

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fenway Community Health Center, Inc. and Affiliate:

We have audited the accompanying combining statements of financial position of Fenway Community Health Center, Inc. and Affiliate (Massachusetts Corporations, not for profit) (collectively, the Center) as of June 30, 2010 and 2009, and the related combining statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These combining financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these combining financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combining financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combining financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the financial position of Fenway Community Health Center, Inc. and Affiliate as of June 30, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Alexander, Aronson, Finning & Co., P.C.*

Wellesley Massachusetts  
November 2, 2010

ASSETS	2010						2009					
	FENWAY COMMUNITY HEALTH CENTER, INC.			FENWAY COMMUNITY REALTY CORPORATION			FENWAY COMMUNITY HEALTH CENTER, INC.			FENWAY COMMUNITY REALTY CORPORATION		
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Combining TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Combining TOTAL
<b>Current Assets:</b>												
Cash and cash equivalents	\$4,201,449	\$125,000	\$ —	\$4,326,449	\$18,628	\$4,345,077	\$1,196,792	\$200,000	\$ —	\$1,396,792	\$53,785	\$1,450,577
Short-term investments	1,928,770	68,596	—	1,997,366	—	1,997,366	3,109,533	—	—	3,109,533	—	3,109,533
Contract and other receivables	1,897,370	—	—	1,897,370	—	1,897,370	1,790,637	—	—	1,790,637	—	1,790,637
Patient service receivables, net of allowance for uncollectible accounts of approximately \$728,000 and \$660,000 as of June 30, 2010 and 2009, respectively	892,429	—	—	892,429	—	892,429	751,468	—	—	751,468	—	751,468
Accounts receivable—pharmacy, net of allowance for uncollectible accounts of approximately \$422,000 and \$135,000 as of June 30, 2010 and 2009, respectively	1,773,662	—	—	1,773,662	—	1,773,662	2,037,433	—	—	2,037,433	—	2,037,433
Current portion of pledges receivable	25,000	734,365	—	759,365	—	759,365	25,000	1,218,698	—	1,243,698	—	1,243,698
Pharmacy inventory	767,935	—	—	767,935	—	767,935	766,780	—	—	766,780	—	766,780
Prepaid expenses and deposits	410,264	—	—	410,264	—	410,264	438,172	—	—	438,172	—	438,172
<b>Total current assets</b>	<b>11,896,879</b>	<b>927,961</b>	<b>—</b>	<b>12,824,840</b>	<b>18,628</b>	<b>12,843,468</b>	<b>10,115,815</b>	<b>1,418,698</b>	<b>—</b>	<b>11,534,513</b>	<b>53,785</b>	<b>11,588,298</b>
<b>Other Assets:</b>												
Pledges receivable, net of current portion and discount	37,800	822,618	—	860,418	—	860,418	87,800	1,671,649	—	1,759,449	—	1,759,449
Investments	1,117,296	121,110	302,385	1,540,791	—	1,540,791	1,019,904	97,865	302,385	1,420,154	—	1,420,154
Due (to) from	2,352,139	—	—	2,352,139	(2,352,139)	—	2,394,879	—	—	2,394,879	(2,394,879)	—
Debt service reserve fund	664,047	—	—	664,047	1,416,219	2,080,266	655,526	—	—	655,526	1,474,461	2,129,987
Assets held under split-interest agreement	—	147,440	—	147,440	—	147,440	—	147,440	—	147,440	—	147,440
Financing fees, net	185,300	—	—	185,300	—	185,300	191,944	—	—	191,944	—	191,944
<b>Total other assets</b>	<b>4,356,582</b>	<b>1,091,168</b>	<b>302,385</b>	<b>5,750,135</b>	<b>(935,920)</b>	<b>4,814,215</b>	<b>4,350,053</b>	<b>1,916,954</b>	<b>302,385</b>	<b>6,569,392</b>	<b>(920,418)</b>	<b>5,648,974</b>
<b>Property and Equipment:</b>												
Land, building and improvements	20,601,592	—	—	20,601,592	30,729,667	51,331,259	20,269,916	—	—	20,269,916	30,675,908	50,945,824
Furniture, fixtures and equipment	3,726,216	—	—	3,726,216	—	3,726,216	3,079,160	—	—	3,079,160	—	3,079,160
Leasehold improvements	1,128,830	—	—	1,128,830	—	1,128,830	1,128,830	—	—	1,128,830	—	1,128,830
	25,456,638	—	—	25,456,638	30,729,667	56,186,305	24,477,906	—	—	24,477,906	30,675,908	55,153,814
Less—accumulated depreciation	2,634,468	—	—	2,634,468	582,008	3,216,476	1,482,209	—	—	1,482,209	105,790	1,587,999
<b>Net property and equipment</b>	<b>22,822,170</b>	<b>—</b>	<b>—</b>	<b>22,822,170</b>	<b>30,147,659</b>	<b>52,969,829</b>	<b>22,995,697</b>	<b>—</b>	<b>—</b>	<b>22,995,697</b>	<b>30,570,118</b>	<b>53,565,815</b>
<b>Total assets</b>	<b>\$39,075,631</b>	<b>\$2,019,129</b>	<b>\$302,385</b>	<b>\$41,397,145</b>	<b>\$29,230,367</b>	<b>\$70,627,512</b>	<b>\$37,461,565</b>	<b>\$3,335,652</b>	<b>\$302,385</b>	<b>\$41,099,602</b>	<b>\$29,703,485</b>	<b>\$70,803,087</b>
<b>LIABILITIES AND NET ASSETS</b>												
<b>Current Liabilities:</b>												
Current portion of long-term debt	\$470,000	\$ —	\$ —	\$470,000	\$ —	\$470,000	\$825,000	\$ —	\$ —	\$825,000	\$ —	\$825,000
Current portion of capital lease obligations	153,295	—	—	153,295	—	153,295	142,293	—	—	142,293	—	142,293
Accounts payable, subcontractors payable and accrued expenses	3,350,695	—	—	3,350,695	4,850	3,355,545	3,573,535	—	—	3,573,535	—	3,573,535
Deferred revenue	658,484	—	—	658,484	—	658,484	377,731	—	—	377,731	—	377,731
<b>Total current liabilities</b>	<b>4,632,474</b>	<b>—</b>	<b>—</b>	<b>4,632,474</b>	<b>4,850</b>	<b>4,637,324</b>	<b>4,918,559</b>	<b>—</b>	<b>—</b>	<b>4,918,559</b>	<b>—</b>	<b>4,918,559</b>
<b>Long-term Debt, net of current portion</b>	<b>1,725,000</b>	<b>—</b>	<b>—</b>	<b>1,725,000</b>	<b>29,500,000</b>	<b>31,225,000</b>	<b>2,195,000</b>	<b>—</b>	<b>—</b>	<b>2,195,000</b>	<b>29,500,000</b>	<b>31,695,000</b>
<b>Capital Lease Obligations, net of current portion</b>	<b>437,142</b>	<b>—</b>	<b>—</b>	<b>437,142</b>	<b>—</b>	<b>437,142</b>	<b>601,824</b>	<b>—</b>	<b>601,824</b>	<b>—</b>	<b>601,824</b>	<b>—</b>
<b>Interest Rate Swap Contract in Loss Position</b>	<b>500,251</b>	<b>—</b>	<b>—</b>	<b>500,251</b>	<b>—</b>	<b>500,251</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total liabilities</b>	<b>7,294,867</b>	<b>—</b>	<b>—</b>	<b>7,294,867</b>	<b>29,504,850</b>	<b>36,799,717</b>	<b>7,715,383</b>	<b>—</b>	<b>—</b>	<b>7,715,383</b>	<b>29,500,000</b>	<b>37,215,383</b>
<b>Net Assets:</b>												
Unrestricted:												
Operating	5,255,283	—	—	5,255,283	13,778	5,269,061	3,484,740	—	—	3,484,740	53,785	3,538,525
Board designated	3,787,513	—	—	3,787,513	—	3,787,513	3,787,513	—	—	3,787,513	—	3,787,513
Property and equipment	22,737,968	—	—	22,737,968	(288,261)	22,449,707	22,473,929	—	—	22,473,929	149,700	22,623,629
<b>Total unrestricted</b>	<b>31,780,764</b>	<b>—</b>	<b>—</b>	<b>31,780,764</b>	<b>(274,483)</b>	<b>31,506,281</b>	<b>29,746,182</b>	<b>—</b>	<b>—</b>	<b>29,746,182</b>	<b>203,485</b>	<b>29,949,667</b>
Temporarily restricted	—	2,019,129	—	2,019,129	—	2,019,129	—	3,335,652	—	3,335,652	—	3,335,652
Permanently restricted	—	—	302,385	302,385	—	302,385	—	—	302,385	—	—	302,385
<b>Total net assets</b>	<b>31,780,764</b>	<b>2,019,129</b>	<b>302,385</b>	<b>34,102,278</b>	<b>(274,483)</b>	<b>33,827,795</b>	<b>29,746,182</b>	<b>3,335,652</b>	<b>302,385</b>	<b>33,384,219</b>	<b>203,485</b>	<b>33,587,704</b>
<b>Total liabilities and net assets</b>	<b>\$39,075,631</b>	<b>\$2,019,129</b>	<b>\$302,385</b>	<b>\$41,397,145</b>	<b>\$29,230,367</b>	<b>\$70,627,512</b>	<b>\$37,461,565</b>	<b>\$3,335,652</b>	<b>\$302,385</b>	<b>\$41,099,602</b>	<b>\$29,703,485</b>	<b>\$70,803,087</b>

ASSETS	2010							2009						
	FENWAY COMMUNITY HEALTH CENTER, INC.				FENWAY COMMUNITY REALTY CORPORATION			FENWAY COMMUNITY HEALTH CENTER, INC.				FENWAY COMMUNITY REALTY CORPORATION		
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Eliminations	Combining TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Eliminations	Combining TOTAL
<b>Operating Revenue and Support:</b>														
Net patient service revenue	\$25,419,843	\$—	\$—	\$25,419,843	\$—	\$—	\$25,419,843	\$19,856,398	\$—	\$—	\$19,856,398	\$—	—	\$19,856,398
Contracts and grants	11,016,622	—	—	11,016,622	—	—	11,016,622	9,093,901	—	—	9,093,901	—	—	9,093,901
Contributions	751,692	—	—	751,692	—	—	751,692	965,254	1,075,000	—	2,040,254	—	—	2,040,254
Investment and other income	549,088	—	—	549,088	—	—	549,088	248,935	—	—	248,935	—	—	248,935
Special events, net of direct costs of approximately \$309,000 and \$312,000 in 2010 and 2009, respectively	463,235	—	—	463,235	—	—	463,235	435,632	—	—	435,632	—	—	435,632
Rental Income	—	—	—	—	366,002	(366,002)	—	—	—	—	—	83,111	(83,111)	—
Net assets released from restrictions — Satisfaction of purpose restrictions	256,404	(256,404)	—	—	—	—	—	139,830	(139,830)	—	—	—	—	—
<b>Total operating revenue and support</b>	<b>38,456,884</b>	<b>(256,404)</b>	<b>—</b>	<b>38,200,480</b>	<b>366,002</b>	<b>(366,002)</b>	<b>38,200,480</b>	<b>30,739,950</b>	<b>935,170</b>	<b>—</b>	<b>31,675,120</b>	<b>83,111</b>	<b>(83,111)</b>	<b>31,675,120</b>
<b>Operating expenses:</b>														
Program services —														
Medical Services	7,739,835	—	—	7,739,835	—	—	7,739,835	5,655,753	—	—	5,655,753	—	—	5,655,753
Pharmacy	12,325,504	—	—	12,325,504	—	—	12,325,504	9,212,078	—	—	9,212,078	—	—	9,212,078
Research	6,357,981	—	—	6,357,981	—	—	6,357,981	5,495,008	—	—	5,495,008	—	—	5,495,008
Behavioral Health	3,537,397	—	—	3,537,397	—	—	3,537,397	2,925,192	—	—	2,925,192	—	—	2,925,192
Patient services	1,335,885	—	—	1,335,885	—	—	1,335,885	1,020,661	—	—	1,020,661	—	—	1,020,661
<b>Total program services</b>	<b>31,296,602</b>	<b>—</b>	<b>—</b>	<b>31,296,602</b>	<b>—</b>	<b>—</b>	<b>31,296,602</b>	<b>24,308,692</b>	<b>—</b>	<b>—</b>	<b>24,308,692</b>	<b>—</b>	<b>—</b>	<b>24,308,692</b>
Supporting services —														
General and Administrative	3,839,379	—	—	3,839,379	—	—	3,839,379	3,938,446	—	—	3,938,446	—	—	3,938,446
Facilities	532,884	—	—	532,884	843,970	(366,002)	1,010,852	465,114	—	—	465,114	262,942	(83,111)	644,945
Public Relations	412,721	—	—	412,721	—	—	412,721	368,403	—	—	368,403	—	—	368,403
Fundraising	1,057,119	—	—	1,057,119	—	—	1,057,119	683,281	—	—	683,281	—	—	683,281
Capital Campaign	—	—	—	—	—	—	—	560,928	—	—	560,928	—	—	560,928
<b>Total supporting services</b>	<b>5,842,103</b>	<b>—</b>	<b>—</b>	<b>5,842,103</b>	<b>843,970</b>	<b>(366,002)</b>	<b>6,320,071</b>	<b>6,016,172</b>	<b>—</b>	<b>—</b>	<b>6,016,172</b>	<b>262,942</b>	<b>(83,111)</b>	<b>6,196,003</b>
<b>Total operating expenses</b>	<b>37,138,705</b>	<b>—</b>	<b>—</b>	<b>37,138,705</b>	<b>843,970</b>	<b>(366,002)</b>	<b>37,616,673</b>	<b>30,324,864</b>	<b>—</b>	<b>—</b>	<b>30,324,864</b>	<b>262,942</b>	<b>(83,111)</b>	<b>30,504,695</b>
<b>Changes in net assets from operations</b>	<b>1,318,179</b>	<b>(256,404)</b>	<b>—</b>	<b>1,061,775</b>	<b>(477,968)</b>	<b>—</b>	<b>583,807</b>	<b>415,086</b>	<b>935,170</b>	<b>—</b>	<b>1,350,256</b>	<b>(179,831)</b>	<b>—</b>	<b>1,170,425</b>
<b>Other Revenue (Expenses):</b>														
Capital campaign contributions	—	—	—	—	—	—	—	—	3,257,673	—	3,257,673	—	—	3,257,673
Net gain on sale of property and equipment	—	—	—	—	—	—	—	3,985,485	—	—	3,985,485	—	—	3,985,485
Non-operating investment income	41,664	—	—	41,664	—	—	41,664	3,305	—	—	3,305	—	—	3,305
Net gains (losses) on investments	91,626	23,245	—	114,871	—	—	114,871	(262,791)	(13,805)	—	(276,596)	—	—	(276,596)
Change in value of split-interest agreement	—	—	—	—	—	—	—	—	(52,670)	—	(52,670)	—	—	(52,670)
Unrealized loss on carrying value of interest rate swap contract	(500,251)	—	—	(500,251)	—	—	(500,251)	—	—	—	—	—	—	—
Net assets released from restrictions — Satisfaction of capital campaign restrictions	1,083,364	(1,083,364)	—	—	—	—	—	9,450,009	(9,450,009)	—	—	—	—	—
<b>Total other revenue (expenses)</b>	<b>716,403</b>	<b>(1,060,119)</b>	<b>—</b>	<b>(343,716)</b>	<b>—</b>	<b>—</b>	<b>(343,716)</b>	<b>13,176,008</b>	<b>(6,258,811)</b>	<b>—</b>	<b>6,917,197</b>	<b>—</b>	<b>—</b>	<b>6,917,197</b>
<b>Change in net assets</b>	<b>2,034,582</b>	<b>(1,316,523)</b>	<b>—</b>	<b>718,059</b>	<b>(477,968)</b>	<b>—</b>	<b>240,091</b>	<b>13,591,094</b>	<b>(5,323,641)</b>	<b>—</b>	<b>8,267,453</b>	<b>(179,831)</b>	<b>—</b>	<b>8,087,622</b>
<b>Net Assets, beginning of year</b>	<b>29,746,182</b>	<b>3,335,652</b>	<b>302,385</b>	<b>33,384,219</b>	<b>203,485</b>	<b>—</b>	<b>33,587,704</b>	<b>16,155,088</b>	<b>8,659,293</b>	<b>302,385</b>	<b>25,116,766</b>	<b>383,316</b>	<b>—</b>	<b>25,500,082</b>
<b>Net Assets, end of year</b>	<b>\$31,780,764</b>	<b>\$2,019,129</b>	<b>\$302,385</b>	<b>\$34,102,278</b>	<b>\$(274,483)</b>	<b>\$—</b>	<b>\$33,827,795</b>	<b>\$29,746,182</b>	<b>\$3,335,652</b>	<b>\$302,385</b>	<b>\$33,384,219</b>	<b>\$203,485</b>	<b>\$—</b>	<b>\$33,587,704</b>