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SENIORCARE, INC.
Financial Statements
For the Years Ended
June 30, 2013 and 2012

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2013

SENIORCARE, INC.
Financial Statements and Reports
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2013
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INDEPENDENT AUDITORS' REPORT

Board of Directors
SeniorCare, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of SeniorCare, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes in the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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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, 2013 and 2012 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 audit 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. The accompanying information in Schedules 1 and 2, 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2014 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SeniorCare, Inc.'s internal control over financial reporting and compliance.

Horvitz & Frisch, P.C.

HORVITZ & FRISCH, P.C.

January 9, 2014

SENIORCARE, INC.
Statements of Financial Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 792,400	\$ 893,900
Accounts Receivable, Net:		
Commonwealth of Massachusetts	1,699,063	1,442,504
Other	80,081	26,791
Total Accounts Receivable, Net	1,779,144	1,469,295
Prepaid Expenses	45,523	39,275
Total Current Assets	2,617,067	2,402,470
Property and Equipment, Net of Accumulated Depreciation	194,177	225,097
Total Assets	\$ 2,811,244	\$ 2,627,567
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Note Payable, Current Portion	\$ 20,886	\$ 19,833
Accounts Payable	991,164	992,122
Accrued Expenses	302,658	264,103
Total Current Liabilities	1,314,708	1,276,058
Long Term Liabilities:		
Note Payable, Net of Current Portion	69,357	90,167
Total Long Term Liabilities	69,357	90,167
Other Liabilities:		
Surplus Revenue Retention Liability	-	20,649
Total Other Liabilities	-	20,649
Total Liabilities	1,384,065	1,386,874
Net Assets:		
Unrestricted		
Operating	1,077,179	890,693
Board Designated	350,000	350,000
Total Unrestricted	1,427,179	1,240,693
Total Net Assets	1,427,179	1,240,693
Total Liabilities and Net Assets	\$ 2,811,244	\$ 2,627,567

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

SENIORCARE, INC.
Statement of Activities
For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
State Home Care Contracts	\$ 9,328,573	\$ -	\$ 9,328,573
Title III Contracts	876,094	-	876,094
Medicaid	453,551	-	453,551
Client Fees	300,142	-	300,142
Community Grants	15,286	-	15,286
Voluntary Co-Payments and Contributions	201,512	-	201,512
Other	480,936	-	480,936
Interest	1,940	-	1,940
	<u>11,658,034</u>	<u>-</u>	<u>11,658,034</u>
Expenses:			
Program Services:			
State Home Care Contracts	8,525,352	-	8,525,352
Title III Contracts	1,413,744	-	1,413,744
Foster Care	372,900	-	372,900
Other Programs	300,850	-	300,850
Eliminations	(491,149)	-	(491,149)
Total Program Expenses	<u>10,121,697</u>	<u>-</u>	<u>10,121,697</u>
Supporting Services:			
Management and General	1,076,126	-	1,076,126
Fundraising	1,586	-	1,586
	<u>11,199,409</u>	<u>-</u>	<u>11,199,409</u>
Change in Net Assets from Operations	458,625	-	458,625
Change in Net Assets due to Surplus Revenue Retention Liability	20,649	-	20,649
Change in Net Assets due to Excess Liability in Accumulated Surplus	<u>(292,788)</u>	<u>-</u>	<u>(292,788)</u>
Total Change in Net Assets	186,486	-	186,486
Net Assets, Beginning of Year	<u>1,240,693</u>	<u>-</u>	<u>1,240,693</u>
Net Assets, End of Year	<u>\$ 1,427,179</u>	<u>\$ -</u>	<u>\$ 1,427,179</u>

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

SENIORCARE, INC.
Statement of Activities
For the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
State Home Care Contracts	\$ 8,994,074	\$ -	\$ 8,994,074
Title III Contracts	802,568	-	802,568
Medicaid	478,066	-	478,066
Client Fees	293,700	-	293,700
Community Grants	4,549	-	4,549
Voluntary Co-Payments and Contributions	194,780	-	194,780
Other	242,254	-	242,254
Interest	2,649	-	2,649
Net assets released from restrictions:			
Satisfaction of Performance	<u>63,084</u>	<u>(63,084)</u>	<u>-</u>
Total Revenues and Other Support	<u>11,075,724</u>	<u>(63,084)</u>	<u>11,012,640</u>
Expenses:			
Program Services:			
State Home Care Contracts	8,361,631	-	8,361,631
Title III Contracts	1,421,836	-	1,421,836
Foster Care	404,798	-	404,798
Other Programs	158,320	-	158,320
Eliminations	<u>(494,471)</u>	<u>-</u>	<u>(494,471)</u>
Total Program Expenses	9,852,114	-	9,852,114
Supporting Services:			
Management and General	1,089,686	-	1,089,686
Fundraising	<u>4,068</u>	<u>-</u>	<u>4,068</u>
Total Expenses	<u>10,945,868</u>	<u>-</u>	<u>10,945,868</u>
Change in Net Assets from Operations	129,856	(63,084)	66,772
Total Change in Net Assets	129,856	(63,084)	66,772
Net Assets, Beginning of Year	<u>1,110,837</u>	<u>63,084</u>	<u>1,173,921</u>
Net Assets, End of Year	<u>\$ 1,240,693</u>	<u>\$ -</u>	<u>\$ 1,240,693</u>

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

SENIORCARE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2013 (with Comparative Totals for 2012)

	Program Services					Total	Supporting Services		Total Expenses	
	State Home Care Contracts	Title III Grants	Foster Care	Other Programs	Eliminations		Management and General	Fundraising	2013	2012
Salaries and Wages	\$ 1,416,738	\$ 531,592	\$ 99,534	\$ 62,982	\$ -	\$ 2,110,846	\$ 671,571	\$ -	\$ 2,782,417	\$ 2,722,790
Payroll Taxes	117,003	90,953	8,771	6,237	-	182,964	52,652	-	235,616	232,040
Fringe Benefits	130,050	65,908	3,929	5,360	-	205,247	46,607	-	251,854	228,537
Total Salaries and Related Costs	1,663,791	648,453	112,234	74,579	-	2,499,057	770,830	-	3,269,887	3,183,367
Occupancy Rent	105,952	29,629	6,681	6,768	-	149,030	26,737	-	175,767	131,368
Travel	36,758	35,975	2,365	9,313	-	84,411	10,034	-	94,445	91,100
Telephone	17,210	5,620	718	727	-	24,275	1,945	-	26,220	34,430
Office Maintenance	25,923	5,912	1,483	1,505	-	34,823	2,758	-	37,581	40,104
Insurance	-	-	-	825	-	825	34,367	-	35,192	38,596
Utilities	13,275	3,072	817	828	-	17,992	4,539	-	22,531	25,967
Office Supplies	2,667	2,176	-	962	-	5,805	27,911	1,393	35,109	30,040
Supplies	2,382	3,738	-	-	-	6,120	-	-	6,120	5,198
Advertising	-	534	-	608	-	1,142	8,334	-	9,476	6,842
Dues and Subscriptions	-	897	-	659	-	1,556	21,072	-	22,628	25,600
Equipment Purchases	2,976	1,825	-	250	-	5,051	23,425	-	28,476	9,425
Postage	4,727	2,880	35	1,121	-	8,763	4,607	-	13,370	12,990
Staff Training	9,621	1,224	-	131	-	10,976	3,467	-	14,443	15,918
Computer Charges	-	-	-	23,634	-	23,634	17,352	-	40,986	27,232
Consultants	25,908	1,800	-	-	-	27,708	8,113	-	35,821	65,900
Miscellaneous	4,019	1,665	-	29,895	-	35,579	13,281	-	48,860	62,700
Home Care Providers	5,954,441	12,200	241,834	146,207	-	6,354,672	-	-	6,354,672	6,200,356
Transportation Providers	10,391	32,390	173	-	-	42,954	-	-	42,954	40,860
Protective Service Providers	12,850	-	-	-	-	12,850	-	-	12,850	15,967
Nutrition	446,503	582,915	6,570	-	(491,149)	544,839	-	-	544,839	581,456
Respite Care	183,918	-	-	-	-	183,918	-	-	183,918	174,237
Adult Day Care	-	-	-	-	-	-	-	-	-	321
Care Giver Support	-	-	-	-	-	-	-	-	-	859
Audit	-	-	-	-	-	-	21,510	-	21,510	20,845
Maintenance and Equipment Rental	-	-	-	-	-	-	14,863	-	14,863	10,778
Legal and Accounting	2,040	3,002	-	-	-	5,042	3,446	-	8,488	23,016
Interest	-	-	-	-	-	-	5,311	-	5,311	-
Board Costs	-	373	-	2,838	-	3,211	10,650	193	14,054	13,380
Printing and Reproduction	-	-	-	-	-	-	-	-	-	2,483
Local Councils on Aging	-	21,078	-	-	-	21,078	-	-	21,078	23,115
Neighborhood Legal Services	-	16,386	-	-	-	16,386	-	-	16,386	17,860
Interprogram Expenses	-	-	-	-	-	-	-	-	-	-
Total Expenses Before Depreciation	8,525,352	1,413,744	372,900	300,850	(491,149)	10,121,697	1,034,552	1,586	11,157,835	10,932,310
Depreciation Expense	-	-	-	-	-	-	-	-	41,574	13,558
Total Expenses	\$ 8,525,352	\$ 1,413,744	\$ 372,900	\$ 300,850	\$ (491,149)	\$ 10,121,697	\$ 1,076,126	\$ 1,586	\$ 11,199,409	\$ 10,945,868

SENIORCARE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program Services					Supporting Services			
	State Home Care Contracts	Title III Grants	Foster Care	Other Programs	Eliminations	Total	Management and General	Fundraising	Total
Salaries and Wages	\$ 1,345,496	\$ 525,736	\$ 112,076	\$ 67,814	\$ -	\$ 2,051,122	\$ 671,668	\$ -	\$ 2,722,790
Payroll Taxes	112,496	52,100	10,017	6,123	-	180,736	51,304	-	232,040
Fringe Benefits	115,855	58,274	3,359	2,529	-	180,017	48,520	-	228,537
Total Salaries and Related Costs	1,573,847	636,110	125,452	76,466	-	2,411,875	771,492	-	3,183,367
Occupancy Rent	79,963	21,075	5,042	5,109	-	111,189	20,179	-	131,368
Travel	31,542	39,219	2,032	10,093	-	82,886	8,214	-	91,100
Telephone	21,078	8,291	931	943	-	31,243	3,187	-	34,430
Office Maintenance	26,492	6,402	1,703	1,864	-	36,461	3,643	-	40,104
Insurance	-	-	-	825	-	825	37,771	-	38,596
Utilities	16,348	3,878	1,032	1,045	-	22,303	3,664	-	25,967
Office Supplies	567	1,515	-	971	-	3,053	25,325	1,662	30,040
Supplies	2,351	2,847	-	-	-	5,198	-	-	5,198
Advertising	-	-	-	-	-	-	6,842	-	6,842
Dues and Subscriptions	41	1,184	-	60	-	1,285	24,315	-	25,600
Equipment Purchases	-	1,186	-	108	-	1,294	8,131	-	9,425
Postage	3,468	2,012	28	3,274	-	8,782	4,208	-	12,990
Staff Training	5,634	1,359	-	-	-	6,993	8,925	-	15,918
Computer Charges	-	-	-	17,885	-	17,885	9,347	-	27,232
Consultants	28,012	5,153	-	-	-	33,165	32,735	-	65,900
Miscellaneous	4,460	258	-	10,650	-	15,368	47,332	-	62,700
Home Care Providers	5,911,321	4,040	261,635	23,360	-	6,200,356	-	-	6,200,356
Transportation Providers	3,835	37,000	25	-	-	40,860	-	-	40,860
Protective Service Providers	15,967	-	-	-	-	15,967	-	-	15,967
Nutrition	462,047	606,962	6,918	-	(494,471)	581,456	-	-	581,456
Respite Care	174,237	-	-	-	-	174,237	-	-	174,237
Adult Day Care	-	-	-	321	-	321	-	-	321
Care Giver Support	-	859	-	-	-	859	-	-	859
Audit	-	-	-	-	-	-	20,845	-	20,845
Maintenance and Equipment Rental	-	648	-	-	-	648	10,130	-	10,778
Legal and Accounting	421	-	-	-	-	421	22,595	-	23,016
Bad Debts	-	-	-	-	-	-	-	-	-
Board Costs	-	594	-	5,346	-	5,940	7,248	192	13,380
Printing and Reproduction	-	269	-	-	-	269	-	2,214	2,483
Local Councils on Aging	-	23,115	-	-	-	23,115	-	-	23,115
Neighborhood Legal Services	-	17,860	-	-	-	17,860	-	-	17,860
Interprogram Expenses	-	-	-	-	-	-	-	-	-
Total Expenses Before Depreciation	8,361,631	1,421,836	404,798	158,320	(494,471)	9,852,114	1,076,128	4,068	10,932,310
Depreciation Expense	-	-	-	-	-	-	13,558	-	13,558
Total Expenses	\$ 8,361,631	\$ 1,421,836	\$ 404,798	\$ 158,320	\$ (494,471)	\$ 9,852,114	\$ 1,089,686	\$ 4,068	\$ 10,945,868

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

SENIORCARE, INC.
Statements of Cash Flows
For the Years ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Change in Net Assets from Operations	\$ 458,625	\$ 66,772
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	41,574	13,558
(Increase) Decrease in:		
Accounts Receivable	(309,849)	294,303
Prepaid Expenses	(6,248)	(6,106)
Increase (Decrease) in:		
Accounts Payable	(958)	46,367
Accrued Expenses	38,552	36,912
Surplus Revenue Retention Liability	-	(149,496)
Net Cash Provided by Operating Activities	221,696	302,310
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(10,651)	(224,652)
Net Cash (Used) by Investing Activities	(10,651)	(224,652)
Cash Flows from Financing Activities:		
Payment of Notes Payable	(19,757)	-
Proceeds of Notes Payable	-	110,000
Payment of Excess Liability in Accumulated Surplus	(292,788)	-
Net Cash Provided (Used) by Financing Activities	(312,545)	110,000
Net Increase (Decrease) in Cash and Cash Equivalents	(101,500)	77,658
Cash and Cash Equivalents, Beginning of Year	893,900	816,242
Cash and Cash Equivalents, End of Year	\$ 792,400	\$ 893,900
<u>Supplemental Disclosure:</u>		
Interest Paid	\$ 5,311	\$ -

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

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SENIORCARE, INC.
Notes to Financial Statements
For the Years ended June 30, 2013 and 2012

I. 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, 2013 and 2012

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

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

	2013	2012
Sovereign Bank	\$ 640,638	\$ 744,672
First National Bank Of Ipswich	5,761	3,945
Citizens Bank	29,008	28,992
Cape Ann Savings Bank	111,817	111,237
Peoples United Bank	4,249	4,124
Rockport National Bank	927	930
	<u> </u>	<u> </u>
Total	\$ <u>792,400</u>	\$ <u>893,900</u>

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, 2013 and 2012, 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 \$435,000 and \$475,000 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012

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 "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 \$9,476 and \$6,842 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 amounted to \$1,586 and \$4,068, respectively.

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SENIORCARE, INC.
Notes to Financial Statements - Continued
For the Years ended June 30, 2013 and 2012

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, 2013 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, 2013 and 2012 was \$530,864 and \$1,095,692, respectively.

3. Accounts Receivable - Commonwealth of Massachusetts

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

	2013	2012
Executive Office of Elder Affairs	\$ 1,595,737	\$ 1,329,861
Department of Public Welfare (Medicaid)	108,326	117,643
Less Allowance for Doubtful Accounts	(5,000)	(5,000)
	\$ 1,699,063	\$ 1,442,504

As of June 30, 2013 and 2012, 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 2013 and 2012.

4. Property and Equipment

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

	2013	2012	Estimated Useful Lives
Furniture and Equipment	\$ 412,400	\$ 409,484	5-7 years
Leasehold Improvements	40,601	32,863	5 years
	453,001	442,347	
Less Accumulated Depreciation	(258,824)	(217,250)	
	\$ 194,177	\$ 225,097	

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, 2013 and 2012. 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, 2013 and 2012

4. Property and Equipment - Continued

Depreciation expense amounted to \$41,574 and \$13,558 for the years ended June 30, 2013 and 2012, respectively.

5. Notes Payable

	2013	2012
Note Payable to a bank in 60 monthly principal and interest payments of \$2,089 at a fixed rate of interest of 5.184% through June 2017. The note is secured by all assets of the Organization.	\$ 90,243	\$ 110,000
	90,243	110,000
Less Current Portion	(20,886)	(19,833)
Long-Term Portion	\$ 69,357	\$ 90,167

Notes Payable at June 30 is as follows:

Maturities of mortgage payable over the next five years are as follows at June 30, 2013:

2014	\$	20,886
2015		21,995
2016		23,162
2017		24,200
2018		-
	\$	90,243

6. Earned Time Liability

The Organization's liability for Earned Time was \$159,684 and \$149,300 for the years ended June 30, 2013 and 2012, respectively. This represents amounts owed to employees under the Organization's paid Earned Time policy. This amount is included in accrued expenses.

7. 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. Upon expiration of this lease, the Organization remained a tenant at will until April 30, 2012. The Organization moved to a new location under a five year renewable lease effective May 1, 2012, with an annual rent of \$166,665.

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SENIORCARE, INC.
Notes to Financial Statements - Continued
For the Years ended June 30, 2013 and 2012

7. Rent - Continued

During the year ended June 30, 2013, the Organization opened a satellite office in Beverly, Massachusetts. Monthly rent payments of \$1,650 are due through August 15, 2015 under a 30 month lease.

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

Rent expense amounted to \$175,765 and \$129,267 for the years ended June 30, 2013 and 2012, respectively.

The future minimum lease payments for the next five years as of June 30, 2013 are as follows:

2014	\$	186,465
2015		186,465
2016		169,965
2017		138,888
2018		-
	\$	<u>681,783</u>

8. 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.

9. 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, 2013 and 2012 were \$21,078 and \$23,115, respectively.

SENIORCARE, INC.
Notes to Financial Statements - Continued
For the Years ended June 30, 2013 and 2012

10. 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.

11. 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 both years ended June 30, 2013 and 2012, the Organization did not accrue a liability for surplus revenue retention.

During the year ended June 30, 2013, the Organization was required to return \$292,788 to the Commonwealth of Massachusetts due to the fact that its cumulative surplus, at June 30, 2012, exceeded 20% of the prior year's revenues from purchasing agencies.

During the year ended June 30, 2013, the Organization recalculated its surplus revenue retention liability from July 1, 2008 to June 30, 2012 due to its consideration of the Protective Service program as a negotiated accommodation rate. Due to this recalculation, the \$20,649 liability at June 30, 2012 has been reversed.

As of June 30, 2013, the Organization had a cumulative surplus arising from Commonwealth funds amounting to \$2,442,474.

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SENIORCARE, INC.
Notes to Financial Statements - Continued
For the Years ended June 30, 2013 and 2012

12. Net Assets

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

	2013	2012
Unrestricted:		
Operating:		
Title III Contracts	\$ (317,433)	\$ (352,225)
State Home Care Contracts	1,929,161	1,525,500
Other	172,160	139,094
Board Funds	85,575	98,469
Board Designated for Building Purchase	(350,000)	(350,000)
Surplus Revenue Retention Activity	(442,284)	(170,145)
Total Unrestricted Net Assets-Operating	1,077,179	890,693
Board Designated for Building Purchase	350,000	350,000
Total Unrestricted Net Assets	1,427,179	1,240,693
Total Temporarily Restricted Net Assets	-	-
Total Net Assets	\$ 1,427,179	\$ 1,240,693

13. Line of Credit

\$500,000 revolving line of credit at a bank with \$500,000 unused at June 30, 2013 and 2012. 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, 2013 and 2012 was 4.5%.

	2013	2012
	\$ -	\$ -

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SENIORCARE, INC.
Notes to Financial Statements - Continued
For the Years ended June 30, 2013 and 2012

14. Tax Positions and Filings

The Organization follows 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 the three prior tax filings, following administrative practice of the taxing authorities, remain open years and subject to review.

15. Subsequent Events

Organization did not have any subsequent events through January 9, 2014, 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, 2013.

SENIORCARE, INC.
Supplemental Schedule of State Home Care Contracts
For the Year Ended June 30, 2013

	Schedule 1										Total	Eliminations
	Case Management	Purchased Services	Protective Services	Coordinated Care	Money Management	Community Choices - PS	Community Choices - CM	Community Options	Congregate Housing	Supportive Housing		
Revenue:												
Commonwealth of Massachusetts	\$ 637,544	\$ 1,932,761	\$ 343,562	\$ 216,665	\$ 25,726	\$ 3,482,113	\$ 688,634	\$ 1,846,090	\$ 26,028	\$ 129,450	\$ 9,328,573	\$ -
Client Fees, Donations and Cost Sharing Receipts	300,142	-	-	-	-	-	-	-	-	-	300,142	-
Contributions	76	-	-	-	-	-	-	-	-	-	76	-
Interprogram Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	937,762	1,932,761	343,562	216,665	25,726	3,482,113	688,634	1,846,090	26,028	129,450	9,628,791	-
Direct Expenses:												
Salaries and Wages	540,531	-	266,815	120,968	19,786	-	208,268	150,733	-	109,637	1,416,738	-
Payroll Taxes	38,546	-	24,182	10,655	1,987	-	18,428	13,065	-	10,140	117,003	-
Fringe Benefits	45,407	-	28,625	5,867	8,038	-	22,846	16,004	414	2,849	130,050	-
Total Salaries and Related Costs	624,484	-	319,622	137,490	29,811	-	249,542	179,802	414	122,626	1,663,791	-
Occupancy Rent	42,384	-	21,348	6,578	1,734	-	17,952	9,712	-	6,244	105,952	-
Travel	12,997	-	7,389	1,846	553	-	6,414	4,866	377	2,316	36,758	-
Telephone	5,389	-	6,280	707	186	-	1,928	1,043	230	1,447	17,210	-
Office Maintenance	11,812	-	4,740	1,460	384	-	3,985	2,156	-	1,386	25,923	-
Utilities	5,506	-	2,609	804	212	-	2,194	1,187	-	763	13,275	-
Office Supplies	1,901	-	610	-	19	-	-	-	-	-	2,667	-
Supplies	-	-	-	-	-	-	-	-	47	2,335	2,382	-
Advertising	-	-	-	-	-	-	-	-	-	-	-	-
Dues and Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-
Equipment Purchases	2,702	-	274	-	-	-	-	-	-	-	2,976	-
Postage	2,710	-	151	1,476	288	-	23	13	-	66	4,727	-
Staff Training	6,061	-	3,431	75	54	-	-	-	-	-	9,621	-
Computer Charges	-	-	-	-	-	-	-	-	-	-	-	-
Consultants	4,574	-	-	-	-	-	-	-	21,334	-	25,908	-
Legal and Accounting	-	-	2,040	-	-	-	-	-	-	-	2,040	-
Miscellaneous	2,375	-	1,644	-	-	-	-	-	-	-	4,019	-
Home Care Providers	-	1,453,988	-	-	-	3,310,118	-	1,190,335	-	-	5,954,441	-
Transportation Providers	-	1,251	-	-	-	6,653	-	2,487	-	-	10,391	-
Protective Service Providers	-	12,850	-	-	-	-	-	-	-	-	12,850	-
Nutrition	-	196,119	-	-	-	165,342	-	85,042	-	-	446,503	-
Respite Care	-	183,918	-	-	-	-	-	-	-	-	183,918	-
Interprogram Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total Direct Expenses	722,895	1,848,126	370,138	150,436	33,241	3,482,113	282,038	1,476,643	22,402	137,320	8,525,352	-
Before Depreciation	722,895	1,848,126	370,138	150,436	33,241	3,482,113	282,038	1,476,643	22,402	137,320	8,525,352	-
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-	-
Total Direct Expenses	722,895	1,848,126	370,138	150,436	33,241	3,482,113	282,038	1,476,643	22,402	137,320	8,525,352	\$ -
Allocation of Management and General Expenses	279,489	-	141,437	43,413	11,473	-	118,535	64,230	-	41,201	699,778	-
Total Expenses	1,002,384	1,848,126	511,575	193,849	44,714	3,482,113	400,573	1,540,873	22,402	178,521	9,225,130	-
Excess (Deficiency) of Public Support and Revenue Over Expenses	(64,622)	84,635	(168,013)	22,816	(18,988)	-	288,061	305,217	3,626	(49,071)	403,661	\$ -
Application of Surplus (Deficit) and Net Assets	-	-	131,500	-	-	-	(66,500)	(65,090)	-	-	-	-
3% Prior Year POS Fund Balance Transfer	-	(54,310)	36,224	-	19,500	-	-	(50,414)	-	49,000	-	-
Net Assets, Beginning of Year	454,103	440	814	557	1,728	-	560,110	498,250	8,903	593	1,525,500	-
Net Assets, End of Year	\$ 389,481	\$ 30,765	\$ 525	\$ 23,373	\$ 2,240	\$ -	\$ 781,671	\$ 688,053	\$ 12,529	\$ 524	\$ 1,929,161	-

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

SENIORCARE, INC.
Supplemental Schedule of Title III, Foster Care, Other Programs and Eliminations
For the Year Ended June 30, 2013

	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 Advisor-Lifetime	Title III Total	Foster Care	Volunteer Transportation	RSVP	Other Programs	Board Funds	Fundraising	Eliminations
Revenue:																
Commonwealth of Massachusetts	\$ 59,195	\$ 224,271	\$ 984,918	\$ 45,479	\$ 47,012	\$ -	\$ 6,368	\$ -	\$ 1,367,243	\$ 453,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 491,149
Local Community Grants	-	11,248	4,038	-	-	-	-	-	15,286	-	-	-	-	-	-	-
Voluntary Co-payments And Contributions	-	-	144,825	-	-	-	-	-	144,825	-	2,105	1,480	14,276	-	38,751	-
Other Revenue	-	44	105,422	-	-	-	-	75,406	180,872	-	-	53,291	246,172	601	-	-
Gain (Loss) on Sale of Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized (Depreciation) on Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Dividend Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,925	15
Interprogram Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	59,195	225,563	1,235,201	45,479	47,012	-	6,368	75,406	1,708,226	453,551	2,105	54,771	260,447	2,526	38,756	491,149
Direct Expenses:																
Salaries and Wages	39,887	67,401	302,344	50,940	26,407	18,038	3,342	23,233	531,592	99,534	-	62,982	-	-	-	-
Payroll Taxes	2,977	6,538	30,261	4,718	2,604	1,441	280	2,134	50,953	8,771	-	5,855	382	-	-	-
Fringe Benefits	6,168	712	32,315	11,179	2,209	480	-	12,845	65,908	3,929	-	2,931	2,429	-	-	-
Total Salaries and Related Costs	49,032	74,651	364,920	66,837	31,220	19,959	3,622	38,212	648,453	112,234	-	71,768	2,811	-	-	-
Occupancy Rent	5,218	2,385	13,474	4,248	1,949	-	-	2,355	29,629	6,681	-	4,366	2,402	-	-	-
Travel	-	1,042	27,803	3,946	437	567	119	2,061	35,975	2,365	5,335	3,978	-	-	-	-
Telephone	560	-	4,143	456	208	-	-	253	5,620	718	-	469	258	-	-	-
Office Maintenance	1,158	-	2,857	943	432	-	-	522	5,912	1,483	-	930	535	-	-	-
Utilities	638	-	1,990	519	238	-	-	287	3,072	817	-	534	294	-	-	-
Office Supplies	-	-	2,073	103	-	-	-	-	2,176	-	-	962	-	-	-	-
Supplies	-	-	3,561	-	-	-	177	-	3,738	-	-	-	-	-	1,393	-
Advertising	514	-	-	-	-	-	-	-	534	-	-	608	-	-	-	-
Dues and Subscriptions	346	-	551	-	-	-	-	-	897	-	-	659	-	-	-	-
Equipment Purchases	-	-	1,825	-	-	-	-	-	1,825	-	-	250	-	-	-	-
Postage	177	-	2,579	78	30	-	-	16	2,880	35	214	907	-	-	-	-
Staff Training	-	-	180	491	375	-	-	178	1,224	-	-	131	-	-	-	-
Consultants	-	-	735	-	-	-	-	1,065	1,800	-	-	-	-	-	-	-
Miscellaneous	-	23	1,642	-	-	-	-	-	1,665	-	-	293	14,182	15,420	-	-
Home Care Providers	-	-	-	-	-	12,200	-	-	12,200	241,824	-	-	146,207	-	-	-
Transportation Providers	-	32,390	-	-	-	-	-	-	32,390	173	-	-	-	-	-	-
Nutrition	-	-	582,915	-	-	-	-	-	582,915	6,570	-	-	-	-	-	491,149
Adult Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Care Giver Support	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance and Equipment Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal and Accounting	1,272	1,730	-	-	-	-	-	-	3,002	-	-	-	-	-	-	-
Board Costs	-	-	373	-	-	-	-	-	373	-	-	2,838	-	-	-	193
Printing and Reproduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Councils on Aging	-	21,078	-	-	-	-	-	-	21,078	-	-	-	-	-	-	-
Neighborhood Legal Services	-	16,386	-	-	-	-	-	-	16,386	-	-	-	-	-	-	-
Interprogram Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	825	-	-	-	-
Total Direct Expenses Before Depreciation	58,915	149,685	1,011,041	77,621	34,889	32,726	4,983	43,884	1,413,744	372,900	5,549	89,558	190,323	15,420	1,586	491,149
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Direct Expenses	58,915	149,685	1,011,041	77,621	34,889	32,726	4,983	43,884	1,413,744	372,900	5,549	89,558	190,323	15,420	1,586	491,149
Allocation of Management and General Expenses	30,266	-	212,629	28,547	11,278	-	-	12,620	293,390	44,240	-	24,787	13,931	-	-	-
Total Expenses	89,181	149,685	1,224,670	106,168	46,167	32,726	4,983	57,554	1,707,134	417,140	5,549	114,345	204,254	15,420	1,586	491,149
Excess (Deficiency) of Public Support and Revenue Over Expenses	(29,986)	85,878	14,533	(56,689)	845	(12,726)	1,385	17,852	1,092	36,411	(3,444)	(59,574)	56,193	(12,894)	37,180	\$ -
Application of Surplus (Deficit) and Net Assets	33,700	(78,000)	-	57,000	-	30,250	-	(9,250)	33,700	-	3,450	-	-	-	(37,150)	-
3% Prior Year POS Fund Balance Transfer	(212,263)	(7,273)	(12,846)	(122,521)	103,106	(95,419)	1,522	(8,222)	(352,225)	95,072	185	(140,603)	75,295	98,469	109,142	-
Net Assets, Beginning of Year	(208,549)	605	887	(129,220)	103,951	(87,895)	2,908	80	(317,433)	\$ 131,486	\$ 191	(200,177)	\$ 131,488	\$ 85,575	\$ 109,172	-
Net Assets, End of Year																

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

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SENIORCARE, INC.
 Schedule of Expenditures of Federal Awards
 For the Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through from Massachusetts			
Special Programs for the Aging, Title III, Parts A and C	93.045	FFY09SENIORTITL3NSIP FFY13SENIORTITL3NSIP	\$ 121,039 167,534 <u>288,573</u>
Special Programs for the Aging, Title III, Parts B, D, F, and Ombudsman	93.044	FFY09SENIORTITL3NSIP FFY13SENIORTITL3NSIP	99,423 101,815 <u>201,238</u>
Special Programs for the Aging, Title III, Part E	93.052	FFY09SENIORTITL3NSIP FFY13SENIORTITL3NSIP	12,698 28,197 <u>40,895</u>
Special Programs for the Aging Title III, Part C	93.053	FFY09SENIORTITL3NSIP FFY13SENIORTITL3NSIP	71,401 25,000 <u>96,401</u>
Special Programs for the Aging Title III, Part D	93.043	FFY09SENIORTITL3NSIP FFY13SENIORTITL3NSIP	1,828 3,454 <u>5,282</u>
Alzheimer's Disease Grants	93.051	ADRD2013SENIORCARE00	<u>4,038</u>
Aging Congregate Nutrition Services	93.042	FFY13SENIORTITL3NSIP	<u>22,750</u>
Aging Home Delivered Nutrition Services	93.041	FFY09SENIORTITL3NSIP FFY09SENIORTITL3NSIP	401 106 <u>507</u>
Money Follows the Person Rebalancing Distribution	93.791	MFPSENIORCARE2013000	<u>9,900</u>
			<u>\$ 669,584</u>

**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, 2013, and have issued our report thereon dated January 9, 2014. 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

Management of SeniorCare is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 material weakness, as defined previously.

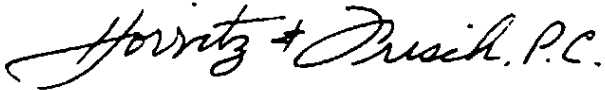
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Compliance and Other Matters

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*.

We noted certain matters that we reported to management of SeniorCare, Inc. in a separated dated letter dated January 9, 2014.

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.

January 9, 2014

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
SeniorCare, Inc.

Compliance

We have audited the compliance of SeniorCare, Inc.(a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are could have a direct and material effect on each of SeniorCare, Inc.'s major federal programs for the year ended June 30, 2013. SeniorCare, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of SeniorCare, Inc.'s management. Our responsibility is to express an opinion on SeniorCare, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SeniorCare, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of SeniorCare, Inc.'s compliance with those requirements.

In our opinion, SeniorCare, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2013.

Internal Control Over Compliance

The management of SeniorCare, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered SeniorCare, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in

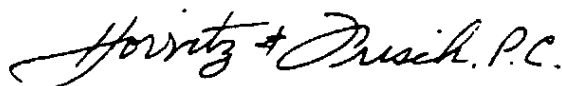
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accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SeniorCare, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the of this section paragraph and was not assigned to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

January 9, 2014

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SENIORCARE, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of SeniorCare, Inc.
2. There are no deficiencies disclosed during the audit of the financial statements that are reported in the Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of SeniorCare, Inc. were disclosed during the audit.
4. There are no significant deficiencies disclosed during the audit of the financial statements that are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award program for SeniorCare, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for SeniorCare, Inc. that are to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs: Title III-A and C; CFDA No. 93.045, Title III-B; CFDA No. 93.044, Title III-C; CFDA No. 93.053.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. SeniorCare, Inc. was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

NONE

C. Findings and Questioned Costs - Major Federal Award Program Audit

NO FINDINGS

NO QUESTIONED COSTS