supported housing	-	-	-	58,432	47,479	51,196	99,768	67,523	34,441	27,559	-	386,398
Total program services	100,814,582	13,760,934	458,523	58,432	47,479	51,196	99,768	67,523	34,441	27,559	-	115,420,437
Administrative and general	12,988,034	1,814,498	51,742	29,519	21,685	21,992	34,700	34,911	13,335	10,793	(1,122,219)	13,898,990
Fundraising	147,280	-	-	-	-	-	-	-	-	-	-	147,280
Total expenses	113,949,896	15,575,432	510,265	87,951	69,164	73,188	134,468	102,434	47,776	38,352	(1,122,219)	129,466,707
Change in net assets from operations	2,997,295	(54,446)	(549,821)	(34,940)	(28,294)	(32,467)	(42,345)	(47,209)	(23,573)	(28,953)	-	2,155,247
Non-operating income (expense):												
Loss on disposal of assets	(494)	-	-	-	-	-	-	-	-	-	-	(494)
Inherent contributions	-	-	-	-	-	-	-	-	152,369	720,801	-	873,170
Contribution - merger of net assets	691,848	-	-	-	-	-	-	-	-	(691,848)	-	-
Loss on interest rate swap contracts	(13,756)	-	-	-	-	-	-	-	-	-	-	(13,756)
Total non-operating income (expense)	677,598	-	-	-	-	-	-	-	152,369	28,953	-	858,920
Change in net assets	3,674,893	(54,446)	(549,821)	(34,940)	(28,294)	(32,467)	(42,345)	(47,209)	128,796	-	-	3,014,167
Net assets at beginning of year	33,528,889	(529,153)	(3,401,239)	(194,696)	(210,307)	(221,639)	(23,399)	(14,529)	-	-	(38,106)	28,895,821
Net assets at end of year	$ 37,203,782	$ (583,599)	$ (3,951,060)	$ (229,636)	$ (238,601)	$ (254,106)	$ (65,744)	$ (61,738)	$ 128,796	$ -	$ (38,106)	$ 31,909,988

Vinfen Corporation and Affiliates

Consolidating Statement of Activities
Year Ended June 30, 2013

	Vinfen Corporation	Vinfen Corporation of Connecticut, Inc.	Travis Corporation	Vinfen Corporation of Larchmont, Inc.	Vinfen Corporation of Forest, Inc.	Vinfen Corporation of Plain, Inc.	Merrimack Housing Corporation	Westland Community Housing Corporation	Family Rehabilitation Services, Inc.	Eliminations	Totals
Revenues and other support:											
Contract revenue	$ 100,757,962	$ 13,604,494	$ 248,338	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 114,610,794
Client fees	5,058,428	751,878	3,453	-	-	-	-	-	-	-	5,813,759
Rental subsidies	1,514,912	-	-	34,488	28,517	23,501	40,750	25,734	-	-	1,667,902
Contributions and grants	483,172	6,223	-	-	-	-	-	-	-	(25,843)	463,552
Investment income	5,005	-	-	30	39	29	25	29	-	-	5,157
Other operating revenue	382,085	38,854	21,605	18,504	12,331	13,075	26,766	15,666	-	-	528,886
Management fee	1,046,956	-	-	-	-	-	-	-	-	(1,046,956)	-
Total revenues and other support	109,248,520	14,401,449	273,396	53,022	40,887	36,605	67,541	41,429	-	(1,072,799)	123,090,050
Expenses:											
Program services:											
Psychiatric rehabilitation	58,772,319	2,065,885	-	-	-	-	-	-	-	-	60,838,204
Developmental disabilities	36,540,417	10,369,193	-	-	-	-	-	-	-	-	46,909,610
Clinical services	-	-	414,567	-	-	-	-	-	-	-	414,567
Supported housing	-	-	-	51,495	47,642	43,460	75,559	37,612	-	-	255,768
Total program services	95,312,736	12,435,078	414,567	51,495	47,642	43,460	75,559	37,612	-	-	108,418,149
Administrative and general	11,263,607	1,812,419	47,604	29,181	20,978	20,249	15,381	18,346	-	(1,046,956)	12,180,809
Fundraising	111,509	-	-	-	-	-	-	-	-	-	111,509
Total expenses	106,687,852	14,247,497	462,171	80,676	68,620	63,709	90,940	55,958	-	(1,046,956)	120,710,467
Change in net assets from operations	2,560,668	153,952	(188,775)	(27,654)	(27,733)	(27,104)	(23,399)	(14,529)	-	(25,843)	2,379,583
Non-operating income (expense):											
Loss on sale/disposal of assets	(53,712)	-	-	-	-	-	-	-	-	-	(53,712)
Gain on interest rate swap contracts	346,691	-	-	-	-	-	-	-	-	-	346,691
Loss on discontinued operations	-	-	-	-	-	-	-	-	(25,843)	25,843	-
Total non-operating income (expense)	292,979	-	-	-	-	-	-	-	(25,843)	25,843	292,979
Change in net assets	2,853,647	153,952	(188,775)	(27,654)	(27,733)	(27,104)	(23,399)	(14,529)	(25,843)	-	2,672,562
Net assets at beginning of year	30,675,242	(683,105)	(3,212,464)	(167,042)	(182,574)	(194,535)	-	-	25,843	(38,106)	26,223,259
Net assets at end of year	$ 33,528,889	$ (529,153)	$ (3,401,239)	$ (194,696)	$ (210,307)	$ (221,639)	$ (23,399)	$ (14,529)	$ -	$ (38,106)	$ 28,895,821