

**INSTRUCTIVE VISITING NURSE
ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2007

TABLE OF CONTENTS

Independent Auditor’s Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	2-3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows.....	6-7
Notes to Consolidated Financial Statements	8-15
Supplementary Schedules	
Consolidating Schedule of Financial Position	16-17
Consolidating Schedule of Activities	18-19



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Instructive Visiting Nurse Association
and Subsidiaries
Richmond, Virginia

We have audited the accompanying consolidated statement of financial position of Instructive Visiting Nurse Association and its subsidiaries as of December 31, 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Instructive Visiting Nurse Association and its subsidiaries as of December 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information on pages 16 - 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of activities of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Wells, Coleman & Company, L.L.P.

June 12, 2008

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**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007

ASSETS

Current Assets

Cash and cash equivalents	\$ 190,158
Accounts receivable, net of allowance for doubtful accounts of \$353,851	763,590
Inventories	16,790
Prepaid expenses	<u>49,074</u>

Total current assets **1,019,612**

Property and Equipment

Building and building improvements	2,482,629
Furniture and fixtures	324,322
Equipment	<u>1,907,081</u>
	4,714,032
Accumulated depreciation	<u>(2,745,956)</u>

Net property and equipment **1,968,076**

Other Assets

Investments	3,828,859
Deferred bond issuance costs, net of accumulated amortization of \$21,618	57,471
Cash surrender value of life insurance	81,371
Beneficial interest in perpetual trusts	<u>5,006,531</u>

Total other assets **8,974,232**

\$ 11,961,920

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

Current Liabilities

Line of credit - bank	\$ 85,000
Bond payable - current portion	100,000
Obligations under capital leases - current portion	35,604
Accounts payable and accrued liabilities	782,255
Deferred revenue	<u>187,061</u>

Total current liabilities **1,189,920**

Long-Term Liabilities

Obligations under capital leases	8,150
Bond payable	<u>2,960,000</u>

Total long-term liabilities **2,968,150**

Total liabilities **4,158,070**

Net Assets

Unrestricted	2,586,548
Temporarily restricted	210,771
Permanently restricted	<u>5,006,531</u>

Total net assets **7,803,850**

\$ 11,961,920

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Net patient revenue	\$ 5,662,708	\$ -	\$ -	\$ 5,662,708
Contributions and grants	805,308	186,987	-	992,295
Other revenue	128,212	-	-	128,212
Interest income	77,110	-	-	77,110
Realized and unrealized gains and losses on investments	436,093	-	-	436,093
Change in market value of beneficial interests in perpetual trusts	-	-	108,648	108,648
Dividend income	34,466	-	-	34,466
	<u>7,143,897</u>	<u>186,987</u>	<u>108,648</u>	<u>7,439,532</u>
Net assets released from restrictions	<u>190,038</u>	<u>(190,038)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,333,935</u>	<u>(3,051)</u>	<u>108,648</u>	<u>7,439,532</u>
Expenses				
Salaries and wages	5,019,586	-	-	5,019,586
Supplies and other expenses	1,721,878	-	-	1,721,878
Employee benefits	877,325	-	-	877,325
Depreciation and amortization	262,255	-	-	262,255
Bad debt expense	147,186	-	-	147,186
Interest	142,205	-	-	142,205
	<u>8,170,435</u>	<u>-</u>	<u>-</u>	<u>8,170,435</u>
Change in net assets	<u>(836,500)</u>	<u>(3,051)</u>	<u>108,648</u>	<u>(730,903)</u>
Net Assets, beginning of year, as previously stated	3,067,865	469,005	4,897,883	8,434,753
Prior period adjustments	<u>355,183</u>	<u>(255,183)</u>	<u>-</u>	<u>100,000</u>
Net Assets, beginning of year, as restated	<u>3,423,048</u>	<u>213,822</u>	<u>4,897,883</u>	<u>8,534,753</u>
Net Assets, end of year	<u>\$ 2,586,548</u>	<u>\$ 210,771</u>	<u>\$ 5,006,531</u>	<u>\$ 7,803,850</u>

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2007

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,851,248	\$ 1,168,338	\$ -	\$ 5,019,586
Supplies and other expenses	1,373,125	348,753	-	1,721,878
Employee benefits	649,394	227,931	-	877,325
Depreciation and amortization	261,739	516	-	262,255
Bad debt expense	147,186	-	-	147,186
Interest	<u>114,727</u>	<u>27,478</u>	<u>-</u>	<u>142,205</u>
	<u>\$ 6,397,419</u>	<u>\$ 1,773,016</u>	<u>\$ -</u>	<u>\$ 8,170,435</u>

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2007

Cash Flows from Operating Activities	
Change in net assets	\$ (730,903)
Adjustments to reconcile change in net assets to net cash and cash equivalents used by operating activities	
Increase in cash surrender value of life insurance	(81,371)
Depreciation and amortization	262,255
Disposal of fixed assets	(1,227)
Bad debt allowance	147,186
Unrealized gain on investments	(1,777)
Realized gain on investments	(434,316)
Beneficial interests in perpetual trusts	(108,648)
 (Increase) decrease in operating assets	
Accounts receivable	(501,230)
Accrued interest receivable	14,140
Grants receivable	38,200
Inventories	23,888
Prepaid expenses	(10,792)
 Increase (decrease) in operating liabilities	
Accounts payable and accrued liabilities	27,976
Deferred revenue	<u>145,063</u>
 Net cash and cash equivalents used by operating activities	 <u>(1,211,556)</u>
 Cash Flows from Investing Activities	
Purchase of property and equipment	(102,078)
Proceeds from sale of investments	2,172,472
Purchase of investments	<u>(749,062)</u>
 Net cash and cash equivalents provided by investing activities	 <u>1,321,332</u>
 Cash Flows from Financing Activities	
Principal payments on bond debt	(95,000)
Payments on line of credit	(290,000)
Principal payments on capital leases	<u>(153,203)</u>
 Net cash and cash equivalents used by financing activities	 <u>(538,203)</u>

- Continued -

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

For the year ended December 31, 2007

Net decrease in cash and cash equivalents	(428,427)
Cash and Cash Equivalents, beginning of year	<u>618,585</u>
Cash and Cash Equivalents, end of year	<u>\$ 190,158</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	\$ 142,205

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

1. Summary of Significant Accounting Policies

Instructive Visiting Nurse Association (IVNA) was incorporated in 1989 as a not-for-profit corporation. IVNA and its subsidiaries (collectively referred to as the Association) provide acute and custodial patient care, therapeutic, and case management services to individuals at their homes in the Richmond, Virginia metropolitan area. The Association grants credit on an unsecured basis to these patients. The subsidiaries are as follows:

IVNA Home Health Care - provides acute nursing and therapeutic services to home-bound patients.

IVNA Health Services - provides custodial patient care and case management services.

IVNA Foundation - holds and manages investments on behalf of the Association.

Basis of Presentation: The Association is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- *Unrestricted* amounts are those currently available at the discretion of the board for use in the Association's operations and those resources invested in property, plant, and equipment.
- *Temporarily Restricted* amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property, plant, and equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently Restricted* amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor subject to other legal restrictions.

Principles of Consolidation: The accompanying consolidated financial statements include not only the accounts of IVNA but also those of its subsidiaries, which are under the common control of IVNA, in accordance with Statement of Position (SOP) No. 94-3, *Reporting of Relating Entities by Not-for-Profit Organizations*. All significant intercompany transactions and balances have been eliminated in consolidation.

Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2007

1. Summary of Significant Accounting Policies - Continued

Net Patient Revenue: Net patient revenue represents the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated or actual retroactive adjustments under reimbursement agreements with third-party payors.

Approximately 68% of net patient service revenue in 2007 was derived under federal and state third-party reimbursement programs. Retroactive adjustments are accrued on an estimated basis in the period that related services are rendered and adjusted in future periods based on current available data or as final settlements are determined.

The Balanced Budget Act of 1997, as amended by the Omnibus Consolidated Emergency Supplemental Appropriations Act of 1998 and the Balance Budget Refinement Act of 1999, created a prospective payment system for the Medicare Home Health Services. The Home Health Prospective Payment System charges the basis of payment for home health services for Medicare beneficiaries under a plan of care from cost reimbursed visits to a prospective payment based on a 60-day episode period. Home Health Resources Groups are the basis of payment for each episode and are assigned as a result of comprehensive assessment of the beneficiary. This required change in payment methodology became effective October 1, 2000.

Charity Care: The Association has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on analysis of financial information obtained from the patient. The Association bills the patient based on a sliding fee scale. The scale is adjusted based on the patient's ability to pay.

Cash Equivalents: The Association considers all short-term debt securities purchased with a maturity date of three months or less to be cash equivalents.

Credit Risk: Financial instruments which potentially subject the Association to concentration of credit risk consist principally of temporary cash investments, investments, trade receivables, and amounts due from third-party payors under insurance program agreements. Investments consist primarily of mutual funds, corporate and government, and quasi-government obligations. Concentrations of credit risk with respect to trade receivables are limited due to a large number of patients comprising the Association's patient base.

Community Awareness: The Association expenses the cost of community awareness and marketing as incurred.

Inventories: Inventories of medical supplies are stated at the lower-of-cost-or-market. Cost is determined by the first-in, first-out (FIFO) method.

Deferred Bond Issuance Costs: Costs incurred in connection with the issuance of bonds are amortized over the term of the related bonds.

Accounts Receivable: The Association utilizes the reserve method of accounting for contractual adjustments and bad debts. Accounts receivable are reported net of the estimated uncollectible accounts. Patient accounts are reviewed periodically and those deemed uncollectible are written off against the allowance account which is established based on industry experience and receivables collection history.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2007

1. Summary of Significant Accounting Policies - Continued

Investments: Investments with readily determinable fair market values are reported at fair market value in the consolidated statement of financial position. Realized and unrealized gains and losses on investments for the year are reported in the consolidated statement of activities.

Property and Equipment: Land, building, and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capitalized leased equipment is being amortized over the shorter of its useful lives or the terms of the lease. The cost of the maintenance and repairs is charged to expense as incurred. The cost of significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the current year activities.

Depreciation is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets:

Building and building improvements	5-40 years
Equipment and furnishings	5-20 years

Income Taxes: The Association is exempt from federal and state income taxes as a nonprofit organization under Section 501(c) (3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia as an organization that is not a private foundation. Accordingly, no provision for income taxes has been made in the consolidated financial statements.

Beneficial Interest in Perpetual Trusts: Accounting principles generally accepted in the United States of America require that not-for-profit beneficiaries of such trusts record, as a contribution and an asset, the present value of the estimated future cash receipts to be received from the trust, over the life of the trust. Due to the perpetual natures of these trusts, their future cash flow cannot be estimated. Under such circumstances, not-for-profit entities are permitted to base the present value measurement on the fair market value of a trust's assets. Changes in the trust's fair market value are recorded as permanently restricted gains or losses in the consolidated statement of activities.

2. Concentration of Credit Risk

From time to time, the Association maintains cash deposits at a commercial bank in excess of federal insurance limits.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2007

3. Investments

Investments as of December 31, 2007, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Marketable securities	\$ 3,446,772	\$ 3,827,859
Investment in VNAA Development	<u>1,000</u>	<u>1,000</u>
	<u>\$ 3,447,772</u>	<u>\$ 3,828,859</u>

4. Line of Credit

The Association is indebted to a bank under the following line of credit:

\$400,000 note payable under a line of credit, interest due monthly at LIBOR + 1.65% (6.875% at December 31, 2007), principal due on demand, secured by accounts receivable of IVNA Home Health Care. Guaranteed by IVNA Foundation.	<u>\$ 85,000</u>
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The Association must comply with certain restrictive covenants in accordance with the terms of the agreement. Management is not aware of any violations of the covenants.

5. Bond Payable

The Association is obligated under the following bond payable:

\$3,500,000 bond payable to Henrico County, Virginia Industrial Development Authority, interest due monthly based on defined interest periods and a maximum rate of 13% (3.33% at December 31, 2007), principal payments due annually as defined by the bond agreement. Matures February 1, 2026, guaranteed by IVNA Foundation.	\$ 3,060,000
Current portion	<u>(100,000)</u>
	<u>\$ 2,960,000</u>

Payment of the bond is collateralized by an irrevocable letter of credit issued by SunTrust Bank which expires on February 15, 2008. The letter of credit is collateralized by a deed of trust on the property owned by the Association.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2007

5. Bond Payable - Continued

The Association must comply with certain restrictive covenants in accordance with the terms of the letter of credit. Management is not aware of any violations of the covenants. The Association has executed a pledge on its corporate assets, and the Association may repay the bond prior to maturity without penalty.

Aggregate maturities of the bond in the succeeding five years are as follows:

2008	\$	100,000
2009	\$	105,000
2010	\$	110,000
2011	\$	115,000
2012	\$	120,000

6. Obligations Under Capital Leases

The Association has acquired equipment under lease agreements. The leases have been recorded as capital leases; as such, the asset and corresponding liability are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets acquired. The interest rates on the leases range from 6.42% to 8.50%, as imputed at the inception of each lease.

The following is a schedule of future minimum lease payments required under the capital leases for future years:

December 31, 2008	\$	35,604
December 31, 2009		<u>8,543</u>
		44,147
Less amounts representing interest		<u>(393)</u>
Present value of minimum lease payments		43,754
Current portion of obligation under capital leases		<u>(35,604)</u>
Obligations under capital leases	\$	<u>8,150</u>

Leased equipment and related accumulated depreciation totaling \$735,053 and \$680,317, respectively, have been included on the Association's consolidated statement of financial position. Depreciation expense of \$107,301 related to the leased equipment has been included on the Association's consolidated statement of activities.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2007

7. Retirement Plan

The Association provides a tax-deferred annuity arrangement (Plan) under IRS Section 403(b) which covers all eligible full-time and certain part-time employees. Each participant may elect to contribute a portion of their salary to the Plan. Additionally, after the first year of employment, the Association annually contributes 5% of each participant's compensation to the Plan. The sum of the Association's contributions and eligible employee contributions may not exceed the lesser of 100% of each employee's compensation or \$45,000 annually. The Association's contributions are 100% vested to the participant after five years of service. The Association's expense under the Plan was \$74,521 for 2007.

8. Commitments and Contingencies

The Association has a claims-made malpractice insurance policy which runs from May 1, 2007 to April 30, 2008. Management believes the policy will continue to be renewed annually. For 2007, the Association was insured for individual claims up to \$1,000,000 with a total aggregate of up to \$3,000,000 under the terms of the policy. The deductible for malpractice coverage in 2007 was \$5,000. The Association is also insured under an umbrella policy for individual claims up to \$2,000,000 with a total aggregate of up to \$2,000,000 under the terms of the policy. No accrual for possible losses attributable to incidents that may have occurred but have not been reported to the Association or insurance carrier, has been made based on information that management has gathered, and the Association believes any such claims would be covered under its malpractice insurance policy.

The Association also leases certain equipment under noncancelable operating leases, which expire periodically through July 2010. The following schedule by year of future minimum lease payments under operating leases as of December 31, 2007, which have initial or remaining terms in excess of one year:

2008	\$	120,481
2009	\$	115,516
2010	\$	6,216
2011	\$	-
2012	\$	-

Total rent expense for the year ended December 31, 2007 was \$100,623.

9. Beneficial Interest in Perpetual Trusts

The Association has a beneficial interest in several perpetual trusts, which are held by a third party.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2007

9. Beneficial Interest in Perpetual Trusts - Continued

The Association is a one-sixth beneficiary of a trust created under the will of Isaac and Helen T. Davenport (Davenport Trust). The Davenport Trust provides for the distribution of one-sixth of the greater of the Trust's annual net income or 5% of the Trust's annual value. The timing of each distribution is at the discretion of the trustee. The distributions are to be used by the Association for the care, maintenance, and/or treatment, (as the case may be) of indigent, sick, and/or afflicted persons. The donor's restriction on the distribution coincides directly with the mission of the Association and, as such, has been recorded in the consolidated statement of activities as an unrestricted contribution.

The fair market value of the Davenport Trust as of December 31, 2007, was \$29,364,963 of which one-sixth, or \$4,894,161, has been reflected as a permanently restricted asset of the Association. A gain in market value of \$108,445, which is the Association's pro rata share, has been recognized in the consolidated statement of activities.

The Association has a 1.85% beneficial interest in a trust created under the will of George Peebles Lumsden (Lumsden Trust). The Lumsden Trust qualifies as a private foundation as defined by IRC Section 501(a). As such, annual distributions to the Association are the greater of the Lumsden Trust's annual income, 5% of the Lumsden Trust's assets, or the minimum amount required to be distributed so as not to subject the Lumsden Trust to tax under IRS Section 4942, at the Association's pro rata share.

The fair market value of the Lumsden Trust at December 31, 2007, was \$3,164,273, of which 1.85%, or \$58,539, has been reflected as a permanently restricted asset of the Association. A loss in market value of \$505, which is the Association's pro rata share, has been recognized in the consolidated statement of activities.

The Association has a 5% beneficial interest in the Elizabeth Potter Christian Charitable Trust (Christian Trust). The fair market value of the Christian Trust at December 31, 2007, was \$1,076,617, of which 5%, or \$53,831, has been reflected as a permanently restricted asset of the Association. A gain in market value of \$708, which is the Association's pro rata share, has been recognized in the consolidated statement of activities.

10. Subsequent Events

Subsequent to December 31, 2007, the Association renewed the irrevocable letter of credit collateralizing its bond payable. The letter of credit, dated May 1, 2008, in the amount of \$1,500,000 plus an amount equal to the sum of fifty days' interest on the bond, carries an interest rate of 13% per annum and expires on July 15, 2009. The Association must comply with certain restrictive covenants in accordance with the terms of the letter of credit.

Subsequent to December 31, 2007, the Association entered into a \$1,560,000 term loan agreement with a bank. The proceeds of the term loan were used to redeem bonds in the amount of \$1,460,000 and to establish a reserve fund of \$100,000.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2007

11. Prior Period Adjustment

Beginning net assets have been restated to include the effect of correcting the classifications of certain unrestricted and temporarily restricted net assets based on donor stipulations. This includes a reclassification of \$100,000 previously reported as deferred revenue to temporarily restricted net assets.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2007

	ASSETS				Total
	IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	
Current Assets					
Cash and cash equivalents	\$ 23,070	\$ 44,403	\$ 80,891	\$ 41,794	\$ 190,158
Accounts receivable - net	-	520,584	243,006	-	763,590
Due from (to) affiliates	473,963	(659,048)	185,085	-	-
Inventories	-	10,672	6,118	-	16,790
Prepaid expenses	24,865	24,209	-	-	49,074
Total current assets	<u>521,898</u>	<u>(59,180)</u>	<u>515,100</u>	<u>41,794</u>	<u>1,019,612</u>
Property and Equipment					
Building and building improvements	2,482,629	-	-	-	2,482,629
Furniture and fixtures	230,922	93,400	-	-	324,322
Equipment	1,138,657	736,734	31,690	-	1,907,081
	<u>3,852,208</u>	<u>830,134</u>	<u>31,690</u>	<u>-</u>	<u>4,714,032</u>
Accumulated depreciation	(1,941,430)	(775,306)	(29,220)	-	(2,745,956)
Net property and equipment	<u>1,910,778</u>	<u>54,828</u>	<u>2,470</u>	<u>-</u>	<u>1,968,076</u>
Other Assets					
Investments	-	-	1,000	3,827,859	3,828,859
Deferred bond issuance costs - net	57,471	-	-	-	57,471
Cash surrender value of life insurance	-	-	-	81,371	81,371
Beneficial interest in perpetual trusts	4,952,700	-	-	53,831	5,006,531
Total other assets	<u>5,010,171</u>	<u>-</u>	<u>1,000</u>	<u>3,963,061</u>	<u>8,974,232</u>
	<u>\$ 7,442,847</u>	<u>\$ (4,352)</u>	<u>\$ 518,570</u>	<u>\$ 4,004,855</u>	<u>\$ 11,961,920</u>

LIABILITIES AND NET ASSETS

	<u>IVNA</u>	<u>IVNA Home Health Care</u>	<u>IVNA Health Services</u>	<u>IVNA Foundation</u>	<u>Total</u>
Current Liabilities					
Line of credit - bank	\$ -	\$ 85,000	\$ -	\$ -	\$ 85,000
Bond payable - current portion	100,000	-	-	-	100,000
Obligations under capital leases - current portion	-	35,604	-	-	35,604
Accounts payable and accrued liabilities	279,967	237,424	264,864	-	782,255
Deferred revenue	<u>-</u>	<u>187,061</u>	<u>-</u>	<u>-</u>	<u>187,061</u>
Total current liabilities	379,967	545,089	264,864	-	1,189,920
Long-Term Liabilities					
Line of credit	-	-	-	-	-
Obligations under capital leases	-	8,150	-	-	8,150
Bond payable	<u>2,960,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,960,000</u>
Total liabilities	<u>3,339,967</u>	<u>553,239</u>	<u>264,864</u>	<u>-</u>	<u>4,158,070</u>
Net Assets					
Unrestricted	(964,820)	(653,362)	253,706	3,951,024	2,586,548
Temporarily restricted	115,000	95,771	-	-	210,771
Permanently restricted	<u>4,952,700</u>	<u>-</u>	<u>-</u>	<u>53,831</u>	<u>5,006,531</u>
Total net assets	<u>4,102,880</u>	<u>(557,591)</u>	<u>253,706</u>	<u>4,004,855</u>	<u>7,803,850</u>
	<u>\$ 7,442,847</u>	<u>\$ (4,352)</u>	<u>\$ 518,570</u>	<u>\$ 4,004,855</u>	<u>\$ 11,961,920</u>

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2007

	Unrestricted					
	IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Eliminating Entries	Total
Revenue and Support						
Net patient revenue	\$ -	\$3,042,975	\$2,642,562	\$ -	\$ (22,829)	\$5,662,708
Contributions and grants	116,101	514,424	590	174,193	-	805,308
Other revenue	1,941	42,056	107,577	-	(23,362)	128,212
Interest income	844	2,711	1,374	72,181	-	77,110
Realized and unrealized gains and losses on investments	-	-	-	436,093	-	436,093
Change in market value of beneficial interests in perpetual trusts	-	-	-	-	-	-
Dividend income	-	-	-	34,466	-	34,466
Fees from affiliates	-	-	-	-	-	-
Transfers from affiliates	<u>1,713,662</u>	<u>1,578,750</u>	<u>117,250</u>	<u>-</u>	<u>(3,409,662)</u>	<u>-</u>
	1,832,548	5,180,916	2,869,353	716,933	(3,455,853)	7,143,897
Net assets released from restrictions	<u>-</u>	<u>169,209</u>	<u>20,829</u>	<u>-</u>	<u>-</u>	190,038
Total revenue and support	<u>1,832,548</u>	<u>5,350,125</u>	<u>2,890,182</u>	<u>716,933</u>	<u>(3,455,853)</u>	7,333,935
Expenses						
Salaries and wages	623,998	2,620,399	1,775,189	-	-	5,019,586
Supplies and other expenses	641,170	526,696	473,037	127,166	(46,191)	1,721,878
Employee benefits	95,405	527,952	253,968	-	-	877,325
Fees to affiliates	-	1,150,598	320,331	-	(1,470,929)	-
Transfers to affiliates	-	-	-	1,938,733	(1,938,733)	-
Depreciation and amortization	151,408	107,817	3,030	-	-	262,255
Bad debt expense	-	22,293	124,893	-	-	147,186
Interest	<u>114,727</u>	<u>27,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	142,205
Total expenses	<u>1,626,708</u>	<u>4,983,233</u>	<u>2,950,448</u>	<u>2,065,899</u>	<u>(3,455,853)</u>	8,170,435
Change in net assets	<u>205,840</u>	<u>366,892</u>	<u>(60,266)</u>	<u>(1,348,966)</u>	<u>-</u>	(836,500)
Net Assets, beginning of year, as previously stated	(1,170,660)	(950,704)	313,972	4,875,257	-	3,067,865
Prior period adjustments	<u>-</u>	<u>(69,550)</u>	<u>-</u>	<u>424,733</u>	<u>-</u>	355,183
Net Assets, beginning of year, as restated	<u>(1,170,660)</u>	<u>(1,020,254)</u>	<u>313,972</u>	<u>5,299,990</u>	<u>-</u>	3,423,048
Net Assets, end of year	<u>\$ (964,820)</u>	<u>\$ (653,362)</u>	<u>\$ 253,706</u>	<u>\$3,951,024</u>	<u>\$ -</u>	\$2,586,548

Temporarily Restricted					Permanently Restricted			
IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Total	IVNA	IVNA Foundation	Total	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,662,708
15,000	168,307	3,680	-	186,987	-	-	-	992,295
-	-	-	-	-	-	-	-	128,212
-	-	-	-	-	-	-	-	77,110
-	-	-	-	-	-	-	-	436,093
-	-	-	-	-	107,940	708	108,648	108,648
-	-	-	-	-	-	-	-	34,466
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
15,000	168,307	3,680	-	186,987	107,940	708	108,648	7,439,532
-	(169,209)	(20,829)	-	(190,038)	-	-	-	-
15,000	(902)	(17,149)	-	(3,051)	107,940	708	108,648	7,439,532
-	-	-	-	-	-	-	-	5,019,586
-	-	-	-	-	-	-	-	1,721,878
-	-	-	-	-	-	-	-	877,325
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	262,255
-	-	-	-	-	-	-	-	147,186
-	-	-	-	-	-	-	-	142,205
-	-	-	-	-	-	-	-	8,170,435
15,000	(902)	(17,149)	-	(3,051)	107,940	708	108,648	(730,903)
-	27,123	17,149	424,733	469,005	4,844,760	53,123	4,897,883	8,434,753
100,000	69,550	-	(424,733)	(255,183)	-	-	-	100,000
100,000	96,673	17,149	-	213,822	4,844,760	53,123	4,897,883	8,534,753
\$ 115,000	\$ 95,771	\$ -	\$ -	\$ 210,771	\$ 4,952,700	\$ 53,831	\$ 5,006,531	\$ 7,803,850