

**INSTRUCTIVE VISITING NURSE
ASSOCIATION AND SUBSIDIARIES**

**CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of Instructive Visiting Nurse Association and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with 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 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 audits provide 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 Instructive Visiting Nurse Association and its subsidiaries as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information on pages 18 - 25 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 audits 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.

September 22, 2010

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 44,654	\$ 398,304
Accounts receivable, net of allowance for doubtful accounts of \$251,671 in 2009 and \$272,919 in 2008	572,948	506,691
Grants receivable	22,500	-
Inventories	32,948	33,215
Prepaid expenses	<u>39,225</u>	<u>62,350</u>
Total current assets	<u>712,275</u>	<u>1,000,560</u>
Property and Equipment		
Building and building improvements	2,498,123	2,498,123
Furniture and fixtures	303,944	303,944
Equipment	<u>1,753,303</u>	<u>1,753,303</u>
	4,555,370	4,555,370
Accumulated depreciation	<u>(2,889,816)</u>	<u>(2,759,518)</u>
Net property and equipment	<u>1,665,554</u>	<u>1,795,852</u>
Other Assets		
Investments	1,000	1,000
Deferred bond issuance costs, net of accumulated amortization of \$24,782 in 2008	-	54,307
Cash surrender value of life insurance	94,968	90,384
Beneficial interest in perpetual trusts	<u>3,938,380</u>	<u>3,540,950</u>
Total other assets	<u>4,034,348</u>	<u>3,686,641</u>
	<u>\$ 6,412,177</u>	<u>\$ 6,483,053</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
Current Liabilities		
Notes payable	\$ 1,601,500	\$ -
Bond payable - current portion	-	50,000
Obligations under capital leases - current portion	-	8,505
Accounts payable and accrued liabilities	511,809	565,431
Deferred revenue	<u>142,148</u>	<u>160,045</u>
Total current liabilities	<u>2,255,457</u>	<u>783,981</u>
Long-Term Liabilities		
Bond payable	<u>-</u>	<u>1,450,000</u>
Total long-term liabilities	<u>-</u>	<u>1,450,000</u>
Total liabilities	<u>2,255,457</u>	<u>2,233,981</u>
Net Assets		
Unrestricted	215,765	695,261
Temporarily restricted	2,575	12,861
Permanently restricted	<u>3,938,380</u>	<u>3,540,950</u>
Total net assets	<u>4,156,720</u>	<u>4,249,072</u>
	<u>\$ 6,412,177</u>	<u>\$ 6,483,053</u>

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2009

	2009			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenue and Support				
Net patient revenue	\$ 3,582,035	\$ -	\$ -	\$ 3,582,035
Contributions and grants	694,655	-	-	694,655
Other revenue	248,003	-	-	248,003
Interest income	1,487	-	-	1,487
Realized and unrealized gains and losses on investments	-	-	-	-
Change in market value of beneficial interests in perpetual trusts	-	-	397,430	397,430
Dividend income	-	-	-	-
	<u>4,526,180</u>	<u>-</u>	<u>397,430</u>	<u>4,923,610</u>
Net assets released from restrictions	<u>10,286</u>	<u>(10,286)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,536,466</u>	<u>(10,286)</u>	<u>397,430</u>	<u>4,923,610</u>
Expenses				
Program services	4,468,308	-	-	4,468,308
Management and general	524,453	-	-	524,453
Fundraising	23,201	-	-	23,201
	<u>5,015,962</u>	<u>-</u>	<u>-</u>	<u>5,015,962</u>
Change in net assets	(479,496)	(10,286)	397,430	(92,352)
Net Assets, beginning of year	<u>695,261</u>	<u>12,861</u>	<u>3,540,950</u>	<u>4,249,072</u>
Net Assets, end of year	<u>\$ 215,765</u>	<u>\$ 2,575</u>	<u>\$ 3,938,380</u>	<u>\$ 4,156,720</u>

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2008

	2008			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Net patient revenue	\$ 4,433,383	\$ -	\$ -	\$ 4,433,383
Contributions and grants	727,330	1,793	-	729,123
Other revenue	391,727	-	-	391,727
Interest income	5,211	-	-	5,211
Realized and unrealized gains and losses on investments	(1,138,637)	-	-	(1,138,637)
Change in market value of beneficial interests in perpetual trusts	-	-	(1,465,581)	(1,465,581)
Dividend income	94,327	-	-	94,327
	4,513,341	1,793	(1,465,581)	3,049,553
Net assets released from restrictions	199,703	(199,703)	-	-
Total revenue and support	4,713,044	(197,910)	(1,465,581)	3,049,553
Expenses				
Program services	5,790,902	-	-	5,790,902
Management and general	626,815	-	-	626,815
Fundraising	186,614	-	-	186,614
	6,604,331	-	-	6,604,331
Total expenses	6,604,331	-	-	6,604,331
Change in net assets	(1,891,287)	(197,910)	(1,465,581)	(3,554,778)
Net Assets, beginning of year	2,586,548	210,771	5,006,531	7,803,850
Net Assets, end of year	\$ 695,261	\$ 12,861	\$ 3,540,950	\$ 4,249,072

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 2,461,133	\$ 174,857	\$ 7,223	\$ 2,643,213
Employee benefits	401,393	29,851	788	432,032
Supplies and other expenses	1,148,016	187,293	15,190	1,350,499
Technology	210,001	14,599	-	224,600
Occupancy	120,581	8,383	-	128,964
Depreciation and amortization	100,191	84,414	-	184,605
Bad debt expense	-	-	-	-
Interest	<u>26,993</u>	<u>25,056</u>	<u>-</u>	<u>52,049</u>
	<u>\$ 4,468,308</u>	<u>\$ 524,453</u>	<u>\$ 23,201</u>	<u>\$ 5,015,962</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, 2008

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,722,366	\$ 345,500	\$ 25,000	\$ 4,092,866
Employee benefits	625,411	29,051	3,196	657,658
Supplies and other expenses	963,099	80,593	158,418	1,202,110
Technology	210,912	19,174	-	230,086
Occupancy	85,727	42,289	-	128,016
Depreciation and amortization	122,245	68,635	-	190,880
Bad debt expense	1,842	-	-	1,842
Interest	59,300	41,573	-	100,873
	<u>\$ 5,790,902</u>	<u>\$ 626,815</u>	<u>\$ 186,614</u>	<u>\$ 6,604,331</u>

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (92,352)	\$ (3,554,778)
Adjustments to reconcile change in net assets to net cash and cash equivalents used by operating activities		
(Increase) decrease in cash surrender value of life insurance	(4,584)	(9,013)
Depreciation and amortization	184,605	190,880
Disposal of fixed assets	-	(2,200)
Allowance for bad debts	(21,248)	(80,932)
Realized losses on investments	-	1,138,637
Beneficial interests in perpetual trusts	(397,430)	1,465,581
 (Increase) decrease in operating assets		
Accounts receivable	(45,009)	337,831
Grants receivable	(22,500)	-
Inventories	267	(16,425)
Prepaid expenses	23,125	(13,276)
 Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	(53,622)	(216,824)
Deferred revenue	(17,897)	(27,016)
	(446,645)	(787,535)
 Net cash and cash equivalents used by operating activities		
 Cash Flows from Investing Activities		
Purchase of property and equipment	-	(15,492)
Proceeds from sale of fixed assets	-	2,200
Proceeds from sale of investments	-	3,449,693
Purchase of investments	-	(760,471)
	-	2,675,930
 Net cash and cash equivalents provided by investing activities		

- Continued -

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Financing Activities		
Principal payments on debt	(50,000)	(3,120,000)
Proceeds from issuance of debt	168,315	1,560,000
Payments on line of credit	(16,815)	(85,000)
Principal payments on capital leases	<u>(8,505)</u>	<u>(35,249)</u>
 Net cash and cash equivalents provided (used) by financing activities	 <u>92,995</u>	 <u>(1,680,249)</u>
 Net increase (decrease) in cash and cash equivalents	 (353,650)	 208,146
 Cash and Cash Equivalents, beginning of year	 <u>398,304</u>	 <u>190,158</u>
 Cash and Cash Equivalents, end of year	 <u>\$ 44,654</u>	 <u>\$ 398,304</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 52,049	\$ 100,873

Noncash Investing and Financing Activities

During 2009, the Association refinanced debt totaling \$1,450,000.

See accompanying notes to consolidated financial statements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

1. Summary of Significant Accounting Policies

Instructive Visiting Nurse Association ("IVNA" or "the Association") is a not-for-profit corporation founded in 1900, chartered in 1902, restructured and re-incorporated in 1989. 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 is met, 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 or 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.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

1. Summary of Significant Accounting Policies - Continued

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.

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 70% of net patient service revenue in 2009 and 2008 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.

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, trade receivables, and amounts due from third-party payors under insurance program agreements. Concentrations of credit risk with respect to trade receivables are limited due to the 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, 2009 and 2008

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. All gains and losses on investments for the year are reported in the consolidated statements of activities.

Property and Equipment: Purchases of property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the various assets. Amortization of capital leases is included in depreciation expense and accumulated depreciation.

Income Taxes: The Association is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia.

Beneficial Interest in Perpetual Trusts: Accounting principles generally accepted in the United States of America require that not-for-profit beneficiaries of perpetual 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 the trust's assets. Changes in the trust's fair market value are recorded as permanently restricted gains or losses in the consolidated statements of activities.

Reclassifications: Certain prior year income and expense items have been reclassified to conform with the current year presentation.

Evaluation of Subsequent Events: Management has evaluated subsequent events through September 22, 2010, which is the date its financial statements were available to be issued.

2. Concentration of Credit Risk

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

Accounts receivable consist of unsecured patient accounts receivable. Accounts receivable balances with charges ninety days past the initial statement date were \$105,065 as of December 31, 2009 and \$40,147 as of December 31, 2008.

3. Investments

Investments as of December 31, 2009 and 2008 are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment in VNAA Development	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

4. Notes Payable

The Association is indebted to a bank under the following notes payable:

	<u>2009</u>	<u>2008</u>
\$1,450,000 note payable, bank, interest due monthly at 4.25%, all principal and accrued interest due August 28, 2010. Secured by a deed of trust on real estate and assignment of rents. Limited guarantee provided by a board member.	\$ 1,450,000	\$ -
\$250,000 note payable under a line of credit, interest due monthly at 4.25%, all principal and accrued interest due July 28, 2010. Secured by a deed of trust on real estate and assignment of rents. Limited guarantee provided by a board member.	<u>151,500</u>	<u>-</u>
	<u>\$ 1,601,500</u>	<u>\$ -</u>

5. Bond Payable

The Association is obligated under the following bond payable:

	<u>2009</u>	<u>2008</u>
\$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% (1.27% at December 31, 2008), principal payments due annually as defined by the bond agreement. Matures February 1, 2026, collateralized by real estate.	\$ -	\$ 1,500,000
Current portion	<u>-</u>	<u>(50,000)</u>
	<u>\$ -</u>	<u>\$ 1,450,000</u>

In accordance with the 2008 debt restructuring agreement, the Association must maintain a debt service reserve fund in a separate account which is unavailable for general operating purposes. The balance of the reserve fund was \$0 and \$110,434 at December 31, 2009 and 2008, respectively.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

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 2.0% to 3.5%, as imputed at the inception of each lease. The lease obligations expired during 2009.

Leased equipment totaling \$735,053 and related accumulated depreciation totaling \$735,053 and \$727,256 at December 31, 2009 and 2008, respectively, have been included on the Association's consolidated statements of financial position. Depreciation expense of \$7,797 and \$46,940 related to the leased equipment has been included on the Association's consolidated statements of activities at December 31, 2009 and 2008, respectively.

7. Retirement Plan

The Association provides a tax-deferred annuity arrangement (Plan) under IRS Code Section 403(b) which covers all eligible full-time and certain part-time employees. Participants may elect to contribute a portion of their salary to the Plan.

Additionally, after the first year of employment, the Association annually contributes 4% 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 \$39,297 for 2009 and \$37,632 for 2008.

8. Leases

The Association leases certain equipment under noncancelable operating leases. Future minimum rental commitments under these lease agreements are as follows:

2010	\$	70,812
2011	\$	9,420
2012	\$	3,403
2013	\$	2,856
2014	\$	1,904

Rent expense under these leases was \$135,625 and \$148,927 for the years ended December 31, 2009 and 2008, respectively.

9. Commitments and Contingencies

The Association is subject to legal proceedings and claims that arise in the course of providing health care services. The Association maintains malpractice insurance coverage for claims made during the term of the policy.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

9. Commitments and Contingencies - Continued

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 health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services billed.

10. Beneficial Interest in Perpetual Trusts

The Association has a beneficial interest in several perpetual trusts, which are held by third parties. The Association's interests in the respective Trusts have been recorded as permanently restricted net assets in the consolidated statements of financial position.

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 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 Association has a 5% beneficial interest in the Elizabeth Potter Christian Charitable Trust (Christian Trust).

**INSTRUCTIVE VISITING NURSE ASSOCIATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

10. Beneficial Interest in Perpetual Trusts - Continued

The following tables illustrate the fair market value of each Trust, the value of the beneficial interest in the respective trusts at December 31, 2009 and 2008, and the gains and losses recognized in the consolidated statements of activities.

	2009		
	Fair Value	Beneficial Interest	Market Value Gain/(Loss)
Davenport Trust	\$23,113,513	\$ 3,852,252	\$ 385,105
Lumsden Trust	2,551,106	47,195	9,511
Christian Trust	778,668	38,933	2,814
Total	<u>\$26,443,287</u>	<u>\$ 3,938,380</u>	<u>\$ 397,430</u>
	2008		
	Fair Value	Beneficial Interest	Market Value Gain/(Loss)
Davenport Trust	\$20,802,885	\$ 3,467,147	\$ (1,427,014)
Lumsden Trust	2,036,991	37,684	(20,855)
Christian Trust	368,140	36,119	(17,712)
Total	<u>\$23,208,016</u>	<u>\$ 3,540,950</u>	<u>\$ (1,465,581)</u>

11. Management Plans

The Association's management and board have been developing a restructuring plan whereby direct services to patient clients would be outsourced to home care providers. This arrangement will allow more cost effective delivery of home care services. The Association intends to secure arrangements with various community agency home care service providers.

The Association will outsource direct home health services for the uninsured and under-insured through other community agencies with which it partners and reimburse those agencies with funds it raises from the community for charitable care. The Association and the other community agencies will determine if social work case management is necessary for overall improvement of the patient and his/her circumstances. The Association will continue to provide for these visits utilizing PRN Licensed Clinical Social Worker staff.

In addition to the service delivery restructuring, management is actively working toward selling the Association's building while also working toward restructuring equipment leasing, software support and maintenance, and other vendor arrangements.

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

12. Subsequent Events

Subsequent to the date of the financial statements, the Association began entering into non-exclusive agreements with other Home Care agencies to provide direct services to existing and future clients. As part of a restructuring initiative, the existing workforce was reduced, and certain employees were offered employment opportunities with the new direct service providers.

Subsequent to the date of the financial statements, the maturity dates for each of the Association's notes payable were extended to October 2010.

SUPPLEMENTARY SCHEDULES

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2009

ASSETS

	IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Total
Current Assets					
Cash and cash equivalents	\$ 743	\$ 17,680	\$ 12,792	\$ 13,439	\$ 44,654
Accounts receivable - net	-	539,712	33,236	-	572,948
Grants receivable	22,500	-	-	-	22,500
Due from (to) affiliates	1,151,934	(1,058,101)	(118,308)	24,475	-
Inventories	-	12,113	20,835	-	32,948
Prepaid expenses	19,444	19,781	-	-	39,225
Total current assets	<u>1,194,621</u>	<u>(468,815)</u>	<u>(51,445)</u>	<u>37,914</u>	<u>712,275</u>
Property and Equipment					
Building and building improvements	2,498,123	-	-	-	2,498,123
Furniture and fixtures	230,922	73,022	-	-	303,944
Equipment	992,016	736,734	24,553	-	1,753,303
	<u>3,721,061</u>	<u>809,756</u>	<u>24,553</u>	<u>-</u>	<u>4,555,370</u>
Accumulated depreciation	<u>(2,055,981)</u>	<u>(809,756)</u>	<u>(24,079)</u>	<u>-</u>	<u>(2,889,816)</u>
Net property and equipment	<u>1,665,080</u>	<u>-</u>	<u>474</u>	<u>-</u>	<u>1,665,554</u>
Other Assets					
Investments	-	-	1,000	-	1,000
Deferred bond issuance costs - net	-	-	-	-	-
Cash surrender value of life insurance	-	-	-	94,968	94,968
Beneficial interest in perpetual trusts	3,899,447	-	-	38,933	3,938,380
Total other assets	<u>3,899,447</u>	<u>-</u>	<u>1,000</u>	<u>133,901</u>	<u>4,034,348</u>
	<u>\$ 6,759,148</u>	<u>\$ (468,815)</u>	<u>\$ (49,971)</u>	<u>\$ 171,815</u>	<u>\$ 6,412,177</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					
Notes payable	\$ 1,601,500	\$ -	\$ -	\$ -	\$ 1,601,500
Bond payable - current portion	-	-	-	-	-
Obligations under capital leases - current portion	-	-	-	-	-
Accounts payable and accrued liabilities	140,213	311,709	59,887	-	511,809
Deferred revenue	-	142,148	-	-	142,148
	<u>-</u>	<u>142,148</u>	<u>-</u>	<u>-</u>	<u>142,148</u>
Total current liabilities	1,741,713	453,857	59,887	-	2,255,457
Long-Term Liabilities					
Obligations under capital leases	-	-	-	-	-
Bond payable	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,741,713</u>	<u>453,857</u>	<u>59,887</u>	<u>-</u>	<u>2,255,457</u>
Net Assets					
Unrestricted	1,117,988	(925,247)	(109,858)	132,882	215,765
Temporarily restricted	-	2,575	-	-	2,575
Permanently restricted	3,899,447	-	-	38,933	3,938,380
	<u>3,899,447</u>	<u>-</u>	<u>-</u>	<u>38,933</u>	<u>3,938,380</u>
Total net assets	<u>5,017,435</u>	<u>(922,672)</u>	<u>(109,858)</u>	<u>171,815</u>	<u>4,156,720</u>
	<u>\$ 6,759,148</u>	<u>\$ (468,815)</u>	<u>\$ (49,971)</u>	<u>\$ 171,815</u>	<u>\$ 6,412,177</u>

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2008

	ASSETS				
	<u>IVNA</u>	<u>IVNA Home Health Care</u>	<u>IVNA Health Services</u>	<u>IVNA Foundation</u>	<u>Total</u>
Current Assets					
Cash and cash equivalents	\$ 207,090	\$ 63,492	\$ 86,207	\$ 41,515	\$ 398,304
Accounts receivable - net	-	414,383	92,308	-	506,691
Grants receivable	-	-	-	-	-
Due from (to) affiliates	587,190	(646,366)	60,446	(1,270)	-
Inventories	-	12,657	20,558	-	33,215
Prepaid expenses	<u>19,443</u>	<u>42,907</u>	<u>-</u>	<u>-</u>	<u>62,350</u>
Total current assets	<u>813,723</u>	<u>(112,927)</u>	<u>259,519</u>	<u>40,245</u>	<u>1,000,560</u>
Property and Equipment					
Building and building improvements	2,498,123	-	-	-	2,498,123
Furniture and fixtures	230,922	73,022	-	-	303,944
Equipment	<u>992,016</u>	<u>736,734</u>	<u>24,553</u>	<u>-</u>	<u>1,753,303</u>
	3,721,061	809,756	24,553	-	4,555,370
Accumulated depreciation	<u>(1,934,426)</u>	<u>(801,961)</u>	<u>(23,131)</u>	<u>-</u>	<u>(2,759,518)</u>
Net property and equipment	<u>1,786,635</u>	<u>7,795</u>	<u>1,422</u>	<u>-</u>	<u>1,795,852</u>
Other Assets					
Investments	-	-	1,000	-	1,000
Deferred bond issuance costs - net	54,307	-	-	-	54,307
Cash surrender value of life insurance	-	-	-	90,384	90,384
Beneficial interest in perpetual trusts	<u>3,504,831</u>	<u>-</u>	<u>-</u>	<u>36,119</u>	<u>3,540,950</u>
Total other assets	<u>3,559,138</u>	<u>-</u>	<u>1,000</u>	<u>126,503</u>	<u>3,686,641</u>
	<u>\$ 6,159,496</u>	<u>\$ (105,132)</u>	<u>\$ 261,941</u>	<u>\$ 166,748</u>	<u>\$ 6,483,053</u>

LIABILITIES AND NET ASSETS

	IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Total
Current Liabilities					
Line of credit - bank	\$ -	\$ -	\$ -	\$ -	\$ -
Bond payable - current portion	50,000	-	-	-	50,000
Obligations under capital leases - current portion	-	8,505	-	-	8,505
Accounts payable and accrued liabilities	159,285	284,097	122,049	-	565,431
Deferred revenue	-	160,045	-	-	160,045
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	209,285	452,647	122,049	-	783,981
Long-Term Liabilities					
Obligations under capital leases	-	-	-	-	-
Bond payable	1,450,000	-	-	-	1,450,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,659,285	452,647	122,049	-	2,233,981
Net Assets					
Unrestricted	995,380	(570,640)	139,892	130,629	695,261
Temporarily restricted	-	12,861	-	-	12,861
Permanently restricted	3,504,831	-	-	36,119	3,540,950
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets	4,500,211	(557,779)	139,892	166,748	4,249,072
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 6,159,496</u>	<u>\$ (105,132)</u>	<u>\$ 261,941</u>	<u>\$ 166,748</u>	<u>\$ 6,483,053</u>

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2009

	Unrestricted					Total
	IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Eliminating Entries	
Revenue and Support						
Net patient revenue	\$ -	\$ 2,946,327	\$ 635,708	\$ -	\$ -	\$ 3,582,035
Contributions and grants	295,228	222,759	2,449	174,219	-	694,655
Other revenue	241,016	1,507	5,474	6	-	248,003
Interest income	341	920	132	94	-	1,487
Realized and unrealized gains and losses on investments	-	-	-	-	-	-
Change in market value of beneficial interests in perpetual trusts	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Fees from affiliates	486,166	-	-	-	(486,166)	-
Transfers from affiliates	-	12,000	-	-	(12,000)	-
	<u>1,022,751</u>	<u>3,183,513</u>	<u>643,763</u>	<u>174,319</u>	<u>(498,166)</u>	<u>4,526,180</u>
Net assets released from restrictions	-	10,286	-	-	-	10,286
Total revenue and support	<u>1,022,751</u>	<u>3,193,799</u>	<u>643,763</u>	<u>174,319</u>	<u>(498,166)</u>	<u>4,536,466</u>
Expenses						
Salaries and wages	138,431	2,039,305	465,478	-	-	2,643,214
Employee benefits	41,786	324,861	65,385	-	-	432,032
Supplies and other expenses	138,593	853,698	198,142	160,066	-	1,350,499
Technology	224,600	-	-	-	-	224,600
Fees to affiliates	-	322,606	163,560	-	(486,166)	-
Transfers to affiliates	-	-	-	12,000	(12,000)	-
Occupancy	128,964	-	-	-	-	128,964
Depreciation and amortization	175,860	7,796	948	-	-	184,604
Bad debt expense	-	-	-	-	-	-
Interest	51,909	140	-	-	-	52,049
Total expenses	<u>900,143</u>	<u>3,548,406</u>	<u>893,513</u>	<u>172,066</u>	<u>(498,166)</u>	<u>5,015,962</u>
Change in net assets	122,608	(354,607)	(249,750)	2,253	-	(479,496)
Net Assets, beginning of year	<u>995,380</u>	<u>(570,640)</u>	<u>139,892</u>	<u>130,629</u>	<u>-</u>	<u>695,261</u>
Net Assets, end of year	<u>\$1,117,988</u>	<u>\$ (925,247)</u>	<u>\$ (109,858)</u>	<u>\$ 132,882</u>	<u>\$ -</u>	<u>\$ 215,765</u>

Temporarily Restricted					Permanently Restricted			
IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Total	IVNA	IVNA Foundation	Total	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,582,035
-	-	-	-	-	-	-	-	694,655
-	-	-	-	-	-	-	-	248,003
-	-	-	-	-	-	-	-	1,487
-	-	-	-	-	-	-	-	-
-	-	-	-	-	394,616	2,814	397,430	397,430
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	394,616	2,814	397,430	4,923,610
-	(10,286)	-	-	(10,286)	-	-	-	-
-	(10,286)	-	-	(10,286)	394,616	2,814	397,430	4,923,610
-	-	-	-	-	-	-	-	2,643,214
-	-	-	-	-	-	-	-	432,032
-	-	-	-	-	-	-	-	1,350,499
-	-	-	-	-	-	-	-	224,600
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	128,964
-	-	-	-	-	-	-	-	184,604
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	52,049
-	-	-	-	-	-	-	-	5,015,962
-	(10,286)	-	-	(10,286)	394,616	2,814	397,430	(92,352)
-	12,861	-	-	12,861	3,504,831	36,119	3,540,950	4,249,072
\$ -	\$ 2,575	\$ -	\$ -	\$ 2,575	\$3,899,447	\$ 38,933	\$ 3,938,380	\$ 4,156,720

**INSTRUCTIVE VISITING NURSE ASSOCIATION
AND SUBSIDIARIES**

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2008

	Unrestricted					Total
	IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Eliminating Entries	
Revenue and Support						
Net patient revenue	\$ -	\$2,539,908	\$1,893,475	\$ -	\$ -	\$4,433,383
Contributions and grants	201,181	304,955	50,000	171,194	-	727,330
Other revenue	312,693	12,291	73,166	207	(6,630)	391,727
Interest income	1,532	1,713	889	1,077	-	5,211
Realized and unrealized gains and losses on investments	-	-	-	(1,138,637)	-	(1,138,637)
Change in market value of beneficial interests in perpetual trusts	-	-	-	-	-	-
Dividend income	-	-	-	94,327	-	94,327
Fees from affiliates	337,475	-	-	-	(337,475)	-
Transfers from affiliates	2,012,153	702,403	20,825	-	(2,735,381)	-
	<u>2,865,034</u>	<u>3,561,270</u>	<u>2,038,355</u>	<u>(871,832)</u>	<u>(3,079,486)</u>	<u>4,513,341</u>
Net assets released from restrictions	115,000	45,410	39,293	-	-	199,703
Total revenue and support	<u>2,980,034</u>	<u>3,606,680</u>	<u>2,077,648</u>	<u>(871,832)</u>	<u>(3,079,486)</u>	<u>4,713,044</u>
Expenses						
Salaries and wages	154,353	2,388,293	1,550,220	-	-	4,092,866
Employee benefits	84,516	376,034	197,108	-	-	657,658
Supplies and other expenses	195,686	493,618	306,254	213,182	(6,630)	1,202,110
Technology	230,086	-	-	-	-	230,086
Fees to affiliates	-	202,485	134,990	-	(337,475)	-
Transfers to affiliates	-	-	-	2,735,381	(2,735,381)	-
Occupancy	128,016	-	-	-	-	128,016
Depreciation and amortization	142,800	47,032	1,048	-	-	190,880
Bad debt expense	-	-	1,842	-	-	1,842
Interest	84,377	16,496	-	-	-	100,873
Total expenses	<u>1,019,834</u>	<u>3,523,958</u>	<u>2,191,462</u>	<u>2,948,563</u>	<u>(3,079,486)</u>	<u>6,604,331</u>
Change in net assets	<u>1,960,200</u>	<u>82,722</u>	<u>(113,814)</u>	<u>(3,820,395)</u>	<u>-</u>	<u>(1,891,287)</u>
Net Assets, beginning of year, as previously stated	(964,820)	(653,362)	253,706	3,951,024	-	2,586,548
Prior period adjustments	-	-	-	-	-	-
Net Assets, beginning of year, as restated	<u>(964,820)</u>	<u>(653,362)</u>	<u>253,706</u>	<u>3,951,024</u>	<u>-</u>	<u>2,586,548</u>
Net Assets, end of year	<u>\$ 995,380</u>	<u>\$ (570,640)</u>	<u>\$ 139,892</u>	<u>\$ 130,629</u>	<u>\$ -</u>	<u>\$ 695,261</u>

Temporarily Restricted					Permanently Restricted			
IVNA	IVNA Home Health Care	IVNA Health Services	IVNA Foundation	Total	IVNA	IVNA Foundation	Total	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,433,383
-	-	1,793	-	1,793	-	-	-	729,123
-	-	-	-	-	-	-	-	391,727
-	-	-	-	-	-	-	-	5,211
-	-	-	-	-	-	-	-	(1,138,637)
-	-	-	-	-	(1,447,869)	(17,712)	(1,465,581)	(1,465,581)
-	-	-	-	-	-	-	-	94,327
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	1,793	-	1,793	(1,447,869)	(17,712)	(1,465,581)	3,049,553
<u>(115,000)</u>	<u>(45,410)</u>	<u>(39,293)</u>	-	<u>(199,703)</u>	-	-	-	-
<u>(115,000)</u>	<u>(45,410)</u>	<u>(37,500)</u>	-	<u>(197,910)</u>	<u>(1,447,869)</u>	<u>(17,712)</u>	<u>(1,465,581)</u>	<u>3,049,553</u>
-	-	-	-	-	-	-	-	4,092,866
-	-	-	-	-	-	-	-	657,658
-	-	-	-	-	-	-	-	1,202,110
-	-	-	-	-	-	-	-	230,086
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	128,016
-	-	-	-	-	-	-	-	190,880
-	-	-	-	-	-	-	-	1,842
-	-	-	-	-	-	-	-	100,873
-	-	-	-	-	-	-	-	6,604,331
<u>(115,000)</u>	<u>(45,410)</u>	<u>(37,500)</u>	-	<u>(197,910)</u>	<u>(1,447,869)</u>	<u>(17,712)</u>	<u>(1,465,581)</u>	<u>(3,554,778)</u>
115,000	95,771	-	-	210,771	4,952,700	53,831	5,006,531	7,803,850
-	(37,500)	37,500	-	-	-	-	-	-
<u>115,000</u>	<u>58,271</u>	<u>37,500</u>	-	<u>210,771</u>	<u>4,952,700</u>	<u>53,831</u>	<u>5,006,531</u>	<u>7,803,850</u>
\$ -	\$ 12,861	\$ -	\$ -	\$ 12,861	\$ 3,504,831	\$ 36,119	\$ 3,540,950	\$ 4,249,072