

**SENIORCARE, INC.**  
Financial Statements  
For the Years Ended  
June 30, 2011 and 2010

**SENIORCARE, INC.**  
Financial Statements and Reports  
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INDEPENDENT AUDITORS' REPORT

Board of Directors  
SeniorCare, Inc.

We have audited the accompanying statements of financial position of SeniorCare, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of SeniorCare, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

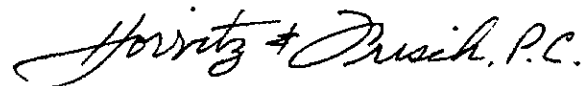
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SeniorCare, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011 on our consideration of SeniorCare, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Board of Directors  
SeniorCare, Inc.  
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Our audit was performed for the purpose of forming an opinion on the basic financial statements of SeniorCare, Inc. taken as a whole. The accompanying information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Horvitz & Frisch, P.C.".

HORVITZ & FRISCH, P.C.

November 10, 2011

**SENIORCARE, INC.**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

|   | 2011         | 2010         |
|---|--------------|--------------|
| <u>ASSETS</u>   |              |              |
| Current Assets:   |              |              |
| Cash and Cash Equivalents                               | \$ 706,242   | \$ 849,673   |
| Accounts Receivable, Net:                               |              |              |
| Commonwealth of Massachusetts                           | 1,760,144    | 1,470,109    |
| Other   | 3,454        | 3,770        |
| Total Accounts Receivable, Net                          | 1,763,598    | 1,473,879    |
| Prepaid Expenses  | 33,169       | 30,538       |
| Total Current Assets                                    | 2,503,009    | 2,354,090    |
| Property and Equipment, Net of Accumulated Depreciation | 14,003       | 34,384       |
| Total Assets  | \$ 2,517,012 | \$ 2,388,474 |
| <u>LIABILITIES AND NET ASSETS</u>                       |              |              |
| Current Liabilities:                                    |              |              |
| Accounts Payable  | \$ 945,755   | \$ 1,042,441 |
| Accrued Expenses  | 227,191      | 206,625      |
| Total Current Liabilities                               | 1,172,946    | 1,249,066    |
| Other Liabilities:                                      |              |              |
| Surplus Revenue Retention Liability                     | 170,145      | 41,398       |
| Total Other Liabilities                                 | 170,145      | 41,398       |
| Total Liabilities                                       | 1,343,091    | 1,290,464    |
| Net Assets:   |              |              |
| Unrestricted  |              |              |
| Operating   | 810,837      | 734,926      |
| Board Designated  | 300,000      | 300,000      |
| Total Unrestricted                                      | 1,110,837    | 1,034,926    |
| Temporarily Restricted                                  | 63,084       | 63,084       |
| Total Net Assets  | 1,173,921    | 1,098,010    |
| Total Liabilities and Net Assets                        | \$ 2,517,012 | \$ 2,388,474 |

See Accountants' Audit Report and Accompanying Notes to Financial Statements.

**SENIORCARE, INC.**  
Statement of Activities  
For the Year Ended June 30, 2011

|   | Unrestricted     | Temporarily<br>Restricted | Total            |
|---|------------------|---------------------------|------------------|
| Revenues and Other Support:   |                  |                           |                  |
| State Home Care Contracts   | \$ 8,187,104     | \$ -                      | \$ 8,187,104     |
| Title III Contracts   | 711,147          | -                         | 711,147          |
| Medicaid  | 493,801          | -                         | 493,801          |
| Client Fees   | 245,092          | -                         | 245,092          |
| Community Grants  | 6,038            | -                         | 6,038            |
| Voluntary Co-Payments and Contributions                             | 194,627          | -                         | 194,627          |
| Other   | 236,433          | -                         | 236,433          |
| Interest  | 3,604            | -                         | 3,604            |
| Net assets released from restrictions:                              |                  |                           |                  |
| Satisfaction of Performance   | -                | -                         | -                |
| <br>Total Revenues and Other Support                                | <br>10,077,846   | <br>-                     | <br>10,077,846   |
| <br>Expenses:   |                  |                           |                  |
| Program Services:   |                  |                           |                  |
| State Home Care Contracts   | 7,335,584        | -                         | 7,335,584        |
| Title III Contracts   | 1,407,753        | -                         | 1,407,753        |
| Foster Care   | 408,241          | -                         | 408,241          |
| Other Programs  | 124,804          | -                         | 124,804          |
| Eliminations  | (494,175)        | -                         | (494,175)        |
| Total Program Expenses  | 8,782,207        | -                         | 8,782,207        |
| Supporting Services:  |                  |                           |                  |
| Management and General  | 1,090,930        | -                         | 1,090,930        |
| Fundraising   | 51               | -                         | 51               |
| <br>Total Expenses  | <br>9,873,188    | <br>-                     | <br>9,873,188    |
| <br>Change in Net Assets from Operations                            | <br>204,658      | <br>-                     | <br>204,658      |
| <br>Change in Net Assets due to Surplus Revenue Retention Liability | <br>(128,747)    | <br>-                     | <br>(128,747)    |
| <br>Total Change in Net Assets                                      | <br>75,911       | <br>-                     | <br>75,911       |
| <br>Net Assets, Beginning of Year                                   | <br>1,034,926    | <br>63,084                | <br>1,098,010    |
| <br>Net Assets, End of Year   | <br>\$ 1,110,837 | <br>\$ 63,084             | <br>\$ 1,173,921 |

See Accountants' Audit Report and Accompanying Notes to Financial Statements.

**SENIORCARE, INC.**  
Statement of Activities  
For the Year Ended June 30, 2010

|  | Unrestricted     | Temporarily<br>Restricted | Total            |
|--|------------------|---------------------------|------------------|
| Revenues and Other   |                  |                           |                  |
| Support:   |                  |                           |                  |
| State Home Care Contracts  | \$ 7,718,612     | \$ -                      | \$ 7,718,612     |
| Title III Contracts  | 735,736          | -                         | 735,736          |
| Medicaid   | 512,231          | -                         | 512,231          |
| Client Fees  | 270,295          | -                         | 270,295          |
| Community Grants   | 6,671            | -                         | 6,671            |
| Voluntary Co-Payments and<br>Contributions                             | 204,358          | -                         | 204,358          |
| Other  | 262,082          | -                         | 262,082          |
| Interest   | 1,779            | -                         | 1,779            |
| Net assets released from restrictions:                                 |                  |                           |                  |
| Satisfaction of Performance  | -                | -                         | -                |
| <br>Total Revenues and Other<br>Support                                | <br>9,711,764    | <br>-                     | <br>9,711,764    |
| <br>Expenses:  |                  |                           |                  |
| Program Services:  |                  |                           |                  |
| State Home Care Contracts  | 7,146,615        | -                         | 7,146,615        |
| Title III Contracts  | 1,396,293        | -                         | 1,396,293        |
| Foster Care  | 445,364          | -                         | 445,364          |
| Other Programs   | 137,634          | -                         | 137,634          |
| Eliminations   | (467,516)        | -                         | (467,516)        |
| Total Program Expenses   | 8,658,390        | -                         | 8,658,390        |
| <br>Supporting Services:   |                  |                           |                  |
| Management and General   | 979,937          | -                         | 979,937          |
| Fundraising  | 2,582            | -                         | 2,582            |
| <br>Total Expenses   | <br>9,640,909    | <br>-                     | <br>9,640,909    |
| <br>Change in Net Assets from Operations                               | <br>70,855       | <br>-                     | <br>70,855       |
| <br>Change in Net Assets due to Surplus<br>Revenue Retention Liability | <br>-            | <br>-                     | <br>-            |
| <br>Total Change in Net Assets   | <br>70,855       | <br>-                     | <br>70,855       |
| <br>Net Assets, Beginning of Year                                      | <br>964,071      | <br>63,084                | <br>1,027,155    |
| <br>Net Assets, End of Year  | <br>\$ 1,034,926 | <br>\$ 63,084             | <br>\$ 1,098,010 |

See Accountants' Audit Report and Accompanying Notes to Financial Statements.

**SENIORCARE, INC.**  
Statement of Functional Expenses  
For the Year Ended June 30, 2011 (with Comparative Totals for 2010)

|   | Program Services          |                  |                |                |                        | Eliminations | Total            | Supporting Services |                  | Total Expenses   |
|---|---------------------------|------------------|----------------|----------------|------------------------|--------------|------------------|---------------------|------------------|------------------|
|   | State Home Care Contracts | Title III Grants | Foster Care    | Other Programs | Management and General |              |                  | Fundraising         | 2011             |                  |
| Salaries and Wages                        | 1,308,389                 | 549,866          | 103,007        | 80,551         | -                      | -            | 2,044,013        | 71,602              | 124,037          | 2,755,615        |
| Payroll Taxes                             | 98,982                    | 51,365           | 9,371          | 7,192          | -                      | -            | 166,920          | 54,170              | 93,747           | 215,026          |
| Fringe Benefits                           | 34,200                    | 17,228           | 1,792          | 2,214          | -                      | -            | 55,434           | 6,930               | 62,364           | 36,887           |
| Vacation Accrual Adjustment               | 9,578                     | -                | -              | -              | -                      | -            | 9,578            | 6,930               | -                | (10,080)         |
| <b>Total Salaries and Related Costs</b>   | <b>1,451,359</b>          | <b>618,459</b>   | <b>116,170</b> | <b>89,957</b>  | -                      | -            | <b>2,275,945</b> | <b>772,702</b>      | <b>3,048,647</b> | <b>3,004,417</b> |
| Occupancy Rent                            | 75,184                    | 20,082           | 4,744          | 4,807          | -                      | -            | 104,817          | 19,220              | 124,037          | 124,037          |
| Travel                                    | 33,499                    | 39,269           | 2,161          | 10,293         | -                      | -            | 85,222           | 8,525               | 93,747           | 90,169           |
| Telephone                                 | 21,033                    | 9,439            | 882            | 893            | -                      | -            | 32,247           | 2,955               | 35,202           | 31,373           |
| Office Maintenance                        | 18,139                    | 4,315            | 1,145          | 1,159          | -                      | -            | 24,758           | 3,856               | 28,614           | 27,093           |
| Insurance                                 | -                         | -                | -              | 825            | -                      | -            | 825              | 38,253              | 39,078           | 39,023           |
| Utilities                                 | 18,309                    | 4,334            | 1,153          | 1,168          | -                      | -            | 24,964           | 4,595               | 29,592           | 27,931           |
| Office Supplies                           | 488                       | 2,427            | -              | 456            | -                      | -            | 3,381            | 22,724              | 26,105           | 27,872           |
| Supplies                                  | 1,432                     | 3,131            | -              | 456            | -                      | -            | 5,019            | 1,388               | 5,951            | 6,385            |
| Advertising                               | 492                       | -                | -              | -              | -                      | -            | 492              | 4,708               | 4,708            | 3,243            |
| Dues and Subscriptions                    | -                         | 1,043            | -              | 25             | -                      | -            | 1,068            | 18,331              | 19,399           | 19,696           |
| Equipment Purchases                       | 54                        | 83               | -              | -              | -                      | -            | 137              | 6,547               | 6,547            | 10,871           |
| Postage                                   | 5,175                     | 2,963            | 41             | 1,330          | -                      | -            | 9,509            | 4,288               | 13,797           | 13,296           |
| Staff Training                            | 3,678                     | 1,628            | -              | 213            | -                      | -            | 5,519            | 9,091               | 14,520           | 8,864            |
| Computer Charges                          | -                         | -                | -              | -              | -                      | -            | -                | 10,839              | 10,839           | 8,263            |
| Miscellaneous                             | 23,117                    | 4,590            | -              | 8,940          | -                      | -            | 36,647           | 40,395              | 50,746           | 31,389           |
| Home Care Providers                       | 28,180                    | 7,420            | 271,703        | -              | -                      | -            | 307,303          | 12,688              | 40,395           | 28,444           |
| Transportation Providers                  | 5,031,114                 | -                | -              | -              | -                      | -            | 5,031,114        | -                   | 5,310,237        | 5,259,837        |
| Protective Service Providers              | 19,807                    | 37,000           | -              | -              | -                      | -            | 56,807           | -                   | 38,516           | 40,578           |
| Nutrition                                 | 461,481                   | 603,094          | 10,242         | -              | -                      | (494,175)    | 570,642          | -                   | 580,642          | 569,480          |
| Respite Care                              | 139,280                   | -                | -              | -              | -                      | -            | 139,280          | -                   | 139,280          | 113,461          |
| Adult Day Care                            | -                         | -                | -              | -              | -                      | -            | -                | -                   | -                | 300              |
| Care Giver Support                        | -                         | 7,494            | -              | -              | -                      | -            | 7,494            | -                   | 7,494            | 6,728            |
| Audit                                     | -                         | -                | -              | -              | -                      | -            | -                | 20,000              | 20,000           | 19,500           |
| Maintenance and Equipment Rental          | -                         | -                | -              | -              | -                      | -            | -                | 7,637               | 7,637            | 8,765            |
| Legal and Accounting                      | 2,237                     | -                | -              | -              | -                      | -            | 2,237            | 80,558              | 82,795           | 1,398            |
| Bad Debts                                 | -                         | -                | -              | -              | -                      | -            | -                | -                   | -                | -                |
| Board Costs                               | -                         | 500              | -              | 4,738          | -                      | -            | 5,238            | -                   | 14,043           | 13,841           |
| Printing and Reproduction                 | -                         | -                | -              | -              | -                      | -            | -                | -                   | -                | -                |
| Local Councils on Aging                   | -                         | 22,572           | -              | -              | -                      | -            | 22,572           | -                   | 22,572           | 23,614           |
| Neighborhood Legal Services               | -                         | 17,860           | -              | -              | -                      | -            | 17,860           | -                   | 17,860           | 17,860           |
| Interprogram Expenses                     | -                         | -                | -              | -              | -                      | -            | -                | -                   | -                | -                |
| <b>Total Expenses Before Depreciation</b> | <b>7,335,584</b>          | <b>1,407,753</b> | <b>408,241</b> | <b>124,804</b> | <b>(494,175)</b>       | <b>-</b>     | <b>8,782,207</b> | <b>1,070,549</b>    | <b>9,852,807</b> | <b>9,615,821</b> |
| Depreciation Expense                      | -                         | -                | -              | -              | -                      | -            | -                | 20,381              | 20,381           | 25,088           |
| <b>Total Expenses</b>                     | <b>7,335,584</b>          | <b>1,407,753</b> | <b>408,241</b> | <b>124,804</b> | <b>(494,175)</b>       | <b>-</b>     | <b>8,782,207</b> | <b>1,090,930</b>    | <b>9,873,188</b> | <b>9,640,909</b> |



**SENIORCARE, INC.**  
Statement of Functional Expenses  
For the Year Ended June 30, 2010

|                                    | Program Services          |                  |              |                |              | Supporting Services    |             | Total        |
|------------------------------------|---------------------------|------------------|--------------|----------------|--------------|------------------------|-------------|--------------|
|                                    | State Home Care Contracts | Title III Grants | Foster Care  | Other Programs | Eliminations | Management and General | Fundraising |              |
| Salaries and Wages                 | \$ 1,299,161              | \$ 553,038       | \$ 1,111,148 | \$ 97,257      | \$ -         | \$ 701,580             | \$ -        | \$ 2,762,584 |
| Payroll Taxes                      | 93,819                    | 49,011           | 9,374        | 8,250          | -            | 54,572                 | -           | 215,026      |
| Fringe Benefits                    | 23,782                    | 8,322            | 1,111        | 1,520          | -            | 2,152                  | -           | 36,887       |
| Vacation Accrual Adjustment        | (10,080)                  | -                | -            | -              | (10,080)     | -                      | -           | (10,080)     |
| Total Salaries and Related Costs   | 1,406,682                 | 610,371          | 1,211,633    | 107,027        | 2,245,713    | 758,704                | -           | 3,004,417    |
| Occupancy Rent                     | 75,084                    | 20,060           | 4,737        | 4,800          | -            | 19,356                 | -           | 124,037      |
| Travel                             | 32,638                    | 39,598           | 2,385        | 9,824          | -            | 5,724                  | -           | 90,169       |
| Telephone                          | 14,878                    | 7,387            | 552          | 560            | -            | 7,995                  | -           | 31,373       |
| Office Maintenance                 | 16,697                    | 4,311            | 1,146        | 1,163          | -            | 3,776                  | -           | 27,083       |
| Insurance                          | -                         | -                | -            | 825            | -            | 38,198                 | -           | 39,023       |
| Utilities                          | 17,128                    | 4,062            | 1,081        | 1,095          | -            | 4,565                  | -           | 27,931       |
| Office Supplies                    | 443                       | 2,098            | -            | 316            | -            | 25,015                 | -           | 27,872       |
| Supplies                           | 3,134                     | 2,776            | -            | 5,910          | -            | -                      | 475         | 6,385        |
| Advertising                        | 150                       | 187              | -            | 337            | -            | 2,906                  | -           | 3,243        |
| Dues and Subscriptions             | 128                       | 1,095            | -            | 105            | -            | 18,368                 | -           | 19,696       |
| Equipment Purchases                | 210                       | 8,499            | -            | 8,709          | -            | 2,162                  | -           | 10,871       |
| Postage                            | 3,990                     | 2,315            | 31           | 940            | -            | 6,020                  | -           | 13,296       |
| Staff Training                     | 935                       | 463              | -            | 538            | -            | 6,928                  | -           | 8,864        |
| Computer Charges                   | -                         | -                | -            | -              | -            | 8,263                  | -           | 8,263        |
| Consultants                        | 27,804                    | 3,495            | -            | 31,299         | -            | 11,797                 | -           | 31,389       |
| Miscellaneous                      | 10,369                    | 836              | -            | 16,367         | -            | 90                     | -           | 28,444       |
| Home Care Providers                | 4,952,720                 | 5,925            | 30,192       | 5,382          | -            | -                      | 60          | 5,259,837    |
| Transportation Providers           | 3,578                     | 37,000           | -            | -              | -            | -                      | -           | 40,578       |
| Protective Service Providers       | 38,093                    | -                | -            | -              | -            | -                      | -           | 38,093       |
| Nutrition                          | 428,493                   | 585,896          | 12,607       | -              | (457,516)    | -                      | -           | 569,480      |
| Respite Care                       | 113,461                   | -                | -            | -              | -            | -                      | -           | 113,461      |
| Adult Day Care                     | -                         | -                | -            | 300            | -            | -                      | -           | 300          |
| Care Giver Support                 | -                         | 6,728            | -            | -              | -            | -                      | -           | 6,728        |
| Audit                              | -                         | -                | -            | -              | -            | -                      | -           | -            |
| Maintenance and Equipment Rental   | -                         | 1,217            | -            | -              | -            | 19,500                 | -           | 19,500       |
| Legal and Accounting               | -                         | 400              | -            | -              | -            | 7,548                  | -           | 8,765        |
| Bad Debts                          | -                         | -                | -            | -              | -            | 998                    | -           | 1,398        |
| Board Costs                        | -                         | 100              | -            | 4,759          | -            | 6,935                  | 2,047       | 13,841       |
| Printing and Reproduction          | -                         | -                | -            | -              | -            | -                      | -           | -            |
| Local Councils on Aging            | -                         | 23,614           | -            | -              | -            | -                      | -           | 23,614       |
| Neighborhood Legal Services        | -                         | 17,860           | -            | -              | -            | -                      | -           | 17,860       |
| Interprogram Expenses              | -                         | 10,900           | -            | -              | (10,000)     | -                      | -           | -            |
| Total Expenses Before Depreciation | 7,146,615                 | 1,396,293        | 445,364      | 137,634        | (467,516)    | 954,849                | 2,582       | 9,615,821    |
| Depreciation Expense               | -                         | -                | -            | -              | -            | 25,088                 | -           | 25,088       |
| Total Expenses                     | \$ 7,146,615              | \$ 1,396,293     | \$ 445,364   | \$ 137,634     | \$ (467,516) | \$ 979,937             | \$ 2,582    | \$ 9,640,909 |

**SENIORCARE, INC.**  
**Statements of Cash Flows**  
For the Years ended June 30, 2011 and 2010

|  | 2011       | 2010       |
|--|------------|------------|
| Cash Flows from Operating Activities:  |            |            |
| Change in Net Assets from Operations   | \$ 204,658 | \$ 70,855  |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: |            |            |
| Depreciation   | 20,381     | 25,088     |
| Realized Depreciation on Investments   |            | -          |
| (Increase) Decrease in:  |            |            |
| Accounts Receivable  | (289,719)  | (32,642)   |
| Prepaid Expenses   | (2,631)    | (16,006)   |
| Deposits   | -          | 804        |
| Increase (Decrease) in:  |            |            |
| Accounts Payable   | (96,686)   | 33,165     |
| Accrued Expenses   | 20,566     | (11,517)   |
|  | (143,431)  | 69,747     |
| Net Cash Provided (Used) by Operating Activities   |            |            |
| Cash Flows from Investing Activities:  |            |            |
| Purchase of Property and Equipment   | -          | (1,850)    |
|  | -          | (1,850)    |
| Net Cash (Used) by Investing Activities  |            |            |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (143,431)  | 67,897     |
| Cash and Cash Equivalents, Beginning of Year   | 849,673    | 781,776    |
| Cash and Cash Equivalents, End of Year   | \$ 706,242 | \$ 849,673 |
| <u>Supplemental Disclosure:</u>  |            |            |
| Interest Paid  | \$ -       | \$ -       |

See Accountants' Audit Report and Accompanying Notes to Financial Statements.

**SENIORCARE, INC.**  
Notes to Financial Statements  
For the Years ended June 30, 2011 and 2010

1. Operations, Nonprofit Status and Summary of Significant Accounting Policies

Operations and Nonprofit Status

SeniorCare, Inc. was incorporated in May 1973 as a nonprofit organization (not a private foundation), exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to SeniorCare, Inc. within the Internal Revenue Code requirements.

SeniorCare, Inc., as an Area Agency on Aging and Aging Services Access Point, provides services which include, but are not limited to, case management, information, referral, transportation, health, friendly visiting, nutrition, chore, protective and homemaker services to the elderly within its service area. SeniorCare, Inc.'s service area covers the communities of Beverly, Essex, Gloucester, Hamilton, Ipswich, Manchester-by-the-Sea, Rockport, Topsfield and Wenham, Massachusetts.

SeniorCare, Inc. receives most of its funding from government contracts (Federal and Commonwealth of Massachusetts).

The financial statements are prepared using the accrual basis of accounting.

Financial Statements Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Board designated restrictions are considered unrestricted under these reporting standards.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met wither by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets would permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

For purpose of the statements of cash flows, SeniorCare, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

## SENIORCARE, INC.

Notes to Financial Statements - Continued  
For the Years ended June 30, 2011 and 2010

### 1. Operations, Nonprofit Status and Summary of Significant Accounting Policies - Continued

Cash and cash equivalents accounts at June 30 consist of the following:

|                                | 2011       | 2010       |
|--------------------------------|------------|------------|
| Sovereign Bank                 | \$ 563,083 | \$ 696,797 |
| First National Bank Of Ipswich | 1,981      | 6,467      |
| Citizens Bank                  | 28,963     | 28,928     |
| Cape Ann Savings Bank          | 110,659    | 109,377    |
| Peoples United Bank            | 1,360      | 7,216      |
| Rockport National Bank         | 196        | 888        |
| Total                          | \$ 706,242 | \$ 849,673 |

The Organization had \$747,865 invested in an overnight sweep account on June 30, 2010.

#### Promises to Give

Contributions are recognized when the donor makes a promise to give to SeniorCare, Inc. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

SeniorCare, Inc. uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

#### Contributed Services

During the years ended June 30, 2011 and 2010, the contributed services received by SeniorCare, Inc. did not meet the requirements for recognition in the financial statements and have not been recorded. However, for management purposes only, contributed services for all programs have been valued at approximately \$465,000 and \$390,000 for the years ended June 30, 2011 and 2010, respectively based upon a rate of \$8 per hour.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## SENIORCARE, INC.

Notes to Financial Statements - Continued  
For the Years ended June 30, 2011 and 2010

### 1. Operations, Nonprofit Status and Summary of Significant Accounting Policies - Continued

#### Functional Allocation of Expenses

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

#### Contributions

In accordance with ASC 958 (Formerly SFAS No. 116) "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

#### Advertising Costs

Advertising costs are expensed as incurred and amounted to \$4,708 and \$3,243 for the years ended June 30, 2011 and 2010, respectively.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their face values in the statement of financial position. Unrealized appreciation and depreciation are included in the change in net assets.

#### Property and Equipment

SeniorCare, Inc. capitalizes major purchases of fixed assets, which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance and repairs are charged to expense as incurred.

Capitalized fixed assets are recorded at cost, if purchased or constructed; or at fair market value at the date of the gift, if donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets capitalized.

Equipment purchased with grant funds, the title to which remains with the grantor for its estimated useful life, is expensed in the year the offsetting revenue has been recognized.

#### Fund Raising Costs

The fundraising expenses include only actual expenses. No indirect costs have been allocated to fundraising expenses. Fundraising expenses for the years ended June 30, 2011 and 2010 amounted to \$51 and \$2,582, respectively.

**SENIORCARE, INC.**  
Notes to Financial Statements - Continued  
For the Years ended June 30, 2011 and 2010

2. Funding and Credit Risk

SeniorCare, Inc. receives funding under several government contracts with the Commonwealth of Massachusetts to carry on its programs. Future funding is dependent on the Commonwealth's budget. These contracts are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of SeniorCare, Inc. as of June 30, 2011 or on the results of its operations for the year then ended.

SeniorCare, Inc. maintains its operating cash accounts at one financial institution and, therefore, is subject to a concentration of credit risk arising from cash deposits in excess of federally insured limits at that bank. The uninsured balance at June 30, 2011 and 2010 was \$710,425 and \$507,865, respectively.

3. Accounts Receivable - Commonwealth of Massachusetts

Accounts receivable from the Commonwealth of Massachusetts at June 30 consist of the following:

|   | 2011         | 2010         |
|---|--------------|--------------|
| Executive Office of Elder Affairs       | \$ 1,683,234 | \$ 1,326,816 |
| Department of Public Welfare (Medicaid) | 81,910       | 148,293      |
| Less Allowance for Doubtful Accounts    | (5,000)      | (5,000)      |
|   | \$ 1,760,144 | \$ 1,470,109 |

As of June 30, 2011 and 2010, the Organization had no receivables outstanding over ninety days. It is the policy of SeniorCare, Inc. to not assess finance charges. Delinquent accounts are written off as deemed by management. No amounts were written off as bad debts in 2011 and 2010.

4. Property and Equipment

Major classifications of property and equipment and their respective lives are as follows:

|                               | 2011       | 2010       | Estimated Useful Lives |
|-------------------------------|------------|------------|------------------------|
| Furniture and Equipment       | \$ 240,047 | \$ 240,047 | 5-7 years              |
| Leasehold Improvements        | 28,995     | 28,995     | 5 years                |
|                               | 269,042    | 269,042    |                        |
| Less Accumulated Depreciation | (255,039)  | (234,658)  |                        |
|                               | \$ 14,003  | \$ 34,384  |                        |

Equipment purchased with funds of the Mobility Assistance Program of the U.S. Department of Transportation, title to which remains with the Massachusetts Executive Office of Transportation and Construction, cumulatively amounted to \$171,411 for both years ended June 30, 2011 and 2010. These amounts have not been recorded on the books of SeniorCare, Inc.

**SENIORCARE, INC.**  
Notes to Financial Statements - Continued  
For the Years ended June 30, 2011 and 2010

4. Property and Equipment - Continued

Depreciation expense amounted to \$20,381 and \$25,088 for the years ended June 30, 2011 and 2010, respectively.

5. Earned Time Liability

The Organization's liability for Earned Time was \$129,378 and \$119,800 for the years ended June 30, 2011 and 2010, respectively. This represents amounts owed to employees under the Organization's paid Earned Time policy. This amount is included in accrued expenses.

6. Rent

SeniorCare, Inc. leases office space in Gloucester, Massachusetts. It entered into a two year lease effective January 1, 2010 with an annual rent of \$121,788 plus utilities.

SeniorCare, Inc. also rents locations for its nutrition programs as tenants at will for an annual rent of \$2,400.

Rent expense amounted to \$124,037 and \$124,037 for the years ended June 30, 2011 and 2010, respectively.

The future minimum lease payments for the next five years as of June 30, 2011 are as follows:

|      |    |               |
|------|----|---------------|
| 2011 | \$ | 60,894        |
| 2012 |    | -             |
| 2013 |    | -             |
| 2014 |    | -             |
| 2015 |    | -             |
|      | \$ | <u>60,894</u> |

7. Employee Benefit Plans

SeniorCare, Inc. maintains a tax-sheltered annuity program for all employees under Internal Revenue Code Section 403(b). The program is funded by elected deferrals by participating employees. The Organization matches 50% of the employee's eligible contribution up to 1 1/2 % of the employee's earnings.

The Organization also adopted a Flexible Spending Account effective January 1, 2006. Under this plan, employees elect deferrals for medical expenses. Should an employee fail to make their full annual election and the plan has made disbursements on their behalf, the Organization is obligated to fund the deficit.

**SENIORCARE, INC.**  
Notes to Financial Statements - Continued  
For the Years ended June 30, 2011 and 2010

8. Related Party Transactions

As required by the corporate bylaws, the board of directors includes representatives from each of the communities served by SeniorCare, Inc. Some of these SeniorCare, Inc. board members also are on the boards of several local councils on aging. Some of these councils receive funding from SeniorCare, Inc. Title III subgrants. The total subgrants paid to local councils on aging during the years ended June 30, 2011 and 2010 were \$22,572 and \$23,614, respectively.

9. Contingencies - Government Audits

Various grants and contracts of SeniorCare, Inc. are subject to audit by the appropriate governmental agency. Acceptance of final costs incurred under these grants or contracts resides with the grantor. Management does not anticipate that any material adjustments will be required.

10. Net Assets - Provider Surplus (Deficit) Attributable to Commonwealth

The Commonwealth of Massachusetts requires that beginning with the year ended June 30, 1993, all recipients of Commonwealth funds subject to 808 CMR 1.00 disclose the component of their net assets arising from Commonwealth funds.

If, through cost savings initiatives implemented consistent with programmatic and contractual obligations, the Organization accrues an annual net surplus from the revenues and expenses associated with services provided to purchasing agencies which are subject to 808 CMR 1.00, the Organization may retain, for future use, a portion of that surplus not to exceed 5% of said revenues. The cumulative amount of the Organization's surplus account may not exceed 20% of the prior year's revenues from purchasing agencies. Surpluses may be used by the Organization for any of its established charitable purposes, provided that no portion of the surplus may be used for any non-reimbursable cost set forth in 808 CMR 1.05, the free care prohibition excepted. The Commonwealth of Massachusetts shall be responsible for determining the amount of surplus that may be retained by the Organization in any given year and may determine whether any excess surplus shall be used to reduce future revenue or be recouped.

For the years ended June 30, 2011 and 2010, the Organization accrued a liability for surplus revenue retention amounting to \$ 149,596 and \$ -, respectively.

As of June 30, 2011, the Organization had a cumulative surplus arising from Commonwealth funds amounting to \$2,017,857.



**SENIORCARE, INC.**  
Notes to Financial Statements - Continued  
For the Years ended June 30, 2011 and 2010

11. Net Assets

Unrestricted and temporarily restricted net assets are as follows as at June 30:

|   | 2011         | 2010         |
|---|--------------|--------------|
| Unrestricted:                           |              |              |
| Operating:                              |              |              |
| Title III Contracts                     | \$ (293,358) | \$ (107,398) |
| State Home Care Contracts               | 1,310,509    | 923,927      |
| Other                                   | 164,367      | 161,341      |
| Board Funds                             | 99,464       | 98,454       |
| Board Designated for Building Purchase  | (300,000)    | (300,000)    |
| Surplus Revenue Retention Liability     | (170,145)    | (41,398)     |
| Total Unrestricted Net Assets-Operating | 810,837      | 734,926      |
| Board Designated for Building Purchase  | 300,000      | 300,000      |
| Total Unrestricted Net Assets           | 1,110,837    | 1,034,926    |
| Temporarily Restricted:                 |              |              |
| State Home Care Contracts               | 9,157        | 9,157        |
| Volunteer Transportation                | 9,011        | 9,011        |
| Other Programs                          | 44,916       | 44,916       |
| Total Temporarily Restricted            | 63,084       | 63,084       |
| Total Net Assets                        | \$ 1,173,921 | \$ 1,098,010 |

During the year ended June 30, 2010, the Board of Directors voted to designate \$300,000 towards the future purchase of a building.

12. Line of Credit

|   | 2011 | 2010 |
|---|------|------|
| \$500,000 revolving line of credit at a bank with \$500,000 unused at June 30, 2011 and 2010. Advances on the line of credit are payable on demand with interest at the bank's corporate base rate plus 1.5%, secured by all corporate assets. The rate as of June 30, 2011 and 2010 was 4.5% and 4.5%, respectively. |      |      |
|   | \$ - | \$ - |

**SENIORCARE, INC.**  
Notes to Financial Statements - Continued  
For the Years ended June 30, 2011 and 2010

13. Tax Positions and Filings

During 2009, the Company adopted Topic 740 of the FASB Accounting Standards Codification (ASC) relating to accounting for uncertainty in income taxes. As required by this topic, Management of the Company has evaluated its tax positions, applying a "More Likely Than Not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the applicable taxing authorities, federal or state. The Company has filed all of its known required returns in a timely manner including as permitted allowed extensions. Accordingly, management believes tax years 2008, 2009, and 2010, following administrative practice of the taxing authorities, remains open years and subject to review.

14. Subsequent Events

Organization did not have any subsequent events through November 10, 2011, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended June 30, 2011.

**SENIORCARE, INC.**  
Supplemental Schedule of State Home Care Contracts  
For the Year Ended June 30, 2011

|   | Case Management | Purchased Services | Protective Services | Coordinated Care | Caring Homes  | Money Management | Community Choices - FS | Community Choices - CM | Community Options | Congregate Housing | Supportive Housing | Schedule I       |              |
|---|-----------------|--------------------|---------------------|------------------|---------------|------------------|------------------------|------------------------|-------------------|--------------------|--------------------|------------------|--------------|
|   |                 |                    |                     |                  |               |                  |                        |                        |                   |                    |                    | Total            | Eliminations |
| <b>Revenue:</b>   |                 |                    |                     |                  |               |                  |                        |                        |                   |                    |                    |                  |              |
| Commonwealth of Massachusetts                                   | \$ 672,896      | \$ 1,860,576       | \$ 325,496          | \$ 137,168       | \$ 20,880     | \$ 25,097        | \$ 2,594,388           | \$ 685,087             | \$ 1,702,950      | \$ 26,469          | \$ 133,097         | \$ 8,187,104     | \$ -         |
| Client Fees, Donations and Cost Sharing Receipts                | 245,092         | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | 245,092          | -            |
| Contributions   | 1,608           | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | 1,608            | -            |
| Interprogram Revenue  | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | -                | -            |
| Other Revenue   | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | -                | -            |
| <b>Total Revenue</b>  | <b>922,596</b>  | <b>1,860,576</b>   | <b>325,496</b>      | <b>137,168</b>   | <b>20,880</b> | <b>25,097</b>    | <b>2,594,388</b>       | <b>685,087</b>         | <b>1,702,950</b>  | <b>26,469</b>      | <b>133,097</b>     | <b>8,433,804</b> | <b>-</b>     |
| <b>Direct Expenses:</b>   |                 |                    |                     |                  |               |                  |                        |                        |                   |                    |                    |                  |              |
| Salaries and Wages  | 506,528         | -                  | 272,819             | 104,099          | 186           | 18,739           | -                      | 193,482                | 109,868           | -                  | 102,868            | 1,308,589        | -            |
| Payroll Taxes   | 26,940          | -                  | 24,492              | 9,253            | 14            | 1,859            | -                      | 17,444                 | 9,840             | -                  | 9,150              | 98,992           | -            |
| Fringe Benefits   | 13,286          | -                  | 7,571               | 1,889            | -             | 418              | -                      | 3,900                  | 3,184             | -                  | 1,952              | 54,200           | -            |
| Vacation Accrual Adjustment                                     | 9,578           | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | 9,578            | -            |
| <b>Total Salaries and Related Costs</b>                         | <b>556,332</b>  | <b>-</b>           | <b>304,882</b>      | <b>115,241</b>   | <b>200</b>    | <b>21,016</b>    | <b>-</b>               | <b>216,826</b>         | <b>122,892</b>    | <b>-</b>           | <b>113,970</b>     | <b>1,451,359</b> | <b>-</b>     |
| Occupancy Rent  | 30,080          | -                  | 15,148              | 4,668            | -             | 1,230            | -                      | 12,738                 | 6,890             | -                  | 4,430              | 75,184           | -            |
| Travel  | 11,774          | -                  | 8,659               | 1,565            | -             | 384              | -                      | 5,615                  | 3,076             | -                  | 2,426              | 33,499           | -            |
| Telephone   | 5,594           | -                  | 6,598               | 868              | -             | 229              | -                      | 2,369                  | 1,281             | 206                | 3,888              | 21,033           | -            |
| Office Maintenance  | 7,257           | -                  | 3,654               | 1,127            | -             | 297              | -                      | 3,073                  | 1,662             | -                  | 1,069              | 18,139           | -            |
| Utilities   | 7,350           | -                  | 3,681               | 1,134            | -             | 299              | -                      | 3,095                  | 1,674             | -                  | 1,076              | 18,309           | -            |
| Office Supplies   | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | 498                | 498              | -            |
| Supplies  | -               | -                  | 5                   | -                | -             | -                | -                      | -                      | -                 | -                  | 1,427              | 1,432            | -            |
| Advertising   | 492             | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | 492              | -            |
| Dues and Subscriptions  | 54              | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | 54               | -            |
| Equipment Purchases   | 2,764           | -                  | 237                 | 1,727            | -             | 338              | -                      | 27                     | 16                | -                  | 66                 | 5,175            | -            |
| Postage   | 3,440           | -                  | 194                 | -                | -             | 44               | -                      | -                      | -                 | -                  | -                  | 3,678            | -            |
| Staff Training  | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | -                | -            |
| Computer Changes  | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | -                | -            |
| Consultants   | 3,625           | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | 19,492             | -                  | 23,117           | -            |
| Legal and Accounting  | -               | -                  | 203                 | -                | -             | -                | -                      | -                      | -                 | 2,034              | -                  | 2,237            | -            |
| Miscellaneous   | 18,580          | -                  | 37                  | -                | -             | -                | 2,443,577              | -                      | 9,563             | -                  | -                  | 28,180           | -            |
| Home Care Providers   | -               | 1,495,010          | -                   | -                | 18,585        | -                | -                      | 1,073,942              | -                 | -                  | -                  | 5,031,114        | -            |
| Transportation Providers  | -               | 235                | -                   | -                | -             | -                | 1,243                  | -                      | 38                | -                  | -                  | 1,516            | -            |
| Protective Service Providers                                    | -               | 19,807             | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | 19,807           | -            |
| Nutrition   | -               | 210,249            | -                   | -                | -             | -                | -                      | -                      | 101,664           | -                  | -                  | 461,481          | -            |
| Respite Care  | -               | 137,570            | -                   | -                | -             | -                | -                      | -                      | 1,710             | -                  | -                  | 139,280          | -            |
| Interprogram Expenses   | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | -                | -            |
| <b>Total Direct Expenses</b>                                    | <b>647,342</b>  | <b>1,862,871</b>   | <b>343,298</b>      | <b>126,330</b>   | <b>18,785</b> | <b>23,837</b>    | <b>2,594,388</b>       | <b>243,743</b>         | <b>1,324,408</b>  | <b>21,732</b>      | <b>128,850</b>     | <b>7,335,584</b> | <b>-</b>     |
| Before Depreciation   | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | -                | -            |
| Depreciation Expense  | -               | -                  | -                   | -                | -             | -                | -                      | -                      | -                 | -                  | -                  | -                | -            |
| <b>Total Direct Expenses</b>                                    | <b>647,342</b>  | <b>1,862,871</b>   | <b>343,298</b>      | <b>126,330</b>   | <b>18,785</b> | <b>23,837</b>    | <b>2,594,388</b>       | <b>243,743</b>         | <b>1,324,408</b>  | <b>21,732</b>      | <b>128,850</b>     | <b>7,335,584</b> | <b>-</b>     |
| <b>Allocation of Management and General Expenses:</b>           |                 |                    |                     |                  |               |                  |                        |                        |                   |                    |                    |                  |              |
| Total Expenses  | 283,924         | -                  | 143,535             | 40,231           | -             | 11,682           | -                      | 120,832                | 65,315            | -                  | 46,119             | 711,638          | -            |
| Excess (Deficiency) of Public Support and Revenue Over Expenses | 931,266         | -                  | 486,833             | 166,561          | -             | 35,519           | -                      | 364,575                | 1,389,723         | 21,732             | 174,969            | 8,047,222        | -            |
| Application of Surplus (Deficit) and Net Assets                 | (8,670)         | (2,295)            | (161,337)           | (29,593)         | 2,095         | (10,422)         | -                      | (73,900)               | 313,227           | 4,737              | (41,872)           | 386,382          | -            |
| 3% Prior Year POS Fund Balance Transfer                         | 9,000           | 2,300              | 138,800             | 29,400           | -             | 10,450           | -                      | (103,785)              | -                 | -                  | 41,900             | 933,084          | -            |
| Net Assets, Beginning of Year                                   | 477,475         | 13,024             | 2,839               | 2                | 26,237        | 912              | -                      | 166,662                | 243,399           | 2,031              | 483                | 933,084          | -            |
| <b>Net Assets, End of Year</b>                                  | <b>477,805</b>  | <b>13,029</b>      | <b>2,837</b>        | <b>2</b>         | <b>28,332</b> | <b>940</b>       | <b>-</b>               | <b>413,274</b>         | <b>378,941</b>    | <b>6,768</b>       | <b>511</b>         | <b>1,319,666</b> | <b>-</b>     |

**SENIORCARE, INC.**  
Supplemental Schedule of Title III, Foster Care, Other Programs and Eliminations  
For the Year Ended June 30, 2011

|   | Title III Programs |                |  |               |                   |                       |                           |                               |                 |              | Schedule 2               |               |                |               |                  |              |
|---|--------------------|----------------|--|---------------|-------------------|-----------------------|---------------------------|-------------------------------|-----------------|--------------|--------------------------|---------------|----------------|---------------|------------------|--------------|
|   | Administrative     | Social Service | U.S. Department of Agriculture and Nutrition | Ombudsman     | Caregiver Support | Medication Management | Health Promotion Services | Elder Care Admission-Lifetime | Title III Total | Foster Care  | Volunteer Transportation | Revs          | Other Programs | Board Funds   | Fundraising      | Eliminations |
| <b>Revenue:</b>   |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Commonwealth of Massachusetts                                   |                    |                | 960,391                                      |               | 27,197            | 1,445                 | 4,078                     | \$                            | 1,205,322       | 493,801      | \$                       | \$            | \$             | \$            | \$               | (494,175)    |
| Local Community Grants  | 2,000              | 146,548        |  |               |                   |                       |                           | 4,038                         |                 |              |                          |               |                |               |                  |              |
| Voluntary Co-payments And Contributions                         |                    |                | 157,127                                      |               |                   |                       |                           | 157,127                       |                 |              |                          |               |                |               |                  |              |
| Other Revenue   |                    |                | 103,018                                      |               | (32,864)          |                       |                           | 128,172                       |                 |              | 4,151                    | 5,130         | 4,925          | 196           | 21,686           |              |
| Gain (Loss) on Sale of Investments                              |                    |                |  |               |                   |                       |                           |                               |                 |              |                          | 66,613        | 41,452         |               |                  |              |
| Unrealized (Depreciation) on Investments                        |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Interest and Dividend Income                                    |                    |                | 31   |               |                   |                       |                           | 160                           |                 |              |                          |               |                |               | 201              |              |
| Interprogram Revenue  |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| <b>Total Revenue</b>  | <b>25,161</b>      | <b>146,548</b> | <b>1,226,605</b>                             | <b>27,197</b> | <b>9,772</b>      | <b>1,445</b>          | <b>4,078</b>              | <b>1,496,819</b>              | <b>493,801</b>  | <b>4,151</b> | <b>71,753</b>            | <b>46,327</b> | <b>3,439</b>   | <b>21,887</b> | <b>(494,175)</b> |              |
| <b>Direct Expenses:</b>   |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Salaries and Wages  | 66,420             | 36,698         | 320,545                                      | 56,755        | 24,912            | 17,553                |                           | 549,866                       | 105,007         |              | 67,349                   | 13,202        |                |               |                  |              |
| Payroll Taxes   | 6,251              | 2,769          | 30,933                                       | 5,095         | 2,521             | 1,342                 |                           | 51,365                        | 9,371           |              | 5,828                    | 1,864         |                |               |                  |              |
| Fringe Benefits   | 1,349              |                | 13,428                                       | 1,367         | 513               |                       |                           | 17,228                        | 1,792           |              | 1,384                    | 830           |                |               |                  |              |
| Vacation Accrual Adjustment                                     |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| <b>Total Salaries and Related Costs</b>                         | <b>74,020</b>      | <b>39,467</b>  | <b>364,906</b>                               | <b>63,217</b> | <b>27,946</b>     | <b>18,895</b>         |                           | <b>618,459</b>                | <b>116,170</b>  |              | <b>74,561</b>            | <b>15,396</b> |                |               |                  |              |
| Occupancy Rent  | 3,702              |                | 10,319                                       | 5,012         | 1,380             |                       |                           | 20,066                        | 4,744           |              | 3,100                    | 1,707         |                |               |                  |              |
| Telephone   | 688                | 1,831          | 4,147  | 202           | 543               |                       |                           | 3,066                         | 2,161           |              | 3,111                    | 1,600         |                |               |                  |              |
| Office Maintenance  |                    |                | 7,624  | 160           | 310               |                       |                           | 8,094                         | 882             |              | 5,753                    | 317           |                |               |                  |              |
| Utilities   | 803                |                | 7,725  | 725           | 333               |                       |                           | 4,415                         | 1,145           |              | 747                      | 412           |                |               |                  |              |
| Supplies  | 900                |                | 1,663  | 732           | 335               |                       |                           | 4,334                         | 1,153           |              | 753                      | 415           |                |               |                  |              |
| Printing and Reproduction                                       |                    |                | 2,239  | 5             |                   |                       |                           | 2,427                         |                 |              | 414                      | 33            |                |               |                  |              |
| Advertising   |                    |                | 3,101  |               |                   |                       |                           | 3,131                         |                 |              |                          |               |                |               |                  |              |
| Dues and Subscriptions  | 693                |                | 50   |               |                   |                       |                           | 50                            |                 |              |                          |               |                |               |                  |              |
| Equipment Purchases   | 207                |                | 83   |               | 35                |                       |                           | 1,043                         |                 |              | 25                       |               |                |               |                  |              |
| Postage   |                    |                | 2,611  | 91            | 35                |                       |                           | 2,963                         | 41              |              | 1,079                    |               |                |               |                  |              |
| Staff Training  |                    |                | 1,055  | 547           |                   |                       |                           | 1,628                         |                 |              | 53                       |               |                |               |                  |              |
| Consultants   |                    |                |  |               |                   |                       |                           | 4,590                         |                 |              |                          |               |                |               |                  |              |
| Miscellaneous   |                    |                |  |               |                   |                       |                           | 7,420                         |                 |              |                          |               |                |               |                  |              |
| Home Care Providers   |                    |                |  |               |                   |                       |                           | 37,000                        | 271,703         |              |                          |               |                |               |                  |              |
| Transportation Providers  |                    |                |  |               |                   |                       |                           | 693,694                       | 10,242          |              |                          |               |                |               |                  |              |
| Nutrition   |                    |                | 600,094                                      |               |                   |                       |                           | 7,494                         |                 |              |                          |               |                |               |                  |              |
| Adult Day Care  |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Care Giver Support  |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Maintenance and Equipment Rental                                |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Legal Accounting  |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Board of Directors  |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Printing and Reproduction                                       |                    |                | 500  |               |                   |                       |                           | 500                           |                 |              | 4,738                    |               |                |               |                  |              |
| Local Councils on Aging   |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Neighborhood Legal Services                                     |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Insurance   |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| <b>Total Direct Expenses Before Depreciation</b>                | <b>81,103</b>      | <b>118,730</b> | <b>1,031,610</b>                             | <b>73,037</b> | <b>37,582</b>     | <b>26,858</b>         | <b>4,987</b>              | <b>1,407,753</b>              | <b>408,241</b>  | <b>5,019</b> | <b>90,089</b>            | <b>27,867</b> | <b>929</b>     | <b>51</b>     | <b>(494,175)</b> |              |
| Depreciation Expense  |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| <b>Total Direct Expenses</b>                                    | <b>81,103</b>      | <b>118,730</b> | <b>1,031,610</b>                             | <b>73,037</b> | <b>37,582</b>     | <b>26,858</b>         | <b>4,987</b>              | <b>1,407,753</b>              | <b>408,241</b>  | <b>5,019</b> | <b>90,089</b>            | <b>27,867</b> | <b>929</b>     | <b>51</b>     | <b>(494,175)</b> |              |
| Allocation of Management and General Expenses                   | 30,918             |                | 214,325                                      | 9,847         | 25,155            |                       |                           | 294,226                       | 44,951          |              | 25,830                   | 14,285        |                |               |                  |              |
| <b>Total Expenses</b>   | <b>112,021</b>     | <b>118,730</b> | <b>1,245,935</b>                             | <b>98,182</b> | <b>47,629</b>     | <b>26,858</b>         | <b>4,987</b>              | <b>1,701,979</b>              | <b>453,192</b>  | <b>5,019</b> | <b>115,912</b>           | <b>42,152</b> | <b>929</b>     | <b>51</b>     | <b>(494,175)</b> |              |
| Excess (Deficiency) of Public Support and Revenue Over Expenses | (86,860)           | 27,818         | (21,330)                                     | (70,985)      | (38,057)          | (25,413)              | (999)                     | (205,160)                     | 40,609          | (1,768)      | (44,176)                 | 4,225         | 2,510          | 21,836        | \$               |              |
| Application of Surplus (Deficit) and Net Assets                 |                    | (26,000)       | 5,000  | 30,000        | 3,700             | 4,700                 | 1,800                     | 19,200                        |                 | 1,800        |                          | (3,000)       | (1,500)        | (16,500)      |                  |              |
| 3% Prior Year POS Fund Balance Transfer                         |                    |                |  |               |                   |                       |                           |                               |                 |              |                          |               |                |               |                  |              |
| Net Assets, Beginning of Year                                   | (40,412)           | (95,865)       | (42,924)                                     | (39,225)      | (46,879)          | (40,222)              | (831)                     | (85,399)                      | 26,668          | (1,078)      | (65,997)                 | 109,830       | 98,454         | 103,002       |                  |              |
| Net Assets, End of Year   | (127,222)          | (53,747)       | (59,254)                                     | (80,210)      | (112,522)         | (60,995)              | (60)                      | (271,359)                     | 67,269          | (1,040)      | (81,173)                 | 102,105       | 95,464         | 109,140       |                  |              |

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS.**

Board of Directors  
SeniorCare, Inc.

We have audited the financial statements of SeniorCare, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered SeniorCare, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SeniorCare, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

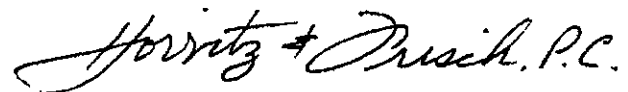
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether SeniorCare, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



HORVITZ & FRISCH, P.C.

November 10, 2011