



MOODY, FAMIGLIETTI & ANDRONICO
Certified Public Accountants & Consultants

**GREATER LYNN SENIOR SERVICES, INC.
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2010 AND 2009



To the Board of Directors
Greater Lynn Senior Services, Inc. and Affiliate
Lynn, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying combined statements of financial position of Greater Lynn Senior Services, Inc. and Affiliate ("the Organization") for the years ended June 30, 2010 and 2009, and the related combined statements of activities, functional expenses and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statement based on our audits. We did not audit the financial statements of the Affiliate, Indian Rock Supportive Housing, Inc., as of and for the year ended June 30, 2010, which statements reflect total assets of \$4,093,564 and total revenues and other support of \$162,257. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Indian Rock Supportive Housing, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The Organization is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization for the years ended June 30, 2010 and 2009, and its changes in net assets and 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 November 15, 2010 on our consideration of the Organization's internal control over financial reporting and on 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits and the report of other auditors.

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining information is presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial position and results of operations of the individual organizations. The combining information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Moody, Famiglietti & Andronico, LLP

Moody, Famiglietti & Andronico, LLP
November 15, 2010

June 30	2010	2009
Assets		
Current Assets:		
Cash and Equivalents	\$ 435,681	\$ 482,037
Restricted Cash	49,567	50,039
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$64,000 and \$62,000	5,070,110	5,094,155
Accounts Receivable - Related Parties, Net of Allowance for Doubtful Accounts of \$408,000	1,219,447	1,279,572
Assets Whose Use Is Limited	1,348,768	1,186,549
Prepaid Expenses and Other Current Assets	544,886	282,931
Vehicle Parts On Hand	56,975	74,660
Total Current Assets	8,725,434	8,449,943
Property and Equipment, Net of Accumulated Depreciation	14,898,872	11,840,031
Restricted Cash Collateralized for Long-Term Debt	265,339	-
Mobility Grant Receivable	-	518,544
Security Deposits	80,676	109,446
Property Replacement Reserves	17,863	-
Tenant Security Deposits	8,367	-
Total Assets	\$ 23,996,551	\$ 20,917,964
Liabilities and Net Assets		
Current Liabilities:		
Line of Credit	\$ 1,233,126	\$ 1,213,000
Current Maturities of Long-Term Debt	895,712	221,778
Accounts Payable	2,412,133	3,221,608
Accounts Payable - Related Party	47,379	49,556
Accrued Expenses	2,231,252	1,925,381
Total Current Liabilities	6,819,602	6,631,323
Subordinated Long-Term Debt	1,000,000	864,776
Long-Term Debt, Net of Current Maturities	6,414,598	4,611,259
Total Liabilities	14,234,200	12,107,358
Net Assets:		
Unrestricted	6,627,803	5,360,378
Temporarily Restricted	3,134,548	3,450,228
Total Net Assets	9,762,351	8,810,606
Total Liabilities and Net Assets	\$ 23,996,551	\$ 20,917,964

For the Year Ended June 30

2010

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Grants and Contracts	\$ 39,812,510	\$ 325,917	\$ 40,138,427
Direct and Indirect Fees	7,489,148	-	7,489,148
Private Cost Share Income	464,976	-	464,976
Other Support	288,788	10,000	298,788
Contributions and In-Kind Donations	244,524	30,000	274,524
Repairs Revenue	93,857	-	93,857
Interest Income	16,298	-	16,298
Net Assets Released from Restrictions	681,597	(681,597)	-
Total Revenues and Other Support	49,091,698	(315,680)	48,776,018
Expenses:			
Program Services:			
Transportation	21,721,319	-	21,721,319
Home Care Services	17,939,222	-	17,939,222
Nutrition	2,424,906	-	2,424,906
Day Programs	998,528	-	998,528
Protective Services	847,633	-	847,633
Housing	666,531	-	666,531
Health Services	14,835	-	14,835
Total Program Services Expenses	44,612,974	-	44,612,974
Support Services:			
Administrative and General	3,146,739	-	3,146,739
Fundraising	64,560	-	64,560
Total Expenses	47,824,273	-	47,824,273
Increase (Decrease) in Net Assets	1,267,425	(315,680)	951,745
Net Assets, Beginning of Year	5,360,378	3,450,228	8,810,606
Net Assets, End of Year	\$ 6,627,803	\$ 3,134,548	\$ 9,762,351

For the Year Ended June 30

2009

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Grants and Contracts	\$ 36,104,902	\$ 518,544	\$ 36,623,446
Direct and Indirect Fees	7,123,078	-	7,123,078
Contributions and In-Kind Donations	283,087	2,394,498	2,677,585
Private Cost Share Income	493,973	-	493,973
Other Support	152,867	-	152,867
Repairs Revenue	106,464	-	106,464
Interest Income	22,462	-	22,462
Net Assets Released from Restrictions	953	(953)	-
Total Revenues and Other Support	44,287,786	2,912,089	47,199,875
Expenses:			
Program Services:			
Transportation	18,965,537	-	18,965,537
Home Care Services	18,054,430	-	18,054,430
Nutrition	2,533,266	-	2,533,266
Day Programs	651,929	-	651,929
Protective Services	895,429	-	895,429
Housing	550,139	-	550,139
Health Services	17,361	-	17,361
Total Program Services Expenses	41,668,091	-	41,668,091
Support Services:			
Administrative and General	2,867,224	-	2,867,224
Fundraising	133,316	-	133,316
Total Expenses	44,668,631	-	44,668,631
(Decrease) Increase in Net Assets	(380,845)	2,912,089	2,531,244
Net Assets, Beginning of Year	5,741,223	538,139	6,279,362
Net Assets, End of Year	\$ 5,360,378	\$ 3,450,228	\$ 8,810,606

Combined Statements of Functional Expenses

Greater Lynn Senior Services, Inc. and Affiliate

For the Year Ended June 30

2010

	Transportation	Home Care Services	Nutrition	Day Programs	Protective Services	Housing	Health Services	Total Program Services	Administrative and General	Fundraising	Total Expenses
Salaries and Wages	\$ 11,616,486	\$ 4,522,783	\$ 733,545	\$ 362,929	\$ 558,977	\$ 325,228	\$ 8,295	\$ 18,128,243	\$ 1,614,029	\$ 51,338	\$ 19,793,610
Payroll Taxes and Other Benefits	2,876,664	1,187,064	149,359	64,118	144,702	60,098	1,184	4,483,189	382,927	12,218	4,878,334
Total Salaries and Benefits	14,493,150	5,709,847	882,904	427,047	703,679	385,326	9,479	22,611,432	1,996,956	63,556	24,671,944
Contracted Services	32,500	11,477,509	96,414	-	48,296	46,828	2,475	11,704,022	505	-	11,704,527
Program Support	2,856,978	530	13,589	28,303	2,610	12,653	-	2,914,663	3,653	540	2,918,856
Occupancy	1,708,927	108,285	25,867	21,966	19,116	53,419	-	1,937,580	58,158	-	1,995,738
Other Expenses	366,783	240,391	36,402	427,333	17,089	27,047	2,580	1,117,625	499,895	464	1,617,984
Meals and Food Services	-	-	1,233,863	-	-	-	-	1,233,863	-	-	1,233,863
Insurance	834,053	9,954	44,007	2,083	1,354	37,900	-	929,351	155,129	-	1,084,480
Interest	121,634	108,315	26,183	28,667	18,634	-	-	303,433	80,119	-	383,552
Professional Fees	44,957	3,855	5,422	-	-	435	-	54,669	110,960	-	165,629
Consulting and Temporary Help	101,123	882	1,177	13,935	500	576	-	118,193	41,987	-	160,180
Travel and Transportation	2,954	111,046	6,256	321	10,292	415	167	131,451	26,581	-	158,032
Supplies and Consumables	48,158	15,178	230	1,063	210	1,127	134	66,100	19,351	-	85,451
Total Expenses Before Depreciation and Amortization	20,611,217	17,785,792	2,372,314	950,718	821,780	565,726	14,835	43,122,382	2,993,294	64,560	46,180,236
Depreciation and Amortization	1,110,102	153,430	52,592	47,810	25,853	100,805	-	1,490,592	153,445	-	1,644,037
Total Expenses	\$ 21,721,319	\$ 17,939,222	\$ 2,424,906	\$ 998,528	\$ 847,633	\$ 666,531	\$ 14,835	\$ 44,612,974	\$ 3,146,739	\$ 64,560	\$ 47,824,273

The accompanying notes are an integral part of these combined financial statements.

Combined Statements of Functional Expenses (Continued)

Greater Lynn Senior Services, Inc. and Affiliate

For the Year Ended June 30

2009

	Transportation	Home Care Services	Nutrition	Day Programs	Protective Services	Housing	Health Services	Total Program Services	Administrative and General	Fundraising	Total Expenses
Salaries and Wages	\$ 10,196,354	\$ 4,417,145	\$ 816,348	\$ 365,210	\$ 598,184	\$ 314,122	\$ 11,396	\$ 16,718,759	\$ 1,311,756	\$ 106,890	\$ 18,137,405
Payroll Taxes and Other Benefits	2,704,565	1,111,340	160,754	72,743	156,599	57,303	1,489	4,264,793	369,245	25,221	4,659,259
Total Salaries and Benefits	12,900,919	5,528,485	977,102	437,953	754,783	371,425	12,885	20,983,552	1,681,001	132,111	22,796,664
Contracted Services	-	11,793,676	92,690	-	50,457	86,012	3,030	12,025,865	19,200	-	12,045,065
Program Support	2,619,261	1,011	15,848	31,300	1,693	1,358	16	2,670,487	862	495	2,671,844
Occupancy	1,173,870	142,904	27,415	32,658	18,013	50,318	-	1,445,178	84,185	-	1,529,363
Other Expenses	351,950	163,957	52,852	19,243	13,573	38,347	1,141	641,063	484,035	710	1,125,808
Meals and Food Services	718	1,678	1,236,437	1,586	63	603	-	1,241,085	15,634	-	1,256,719
Insurance	791,087	54,411	46,156	14,415	5,958	752	-	912,779	182,200	-	1,094,979
Interest	45,559	105,894	23,722	36,683	15,162	-	-	227,020	74,527	-	301,547
Professional Fees	84,592	-	880	-	-	-	-	85,472	81,684	-	167,156
Consulting and Temporary Help	89,548	3,411	1,420	15,866	-	-	-	110,245	63,602	-	173,847
Travel and Transportation	5,853	113,158	4,767	1,033	14,831	529	233	140,404	11,289	-	151,693
Supplies and Consumables	5,727	4,104	1,414	3,205	44	621	56	15,171	12,772	-	27,943
Total Expenses Before Depreciation and Amortization	18,069,084	17,912,689	2,480,703	593,942	874,577	549,965	17,361	40,498,321	2,710,991	133,316	43,342,628
Depreciation and Amortization	896,453	141,741	52,563	57,987	20,852	174	-	1,169,770	156,233	-	1,326,003
Total Expenses	\$ 18,965,537	\$ 18,054,430	\$ 2,533,266	\$ 651,929	\$ 895,429	\$ 550,139	\$ 17,361	\$ 41,668,091	\$ 2,867,224	\$ 133,316	\$ 44,668,631

The accompanying notes are an integral part of these combined financial statements.

For the Years Ended June 30	2010	2009
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 951,745	\$ 2,531,244
Adjustments to Reconcile Increase in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	1,644,037	1,326,003
Loss on Disposal of Property and Equipment	7,606	-
HUD Grant Restricted for Investment in Property and Equipment	-	(2,394,498)
Decrease (Increase) in Accounts Receivable	24,045	(1,207,538)
Decrease in Accounts Receivable - Related Parties	60,125	275,126
(Increase) Decrease in Prepaid Expenses and Other Current Assets	(261,955)	32,217
Decrease in Vehicle Parts on Hand	17,685	66,745
Increase in Tenant Security Deposits	(8,367)	-
Decrease in Accounts Payable	(809,475)	(56,599)
Decrease in Accounts Payable - Related Party	(2,177)	(150,999)
Increase in Accrued Expenses	305,871	162,064
Net Cash Provided by Operating Activities	1,929,140	583,765
Cash Flows from Investing Activities:		
Acquisition of Property and Equipment	(4,710,484)	(3,424,783)
Increase in Assets Whose Use is Limited	(162,219)	(66,919)
Decrease (Increase) in Security Deposits	28,770	(80,676)
Increase in Property Replacement Reserve	(17,863)	-
Decrease (Increase) in Restricted Cash	472	(40,025)
Net Cash Used in Investing Activities	(4,861,324)	(3,612,403)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Long-Term Debt	3,300,000	-
Proceeds from Issuance of Subordinated Long-Term Debt	135,225	864,776
Repayments of Long-Term Debt	(822,728)	(482,435)
Decrease (Increase) in Mobility Grant Receivable to		
Fund Property and Equipment Acquisitions	518,544	(518,544)
Increase in Restricted Cash Collateralized for Long Term Debt	(265,339)	-
Net Proceeds from Line of Credit	20,126	1,180,000
HUD Grant Restricted for Investment in Property and Equipment	-	2,394,498
Net Cash Provided by Financing Activities	2,885,828	3,438,295
Net (Decrease) Increase in Cash and Equivalents	(46,356)	409,657
Cash and Equivalents, Beginning of Year	482,037	72,380
Cash and Equivalents, End of Year	\$ 435,681	\$ 482,037
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash Paid During the Years for Interest	\$ 469,641	\$ 302,223
<u>Supplemental Disclosure of Non-Cash Investing Activities:</u>		

During the year ended June 30, 2010 the Organization disposed of property and equipment with an initial cost of \$1,947,502 and accumulated depreciation of \$1,939,896 resulting in a loss on disposal of \$7,606.

1. Summary of Significant Accounting Policies:

Combination: The accompanying combined financial statements include the accounts of Greater Lynn Senior Services, Inc. and Indian Rock Supportive Housing, Inc. (collectively referred to as “the Organization”). The respective Organizations are under common control and, therefore, are affiliated for financial statement purposes. All significant intercompany balances and transactions have been eliminated in combination.

Reporting Entity: Greater Lynn Senior Services, Inc. (“GLSS”), a not-for-profit organization, was established in 1975 to provide various programs involving home care, nutrition, transportation, medical, adult and social day care centers and other services to the elderly individuals from the greater Lynn area.

Indian Rock Supportive Housing, Inc. (“Indian Rock”), a not-for-profit corporation, was organized to develop housing units in Saugus, Massachusetts. Section 202 funding is being provided by the U.S. Department of Housing and Urban Development as the primary source of funding.

Accounting Standards Codification: During the year ended June 30, 2010, the Organization adopted the FASB Accounting Standards Codification (ASC). The ASC became the single official source of authoritative accounting principles generally accepted in the United States of America (GAAP) recognized by the Financial Accounting Standards Board (FASB), other than guidance issued by the Securities and Exchange Commission. The adoption of the ASC did not have a material impact on the Organization’s financial statements. However, the adoption of the ASC changed the Organization’s references to GAAP in its financial statements.

Method of Accounting: The combined financial statements of the Organization are presented on the accrual basis of accounting in accordance with GAAP.

Fair Value: The Organization reports under the provisions of ASC No. 820-10 [Prior Authoritative Guidance: SFAS 157, *Fair Value Measurements*] (ASC 820-10) for financial assets and financial liabilities and ASC No. 820-10-15 [Prior Authoritative Guidance: FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*] (ASC 820-10-15) for nonfinancial assets and nonfinancial liabilities. ASC 820-10 defines fair value, establishes a framework for measuring fair

value in accordance with GAAP, and expands disclosures about fair value measurements.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 - Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.

Level 3 - Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Classification and Reporting of Net Assets: The Organization’s financial statement presentation follows the provisions of Accounting Standards Codification No. 958-205 [Prior Authoritative Guidance: Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*] (ASC 958-205). In accordance with ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions.

- Unrestricted net assets represent the portion of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the Organization as well as the net investment in property and equipment.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and released by actions of the Organization pursuant to those stipulations.

1. Summary of Significant Accounting Policies (Continued):

- Permanently restricted net assets represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization does not have any permanently restricted net assets.

Cash and Equivalents: The Organization considers highly liquid investments, which have not been restricted to invest in property and equipment, with an original maturity of ninety days or less to be cash equivalents. The balance of cash and equivalents may at any time exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and equivalents.

Restricted Cash: Restricted cash represents cash restricted for use at the Indian Rock supportive housing site. Restricted cash collateralized for long-term debt represents cash deposited into a sinking fund which is held as collateral for certain long-term debt.

Accounts Receivable and Concentration of Credit Risk: Accounts receivables are carried at the original invoice amount less an estimate made for doubtful receivables. Management determines the allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Property and Equipment: Property and equipment are stated at cost on the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Leasehold and Building	
Improvements	5-20 Years or Lease Term
Building	40 Years
Motor Vehicles	3-5 Years
Capital Equipment	3-10 Years

Property Replacement Reserves: The property replacement reserves are available to aid in funding extraordinary maintenance, repair, and replacement of capital items and are required under the Indian Rock HUD Mortgage.

Assets Whose Use Is Limited: Assets whose use is limited represents funds designated by the Board of Directors as an unemployment risk reserve.

Vehicle Parts on Hand: Vehicle parts on hand consist of repair replacement parts maintained for repair of the transportation equipment and are stated at the lower of cost or market. Cost is determined on an actual cost basis on the first-in, first-out (FIFO) method. Market is determined based on net realizable value.

Revenue Recognition: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

The programs of the Organization are supported principally by contracts negotiated with various agencies of the Commonwealth of Massachusetts. Therefore, the Organization is subject to the regulations of the Massachusetts Operational Services Division. Revenues are being recorded by the individual programs either at the rates approved under negotiated contracts or the rate of reimbursement as certified by the Massachusetts Operational Services Division.

Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purposes, provided such expenditures are reimbursable under the Operational Services Division regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment, and would be reported as a liability.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution

1. Summary of Significant Accounting Policies (Continued):

revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activities. Contributions recognized with donor-imposed restrictions that are met in the same year as recognized are reported as revenues of the unrestricted net asset class.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are recognized as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are recognized as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are recognized as revenues and expenses of the unrestricted net asset category at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by the individuals with those skills. Contributions of goods and space to be used in program operations are recognized as revenue and expenses of the unrestricted net asset class at the time the goods or space is received.

Operating Leases: The Organization records rent expense on a straight-line basis over the term of the lease agreement. The excess of the calculated straight-line rent expense to date over the cumulative rent expense incurred to date under the lease agreement is an accrued expense and recognized over the term of the non-cancelable lease.

Income Taxes: The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. The Organization may be subject to federal and state income taxes for profits generated from trade or business activities unrelated to the Organization's exempt function.

During the year ended June 30, 2010, the Organization adopted ASC No. 740-10-25 [Prior Authoritative Guidance: FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109*] (ASC 740-10-25), which clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. ASC 740-10-25 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting for interim periods and disclosures for uncertain tax positions.

The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its combined statements of activities. As of June 30, 2010 and 2009, the Organization has not accrued interest and penalties for uncertain tax benefits, as management believes the Organization has not generated any unrelated business taxable income.

Use of Estimates: The Organization has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the combined financial statements in accordance with GAAP. Actual results experienced by the Organization may differ from those estimates.

Reclassifications: Certain reclassifications have been made to the June 30, 2009 financial statements to conform to the June 30, 2010 financial statement presentation.

Subsequent Events: ASC No. 855-10 [Prior Authoritative Guidance: Statement of Financial Accounting Standards No. 165, *Subsequent Events*] (ASC 855-10), establishes general standards of accounting for and disclosure of events that occur after the date of the Statement of Financial Position, but before the financial statements are issued or available to be issued. In accordance with ASC 855-10, management has evaluated subsequent events spanning the period from June 30, 2010 through November 15, 2010, the latter representing the issuance date of this report.

2. Related Party Transactions:

Board of Directors: The Board of Directors of the Organization is comprised of twenty-four individuals.

Two of the Board members are also Board members of Elder Service Plan of the North Shore, Inc. ("ESPNS").

The Executive Director of the Organization is also a Board member of ESPNS. Two board members are also Board members of Lynn Community Elder Services, Inc. ("LCES").

Elder Service Plan of the North Shore, Inc.: The Organization provided administrative support and personnel to ESPNS by including the Executive Director of ESPNS and shared maintenance personnel in its salary and benefits packages. ESPNS reimbursed the Organization for all salary expense and related fringe benefit costs for these individuals. The Organization also prepared meals and sold transportation services to ESPNS.

Related party expenses paid by ESPNS to GLSS for the years ended June 30, 2010 and 2009 are as follows:

	2010	2009
Salaries and Fringe Benefits	\$ 266,604	\$ 327,597
Transportation	786,230	771,192
Meals	471,301	448,997
Administration	696,700	640,685
Housing	208,167	210,438

As of June 30, 2010 and 2009, ESPNS owed GLSS \$275,550 and \$335,736, respectively, in connection with the above transactions. The amounts are included in accounts receivable - related parties on the combined statements of financial position as of June 30, 2010 and 2009.

Lynn Community Elder Services, Inc.: Beginning in July 1998, the Organization entered into a management contract with LCES, under which LCES leases employees and related program expenses from GLSS and also purchased meals and transportation. The Organization also purchased companion and day program services from LCES.

The following is a summary of these transactions as of and for the years ended June 30, 2010 and 2009:

	2010	2009
Leased Employees	\$ 1,592,708	\$ 1,527,288
Meals	-	69,386
Transportation	254,346	272,535
Companion and Day Services Purchased	554,000	601,134
Accounts Receivable - LCES, Net	931,819	943,836
Accounts Payable - LCES	47,379	49,556
Note Receivable - LCES	12,079	-

The Organization entered into a 10-year lease with the City of Lynn for a building known as the Briarcliff Lodge. The annual lease payment made by the Organization to the City of Lynn amounts to \$1.00. The Organization currently subleases this building to LCES under the same lease terms.

3. Assets Whose Use Is Limited:

Assets Whose Use Is Limited as of June 30, 2010 and 2009 consist of the following:

	2010	2009
Cash and Equivalents	\$ 902,164	\$ 485,126
Certificates of Deposit	345,000	600,000
Money Market Funds	101,604	101,423
	<u>\$ 1,348,768</u>	<u>\$ 1,186,549</u>

4. Property and Equipment:

Property and equipment as of June 30, 2010 and 2009 consists of the following:

	2010	2009
Leasehold and Building Improvements	\$ 9,145,908	\$ 5,704,650
Building	4,932,811	900,618
Motor Vehicles	3,916,835	4,399,590
Capital Equipment	3,646,739	3,286,467
Land	108,900	108,900
Construction in Progress	-	4,587,986
	<u>21,751,193</u>	<u>18,988,211</u>
Less: Accumulated Depreciation	6,852,321	7,148,180
	<u>\$ 14,898,872</u>	<u>\$ 11,840,031</u>

Depreciation expense for the years ended June 30, 2010 and 2009 amounted to \$1,644,037 and \$1,326,003, respectively.

5. Line of Credit:

On March 27, 2010, the Organization renewed a \$2,500,000 revolving line of credit with Salem Five Bank, which is subject to a borrowing base limitation of 80% of eligible accounts receivable. Interest is payable at the bank's prime rate plus 0.5%, with a floor of 5% (5% at June 30, 2010). The line is secured by all business assets of the Organization and cross-collateralized with all other existing debt with the bank and matures on December 1, 2010. Borrowings totaling \$1,233,126 and \$1,213,000 were outstanding under the line of credit agreement at June 30, 2010 and 2009, respectively.

All of the Salem Five Bank debt agreements contain certain financial covenants. As of June 30, 2010 and 2009 the Organization was in compliance with such covenants.

6. Long-Term Debt:

Long-term debt as of June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
5.23% bond issued through Massachusetts Development and payable to Salem Five Bank in the aggregate original amount of \$4,000,000. The bond is payable in monthly installments of \$23,922, including interest, through November 2026. The note is secured by a building located at 8 Silsbee Street, Lynn, MA. The note is cross-collateralized with the existing debt with the bank.	\$ 3,704,261	\$ 3,792,351
6.5% note payable to Salem Five Bank in the original amount of \$3,300,000, payable in monthly principal installments of \$55,000, plus interest, through June 2014. Under the terms of the note, additional monthly payments, in amounts defined in the agreement, are payable into a sinking fund, until the sinking fund balance reaches a 1:1 ratio with the outstanding note balance. The note is secured by the sinking fund, certain accounts with the bank, and an assignment of the lease for 330R Lynnway, Lynn, MA. The note is cross-collateralized with the existing debt with the bank. As of June 30, 2010 the sinking fund balance amounted to \$265,339 and is included in restricted cash collateralized for long-term debt in the accompanying combined statements of financial position.	2,695,000	-
Promissory notes with the Commonwealth of Massachusetts Department of Housing and Community Development ("DHCD") and the Community Economic Development Assistance Corporation ("CEDAC") in the form of two thirty-one (31) year deferred payment mortgages, each in the amount of \$500,000. The notes are subordinate to the terms of the Organization's mortgage with the U.S. Department of Housing and Urban Development ("HUD"), which is recorded as a temporarily restricted net asset, and is secured by the housing property. The notes bear interest only if not paid on the maturity date of June 24, 2039, at a rate of the lessor of 5% per annum above the prime rate or the maximum rate of interest which may be lawfully charged. No principal is due until the maturity date or 30 days after the date upon which the HUD note has been repaid in full or forgiven and discharged. The notes also contain affordable housing restrictions, which stipulate that if, at any time, the properties are not utilized to provide affordable housing, the notes are payable on demand.	1,000,000	864,776
6.41% note payable to Salem Five Bank in the original amount of \$650,000, payable in monthly installments of \$4,812, including interest through December 2017. The note is secured by the building located at 8 Silsbee Street, Lynn, MA. The note is cross-collateralized with the existing debt with the bank.	605,833	623,570
6.77% note payable to Salem Five Bank in the original amount of \$580,000, payable in monthly installments of \$11,422, including interest through November 2012. The note is secured by certain motor vehicles, and the building located at 8 Silsbee Street, Lynn, MA. The note is cross-collateralized with the existing debt with the bank.	305,216	417,116
Total Long-Term Debt	8,310,310	5,697,813
Less: Current Maturities of Long-Term Debt	895,712	221,778
Long-Term Debt, Net of Current Maturities	<u>\$ 7,414,598</u>	<u>\$ 5,476,035</u>

6. Long-Term Debt (Continued):

Future maturities of long-term debt as of June 30, 2010 are as follows:

Year Ended	
June 30,	
2011	895,712
2012	910,536
2013	844,975
2014	796,005
2015	198,584
Thereafter	4,664,498
	<u>\$ 8,310,310</u>

7. Temporarily Restricted Net Assets:

Temporarily restricted net assets, which consist of unexpended contributions and grants temporarily restricted by donors, as of June 30, 2010 and 2009, are restricted for the following purposes:

	<u>2010</u>	<u>2009</u>
Purpose Restricted:		
Programs:		
HUD Housing Grant	\$ 2,854,600	\$ 2,854,600
Mobile Mental Health	21,880	58,398
Prostate Cancer Awareness	3,637	12,500
Elder Justice	2,925	6,186
	<u>2,883,042</u>	<u>2,931,684</u>
Purpose and Time Restricted:		
Program:		
Mobility Management	251,506	-
Mobility Assistance	-	518,544
	<u>\$ 3,134,548</u>	<u>\$ 3,450,228</u>

The HUD housing grant received during 2008 in the amount of \$2,854,600 is in the form of a forty-one (41) year deferred payment, debt forgiveness mortgage expiring in April 2049 for use towards the completion of the Indian Rock Housing Project.

8. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or passage of time. Net assets released from restriction during the year ended June 30, 2010 were expended to satisfy the following purposes:

	<u>2010</u>	<u>2009</u>
Mobility Assistance	\$ 518,544	\$ -
Mobile Mental Health	76,518	953
Mobility Management	72,411	-
Prostate Cancer Awareness	8,864	-
Elder Justice	5,260	-
	<u>\$ 681,597</u>	<u>\$ 953</u>

9. Operating Leases:

The Organization is party to various operating lease agreements for their facilities in Massachusetts. The agreements require minimum aggregate monthly payments of \$66,076 expire at various dates through June 2014 and contain certain escalating rental payment provisions. Rent expense recorded on a straight-line basis by the Organization under these lease agreements amounted to \$1,031,881 and \$883,442 for the years ended June 30, 2010 and 2009, respectively.

The Organization is also a party to various operating lease agreements for office equipment. The agreements require aggregate monthly payments of \$9,248 and expire at various dates through April 2015. Equipment rental expense under these lease agreements amounted to \$71,371 and \$112,250 for the years ended June 30, 2010 and 2009, respectively.

Future minimum rental payments due under these non-cancelable lease agreements as of June 30, 2010 are as follows:

Year Ended	
June 30,	
2011	\$ 842,136
2012	833,700
2013	820,084
2014	839,918
2015	3,825
	<u>\$ 3,339,663</u>

10. Retirement Plan:

The Organization administers a defined contribution 403(b) plan for employee only contributions. The Plan allows an employee to contribute up to a maximum percentage as allowed by federal law. The Organization also maintains a defined contribution 401(a) plan for employer only contributions. The Organization makes an annual contribution of up to 3% of the employee's gross wages to this plan. Total expenses related to this Plan amounted to \$282,278 and \$250,798, for the years ended June 30, 2010 and 2009, respectively.

11. Major Revenue Source:

The Organization received 30% and 31% of its funding through contracts with the Commonwealth of Massachusetts, Executive Office of Elder Affairs (EOEA) and 49% and 41% of its funding from a contract with the Massachusetts Bay Transit Authority (MBTA) for the years ended June 30, 2010 and 2009, respectively.

Included in accounts receivable on the accompanying combined statements of financial position is a receivable from the EOEA in the amount of \$1,458,663 and \$1,701,213 respectively, and a receivable from the MBTA in the amount of \$2,274,981 and \$1,913,685, respectively, as of June 30, 2010 and 2009.

12. Commitments and Contingencies:

Indemnifications: The Organization is a party to a number of agreements entered into in the ordinary course of business which contain typical provisions which obligate the Organization to indemnify the other parties to such agreements upon the occurrence of certain events. Such indemnification obligations are usually in effect from the date of execution of the applicable agreement for a period equal to the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. Since its inception, the Organization has not incurred any expenses as a result of such indemnification provisions. The Organization has not recorded any liability related to such indemnification provisions as of June 30, 2010 and 2009.

Contingencies: From time to time, the Organization is included in legal and administrative proceedings and claims of various types, which arise in the ordinary course of business. In the opinion of the Organization's management, based on information furnished by counsel and others, the ultimate liability, if any, of the aforementioned claims is not expected to have a material impact on the Organization's financial position.

13. Subsequent Event:

On October 22, 2010, the Organization entered into a financing arrangement with Century Bank and Trust Company ("Century Bank") that consists of three credit facilities used to refinance the existing debt with Salem Five Bank. The first of the three credit facilities is a bond financing agreement issued through Massachusetts Development Finance Agency and payable to Century Bank in the amount of \$4,500,000. The bond bears interest at an initial fixed rate based on the Federal Home Loan Bank Classic 10-Year Advance Rate, with a floor of 5%, and is payable in equal monthly principal and interest payments payable over a term of thirty years.

The Organization also entered into a term loan in an amount not to exceed \$1,500,000 which, bears interest at an initial fixed rate based on the Federal Home Loan Bank Classic 3-Year Advance Rate, with a floor of 6%, and is payable in equal monthly principal and interest payments payable over a term of three years. In addition, the Organization entered into a \$2,500,000 revolving line of credit agreement, which is subject to a borrowing base limitation 80% of eligible accounts receivable. The line of credit is subject to annual renewal and bears interest at the bank's prime rate, with a floor of 4%. All three credit facilities are secured by a building located at 8 Silsbee Street, an assignment of leases and rents from the building, substantially all business assets of the Organization and a negative pledge of the Organization's investments, and cross-collateralized.

June 30,

2010

	Greater Lynn Senior Services, Inc.	Indian Rock Supportive Housing, Inc.	Eliminations	Combined
Assets				
Current Assets:				
Cash and Equivalents	\$ 349,461	\$ 86,220	\$ -	\$ 435,681
Restricted Cash	-	49,567	-	49,567
Accounts Receivable, Net of Allowance	5,086,751	159	(16,800)	5,070,110
Accounts Receivable - Related Parties, Net of Allowance	1,219,447	-	-	1,219,447
Assets Whose Use Is Limited	1,348,768	-	-	1,348,768
Prepaid Expenses and Other Current Assets	544,886	-	-	544,886
Vehicle Parts On Hand	56,975	-	-	56,975
Total Current Assets	8,606,288	135,946	(16,800)	8,725,434
Property and Equipment, Net of Accumulated Depreciation	10,967,484	3,931,388	-	14,898,872
Restricted Cash Collateralized for Long-Term Debt	265,339	-	-	265,339
Security Deposits	80,676	-	-	80,676
Property Replacement Reserves	-	17,863	-	17,863
Tenant Security Deposits	-	8,367	-	8,367
Total Assets	\$ 19,919,787	\$ 4,093,564	\$ (16,800)	\$ 23,996,551
Liabilities and Net Assets				
Current Liabilities:				
Line of Credit	\$ 1,233,126	\$ -	\$ -	\$ 1,233,126
Current Maturities of Long-Term Debt	895,712	-	-	895,712
Accounts Payable	2,412,133	-	-	2,412,133
Accounts Payable - Related Party	47,379	-	-	47,379
Accrued Expenses	2,198,523	49,529	(16,800)	2,231,252
Total Current Liabilities	6,786,873	49,529	(16,800)	6,819,602
Subordinated Long-Term Debt	-	1,000,000	-	1,000,000
Long-Term Debt, Net of Current Maturities	6,414,598	-	-	6,414,598
Total Liabilities	13,201,471	1,049,529	(16,800)	14,234,200
Net Assets:				
Unrestricted	6,438,368	189,435	-	6,627,803
Temporarily Restricted	279,948	2,854,600	-	3,134,548
Total Net Assets	6,718,316	3,044,035	-	9,762,351
Total Liabilities and Net Assets	\$ 19,919,787	\$ 4,093,564	\$ (16,800)	\$ 23,996,551

June 30,

2009

	Greater Lynn Senior Services, Inc.	Indian Rock Supportive Housing, Inc.	Eliminations	Combined
Assets				
Current Assets:				
Cash and Equivalents	\$ 349,245	\$ 132,792	\$ -	\$ 482,037
Restricted Cash	-	50,039	-	50,039
Accounts Receivable, Net of Allowance	4,894,689	199,466	-	5,094,155
Accounts Receivable - Related Parties	1,344,737	-	(65,165)	1,279,572
Assets Whose Use Is Limited	1,186,549	-	-	1,186,549
Prepaid Expenses and Other Current Assets	282,931	-	-	282,931
Vehicle Parts On Hand	74,660	-	-	74,660
Total Current Assets	8,132,811	382,297	(65,165)	8,449,943
Property and Equipment, Net of Accumulated Depreciation	7,805,358	4,034,673	-	11,840,031
Mobility Grant Receivable	518,544	-	-	518,544
Security Deposits	109,446	-	-	109,446
Total Assets	\$ 16,566,159	\$ 4,416,970	\$ (65,165)	\$ 20,917,964
Liabilities and Net Assets				
Current Liabilities:				
Line of Credit	\$ 1,213,000	\$ -	\$ -	\$ 1,213,000
Current Maturities of Long-Term Debt	221,778	-	-	221,778
Accounts Payable	3,029,013	192,595	-	3,221,608
Accounts Payable - Related Party	49,556	65,165	(65,165)	49,556
Accrued Expenses	1,737,694	187,687	-	1,925,381
Total Current Liabilities	6,251,041	445,447	(65,165)	6,631,323
Subordinated Long-Term Debt	-	864,776	-	864,776
Long-Term Debt, Net of Current Maturities	4,611,259	-	-	4,611,259
Total Liabilities	10,862,300	1,310,223	(65,165)	12,107,358
Net Assets:				
Unrestricted	5,108,231	252,147	-	5,360,378
Temporarily Restricted	595,628	2,854,600	-	3,450,228
Total Net Assets	5,703,859	3,106,747	-	8,810,606
Total Liabilities and Net Assets	\$ 16,566,159	\$ 4,416,970	\$ (65,165)	\$ 20,917,964

For the Year Ended June 30

2010

	Greater Lynn Senior Services, Inc.	Indian Rock Supportive Housing, Inc.	Eliminations	Combined
Revenues and Other Support:				
Grants and Contracts	\$ 39,812,510	\$ -	\$ -	\$ 39,812,510
Direct and Indirect Fees	7,505,948	-	(16,800)	7,489,148
Private Cost Share Income	464,976	-	-	464,976
Other Support	126,578	162,210	-	288,788
Contributions and In-Kind Donations	244,524	-	-	244,524
Repairs Revenue	93,857	-	-	93,857
Interest Income	16,251	47	-	16,298
Net Assets Released from Restrictions	681,597	-	-	681,597
Total Revenues and Other Support	48,946,241	162,257	(16,800)	49,091,698
Expenses:				
Program Services:				
Transportation	21,721,319	-	-	21,721,319
Home Care Services	17,939,222	-	-	17,939,222
Nutrition	2,424,906	-	-	2,424,906
Day Programs	998,528	-	-	998,528
Protective Services	847,633	-	-	847,633
Housing	458,362	224,969	(16,800)	666,531
Health Services	14,835	-	-	14,835
Total Program Services Expenses	44,404,805	224,969	(16,800)	44,612,974
Support Services:				
Administrative and General	3,146,739	-	-	3,146,739
Fundraising	64,560	-	-	64,560
Total Expenses	47,616,104	224,969	(16,800)	47,824,273
Increase (Decrease) in Unrestricted Net Assets	1,330,137	(62,712)	-	1,267,425
Changes in Temporarily Restricted Net Assets:				
Temporarily Restricted Contributions and Grants	365,917	-	-	365,917
Net Assets Released from Restriction	(681,597)	-	-	(681,597)
Decrease in Temporarily Restricted Net Assets	(315,680)	-	-	(315,680)
Increase (Decrease) in Net Assets	1,014,457	(62,712)	-	951,745
Net Assets, Beginning of Year	5,703,859	3,106,747	-	8,810,606
Net Assets, End of Year	\$ 6,718,316	\$ 3,044,035	\$ -	\$ 9,762,351

For the Year Ended June 30

2009

	Greater Lynn Senior Services, Inc.	Indian Rock Supportive Housing, Inc.	Eliminations	Combined
Revenues and Other Support:				
Grants and Contracts	\$ 36,104,902	\$ -	\$ -	\$ 36,104,902
Direct and Indirect Fees	7,097,990	25,088	-	7,123,078
Contributions and In-Kind Donations	283,087	-	-	283,087
Private Cost Share Income	493,973	-	-	493,973
Other Support	193,184	-	(40,317)	152,867
Repairs Revenue	106,464	-	-	106,464
Interest Income	22,462	-	-	22,462
Net Assets Released from Restrictions	953	-	-	953
Total Revenues and Other Support	44,303,015	25,088	(40,317)	44,287,786
Expenses:				
Program Services:				
Transportation	18,965,537	-	-	18,965,537
Home Care Services	18,054,430	-	-	18,054,430
Nutrition	2,533,266	-	-	2,533,266
Day Programs	651,929	-	-	651,929
Protective Services	895,429	-	-	895,429
Housing	543,087	7,052	-	550,139
Health Services	17,361	-	-	17,361
Total Program Services Expenses	41,661,039	7,052	-	41,668,091
Support Services:				
Administrative and General	2,867,224	40,317	(40,317)	2,867,224
Fundraising	133,316	-	-	133,316
Total Expenses	44,661,579	47,369	(40,317)	44,668,631
Decrease in Unrestricted Net Assets	(358,564)	(22,281)	-	(380,845)
Changes in Temporarily Restricted Net Assets:				
Temporarily Restricted Contributions and Grants	574,581	2,338,461	-	2,913,042
Net Assets Released from Restriction	(953)	-	-	(953)
Increase in Temporarily Restricted Net Assets	573,628	2,338,461	-	2,912,089
Increase in Net Assets	215,064	2,316,180	-	2,531,244
Net Assets, Beginning of Year	5,488,795	790,567	-	6,279,362
Net Assets, End of Year	\$ 5,703,859	\$ 3,106,747	\$ -	\$ 8,810,606

