



Consolidated Financial Statements
December 31, 2010 and 2009

Minnesota Visiting Nursing Agency and Affiliate

Minnesota Visiting Nursing Agency and Affiliate

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December 31, 2010 and 2009

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Minnesota Visiting Nurse Agency and Affiliate
Minneapolis, Minnesota

We have audited the accompanying consolidated balance sheets of the Minnesota Visiting Nursing Agency and Affiliate as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Minnesota Visiting Nursing Agency and Affiliate's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Minnesota Visiting Nursing Agency and Affiliate's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of Minnesota Visiting Nursing Agency and Affiliate as of December 31, 2010 and 2009, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Minneapolis, Minnesota
June 29, 2011

	<u>2010</u>	<u>2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,125,806	\$ 2,079,229
Receivables		
Patient, net of estimated uncollectibles of approximately \$440,000 in 2010 and \$710,000 in 2009	3,549,145	3,832,743
United Way and other pledges receivable	636,070	739,639
Prepaid expenses and supplies	584,745	340,269
Total current assets	<u>5,895,766</u>	<u>6,991,880</u>
Assets Limited as to Use		
Designated by Board	4,526,536	3,764,775
Restricted for scholarships	7,328	6,316
Endowment investments	155,490	155,490
Total assets limited as to use	<u>4,689,354</u>	<u>3,926,581</u>
Property and Equipment, Net	<u>667,932</u>	<u>654,744</u>
Other Assets		
Deposits	9,815	9,815
Goodwill	227,147	227,147
Total other assets	<u>236,962</u>	<u>236,962</u>
Total assets	<u>\$ 11,490,014</u>	<u>\$ 11,810,167</u>

See Notes to Consolidated Financial Statements

Minnesota Visiting Nursing Agency and Affiliate
Consolidated Balance Sheets
December 31, 2010 and 2009

	2010	2009
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 25,403	\$ 27,217
Accounts payable		
Trade	650,345	697,453
Estimated third-party payor settlements	120,473	416,840
Deferred revenue	59,583	36,986
Accrued salaries and benefits	1,767,193	1,932,291
Total current liabilities	2,622,997	3,110,787
Long-term Debt, Less Current Maturities	88,728	11,871
Total liabilities	2,711,725	3,122,658
Net Assets		
Unrestricted		
Operating	3,439,864	4,036,568
Board designated	4,526,536	3,764,775
Temporarily restricted	656,399	730,676
Permanently restricted	155,490	155,490
Total net assets	8,778,289	8,687,509
Total liabilities and net assets	\$ 11,490,014	\$ 11,810,167

Minnesota Visiting Nursing Agency and Affiliate
Consolidated Statements of Operations
Years Ended December 31, 2010 and 2009

	2010	2009
Unrestricted Revenues, Gains, and Other Support		
Net patient service revenue	\$ 19,911,372	\$ 22,426,787
Other revenue (loss)	83,818	(13,921)
Unrestricted contributions	496,112	531,743
Net assets released from restrictions for operations	731,072	770,847
Total revenues, gains, and other support	21,222,374	23,715,456
Expenses		
Salaries and wages	12,001,649	12,622,926
Employee benefits	3,143,549	3,188,976
Purchased services	1,301,644	1,315,640
Supplies and other	4,566,932	4,808,593
Depreciation	237,273	227,536
Amortization	-	87,858
Interest	1,219	4,496
Provision for bad debts	104,000	171,636
Total expenses	21,356,266	22,427,661
Operating Income (Loss)	(133,892)	1,287,795
Other Income (Losses)		
Investment income (loss), net	298,949	(125,925)
Reclassification of cumulative unrealized gains and losses on investments (Note 1)	-	(192,511)
Total other income (losses)	298,949	(318,436)
Revenues in Excess of Expenses	165,057	969,359
Change in Unrealized Gains and Losses on Investments	-	580,578
Reclassification of Cumulative Unrealized Gains and Losses on Investments (Note 1)	-	192,511
Increase in Unrestricted Net Assets	\$ 165,057	\$ 1,742,448

Minnesota Visiting Nursing Agency and Affiliate
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
Unrestricted Net Assets		
Revenues in excess of expenses	\$ 165,057	\$ 969,359
Change in unrealized gains and losses on investments	-	580,578
Reclassification of cumulative unrealized gains and losses on investments (Note 1)	-	192,511
Increase in unrestricted net assets	165,057	1,742,448
Temporarily Restricted Net Assets		
Contributions for specific purposes	634,010	724,359
Investment income	22,785	-
Net assets released from restrictions for operating purposes	(731,072)	(770,847)
Decrease in temporarily restricted net assets	(74,277)	(46,488)
Increase in Net Assets	90,780	1,695,960
Net Assets, Beginning of Year	8,687,509	6,991,549
Net Assets, End of Year	\$ 8,778,289	\$ 8,687,509

Minnesota Visiting Nursing Agency and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Operating Activities		
Change in net assets	\$ 90,780	\$ 1,695,960
Adjustments to reconcile change in net assets to net cash (used for) from operating activities		
Provision for bad debts	104,000	171,636
Depreciation	237,273	227,536
Amortization	-	87,858
Contributions restricted by donors	(634,010)	(724,359)
Net realized gains and losses on investments	63,696	164,196
Change in unrealized gains and losses on investments	(311,656)	(580,578)
Changes in assets and liabilities		
Receivables	283,167	1,210,022
Prepaid expenses and supplies	(244,476)	(20,413)
Accounts payable and accrued expenses	(508,573)	(702,594)
Deferred revenue	22,597	(25,322)
Net Cash (used for) from Operating Activities	(897,202)	1,503,942
Investing Activities		
Purchases of assets limited as to use	(2,794,112)	(911,412)
Proceeds from sales of investments	2,279,299	-
Purchase of property and equipment	(130,461)	(315,516)
Net Cash used for Investing Activities	(645,274)	(1,226,928)
Financing Activities		
Repayments of long-term debt	(44,957)	(25,509)
Contributions restricted by donors	634,010	724,359
Net Cash from Financing Activities	589,053	698,850
Net (Decrease) Increase in Cash and Cash Equivalents	(953,423)	975,864
Cash and Cash Equivalents, Beginning of Year	2,079,229	1,103,365
Cash and Cash Equivalents, End of Year	\$ 1,125,806	\$ 2,079,229
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 1,219	\$ 4,496

Supplemental Disclosure of Noncash Investing and Financing Activities -
The Organization entered into a capital lease obligation for equipment of \$120,000 during 2010.

Note 1 - Organization and Significant Accounting Policies

Organization and Principles of Consolidation

Minnesota Visiting Nurse Agency (MVNA) is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Its purpose is to promote individual, family and community health through the administration of charitable, educational, and scientific activities and projects on its behalf or as the agent, trustee or representative of others. MVNA provides health and supportive services to individuals at their homes, primarily in Hennepin County. The mission of MVNA is to provide comprehensive and culturally competent community health and related services in collaboration with public health and health service providers to ensure the healthy future of Minnesota residents.

MVNA is the sole member of Hospice of the Twin Cities, Inc. (Hospice). Hospice is organized to offer comprehensive care focused on easing the physical, emotional and spiritual pain that often accompanies terminal illness. Hospice is organized as a Delaware nonprofit corporation and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The consolidated financial statements include the accounts of MVNA and Hospice. MVNA and Hospice are referred to as the Organization. All significant intercompany balances and transactions have been eliminated.

Income Taxes

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities. As of December 31, 2010 and 2009, no amounts were recorded as a result of this analysis. If the Organization is subject to interest or penalties on underpaid income taxes, they will be recorded as income tax expense. The Organization is subject to Federal and state tax examinations by tax authorities on any previous returns.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. The Organization does not charge interest on outstanding patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments in cash and money markets or certificates of deposit are measured at historical cost, plus any accrued interest, which is considered a reasonable estimate of fair value. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenues in excess of expenses unless the investments are considered trading securities.

As of December 31, 2009, the Organization changed the accounting classification of its investments in debt and equity securities from non-trading to trading. This change in classification requires the Organization to recognize unrealized gains and losses on investments as a component of other income (losses) in the consolidated statements of operations. Previously, changes in fair value of these investments were recorded as other changes in net assets to the extent these changes were unrealized at year end. Total unrealized losses included as a non-operating expense for the year ended December 31, 2009, was \$192,511, which included \$773,089 of unrealized losses related to prior periods and \$580,578 of unrealized gains related to the year ended December 31, 2009.

Fair Value Measurement

The Organization has determined the fair value of certain assets and liabilities in accordance with the framework for measuring fair value under generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization applies a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Directors, over which the Board retains control and may at its discretion subsequently use for other purposes; assets restricted by donors; and endowment investments.

Goodwill

Goodwill represents the excess of cost over the fair value of net assets acquired through the acquisition of Hospice in 2002. Through December 31, 2009, the Organization amortized goodwill over a ten-year period on the straight-line method. As of December 31, 2009, the Organization had goodwill of \$227,147, net of accumulated amortization of \$651,708. Beginning in fiscal year 2010, on an annual basis and at interim periods when circumstances require, the Organization tests the recoverability of its goodwill. The goodwill testing utilizes a two-step impairment analysis, whereby the Organization compares the carrying value of each identified reporting unit to its fair value. If the carrying value of the reporting unit is greater than its fair value, the second step is performed, where the implied fair value of goodwill is compared to its carrying value. The Organization recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. The fair values of the reporting units are estimated using the net present value of discounted cash flows, excluding any financing costs or dividends, generated by each reporting unit. The Organization's discounted cash flows are based upon reasonable and appropriate assumptions about the underlying business activities of the Organization's reporting unit.

As of January 1, 2010, the Organization was required to cease amortization of goodwill and perform an annual test for impairment of the goodwill balance. As of January 1, 2010, management performed a transitional goodwill impairment evaluation, similar to the two-step annual impairment analysis, in accordance with generally accepted accounting principles. Management determined that goodwill was not impaired as a result of this evaluation. The Organization performs its test for recoverability for goodwill each year and no impairments resulted from this review.

Property and Equipment

Property and equipment acquisitions in excess of \$1,000 for individual items and \$2,000 for group purchases are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation in the consolidated financial statements. The estimated useful lives of property and equipment are 2 to 20 years.

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from revenues in excess of expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Pledges Receivable

Pledges, less any allowance for estimated uncollectible amounts, are recorded as receivables and temporarily restricted support in the year the pledge is made. Pledges receivable at December 31, 2010 and 2009 are \$636,070 and \$739,639, respectively, and are due within one year from the United Way, other corporations, and individuals.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. Investment income on permanently restricted net assets is unrestricted after Board appropriation.

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the consolidated statements of operations.

Revenues in Excess of Expenses

Revenues in excess of expenses exclude unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

Deferred Revenue

Advances received in conjunction with exchange transactions are deferred and recognized as revenue as the agreed-upon services are performed.

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

To fulfill its mission of community service, the Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue.

Collective Bargaining Agreements

A collective bargaining agreement covers approximately 50% of MVNA's employees. The collective bargaining agreement dated January 1, 2008 was effective through December 31, 2010. A new collective bargaining agreement was renegotiated and is effective January 1, 2011 through December 31, 2013.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred.

Note 2 - Charity Care

The Organization maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amounts of charges foregone, based on established rates, approximated \$39,000 and \$48,000 for the years ended December 31, 2010 and 2009, respectively.

Note 3 - Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. As part of its operations, the Organization has contracts with various governmental agencies, which allow the Organization to provide support to the community. Revenue is recognized when earned under the terms of the contracts.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended December 31, 2010 and 2009 increased approximately \$329,000 and \$492,000, respectively, due to reduction of liabilities associated with Medical Assistance overpayments no longer considered necessary (Note 13).

Minnesota Visiting Nursing Agency and Affiliate
Notes to Consolidated Financial Statements
December 31, 2010 and 2009

A summary of patient service revenue and contractual adjustments for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Total patient service revenue	\$ 22,958,968	\$ 25,177,448
Contractual adjustments		
Medicare	99,799	181,307
Medicaid	(1,087,109)	(956,335)
Commercial insurance	(1,327,554)	(1,181,523)
Other	(732,732)	(794,110)
Total contractual adjustments	(3,047,596)	(2,750,661)
Net patient service revenue	\$ 19,911,372	\$ 22,426,787

Note 4 - Investments and Investment Income

Assets Limited as to Use

The composition of assets limited as to use at December 31, 2010 and 2009, is shown in the following table. Investments in equity securities, fixed income securities, and mutual funds are stated at fair value. Cash and money market balances are stated at face value due to the nearness to maturity, which approximates fair value.

	2010	2009
Cash and money market	\$ 701,596	\$ 1,738,524
Equity securities	1,629,356	1,486,911
Fixed income securities	973,194	100,000
Mutual funds	1,385,208	601,146
	\$ 4,689,354	\$ 3,926,581

Investments in an Unrealized Gain (Loss) Position

Prior to the change in classification of investments in debt and equity securities to trading on December 31, 2009, the Organization evaluated investments for conditions that may indicate whether an other-than-temporary decline in value has occurred. Based on management's evaluation, the Organization did not record any other-than-temporary losses on investments during 2009.

Minnesota Visiting Nursing Agency and Affiliate
Notes to Consolidated Financial Statements
December 31, 2010 and 2009

Investment Income

Investment income and gains and losses on assets limited as to use and cash equivalents consist of the following for the years ended December 31, 2010 and 2009:

	2010	2009
Other income (expense)		
Interest and dividend income	\$ 50,989	\$ 38,271
Realized gains (losses) on investments	(63,696)	(164,196)
Unrealized gains (losses) on investments	311,656	-
Reclassification of cumulative unrealized gains and losses on investments	-	(192,511)
	\$ 298,949	\$ (318,436)
Other changes in unrestricted net assets		
Reclassification of cumulative unrealized gains and losses on investments	\$ -	\$ 192,511
Change in unrealized gains and losses on investments	\$ -	\$ 580,578
Changes in temporarily restricted net assets		
Interest and dividend income	\$ 22,785	\$ -

Note 5 - Property and Equipment

A summary of property and equipment at December 31, 2010 and 2009 follows:

	2010		2009	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture, equipment, and leasehold improvements	\$ 2,044,024	\$ 1,376,092	\$ 1,860,830	\$ 1,206,086
Net property and equipment		\$ 667,932		\$ 654,744

Note 6 - Leases

The Organization leases certain equipment and office space under noncancelable long-term lease agreements. Certain leases have been recorded as a capitalized lease and others as operating leases. Total lease expense for the years ended December 31, 2010 and 2009 for all operating leases was \$606,964 and \$611,265, respectively. The capitalized leased assets consist of:

	2010	2009
Equipment - see Note 5	120,000	84,626
Less accumulated amortization (included as depreciation on the accompanying consolidated financial statements)	(7,500)	(47,738)
	\$ 112,500	\$ 36,888

Minimum future lease payments for the capital and operating leases are as follows:

Year Ending December 31,	Capital Leases	Operating Leases
2011	\$ 38,340	\$ 584,611
2012	38,340	149,601
2013	38,340	-
2014	28,755	-
Total minimum lease payments	143,775	\$ 734,212
Less interest	(29,644)	
Present value of minimum capital lease payments - Note 7	\$ 114,131	

Note 7 - Long-term Debt

Long-term debt consists of the following at December 31, 2010 and 2009:

	2010	2009
Capitalized lease obligation - Note 6	\$ 114,131	\$ 39,088
Less current maturities	(25,403)	(27,217)
Long-term debt, less current maturities	\$ 88,728	\$ 11,871

MVNA has a line of credit arrangement with a local bank for \$1,000,000, which expires on July 29, 2011 and bears interest at a variable rate, which was 4.5% at December 31, 2010. Any outstanding balance is due on demand and secured by Board designated investments and equipment of MVNA. The line of credit was unused at December 31, 2010 and 2009.

Minnesota Visiting Nursing Agency and Affiliate
Notes to Consolidated Financial Statements
December 31, 2010 and 2009

Hospice also has a line of credit arrangement with a local bank for \$250,000, which expires on July 29, 2011 and bears interest at a variable rate, which was 4.5% at December 31, 2010. Any outstanding balance is due on demand and is secured by assets of Hospice. The line of credit was unused at December 31, 2010 and 2009.

Note 8 - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2010 and 2009:

	2010	2009
United Way, restricted as to time	\$ 600,671	\$ 680,620
Nursing scholarships, Club 100, and other	55,728	50,056
	\$ 656,399	\$ 730,676

Permanently restricted net assets at December 31, 2010 and 2009 are restricted to:

	2010	2009
Investments to be held in perpetuity, the income from which is expendable to support various health care services	\$ 155,490	\$ 155,490

In 2010 and 2009, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amounts of \$731,072 and \$770,847, respectively. These amounts are included in net assets released from restrictions in the accompanying consolidated financial statements.

Note 9 - Pension Plan

The Organization sponsors a defined contribution tax deferred annuity plan for both MVNA and Hospice that covers substantially all employees. The Organization will match employee contributions up to 50% of the first 4% of salaries for employees who are active in the plan. The Organization also sponsors a money purchase plan covering substantially all employees. Contributions are 3% of each eligible employee's gross annual salary. Total pension plan expense for the years ended December 31, 2010 and 2009 was \$442,261 and \$410,046, respectively.

Note 10 - Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2010 and 2009 was as follows:

	2010	2009
Medicare	26%	18%
Medicaid	19%	18%
Commercial insurance	29%	42%
Other third-party payors and patients	26%	22%
	100%	100%

The Organization's cash balances are maintained in various bank deposit accounts. At times, such deposits may be in excess of federally insured limits.

Note 11 - Functional Expenses

The Organization provides health care services to patients within its geographic location. Expenses related to providing these services by functional class for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Health care services	\$ 18,092,480	\$ 19,262,520
General and administrative	3,149,237	3,060,583
Fundraising	114,549	104,558
	\$ 21,356,266	\$ 22,427,661

Note 12 - Fair Value Measurement

Assets measured at fair value on a recurring basis at December 31, 2010 and 2009 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>December 31, 2010</u>			
Equity securities			
U.S. large cap	\$ 603,287	\$ -	\$ -
U.S. mid cap	339,438	-	-
U.S. small cap	62,983	-	-
International	499,113	-	-
Emerging markets	93,859	-	-
Other	30,676	-	-
Fixed income securities			
Certificates of deposit	100,588	-	-
U.S. Government agencies	111,447	-	-
U.S. Treasury notes	235,201	-	-
Mortgage-backed / asset-backed	146,023	-	-
Corporate	379,935	-	-
Mutual funds			
Large cap equities	150,507	-	-
Mid cap equities	25,633	-	-
Small cap equities	13,087	-	-
Long / short equities	286,127	-	-
Other equities	83,771	-	-
Corporate and government fixed income	453,385	-	-
Mortgage-backed fixed income	102,973	-	-
Commodities	24,082	-	-
Balanced	245,643	-	-
	<u>\$ 3,987,758</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2009</u>			
Equity securities	\$ 1,486,911	\$ -	\$ -
Fixed income securities	100,000	-	-
Mutual funds	601,146	-	-
	<u>\$ 2,188,057</u>	<u>\$ -</u>	<u>\$ -</u>

Note 13 - Commitments and Contingencies

Malpractice Insurance – Health Care Industry

MVNA has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$2 million per claim and an annual aggregate limit of \$4 million. Hospice has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Litigation, Claims, and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims, and disputes in process will not be material to the Organization's financial position or results of operations.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Management believes the Organization is in substantial compliance with current laws and regulations.

Settlement with the State of Minnesota - Medicaid

The Medical Assistance program has intermittently made overpayments related to Hospice patients living in skilled nursing facilities. Management has been working with trade groups and industry representatives in an attempt to correct Medical Assistance payment practices and resolve the historical overpayment issue. To date, these efforts have not resolved all historical overpayments across all affected Hospice programs. Hospice has repaid the Medical Assistance program approximately \$1,035,000 in overpayments received dating back to 1998. The Medical Assistance overpayments have resulted in a liability of \$328,899 at December 31 2009, which is included in estimated third-party payor settlements in the consolidated balance sheets.

Management has consulted with legal counsel on the Medical Assistance payment issue and determined that Minnesota's general statute of limitations is expressly applicable to actions by or on behalf of the State and its political subdivisions and actions must be commenced within six years upon a contract or other obligation, express or implied, as to which no other limitation is prescribed. No other limitation is provided that would apply to Hospice's potential obligation to repay the Minnesota Department of Human Services for its payment errors for hospice services, and therefore, the statute of limitations is considered to be six years, measured from the date of each payment. Thus, management has reduced the liability based upon the expiration of the statute of limitations for the years expiring. The overpayment liability recorded remained through August 2010, at which point the liability related to payment errors exceeded the statute of limitations.

Note 14 - Subsequent Events

The Organization has evaluated subsequent events through June 29, 2011, the date which the consolidated financial statements were available to be issued. During this period, the Organization did not have any material recognizable subsequent events.



Consolidating Information
December 31, 2010 and 2009

Minnesota Visiting Nursing Agency and Affiliate



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Consolidating Information

The Board of Directors
Minnesota Visiting Nurse Agency and Affiliate
Minneapolis, Minnesota

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Minneapolis, Minnesota
June 29, 2011

Minnesota Visiting Nursing Agency and Affiliate
Consolidating Balance Sheets Information – Assets,
December 31, 2010

	<u>MVNA</u>	<u>Hospice</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 625,542	\$ 500,264	\$ -	\$ 1,125,806
Receivables				
Patient, net of estimated uncollectibles of \$440,000	2,551,713	997,432	-	3,549,145
United Way and other pledges receivable	636,070	-	-	636,070
Related party	-	117,039	(117,039)	-
Prepaid expenses and supplies	557,667	27,078	-	584,745
Total current assets	<u>4,370,992</u>	<u>1,641,813</u>	<u>(117,039)</u>	<u>5,895,766</u>
Assets Limited as to Use				
Designated by Board	2,219,441	2,307,095	-	4,526,536
Restricted for scholarships	7,328	-	-	7,328
Endowment investments	155,490	-	-	155,490
Total assets limited as to use	<u>2,382,259</u>	<u>2,307,095</u>	<u>-</u>	<u>4,689,354</u>
Property and Equipment, Net	<u>477,173</u>	<u>190,759</u>	<u>-</u>	<u>667,932</u>
Other Assets				
Deposits	-	9,815	-	9,815
Goodwill	-	227,147	-	227,147
Total other assets	<u>-</u>	<u>236,962</u>	<u>-</u>	<u>236,962</u>
Total assets	<u>\$ 7,230,424</u>	<u>\$ 4,376,629</u>	<u>\$ (117,039)</u>	<u>\$ 11,490,014</u>

Minnesota Visiting Nursing Agency and Affiliate
Consolidating Balance Sheets Information – Liabilities and Net Assets,
December 31, 2010

	<u>MVNA</u>	<u>Hospice</u>	<u>Eliminations</u>	<u>Total</u>
Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	\$ 25,403	\$ -	\$ -	\$ 25,403
Accounts payable				
Trade	294,282	356,063	-	650,345
Estimated third-party payor settlements	120,473	-	-	120,473
Related party	117,039	-	(117,039)	-
Deferred revenue	59,583	-	-	59,583
Accrued salaries and benefits	1,466,244	300,949	-	1,767,193
	<u>2,083,024</u>	<u>657,012</u>	<u>(117,039)</u>	<u>2,622,997</u>
Long-Term Debt, Less Current Maturities	<u>88,728</u>	<u>-</u>	<u>-</u>	<u>88,728</u>
Total liabilities	<u>2,171,752</u>	<u>657,012</u>	<u>(117,039)</u>	<u>2,711,725</u>
Net Assets				
Unrestricted				
Operating	2,039,903	1,399,961	-	3,439,864
Board designated	2,219,441	2,307,095	-	4,526,536
Temporarily restricted	643,838	12,561	-	656,399
Permanently restricted	155,490	-	-	155,490
	<u>5,058,672</u>	<u>3,719,617</u>	<u>-</u>	<u>8,778,289</u>
Total net assets	<u>5,058,672</u>	<u>3,719,617</u>	<u>-</u>	<u>8,778,289</u>
Total liabilities and net assets	<u>\$ 7,230,424</u>	<u>\$ 4,376,629</u>	<u>\$ (117,039)</u>	<u>\$ 11,490,014</u>

Minnesota Visiting Nursing Agency and Affiliate
Consolidating Statements of Operations Information,
Year Ended December 31, 2010

	<u>MVNA</u>	<u>Hospice</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted Revenues, Gains, and Other Support				
Net patient service revenue	\$ 12,654,310	\$ 7,539,850	\$ (282,788)	\$ 19,911,372
Other revenue	551	83,267	-	83,818
Unrestricted contributions	472,350	23,762	-	496,112
Net assets released from restrictions for operations	725,878	5,194	-	731,072
	<u>13,853,089</u>	<u>7,652,073</u>	<u>(282,788)</u>	<u>21,222,374</u>
Total revenues, gains, and other support				
Expenses				
Salaries and wages	8,499,253	3,502,396	-	12,001,649
Employee benefits	1,939,505	1,204,044	-	3,143,549
Purchased services	1,308,534	275,898	(282,788)	1,301,644
Supplies and other	2,610,699	1,956,233	-	4,566,932
Depreciation	174,628	62,645	-	237,273
Interest	1,186	33	-	1,219
Provision for bad debts	100,000	4,000	-	104,000
	<u>14,633,805</u>	<u>7,005,249</u>	<u>(282,788)</u>	<u>21,356,266</u>
Total expenses				
Operating Income (Loss)	(780,716)	646,824	-	(133,892)
Other Income				
Investment income	144,769	154,180	-	298,949
Revenues in Excess of (Less Than) Expenses	(635,947)	801,004	-	165,057
Transfers From (To) Related Parties	306,402	(306,402)	-	-
Increase (Decrease) in Unrestricted Net Assets	<u>\$ (329,545)</u>	<u>\$ 494,602</u>	<u>\$ -</u>	<u>\$ 165,057</u>

Minnesota Visiting Nursing Agency and Affiliate
Consolidating Statements of Changes in Net Assets Information,
Year Ended December 31, 2010

	<u>MVNA</u>	<u>Hospice</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted Net Assets				
Revenues in excess of (less than) expenses	\$ (635,947)	\$ 801,004	\$ -	\$ 165,057
Transfers (to) from related parties	<u>306,402</u>	<u>(306,402)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>(329,545)</u>	<u>494,602</u>	<u>-</u>	<u>165,057</u>
Temporarily Restricted Net Assets				
Contributions for specific purposes	629,446	4,564	-	634,010
Investment income	22,785	-	-	22,785
Net assets released from restrictions for operating purposes	<u>(725,878)</u>	<u>(5,194)</u>	<u>-</u>	<u>(731,072)</u>
Decrease in temporarily restricted net assets	<u>(73,647)</u>	<u>(630)</u>	<u>-</u>	<u>(74,277)</u>
Increase (Decrease) in Net Assets	(403,192)	493,972	-	90,780
Net Assets, Beginning of Year	<u>5,461,864</u>	<u>3,225,645</u>	<u>-</u>	<u>8,687,509</u>
Net Assets, End of Year	<u><u>\$ 5,058,672</u></u>	<u><u>\$ 3,719,617</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,778,289</u></u>