

CCVNA FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2006

AND INDEPENDENT AUDITORS' REPORT

CCVNA FOUNDATION, INC.

Table of Contents

	PAGE
Board of Directors	1
Independent Auditors' Report	2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 – 13

CCVNA FOUNDATION, INC.

Board of Directors

2006

Michael Adamson	Chair
Mary Bakke	Vice Chair
John Meyer	Treasurer
Carol Snow	Secretary
Raul Chavez	Director
Jackie Craghead	Director
James Graber	Director
Kathie Kandler	Director
Tom Mill	Director
Tom North	Director
Joy Paine	Director
Gail Quinnan	Director
Sylvana Stratton	Director

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
CCVNA Foundation, Inc.
Monterey, California**

We have audited the accompanying statement of financial position of *CCVNA Foundation, Inc.* (an affiliate company of *Central Coast Community Health Care, Inc.*) as of December 31, 2006 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the *CCVNA Foundation, Inc.*'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

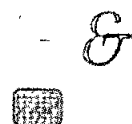
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *CCVNA Foundation, Inc.* as of December 31, 2006, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements are those of *CCVNA Foundation, Inc.* (an affiliate organization) only, and are not those of the primary reporting entity, *Central Coast Community Health Care, Inc.* The consolidated financial statements of *Central Coast Community Health Care, Inc.* and its affiliates have been issued as the financial statements of the primary reporting entity.

June 5, 2007

Hayashi & Wayland



CCVNA FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 243,772
Pledges receivable	<u>10,000</u>
Total current assets	<u>253,772</u>
PROPERTY – Net	<u>1,744</u>
OTHER ASSETS:	
Cash restricted for endowments	5,025
Investments	2,201,214
Investments restricted for endowments	87,538
Trusts receivable	<u>245,257</u>
Total other assets	<u>2,539,034</u>
TOTAL	<u><u>\$ 2,794,550</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES –	
Due to affiliates	<u>\$ 343,304</u>
OTHER LIABILITIES –	
Investments held for affiliate	<u>528,607</u>
NET ASSETS:	
Unrestricted:	
Undesignated	820,672
Board designated	302,481
Temporarily restricted	711,548
Permanently restricted	<u>87,938</u>
Total net assets	<u>1,922,639</u>
TOTAL	<u><u>\$ 2,794,550</u></u>

See Notes to Financial Statements.

CCVNA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions	\$ 167,806	\$ 86,690	\$ 2,255	\$ 256,751
Fundraising	59,636	2,116	-	61,752
Investment income	176,559	3,096	-	179,655
Change in value of trusts receivable	(2,876)	(13,610)	-	(16,486)
Other income	7	-	-	7
Amortization of bond premium	(1,104)	-	-	(1,104)
Net assets released from restrictions	294,959	(294,959)	-	-
Total support and revenue	<u>694,987</u>	<u>(216,667)</u>	<u>2,255</u>	<u>480,575</u>
EXPENSES:				
Program services	297,706	-	-	297,706
General and administrative	119,826	-	-	119,826
Development	279,157	-	-	279,157
Total expenses	<u>696,689</u>	<u>-</u>	<u>-</u>	<u>696,689</u>
CHANGE IN NET ASSETS	<u>(1,702)</u>	<u>(216,667)</u>	<u>2,255</u>	<u>(216,114)</u>
NET ASSETS, BEGINNING (AS RESTATED)	<u>1,124,855</u>	<u>928,215</u>	<u>85,683</u>	<u>2,138,753</u>
NET ASSETS, ENDING	<u>\$ 1,123,153</u>	<u>\$ 711,548</u>	<u>\$ 87,938</u>	<u>\$ 1,922,639</u>

See Notes to Financial Statements.

CCVNA FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

RECONCILIATION OF CHANGE IN NET ASSETS TO	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (216,114)
Adjustments to reconcile change in net assets to net cash used by operations:	
Depreciation	1,491
Realized/unrealized (gain) loss on investments	(134,576)
Contributions for endowment purposes	(2,255)
Change in value of trusts receivable	16,486
Donated stock	(9,968)
Amortization of bond premium	1,104
(Increase) decrease in –	
Pledges receivable	10,500
(Decrease) increase in:	
Due to affiliates	(19,736)
Investments held for affiliate	41,559
	(311,509)
NET CASH USED BY OPERATING	
ACTIVITIES	
CASH FLOWS FROM INVESTING	
ACTIVITIES:	
Proceeds from sale of investments	343,755
Purchases of investments	(230,400)
	113,355
NET CASH PROVIDED BY	
INVESTING ACTIVITIES	
CASH FLOWS FROM FINANCING	
ACTIVITIES –	
Contributions for endowment purposes	2,255
	2,255
NET CASH PROVIDED BY	
FINANCING ACTIVITIES	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(195,899)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	444,696
CASH AND EQUIVALENTS, END OF YEAR	\$ 248,797
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO	
THE STATEMENT OF FINANCIAL POSITION:	
Cash and cash equivalents	\$ 243,772
Cash restricted for endowments	5,025
	\$ 248,797
	\$ 248,797

See Notes to Financial Statements.

CCVNA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – CCVNA Foundation, Inc., (the Foundation), is a nonprofit organization that was incorporated in August of 1996. The Foundation’s purpose is to develop and maintain endowment funds and to distribute charitable funds to provide support for the delivery of health and human services provided by the Central Coast VNA and Hospice, Inc. and VNA Community Services, Inc. 501(c)(3) corporations and their related charitable organizations.

The Foundation is related to Central Coast Community Health Care, Inc. (CCCHC), Central Coast VNA and Hospice, Inc. (CCVNA), and VNA Community Services, Inc. (VNACS), by common management provided by Central Coast Community Health Care, Inc. Accounting standards require that when these relationships exist, consolidated financial statements are required to be issued. These financial statements, however, only include the operations of the Foundation, which is an affiliate organization. Accordingly, a separate report is issued which consolidates the parent organization and its affiliates.

Basis of Presentation – The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets, revenues, gains and losses, and other support and expenses and other charges in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Foundation and changes therein are classified as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for endowment and other purposes.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or a part of the income earned on related investments for general or specific purposes.

Recognition of Donor Restrictions – Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “Net assets released from restriction.”

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents – The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments – Marketable debt and equity securities are stated at market value. Increases or decreases in market value are recognized in the period in which they occur.

Unconditional Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Property – Property is recorded at cost, except for donated property which is recorded at fair market value on the date received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets are to be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to twelve years.

Donated Services – Donated services are not recorded unless such services create or enhance nonfinancial assets or require specialized skills and are so essential that they would be purchased if not provided by donation.

Taxes on Income – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state franchise tax under California Revenue and Taxation Code Section 23701(d) but is subject to taxes on unrelated business income when earned.

Functional Allocation of Expenses – The costs of providing program services and other activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates – The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RELATED PARTY TRANSACTIONS

Transactions between related organizations as specified in Note 1, consisted of management fees of \$44,103, and reimbursements of costs and/or contributions appropriately allocated among the entities, but paid/received by one.

At December 31, 2006, the outstanding balances due (to)/from these affiliates are as follows:

Central Coast Community Health Care, Inc.	\$ (364,184)
VNA Community Services, Inc.	(3,000)
Central Coast VNA and Hospice, Inc.	<u>23,880</u>
Total	<u>\$ (343,304)</u>

NOTE 3. CONCENTRATION OF CREDIT RISK FOR CASH

The Foundation maintains accounts with three banks and one stock brokerage firm. Deposits at the banks are insured by the Federal Deposit Insurance Corporation up to \$100,000 at each bank. Brokerage account balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation, and each account is insured to \$50,000,000 of invested principal by a consortium of insurance institutions. At December 31, 2006 the Foundation's cash and money market balances were fully insured.

NOTE 4. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2006 consists of a \$10,000 pledge for the Technology Fund.

NOTE 5. PROPERTY

Property at December 31, 2006 consisted of the following:

Computer equipment/software	\$ 53,954
Equipment and furniture	4,064
Vehicle	<u>20,463</u>
Total	78,481
Less accumulated depreciation	<u>76,737</u>
Property – net	<u>\$ 1,744</u>

Depreciation and amortization expense for the year ended December 31, 2006 was \$1,491.

NOTE 6. INVESTMENTS

Investments were comprised of the following at December 31, 2006:

	<u>Amortized Cost</u>	<u>Fair Market Value</u>	<u>Accumulated Unrealized Gain/(Loss)</u>
Certificates of deposit	\$ 87,538	\$ 87,538	\$ —
Corporate bonds/notes	109,021	100,266	(8,755)
Stocks/equities	1,187,385	1,629,603	442,218
U.S. Treasury notes	<u>461,636</u>	<u>471,345</u>	<u>9,709</u>
Total investments	<u>\$ 1,845,580</u>	<u>\$ 2,288,752</u>	<u>\$ 443,172</u>

The following schedule summarizes the investment return in the statement of activities for the year ended December 31, 2006:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest/dividend income	\$ 41,983	\$ 3,096	\$ 45,079
Realized/unrealized gain on investments	<u>134,576</u>	<u>—</u>	<u>134,576</u>
Total investment income	<u>\$ 176,559</u>	<u>\$ 3,096</u>	<u>\$ 179,655</u>

Of the \$2,288,752 in investments, \$528,607 are funds held for VNA Community Services, Inc. These funds were transferred to the Foundation by VNA Community Services, Inc. and are offset by a liability account "Investments held for affiliate." The net income/expenses of the funds are recorded against the liability. The net income for December 31, 2006 was \$41,559.

NOTE 7. TRUSTS RECEIVABLE

The Foundation is a beneficiary of the following trusts:

Charitable Lead Trust – The Foundation is a 10% beneficiary irrevocably for six years under the terms of the Mary B. Stuckey Charitable Lead Trust. The assets of the Trust are in no way subject to the control of the Foundation at this time. The gift amount of the Trust was \$58,800 as of December 31, 2006.

Remainder Interest in Lindley Trust – The Foundation is a 10% remainderman beneficiary under the terms of the Helen A. Lindley Trust. The Trust assets are held in trust by Citigroup as Trustee. The assets of the Trust are in no way subject to the control of the Foundation at this time. The market value of the Trust assets was approximately \$1,034,412 as of December 31, 2006.

NOTE 7. TRUSTS RECEIVABLE (Continued)

Remainder Interest in Henry Trust – The Foundation is a 10% remainderman beneficiary under the terms of the David Struble Henry Trust. The Trust assets are held in trust by Citigroup as Trustee. The assets of the Trust are in no way subject to the control of the Foundation at this time. The market value of the Trust assets was approximately \$1,270,025 as of December 31, 2006.

Remainder Interest in Chedester Trust – The Foundation is a remainderman beneficiary under the terms of the Roberta Chedester Trust. The Trust assets are held in trust by New York Life as Trustee. The assets of the Trust are in no way subject to the control of the Foundation at this time. The market value of the Trust assets was approximately \$341,843 as of December 31, 2006.

Remainder Interest in Walker Trust – The Foundation is a remainderman beneficiary under the terms of the Ken and Marilyn Walker Charitable Trust. The Trust assets are held in trust by New York Life as Trustee. The assets of the Trust are in no way subject to the control of the Foundation at this time. The market value of the Trust assets was approximately \$149,161 as of December 31, 2006.

The value of the assets to be received from these trusts is recorded at the estimated net present value. The net present value is calculated based on estimates of future earnings and payouts during the estimated remaining life expectancy of the beneficiaries and discounting back the calculated future amount to be received.

The primary assumptions used in these calculations are as follows:

- All income earned is distributed;
- The discount rate used (the cost of the time value of money to the Foundation) was 5.8% for 2006;
- Life expectancies of life beneficiaries are assumed to be those in IRS Publication 590.

The present value of the trusts receivable as of December 31, 2006 is as follows:

Lead Trust	\$	38,700
Lindley Trust		25,260
Henry Trust		31,022
Chedester Trust		104,623
Walker Trust		<u>45,652</u>
Total	\$	<u>245,257</u>

NOTE 8. NET ASSETS – BOARD DESIGNATED

Board designated net assets as of December 31, 2006 consisted of \$100,000 designated for endowment and \$202,481 in trusts receivable designated for Central Coast VNA and Hospice, Inc.

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2006 are restricted for the following purposes:

CCVNA:	
Hospice program	\$ 173,890
Patient care	120,425
General	103,062
AIM program	72,928
Patient care technology	67,606
Telehome care	28,000
Peds program	<u>6,745</u>
Subtotal	<u>572,656</u>
VNACS:	
Salinas adult day care	53,240
General day care	14,523
SART	8,420
Hilltop adult day care	6,538
Special services	5,500
Assist	1,280
Flu clinic	<u>643</u>
Subtotal	<u>90,144</u>
TIME RESTRICTION –	
Remainder trust	45,652
ENDOWMENT –	
Patient care	<u>3,096</u>
Total	<u>\$ 711,548</u>

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS (Continued)

During the course of the period, net assets whose use by the Foundation was subject to donor imposed restrictions were fulfilled by actions of the Foundation pursuant to those restrictions. These amounts are shown in the Statement of Activities as “Net assets released from restrictions.” A detail of the net assets released as of December 31, 2006 is as follows:

Assets released for:	
Patient care technology	\$ 247,500
Salinas adult day care	27,500
General (CCVNA)	18,000
Hospice programs	1,706
Peds program	<u>253</u>
Total	<u>\$ 294,959</u>

NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are composed of various donor restricted contributions to the Foundation endowment fund. Under the terms of these contributions, the original donation must be kept in perpetuity and, depending on the donors’ wishes the earnings are available for either restricted or unrestricted uses. The total of these permanently restricted contributions was \$87,938 at December 31, 2006.

NOTE 11. RESTATE NET ASSETS

Net assets at December 31, 2005 were restated as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets at December 31, 2005	\$ 934,161	\$ 1,482,298	\$ 85,221	\$ 2,501,680
Adjust endowment balance to Foundation records	(462)	—	462	—
Reclass trusts that were purchased rather than donated	202,481	(202,481)	—	—
Correct prior year gain/loss on investments	(10,737)	—	—	(10,737)
Adjust due to/from accounts	(588)	—	—	(588)
Record stock disposed of in previous year	—	(3,790)	—	(3,790)
Correct balances in compliance with FASB 136	<u>—</u>	<u>(347,812)</u>	<u>—</u>	<u>(347,812)</u>
Restated net assets at December 31, 2005	<u>\$ 1,124,855</u>	<u>\$ 928,215</u>	<u>\$ 85,683</u>	<u>\$ 2,138,753</u>

NOTE 12. LEASE COMMITMENTS

The Foundation conducts much of its business from office space in Monterey, California, subleased from Central Coast Community Health Care, Inc. on a month-to-month basis, whereby rental expense is reimbursed pro-rata based on square footage. Reimbursements during the year ended December 31, 2006 amounted to \$12,000.