

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, 2011 and 2010, 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, 2011 and 2010, 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, Abrams, Finning & Co., P.C.

Wellesley Massachusetts
November 01, 2011

| ASSETS | 2011 | | | | | | 2010 | | | | | |
|---|--------------------------------------|------------------------|------------------------|-------------------------------------|---------------------|---------------------|--------------------------------------|------------------------|------------------------|-------------------------------------|---------------------|---------------------|
| | 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 |
| Current Assets: | | | | | | | | | | | | |
| Cash and cash equivalents | \$6,792,633 | \$125,000 | \$ — | \$6,917,633 | \$20,725 | \$6,938,358 | \$4,201,449 | \$125,000 | \$ — | \$4,326,449 | \$18,628 | \$4,345,077 |
| Short-term investments | 1,971,334 | 39,069 | — | 2,010,403 | — | 2,010,403 | 1,928,770 | 68,596 | — | 1,997,366 | — | 1,997,366 |
| Contract and other receivables | 1,958,996 | — | — | 1,958,996 | — | 1,958,996 | 1,897,370 | — | — | 1,897,370 | — | 1,897,370 |
| Patient service receivables, net of allowance for uncollectible accounts of approximately \$911,000 and \$728,000 as of June 30, 2011 and 2010, respectively | 1,057,560 | — | — | 1,057,560 | — | 1,057,560 | 892,429 | — | — | 892,429 | — | 892,429 |
| Accounts receivable—pharmacy, net of allowance for uncollectible accounts of approximately \$534,000 and \$422,000 as of June 30, 2011 and 2010, respectively | 1,892,265 | — | — | 1,892,265 | — | 1,892,265 | 1,773,662 | — | — | 1,773,662 | — | 1,773,662 |
| Current portion of pledges receivable | — | 574,964 | — | 574,964 | — | 574,964 | 25,000 | 734,365 | — | 759,365 | — | 759,365 |
| Pharmacy inventory | 632,112 | — | — | 632,112 | — | 632,112 | 767,935 | — | — | 767,935 | — | 767,935 |
| Prepaid expenses and deposits | 343,718 | — | — | 343,718 | — | 343,718 | 410,264 | — | — | 410,264 | — | 410,264 |
| Total current assets | 14,648,618 | 739,033 | — | 15,387,651 | 20,725 | 15,408,376 | 11,896,879 | 927,961 | — | 12,824,840 | 18,628 | 12,843,468 |
| Other Assets: | | | | | | | | | | | | |
| Pledges receivable, net of current portion and discount | — | 512,034 | — | 512,034 | — | 512,034 | 37,800 | 822,618 | — | 860,418 | — | 860,418 |
| Investments | 1,281,757 | 321,905 | 302,385 | 1,906,047 | — | 1,906,047 | 1,117,296 | 121,110 | 302,385 | 1,540,791 | — | 1,540,791 |
| Due (to) from | 2,366,480 | — | — | 2,366,480 | (2,366,480) | — | 2,352,139 | — | — | 2,352,139 | (2,352,139) | — |
| Debt service reserve fund | 704,360 | — | — | 704,360 | 1,416,219 | 2,120,579 | 664,047 | — | — | 664,047 | 1,416,219 | 2,080,266 |
| Assets held under split-interest agreement | — | 147,440 | — | 147,440 | — | 147,440 | — | 147,440 | — | 147,440 | — | 147,440 |
| Financing fees, net | 178,618 | — | — | 178,618 | — | 178,618 | 185,300 | — | — | 185,300 | — | 185,300 |
| Total other assets | 4,531,215 | 981,379 | 302,385 | 5,814,979 | (950,261) | 4,864,718 | 4,356,582 | 1,091,168 | 302,385 | 5,750,135 | (935,920) | 4,814,215 |
| Property and Equipment: | | | | | | | | | | | | |
| Land, building and improvements | 20,721,663 | — | — | 20,721,663 | 30,729,667 | 51,451,330 | 20,601,592 | — | — | 20,601,592 | 30,729,667 | 51,331,259 |
| Furniture, fixtures and equipment | 4,431,623 | — | — | 4,431,623 | — | 4,431,623 | 3,726,216 | — | — | 3,726,216 | — | 3,726,216 |
| Leasehold improvements | 1,149,535 | — | — | 1,149,535 | — | 1,149,535 | 1,128,830 | — | — | 1,128,830 | — | 1,128,830 |
| | 26,302,821 | — | — | 26,302,821 | 30,729,667 | 57,032,488 | 25,456,638 | — | — | 25,456,638 | 30,729,667 | 56,186,305 |
| Less—accumulated depreciation | 3,930,142 | — | — | 3,930,142 | 1,061,551 | 4,991,693 | 2,634,468 | — | — | 2,634,468 | 582,008 | 3,216,476 |
| Net property and equipment | 22,372,679 | — | — | 22,372,679 | 29,668,116 | 52,040,795 | 22,822,170 | — | — | 22,822,170 | 30,147,659 | 52,969,829 |
| Total assets | \$41,552,512 | \$1,720,412 | \$302,385 | \$43,575,309 | \$28,738,580 | \$72,313,889 | \$39,075,631 | \$2,019,129 | \$302,385 | \$41,397,145 | \$29,230,367 | \$70,627,512 |
| LIABILITIES AND NET ASSETS | | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | | |
| Current portion of long-term debt | \$495,000 | \$ — | \$ — | \$495,000 | \$ — | \$495,000 | \$470,000 | \$ — | \$ — | \$470,000 | \$ — | \$470,000 |
| Current portion of capital lease obligations | 165,152 | — | — | 165,152 | — | 165,152 | 153,295 | — | — | 153,295 | — | 153,295 |
| Accounts payable, subcontractors payable and accrued expenses | 3,653,527 | — | — | 3,653,527 | — | 3,653,527 | 3,350,695 | — | — | 3,350,695 | 4,850 | 3,355,545 |
| Deferred revenue | 707,854 | — | — | 707,854 | — | 707,854 | 658,484 | — | — | 658,484 | — | 658,484 |
| Total current liabilities | 5,021,533 | — | — | 5,021,533 | — | 5,021,533 | 4,632,474 | — | — | 4,632,474 | 4,850 | 4,637,324 |
| Long-term Debt, net of current portion | 1,230,000 | — | — | 1,230,000 | 29,500,000 | 30,730,000 | 1,725,000 | — | — | 1,725,000 | 29,500,000 | 31,225,000 |
| Capital Lease Obligations, net of current portion | 271,989 | — | — | 271,989 | — | 271,989 | 437,142 | — | — | 437,142 | — | 437,142 |
| Interest Rate Swap Contract in Loss Position | 519,316 | — | — | 519,316 | — | 519,316 | 500,251 | — | — | 500,251 | — | 500,251 |
| Total liabilities | 7,042,838 | — | — | 7,042,838 | 29,500,000 | 36,542,838 | 7,294,867 | — | — | 7,294,867 | 29,504,850 | 36,799,717 |
| Net Assets: | | | | | | | | | | | | |
| Unrestricted: | | | | | | | | | | | | |
| Operating | 7,781,481 | — | — | 7,781,481 | 20,725 | 7,802,206 | 5,255,283 | — | — | 5,255,283 | 13,778 | 5,269,061 |
| Board designated | 3,787,513 | — | — | 3,787,513 | — | 3,787,513 | 3,787,513 | — | — | 3,787,513 | — | 3,787,513 |
| Property and equipment | 22,940,680 | — | — | 22,940,680 | (782,145) | 22,158,535 | 22,737,968 | — | — | 22,737,968 | (288,261) | 22,449,707 |
| Total unrestricted | 34,509,674 | — | — | 34,509,674 | (761,420) | 33,748,254 | 31,780,764 | — | — | 31,780,764 | (274,483) | 31,506,281 |
| Temporarily restricted | — | 1,720,412 | — | 1,720,412 | — | 1,720,412 | — | 2,019,129 | — | 2,019,129 | — | 2,019,129 |
| Permanently restricted | — | — | 302,385 | 302,385 | — | 302,385 | — | — | 302,385 | 302,385 | — | 302,385 |
| Total net assets | 34,509,674 | 1,720,412 | 302,385 | 36,532,471 | (761,420) | 35,771,051 | 31,780,764 | 2,019,129 | 302,385 | 34,102,278 | (274,483) | 33,827,795 |
| Total liabilities and net assets | \$41,552,512 | \$1,720,412 | \$302,385 | \$43,575,309 | \$28,738,580 | \$72,313,889 | \$39,075,631 | \$2,019,129 | \$302,385 | \$41,397,145 | \$29,230,367 | \$70,627,512 |

| | 2011 | | | | | | | 2010 | | | | | | |
|---|--------------------------------------|------------------------|------------------------|---------------------|-------------------------------------|------------------|---------------------|--------------------------------------|------------------------|------------------------|---------------------|-------------------------------------|------------------|---------------------|
| | 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 |
| Operating Revenue and Support: | | | | | | | | | | | | | | |
| Net patient service revenue | \$29,836,734 | \$— | \$— | \$29,836,734 | \$— | \$— | \$29,836,734 | \$25,419,843 | \$— | \$— | \$25,419,843 | \$— | \$— | \$25,419,843 |
| Contracts and grants | 11,455,970 | - | — | 11,455,970 | — | — | 11,455,970 | 11,016,622 | — | — | 11,016,622 | — | — | 11,016,622 |
| Contributions | 831,692 | 400,000 | — | 1,231,692 | — | — | 1,231,692 | 751,692 | — | — | 751,692 | — | — | 751,692 |
| Investment and other income | 269,392 | - | — | 269,392 | — | — | 269,392 | 549,088 | — | — | 549,088 | — | — | 549,088 |
| Special events, net of direct costs of approximately \$317,000 and \$309,000 in 2011 and 2010, respectively | 543,302 | - | — | 543,302 | — | — | 543,302 | 463,235 | — | — | 463,235 | — | — | 463,235 |
| Rental Income | — | - | — | — | 941,146 | (941,146) | — | — | — | — | — | 366,002 | (366,002) | — |
| Net assets released from restrictions — Satisfaction of purpose restrictions | 412,861 | (412,861) | - | — | — | — | — | 256,404 | (256,404) | — | — | — | — | — |
| Total operating revenue and support | 43,349,951 | (12,861) | — | 43,337,090 | 941,146 | (941,146) | 43,337,090 | 38,456,884 | (256,404) | — | 38,200,480 | 366,002 | (366,002) | 38,200,480 |
| Operating expenses: | | | | | | | | | | | | | | |
| Program services — | | | | | | | | | | | | | | |
| Medical Services | 9,818,667 | — | — | 9,818,667 | — | 223,782) | 9,594,885 | 7,598,048 | — | — | 7,598,048 | — | (74,879) | 7,523,169 |
| Pharmacy | 13,567,969 | — | — | 13,567,969 | — | (309,234) | 13,258,735 | 12,329,461 | — | — | 12,329,461 | — | (121,507) | 12,207,954 |
| Research | 6,728,956 | — | — | 6,728,956 | — | (153,363) | 6,575,593 | 6,368,962 | — | — | 6,368,962 | — | (62,766) | 6,306,196 |
| Behavioral Health | 3,713,857 | — | — | 3,713,857 | — | (84,644) | 3,629,213 | 3,659,838 | — | — | 3,659,838 | — | (36,068) | 3,623,770 |
| Patient services | 1,497,362 | — | — | 1,497,362 | — | (34,127) | 1,463,235 | 1,338,537 | — | — | 1,338,537 | — | (13,191) | 1,325,346 |
| Total program services | 35,326,811 | — | — | 35,326,811 | — | (805,150) | 34,521,661 | 31,294,846 | — | — | 31,294,846 | — | (308,411) | 30,986,435 |
| Supporting services — | | | | | | | | | | | | | | |
| General and Administrative | 4,029,244 | — | — | 4,029,244 | — | (91,833) | 3,937,411 | 3,841,019 | — | — | 3,841,019 | — | (37,853) | 3,803,166 |
| Facilities | 571,863 | — | — | 571,863 | 1,428,083 | (13,034) | 1,986,912 | 532,578 | — | — | 532,578 | 843,970 | (5,249) | 1,371,299 |
| Public Relations | 426,320 | — | — | 426,320 | — | (9,716) | 416,604 | 412,966 | — | — | 412,966 | — | (4,070) | 408,896 |
| Fundraising | 939,491 | — | — | 939,491 | — | (21,413) | 918,078 | 1,057,296 | — | — | 1,057,296 | — | (10,419) | 1,046,877 |
| Total supporting services | 5,966,918 | — | — | 5,966,918 | 1,428,083 | (135,996) | 7,259,005 | 5,843,859 | — | — | 5,843,859 | 843,970 | (57,591) | 6,630,238 |
| Total operating expenses | 41,293,729 | — | — | 41,293,729 | 1,428,083 | (941,146) | 41,780,666 | 37,138,705 | — | — | 37,138,705 | 843,970 | (366,002) | 37,616,673 |
| Changes in net assets from operations | 2,056,222 | (12,861) | — | 2,043,361 | (486,937) | — | 1,556,424 | 1,318,179 | (256,404) | — | 1,061,775 | (477,968) | — | 583,807 |
| Other Revenue (Expenses): | | | | | | | | | | | | | | |
| Non-operating investment income | 40,162 | — | — | 40,162 | — | — | 40,162 | 41,664 | — | — | 41,664 | — | — | 41,664 |
| Net gains on investments | 164,940 | 200,795 | - | 365,735 | — | — | 365,735 | 91,626 | 23,245 | — | 114,871 | — | — | 114,871 |
| Unrealized loss on carrying value of interest rate swap contract | (19,065) | — | — | (19,065) | — | — | (19,065) | (500,251) | — | — | (500,251) | — | — | (500,251) |
| Net assets released from restrictions — Satisfaction of capital campaign restrictions | 486,651 | (486,651) | — | — | — | — | — | 1,083,364 | (1,083,364) | — | — | — | — | — |
| Total other revenue (expenses) | 672,688 | (285,856) | — | 386,832 | — | — | 386,832 | 716,403 | (1,060,119) | — | (343,716) | — | — | (343,716) |
| Change in net assets | 2,728,910 | (298,717) | — | 2,430,193 | (486,937) | — | 1,943,256 | 2,034,582 | (1,316,523) | — | 718,059 | (477,968) | — | 240,091 |
| Net Assets, beginning of year | 31,780,764 | 2,019,129 | 302,385 | 34,102,278 | (274,483) | — | 33,827,795 | 29,746,182 | 3,335,652 | 302,385 | 33,384,219 | 203,485 | — | 33,587,704 |
| Net Assets, end of year | \$34,509,674 | \$1,720,412 | \$302,385 | \$36,532,471 | \$(761,420) | \$— | \$35,771,051 | \$31,780,764 | \$2,019,129 | \$302,385 | \$34,102,278 | \$(274,483) | \$— | \$33,827,795 |