

RESIDENTIAL SUPPORT SERVICES, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

RESIDENTIAL SUPPORT SERVICES, INC.  
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JUNE 30, 2011

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WHITTEMORE & SALVUCCI, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

80 WASHINGTON STREET, UNIT F29  
NORWELL MASSACHUSETTS 02061  
TEL: 781-982-0090  
FAX: 781-982-0091

August 20, 2011

The Board of Directors  
Residential Support Services, Inc.  
70 Bridge Street - Suite 201  
Newton, Massachusetts 02458

Independent Auditors' Report

We have audited the accompanying statements of financial position of Residential Support Services, Inc., as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides 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 Residential Support Services, Inc. at June 30, 2011 and 2010, and the results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Whittemore + Salvucci, P.C.*

WHITTEMORE & SALVUCCI, P.C.  
Certified Public Accountants

RESIDENTIAL SUPPORT SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 97,767	\$ 23,122
Accounts receivable	113,776	147,149
Prepaid expense	<u>36,135</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>247,678</u>	<u>170,271</u>
TOTAL ASSETS	\$ <u>247,678</u>	\$ <u>170,271</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES		
Accounts payable	\$ 21,919	\$ 1,639
Accrued wages	47,005	31,958
Due to affiliates	<u>152,930</u>	<u>146,680</u>
TOTAL CURRENT LIABILITIES	221,854	180,277
UNRESTRICTED NET ASSETS (DEFICIT)	<u>25,824</u>	( <u>10,006</u> )
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ <u>247,678</u>	\$ <u>170,271</u>

The accompanying notes are an integral part  
of the financial statements.

RESIDENTIAL SUPPORT SERVICES, INC.  
STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30,	
	<u>2011</u>	<u>2010</u>
REVENUES		
Government and private fees, grants and contracts	\$ 1,223,539	\$ 928,113
Interest income	<u>52</u>	<u>31</u>
TOTAL REVENUES	1,223,591	928,144
EXPENSES		
Compensation expenses	722,794	560,028
Other program/operating expenses	147,040	79,249
Administrative expenses	<u>317,927</u>	<u>281,216</u>
TOTAL EXPENSES	<u>1,187,761</u>	<u>920,493</u>
INCREASE IN NET ASSETS	35,830	7,651
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	( <u>10,006</u> )	( <u>17,657</u> )
NET ASSETS (DEFICIT) - END OF YEAR	\$ <u>25,824</u>	\$ ( <u>10,006</u> )

The accompanying notes are an integral part  
of the financial statements.

RESIDENTIAL SUPPORT SERVICES, INC.  
STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 35,830	\$ 7,651
Changes in operating assets and liabilities		
Accounts receivable	33,373	(36,299)
Prepaid expense	(36,135)	-
Accounts payable	20,280	354
Accrued wages	<u>15,047</u>	<u>8,131</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>68,395</u>	<u>(20,163)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from affiliates	<u>6,250</u>	<u>33,720</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>6,250</u>	<u>33,720</u>
 NET CHANGE IN CASH	 74,645	 13,557
 CASH - BEGINNING OF YEAR	 <u>23,122</u>	 <u>9,565</u>
 CASH - END OF YEAR	 \$ <u>97,767</u>	 \$ <u>23,122</u>

The accompanying notes are an integral part  
of the financial statements.

RESIDENTIAL SUPPORT SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Residential Support Services, Inc., (the "Company") was formed on November 3, 1999 under provision of the General Laws of the Commonwealth of Massachusetts, Chapter 180, with the principal place of business being 70 Bridge Street, Newton, Massachusetts. Tax exempt status under Internal Revenue Code section 501(c)(3) was obtained on March 23, 2000. The Company has contracts with Massachusetts Department of Mental Health and North Suffolk Mental Health Association to provide assisted and supported living services to elderly residents in Chelsea and Spencer, MA facilities. The facilities are owned by affiliates of the Company.

Depreciation - The Company's policy is to expense equipment purchased through contract reimbursements in the year the reimbursement is received.

Income Taxes - The Company is exempt from income taxes.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Cash Equivalents - For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents.

NOTE B - TRANSACTIONS WITH AFFILIATES

Residential Support Services, Inc. is an affiliate of other nonprofit organizations, Mental Health Programs, Inc. and MHPI, Inc. (the "affiliates"), by virtue of sharing a common Board of Directors.

Administrative Services - The affiliates provided all administrative services for the Company. The Company incurred and paid administrative fees of \$229,785 and \$169,007 for the years ended June 30, 2011 and 2010, respectively.

Due to Affiliate - MHPI, Inc. has advanced funds to the Company. These advances are unsecured, have no repayment terms and bear no interest.

RESIDENTIAL SUPPORT SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

NOTE C - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, consist primarily of cash investments.

The Company maintains its cash in bank deposit accounts which frequently exceed federally insured limits.

NOTE D - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the independent auditors' report date and as a result no events are required to be recognized and/or disclosed.