

A
G
O

5
/
6
/
2
0
1
3

2012
A011

040749

RESIDENTIAL SUPPORT SERVICES, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011

A
G
0
5
/
6
/
2
0
1
3

RESIDENTIAL SUPPORT SERVICES, INC.
INDEX
JUNE 30, 2012

2012

	PAGE
FINANCIAL STATEMENTS:	
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5-6

WHITTEMORE & SALVUCCI, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

2012
Audit
040749

September 18, 2012

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, 2012 and 2011, 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, 2012 and 2011, 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

AG
0
5
/
6
/
2
0
1
3

RESIDENTIAL SUPPORT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 386	\$ 97,767
Accounts receivable	249,388	113,776
Prepaid expense	<u>29,702</u>	<u>36,135</u>
TOTAL CURRENT ASSETS	<u>279,476</u>	<u>247,678</u>
TOTAL ASSETS	\$ <u>279,476</u>	\$ <u>247,678</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES		
Accounts payable	\$ 26,079	\$ 21,919
Accrued wages	77,629	47,005
Due to affiliates	<u>225,348</u>	<u>152,930</u>
TOTAL CURRENT LIABILITIES	329,056	221,854
UNRESTRICTED NET ASSETS (DEFICIT)	(<u>49,580</u>)	<u>25,824</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ <u>279,476</u>	\$ <u>247,678</u>

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

AG
0
5
/
6
/
2
0
1
3

RESIDENTIAL SUPPORT SERVICES, INC.
STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30,	
	<u>2012</u>	<u>2011</u>
REVENUES		
Government and private fees, grants and contracts	\$ 1,768,883	\$ 1,223,539
Interest income	<u>24</u>	<u>52</u>
TOTAL REVENUES	1,768,907	1,223,591
EXPENSES		
Compensation expenses	1,049,666	722,794
Other program/operating expenses	160,940	147,040
Administrative expenses	<u>633,705</u>	<u>317,927</u>
TOTAL EXPENSES	<u>1,844,311</u>	<u>1,187,761</u>
CHANGE IN NET ASSETS	(75,404)	35,830
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>25,824</u>	(<u>10,006</u>)
NET ASSETS (DEFICIT) - END OF YEAR	\$ (<u>49,580</u>)	\$ <u>25,824</u>

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

G
0
5
/
6
/
2
0
1
3

RESIDENTIAL SUPPORT SERVICES, INC.
STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(75,404)	\$ 35,830
Changes in operating assets and liabilities		
Accounts receivable	(135,612)	33,373
Prepaid expense	6,433	(36,135)
Accounts payable	4,160	20,280
Accrued wages	<u>30,624</u>	<u>15,047</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(169,799)</u>	<u>68,395</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from affiliates	<u>72,418</u>	<u>6,250</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>72,418</u>	<u>6,250</u>
NET CHANGE IN CASH	(97,381)	74,645
CASH - BEGINNING OF YEAR	<u>97,767</u>	<u>23,122</u>
CASH - END OF YEAR	\$ <u>386</u>	\$ <u>97,767</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, 2012

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.

Fair Value - In accordance with Codification Topic 820 ("ASC 820") the Company reports its qualifying assets and liabilities in accordance with the *Fair Value Measurements and Disclosure Standards* under U.S. GAAP. These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value framework that prioritizes the inputs and assumptions used to measure fair value.

The three levels of fair value framework are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable.

RESIDENTIAL SUPPORT SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Company had no financial assets or liabilities that are reported at fair value on a recurring basis as of June 30, 2012 and 2011.

Uncertainty in Income Taxes - The Company adopted the new standards for *Accounting for Uncertainty in Income Taxes*, which required the Company to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of June 30, 2012, the Company determined that it had no tax positions that did not meet the "more likely than not" threshold of being sustained by the applicable tax authority. The company files tax returns in the United States Federal and State jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

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 \$222,196 and \$229,785 for the years ended June 30, 2012 and 2011, respectively.

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

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.