Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Visiting Nurse Association of Texas

June 30, 2013

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
The Visiting Nurse Association of Texas

We have audited the accompanying consolidated financial statements of The Visiting Nurse Association of Texas and its affiliated entity (collectively, the "Corporation"), which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Visiting Nurse Association of Texas and its affiliated entity as of June 30, 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet, consolidating statement of operations and changes in net assets, and schedule of functional expenses as of and for the year ended June 30, 2013 is presented for purposes of additional analysis, rather than to present the financial position and results of operations of the individual funds, and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on 2012 summarized comparative information

We have previously audited the Corporation's 2012 financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2012. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Dallas, Texas
November 8, 2013

The Visiting Nurse Association of Texas

CONSOLIDATED BALANCE SHEET

Year ended June 30, 2013
(with comparative totals for 2012)

ASSETS	2013	2012
Cash and cash equivalents	$ 3,470,283	$ 2,305,900
Investments, at fair value	8,547,616	9,606,637
Accounts receivable, net of allowance for doubtful accounts of $596,434 and $709,393, respectively	2,156,181	3,289,591
Prepaid expenses and other assets	210,011	296,182
Property and equipment, net	7,376,741	7,629,184
Total assets	$21,760,832	$23,127,494
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 2,425,937	$ 2,220,452
Accrued payroll and vacation costs	517,457	830,370
Total liabilities	2,943,394	3,050,822
Commitments and contingencies		
Net assets		
Unrestricted	13,733,308	14,595,730
Temporarily restricted	1,615,522	2,012,334
Permanently restricted	3,468,608	3,468,608
Total net assets	18,817,438	20,076,672
Total liabilities and net assets	$21,760,832	$23,127,494

The accompanying notes are an integral part of this statement.

The Visiting Nurse Association of Texas

CONSOLIDATED STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS

Year ended June 30, 2013
(with comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
REVENUE, GAINS AND OTHER SUPPORT					
Net patient service revenue	$19,829,712	$ -	$ -	$19,829,712	$23,536,209
Contributions	1,746,387	2,503,596	-	4,249,983	3,769,895
Investment income	225,849	-	-	225,849	213,523
Miscellaneous income	15,382	-	-	15,382	116,412
Net assets released from restrictions for capital	99,896	-	-	99,896	196,873
Net assets released from restrictions for operations	2,800,512	(2,800,512)	-	-	-
Total revenue, gains and other support	24,717,738	(296,916)	-	24,420,822	27,832,912
EXPENSES AND OTHER DEDUCTIONS					
Personnel costs	15,528,630	-	-	15,528,630	17,958,731
Supplies	4,289,695	-	-	4,289,695	4,382,367
Other operating expenses	5,708,328	-	-	5,708,328	6,142,128
Provision for bad debts	407,815	-	-	407,815	390,454
Depreciation and amortization	700,907	-	-	700,907	678,894
Total expenses and other deductions	26,635,375	-	-	26,635,375	29,552,574
Deficiency of revenue under expenses	(1,917,637)	(296,916)	-	(2,214,553)	(1,719,662)
NET UNREALIZED GAINS (LOSSES) ON INVESTMENTS	1,055,215	-	-	1,055,215	(133,936)
NET ASSETS RELEASED FROM RESTRICTIONS FOR CAPITAL	-	(99,896)	-	(99,896)	(196,873)
Change in net assets	(862,422)	(396,812)	-	(1,259,234)	(2,050,471)
Net assets at beginning of year	14,595,730	2,012,334	3,468,608	20,076,672	22,127,143
Net assets at end of year	$13,733,308	$ 1,615,522	$3,468,608	$18,817,438	$20,076,672

The accompanying notes are an integral part of this statement.

The Visiting Nurse Association of Texas

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2013
(with comparative totals for 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$(1,259,234)	$(2,050,471)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	700,907	678,894
Net unrealized (gains) losses on investments	(1,055,215)	133,936
Investment income reinvested, net	(133,403)	(163,068)
Provision for bad debts	407,815	390,454
Loss on disposal of fixed assets	995	101,093
Changes in operating assets and liabilities		
Accounts receivable	725,595	(689,065)
Prepaid expenses and other assets	86,171	(31,200)
Accounts payable and accrued liabilities	205,485	(293,865)
Accrued payroll and vacation costs	(312,913)	29,127
Net cash used in operating activities	(633,797)	(1,894,165)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(449,459)	(455,940)
Purchases of investments	(152,361)	(67,927)
Proceeds from insurance	-	148,349
Proceeds from sales of investments	2,400,000	-
Net cash provided by (used in) investing activities	1,798,180	(375,518)
Net increase (decrease) in cash and cash equivalents	1,164,383	(2,269,683)
Cash and cash equivalents at beginning of year	2,305,900	4,575,583
Cash and cash equivalents at end of year	$ 3,470,283	$ 2,305,900

The accompanying notes are an integral part of this statement.

NOTE A - NATURE OF OPERATIONS AND PRINCIPLES OF CONSOLIDATION

Nature of Operations

The Visiting Nurse Association of Texas began operations in 1934. The Visiting Nurse Association and its affiliated entity (collectively, the "Corporation") is engaged in community health programs to provide home health, hospice, nutrition, and long-term care services for residents of Dallas and nine other Texas counties.

In January 2013, the Corporation announced its decision to close three of its programs before the end of fiscal year 2013. The Home Care program stopped accepting new patients in January and had discharged all Home Care patients through normal plans of care by the end of February 2013. The Community Based Alternatives and Primary Home Care Programs also stopped accepting new patients in January and had discharged or transferred all patients in those programs to other agencies by the end of April 2013. At June 30, 2013, the Corporation was actively engaged in providing services in its Hospice, Meals, and Private Care Programs.

Principles of Consolidation

The consolidated financial statements include accounts of The Visiting Nurse Association of Texas ("VNA") and The Visiting Nurse Association of Texas Foundation (the "Foundation"). The Foundation is a Texas membership non-profit corporation. VNA is the sole corporate member of the Foundation and thus exercises legal control over the Foundation. All significant intercompany accounts and transactions have been eliminated.

The Foundation was organized in 1978 as an independently incorporated supporting organization for VNA operating exclusively for tax-exempt charitable and educational purposes within the meaning of Internal Revenue Code ("IRC") Section 501(c)(3). Under the Foundation's Articles of Incorporation and Bylaws, VNA's Board of Directors has authority to elect the Foundation's directors. Notwithstanding this relationship, the Foundation is not required by its Articles of Incorporation or Bylaws to make annual grants or distributions to VNA. The Foundation supports and benefits VNA by, among other things, soliciting, receiving, holding, investing and managing certain gifts, grants, contributions and bequests which are intended to benefit the long term goals, purposes and objectives of VNA.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Corporation and/or the passage of time.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse, thus require the funds to be maintained permanently by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the risk free rate. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Realized and unrealized gains (losses) and income on investments of endowment funds are reported as follows:

- as increases (decreases) in permanently restricted net assets if the terms of the gifts require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on their use or until appropriate for expenditure;
- as increases (decreases) in unrestricted net assets if the restrictions on the income are met within the same year, and in all other cases.

Deficiency of Revenue Under Expenses

The statement of operations and changes in net assets includes deficiency of revenue under expenses. Changes in unrestricted net assets, which are excluded from deficiency of revenue under expenses, consistent with industry practice, include unrealized gains and losses on investments, capital campaign contributions and contributions of long-lived assets (including assets acquired using contributions restricted by the donor for the purposes of acquiring such assets).

Net Patient Service Revenue

Net patient service revenue is accounted for in the period in which the services are rendered and is reported at the estimated net realizable amounts from patients, third-party payors and others, including estimated retroactive adjustments under reimbursements 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 settlement is determined.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net patient service revenue percentages before the provison for bad debt by source for the years ended June 30, 2013 and 2012 are as follows:

	June 30,	
	2013	2012
Medicare	47%	46%
Medicaid	4%	5%
Private Pay and Insurance	10%	8%
State and County	39%	41%
Total	100%	100%

Cash Equivalents

Cash equivalents are comprised of demand deposits and short-term investments with original maturities of three months or less.

Investments

The Corporation maintains marketable alternative investments carried at their net asset values as a practical expedient for determining fair value based on information provided by external investment managers at the most recent valuation date prior to fiscal year end. The Corporation believes that the carrying value of its alternative investments is a reasonable estimate of fair value and substantiated, in part, by the related investment fund's audited financial statements as of June 30, 2013 and 2012. The net realized and unrealized gains or losses on investments are reflected in the statement of operations and changes in net assets.

Accounts Receivable

The Corporation's accounts receivables relate to patient services. Credit is extended to patients and third-party payors and collateral is not required. Accounts receivable are due at the time services are rendered and are stated at amounts due from patients and third party payors net of contractual allowances and an allowance for doubtful accounts. Accounts are generally considered past due after 60 days. The Corporation determines its allowance for doubtful accounts based on past due accounts. Significantly past due invoices are charged to the allowance for doubtful accounts and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

The Corporation follows a policy of capitalizing property and equipment expenditures in excess of $4,999. Property and equipment, except that which is received as donations, are recorded at cost. Donated assets are recorded at fair market value as of the date of donation. Assets are depreciated using the straight-line method over periods of three to forty years. Leasehold improvements are amortized over the shorter of their useful life or related lease term.

Income Taxes

The Corporation is given an exemption from federal income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code according to Internal Revenue Service determination letters dated March 31, 1935 for VNA and November 28, 1980 for the Foundation. The Corporation is potentially subject to tax on unrelated business income under Section 511(a) of the Code; however, the Corporation had no material unrelated business income for the years ended June 30, 2013 or 2012.

The Corporation has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding uncertain tax provisions. The Corporation does not have any outstanding interest or penalties, and none have been recorded in the consolidated statement of operations and changes in net assets for the years ended June 30, 2013 and 2012.

Advertising Expenses

The Corporation expenses advertising costs as incurred. Advertising expenses were approximately $253,000 and $118,000 for the years ending June 30, 2013 and 2012, respectively, and are included in other operating expenses in the accompanying consolidated statement of operations and changes in net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Corporation have been summarized on a functional basis in Note M. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Indigent Care

The Corporation, at its discretion, provides care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient. Indigent care is typically provided only to the extent the Corporation has temporarily restricted net assets available for such purposes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Corporation's financial statements as of and for the year ended June 30, 2012, from which the summarized information was derived.

Charity Care and Other Community Benefits

VNA provides services to clients who lack financial resources and are deemed to be medically or financially indigent. The direct and indirect costs of providing charity services were approximately $2,101,000 and $1,657,000 in 2013 and 2012, respectively. The estimated cost of charity care services was determined using the average cost of providing an instance of that service to all clients for the period, multiplied by the number of instances of charity care. Total costs associated with providing care to charity clients include only the related costs for those clients who are financially unable to pay and qualify under VNA's policies and do not otherwise qualify for reimbursement from a governmental program. In addition, VNA provides services to other indigent clients under the Medicaid program. The Medicaid program pays providers amounts that are often less than the cost of the services provided to the recipients. Funds received to subsidize charitable services for the years ended June 30, 2013 and 2012, were approximately $2,210,000 and $2,253,000, respectively.

Subsequent Events

Subsequent events that would impact the consolidated financial statements or related disclosures have been evaluated through November 8, 2013, which is the date the consolidated financial statements were available to be issued. There were no unrecognized subsequent events to be recorded or disclosed in these consolidated financial statements.

NOTE C - INVESTMENTS

Investments at market value consist of the following:

	June 30,	
	2013	2012
Marketable alternative investments	$8,041,056	$9,252,438
Deferred compensation account investments	506,560	354,199
	$8,547,616	$9,606,637

The following summarizes investment return:

	Years ended June 30,	
	2013	2012
Dividend and interest income	$ 225,849	$ 213,523
Investment income	$ 225,849	$ 213,523
Net unrealized gains (losses) on investments	$1,055,215	$ (133,936)

Investment fees were approximately $30,000 and $32,000 for the years ended June 30, 2013 and 2012, respectively, and are included in other operating expenses in the accompanying consolidated statement of operations and changes in net assets.

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation follows guidance establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management (Level 3). Level 2 measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1.

The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The schedule below classifies the Corporation's financial instruments carried at fair value based upon the three-tier hierarchy:

		Fair Value Measurements Using		
As of June 30, 2013	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable alternative investments	$8,041,056	$ -	$8,041,056	$ -
Deferred compensation account investments	506,560	-	506,560	-
	$8,547,616	$ -	$8,547,616	$ -

		Fair Value Measurements Using		
As of June 30, 2012	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable alternative investments	$9,252,438	$ -	$9,252,438	$ -
Deferred compensation account investments	354,199	-	354,199	-
	$9,606,637	$ -	$9,606,637	$ -

Marketable alternative investments are comprised of multi-strategy bond funds, which invest in dollar-denominated investment grade bonds and other fixed income securities, and multi-strategy equity funds, which invest in a portfolio of common stocks, and securities convertible into common stocks. Both funds are held with the same external investment manager. The Corporation may redeem these investments once a month, with five days' notice. There were no unfunded commitments related to these investments at June 30, 2013.

Deferred compensation account investments are comprised of mutual funds, including equity funds, bond funds, and multi-strategy funds. All funds are held with the same external investment manager. These investments may be redeemed at net asset value at any time. There were no unfunded commitments related to these investments at June 30, 2013. See also Note G.

NOTE E - ACCOUNTS RECEIVABLE

Changes in the Corporation's allowance for doubtful accounts related to accounts receivable for the year ended June 30 are as follows:

	2013	2012
Beginning balance	$ 709,393	$359,016
Provision for bad debts	407,815	390,454
Accounts written-off	(520,774)	(40,077)
Ending balance	$ 596,434	$709,393

Over $500,000 was written off in 2013 representing accounts receivable of three managed care providers in our discontinued Primary Home Care and Community Based Alternatives programs.

NOTE F - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	June 30,	
	2013	2012
Buildings and improvements	$ 6,468,023	$ 6,379,369
Equipment, furniture and fixtures	6,462,261	6,618,450
	12,930,284	12,997,819
Less accumulated depreciation and amortization	(6,194,043)	(6,009,135)
	6,736,241	6,988,684
Land	640,500	640,500
Ending Balance	$ 7,376,741	$ 7,629,184

NOTE G - DEFERRED COMPENSATION PLAN

The Corporation entered into deferred compensation agreements with executive management. The agreements provide for thirty-five percent of annual compensation to be used either as taxable compensation to pay for insurance costs or income tax payments or tax-deferred compensation invested at the discretion of the employee.

The employee can withdraw the fair market value of the investment within ninety days of termination or may elect to defer commencement of payment of the benefit to a date no later than ten years after the employee's severance from employment.

Deferred compensation balances of $506,560 and $354,199 were included in investments and accounts payable and accrued liabilities in the accompanying consolidated balance sheet as of June 30, 2013 and 2012, respectively.

NOTE H - ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS

The Corporation has agreements with third-party payors that provide for reimbursement to the Corporation at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Corporation's established rates for services and the amounts reimbursed by third-party payors.

Medicare is the Corporation's most significant third-party payor, which accounted for 47% and 46% of net patient service revenue, respectively, for the years ended June 30, 2013 and 2012.

Reimbursement from Medicare in the Corporation's Home Care Program is made under the Prospective Payment System ("PPS"). Under PPS, a fixed payment is made for each sixty-day episode of service, depending on the patient's clinical diagnosis, functional severity, and service utilization.

Hospice patient services are reimbursed based on predetermined per diem rates, which vary among the different types of hospice payors. Medicare and Medicaid establish the benchmark per diem rates.

NOTE I - STATE PROGRAM REIMBURSEMENT

The Corporation provides services to patients under several state program contracts administered by the Texas Department of Aging and Disability Services. These contracts (Meals on Wheels, Primary Home Care and others) provide for reimbursement of services based on a negotiated fee for service. Local community-raised funds must be used to fund the portion of costs that is not reimbursed through state programs for these services. All state contracts are subject to annual renewal based on a competitive bidding system. State program reimbursement represented 38% and 41% of net patient service revenue for each of the years ended June 30, 2013 and 2012, respectively.

NOTE J - RESTRICTIONS ON NET ASSETS

Permanently restricted net assets, the income from which is restricted for the following purposes, are as follows:

	June 30,	
	2013	2012
Program services	$3,023,097	$3,023,097
Indigent care	144,751	144,751
Other purposes	300,760	300,760
	$3,468,608	$3,468,608

Temporarily restricted net assets are restricted for the following purposes:

	June 30,	
	2013	2012
Capital campaign	$ 373,195	$ 473,931
Property and equipment	458,363	326,844
Indigent care	768,498	1,182,251
Other purposes	15,466	29,308
	$1,615,522	$2,012,334

NOTE K - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors, were as follows:

	Years ended June 30,	
	2013	2012
Indigent care (at billable rates)	$2,629,321	$2,316,350
Other operating purposes	170,710	21,690
Capital campaign	99,896	196,873
Property and Equipment	481	-
	$2,900,408	$2,534,913

NOTE L - DONATED SERVICES

The Corporation receives donated services from volunteers who provide assistance primarily with the Meals on Wheels and Hospice programs and are not reflected in the accompanying consolidated statement of operations and changes in net assets since these services do not create or enhance financial assets or require specialized skills which would typically need to be purchased if not contributed.

NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES

The Corporation incurred expenses relating to the following functional expense categories:

	Years ended June 30,	
	2013	2012
Program	$21,790,152	$24,405,766
Fundraising	1,076,752	1,255,244
Management and general	3,768,471	3,891,564
Total expenses	$26,635,375	$29,552,574

NOTE N - LEASES

Leases as Lessee

The Corporation leases equipment, various branch offices, and the administrative office under operating leases expiring through July 31, 2016. Lease expense under these leases was approximately $895,200 and $880,200 during the years ended June 30, 2013 and 2012, respectively, and is included in other operating expenses in the accompanying consolidated statement of operations and changes in net assets.

Future minimum rentals on noncancelable leases with initial lease terms greater than one year are as follows at June 30, 2013:

Year ending June 30,	
2014	$ 777,045
2015	762,590
2016	738,823
2017	69,560
2018	11,928
Thereafter	3,976
	$2,363,922

Leases as Lessor

The Corporation leased building space to other businesses through operating leases. Rental income under these leases was $0 and approximately $8,800 for the years ended June 30, 2013 and 2012, and is included in miscellaneous income in the accompanying consolidated statement of operations and changes in net assets.

NOTE O - EMPLOYEE BENEFIT PLANS

A 403(b) defined contribution plan covers all employees who are at least 21 years of age and have completed one year and 1,000 hours of service. The Corporation matches 50% of the participant's contribution up to a maximum of 6% of the annual compensation of the participant. The Corporation also makes a contribution to the 403(b) plan of 3% of compensation, regardless of employee participation. The Corporation's contributions to both plans for the years ended June 30, 2013 and 2012 were approximately $336,840 and $392,000, respectively.

NOTE P - CONCENTRATION OF CREDIT RISK

Receivables from government agencies represent approximately 65% and 71% of gross accounts receivable from program services at June 30, 2013 and 2012, respectively, and are the only concentrated group of credit risk for receivables. Management does not believe that there are any significant credit risks associated with these governmental agencies. Non-governmental receivables consist of receivables from various payors, including insurance companies and individuals involved in diverse activities, subject to differing economic conditions, and do not represent concentrated credit risks to the Corporation. Furthermore, management continually monitors and adjusts its allowance for doubtful accounts associated with these receivables to reflect them at their net realizable values.

Other financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments in marketable securities. The Corporation places its cash, cash equivalents and investments with high credit quality financial institutions, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts, and management monitors the financial institutions' ongoing business and does not believe undue investment risk exists.

NOTE Q - COMMITMENTS AND CONTINGENCIES

The Corporation has been named in various lawsuits seeking both actual and punitive damages. Although the ultimate outcome of these matters is uncertain, management, based on consultation with internal and external legal counsel, is of the opinion that their resolution will not have a material adverse effect on the consolidated financial statements.

NOTE R - RELATED PARTY TRANSACTIONS

Related parties include members of the Board of Directors. Transactions with related parties consist of contributions from board members. Board members, either individually or through foundations, have contributed a total of over $1,500,000 to the Corporation over the last four fiscal years, including approximately $400,000 and $290,000, respectively, in the fiscal years ended June 30, 2013 and 2012.

The Visiting Nurse Association of Texas

CONSOLIDATING BALANCE SHEET

June 30, 2013

ASSETS	VNA	VNA of Texas Foundation	Consolidated Total
Cash and cash equivalents	$ 3,470,283	$ -	$ 3,470,283
Investments, at fair value	506,560	8,041,056	8,547,616
Accounts receivable	2,156,181	-	2,156,181
Intercompany balances	947,688	(947,688)	-
Prepaid expenses and other assets	185,643	24,368	210,011
Property and equipment, net	7,376,366	375	7,376,741
Total assets	$14,642,721	$7,118,111	$21,760,832
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued liabilities	$ 2,425,335	$ 602	$ 2,425,937
Accrued payroll and vacation costs	493,598	23,859	517,457
Total current liabilities	2,918,933	24,461	2,943,394
Net assets			
Unrestricted	10,833,270	2,900,038	13,733,308
Temporarily restricted	890,518	725,004	1,615,522
Permanently restricted	-	3,468,608	3,468,608
Total net assets	11,723,788	7,093,650	18,817,438
Total liabilities and net assets	$14,642,721	$7,118,111	$21,760,832

The Visiting Nurse Association of Texas

CONSOLIDATING STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS

Year ended June 30, 2013

	VNA	VNA of Texas Foundation	Consolidated Total
REVENUE, GAINS AND OTHER SUPPORT			
Net patient service revenue	$19,829,712	$ -	$19,829,712
Contributions	4,166,926	83,057	4,249,983
Investment income	-	225,849	225,849
Miscellaneous income	15,382	-	15,382
Net assets released from restriction for capital	99,896	-	99,896
Total revenue, gains and other support	24,111,916	308,906	24,420,822
EXPENSES AND OTHER DEDUCTIONS			
Personnel costs	14,964,816	563,814	15,528,630
Supplies	4,287,007	2,688	4,289,695
Other operating expenses	5,203,578	504,750	5,708,328
Provision for bad debts	407,815	-	407,815
Depreciation and amortization	695,405	5,502	700,907
Total expenses and other deductions	25,558,621	1,076,754	26,635,375
Deficiency of revenue under expenses	(1,446,705)	(767,848)	(2,214,553)
NET UNREALIZED GAINS ON INVESTMENTS	-	1,055,215	1,055,215
NET ASSETS RELEASED FROM RESTRICTIONS FOR CAPITAL	(99,896)	-	(99,896)
Change in net assets	(1,546,601)	287,367	(1,259,234)
Net assets at beginning of year	13,270,388	6,806,284	20,076,672
Net assets at end of year	$11,723,787	$7,093,651	$18,817,438

The Visiting Nurse Association of Texas

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2013

	Home Care	Hospice	Private Duty	CBA	Eldercare	Primary Care	Meals	Total Program	Fundraising	Management and General	FY 2013 Total
Expenses											
Salaries	$2,163,964	$3,559,924	$ 833,780	$ 867,066	$ 2,769	$1,076,819	$1,830,298	$10,334,620	$ 446,096	$1,953,305	$12,734,021
Retirement plans	52,076	112,536	3,793	19,023	103	13,907	57,927	259,365	36,541	233,225	529,131
Payroll taxes	164,990	230,322	59,236	87,844	221	102,512	137,334	782,459	31,377	141,409	955,245
Worker's injury	9,071	26,470	3,377	11,617	20	24,636	16,437	91,628	502	3,033	95,163
Employee insurance benefits	212,172	474,360	56,306	70,574	427	41,066	170,777	1,025,682	49,296	140,092	1,215,070
Total personnel costs	2,602,273	4,403,612	956,492	1,056,124	3,540	1,258,940	2,212,773	12,493,754	563,812	2,471,064	15,528,630
Insurance	31,425	45,079	9,946	19,050	35	38,284	19,906	163,725	17,972	51,027	232,724
Legal & audit	-	-	-	-	-	-	-	-	-	167,896	167,896
Professional fees	76,073	226,406	1,885	3,821	74	2,913	13,738	324,910	23,806	80,572	429,288
Patient DME/Inpt/Resp/R&B	-	981,698	-	-	-	-	-	981,698	-	-	981,698
Patient supplies & drug	78,368	416,466	5,044	4,528	47,230	1,626	-	553,262	-	-	553,262
Office supplies	7,088	16,910	1,187	495	14	403	41,449	67,546	2,687	24,151	94,384
Telecommunications	72,052	98,844	4,367	13,104	313	9,291	24,624	222,595	1,387	110,709	334,691
Postage & delivery	14,480	18,468	365	1,524	154	1,618	3,985	40,594	342,249	24,054	406,897
Occupancy	202,622	328,462	38,118	75,526	424	63,918	146,291	855,361	48,385	291,312	1,195,058
Printing & copying	29,712	47,767	7,065	1,439	62	1,124	7,654	94,823	1,621	50,599	147,043
Transportation	163,613	341,771	12,234	27,800	828	5,940	35,120	587,306	1,440	18,427	607,173
Conferences & meetings	10,723	29,581	2,087	1,871	233	1,321	18,100	63,916	2,180	14,892	80,988
Food	-	-	-	-	-	-	3,417,977	3,417,977	-	-	3,417,977
Recruitment & advertising	115,927	94,029	4,895	10,893	511	6,480	12,926	245,661	-	7,212	252,873
Computer services	104,595	120,576	6,808	30,281	271	26,499	44,127	333,157	-	181,405	514,562
Membership dues	6,754	10,178	379	946	44	563	2,744	21,608	6,523	23,210	51,341
Equipment	37,662	22,193	1,513	6,264	127	5,078	85,034	157,871	28,085	49,631	235,587
Other expenses	7,015	24,142	49	108,656	-	52,907	6,469	199,238	31,103	64,240	294,581
Total before non-cash items	3,560,382	7,226,182	1,052,434	1,362,322	53,860	1,476,905	6,092,917	20,825,002	1,071,250	3,630,401	25,526,653
Equipment depreciation	58,118	69,526	3,939	9,272	79	7,685	159,178	307,797	2,502	106,096	416,395
Leasehold improvements amortization	-	-	-	-	-	-	199,638	199,638	-	-	199,638
Amortization	17,043	19,990	1,173	2,805	20	2,349	6,520	49,900	3,000	31,974	84,874
Provision for bad debts	114,597	(32,045)	29,323	72,998	-	126,145	96,797	407,815	-	-	407,815
Total non-cash items	189,758	57,471	34,435	85,075	99	136,179	462,133	965,150	5,502	138,070	1,108,722
Total expenses	$3,750,140	$7,283,653	$1,086,869	$1,447,397	$53,959	$1,613,084	$6,555,050	$21,790,152	$1,076,752	$3,768,471	$26,635,375