

*Michalik & Daniels, LLC*

*Certified Public Accountants*

934 Western Avenue • Pittsburgh, Pennsylvania 15233  
412.322.2662 • Fax: 412.322.0513

*Verona Office*  
723 East Railroad Ave.  
Verona, PA 15147  
412.826.0533

www.eztaxtime.com

Independent Auditors' Report

To the Board of Directors  
Hospice and Palliative Nurses Foundation  
Penn Center West, Suite 229  
Pittsburgh, PA 15276

Members of the Board:

We have audited the accompanying statement of financial position of Hospice and Palliative Nurses Foundation, (a non-profit charitable corporation) as of December 31, 2005, and the related statement of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization'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 Hospice and Palliative Nurses Foundation as of December 31, 2005, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

*Michalik & Daniels LLC*

Pittsburgh, Pennsylvania  
June 21, 2006

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2005

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Assets	
Current Assets	
Cash and cash equivalents	\$ 184,990
Short term investments	148,903
Prepaid expenses	<u>1,315</u>
Total current assets	335,208
Fixed Assets	
Equipment	\$ 8,893
Less accumulated depreciation	<u>(1,927)</u>
	<u>6,966</u>
Total assets	\$ <u>342,174</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 1,442
Net Assets	
Net assets - unrestricted	131,484
Net assets - board designated	10,000
Net assets - temporarily restricted	<u>199,248</u>
Total net assets	<u>340,732</u>
Total liabilities and net assets	\$ <u>342,174</u>

The accompanying report and notes to financial statements are  
integral parts of these financial statements.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenues</b>			
Grant	\$ -0-	\$ 154,599	\$ 154,599
Contributions	90,582	1,000	91,582
Interest and dividend income	2,005		2,005
Miscellaneous	1,556		1,556
Net assets released from restrictions	<u>22,201</u>	<u>(22,201)</u>	<u>-0-</u>
<b>Total support and revenues</b>	<b>116,344</b>	<b>133,398</b>	<b>249,742</b>
<b>Expenses</b>			
Program services			
Educational and research	42,974		42,974
Supporting services			
Management and general	11,484		11,484
Fundraising	<u>22,159</u>		<u>22,159</u>
Total support services	33,643		33,643
<b>Total expenses</b>	<b>76,617</b>		<b>76,617</b>
Unrealized loss on investments	(1,097)		(1,097)
<b>Excess of support and revenue over program expenses</b>	<b>38,630</b>	<b>133,398</b>	<b>172,028</b>
Cumulative effect on prior years of accounting change	5,778	17,850	23,628 *
Net assets at beginning of year	<u>97,076</u>	<u>48,000</u>	<u>145,076</u>
Net assets at end of year	<u>\$ 141,484</u>	<u>\$ 199,248</u>	<u>\$ 340,732</u>

The accompanying report and notes to financial statements are  
integral parts of these financial statements.

\* PAGE 3, PART IV, # 25 - SECTION 481(a)  
ADJUSTMENT

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER, 31, 2005

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Cash Flow from Operating Activities:

Net excess of support and revenue over program expenses	\$ 195,783
Adjustments to reconcile excess support over program expenses:	
Unrealized loss on investments	1,097
Depreciation	<u>1,779</u>
Net Cash Provided by Operating Activities	198,659

Cash Flows From Investing Activities:

Purchase of investments	(150,000)
Purchase of equipment	<u>(1,746)</u>
Net Cash (Used) in Investing Activities	(151,746)
Net Increase (Decrease) in Cash	46,913
Cash at Beginning of the Year	<u>138,077</u>
Cash at End of the Year	\$ <u>184,990</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:	
Interest	\$ -0-
Income taxes	\$ -0-

The accompanying report and notes to financial statements are  
integral parts of these financial statements.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services	Support Services			Total Expenses
	Education & Research	Management and General	Fundraising	Total Support Services	
Board meeting	\$ 101	\$ 0	\$ 0	\$ 0	\$ 101
Travel	0	0	410	410	410
Advertising	271	0	271	271	542
Website	171	0	100	100	271
Conference calls	0	314	0	314	314
Shipping	0	0	457	457	457
Board insurance	0	750	0	750	750
Liability insurance	0	984	0	984	984
Other	0	436	0	436	436
Professional fees	5,714	0	0	0	5,714
Printing	2,500	0	2,547	2,547	5,047
Annual report printing	927	0	0	0	927
Postage	0	0	1,948	1,948	1,948
Office expense	0	0	5	5	5
Staff development	0	68	0	68	68
Accounting	0	2,143	0	2,143	2,143
Bank charges	0	10	0	10	10
Silent auction	0	0	680	680	680
Florence Wald expenses	0	0	6,401	6,401	6,401
Restricted scholarships	2,710	0	0	0	2,710
Restricted grants	1,500	0	0	0	1,500
Sigma Theta Tau grant	2,500	0	0	0	2,500
Katrina donation	15,530	0	0	0	15,530
Project	550	0	0	0	550
Wages	10,500	5,000	8,447	13,447	23,947
Equipment	0	0	893	893	893
Depreciation	0	1,779	0	1,779	1,779
	\$ 42,974	\$ 11,484	\$ 22,159	\$ 33,643	\$ 76,617

The accompanying report and notes to financial statements are integral parts of these financial statements.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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Note A - Summary of Significant Accounting Policies

**Nature of Operations**

Hospice and Palliative Nurses Foundation (HPNF) is a non-profit charitable corporation pursuant to Section 501 (c) (3) of the Internal Revenue Code. The organization's purpose is to provide educational and scientific support to nurses and other health care professionals involved in hospice and palliative care.

**Basis of Accounting**

Effective January 1, 2005, HPNF changed its method of accounting from the cash to the accrual method and, as of that date, recognizes trade accounts receivable when revenues are earned rather than when cash is received and recognizes trade accounts payable when expenses are incurred rather than when cash is disbursed. The effect of this change at January 1, 2005, in the amount of \$ (127) has been recorded in the accompanying financial statements.

**Income Taxes**

The Internal Revenue Service has determined that HPNF is exempt from federal income taxes pursuant to Section 501 (c) (3) of the Internal Revenue Code. It is also exempt from state income taxes.

**Cash and cash equivalents** – Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year-end and throughout the year, the organization's cash balances were deposited in a bank. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

**Cash Flows**

The organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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Note A - Summary of Significant Accounting Policies Continued

**Property and Equipment**

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost. Depreciation is computed using primarily the straight-line method.

**Support Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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 restrictions.

Note B - Description of Program and Support Services

The following program and support services are included in the accompanying financial statements:

**Education and Research**

Expenses associated with presenting grants, awards and scholarships to various organizations and individuals for their education and research within the hospice and palliative nursing field.

**Fundraising**

Involves inducing potential donors to contribute money, services, materials, other assets, or time to support the programs of the foundation.

**Management and General**

Includes the functions necessary to manage office operations including grant activities, foundation development, staff education and development and general marketing; and manage the financial and budgetary responsibilities of the foundation.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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Note C – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Educational Grants	\$ 19,500
Certification Scholarships	24,290
Certification Research	50,000
Salary for Director of Development	54,409
Writing Awards	1,000
Nursing Leadership Awards	<u>50,049</u>
	\$ 199,248

Note D - Donated Services and Interest-Free Loan

HPNF receives donated services from a variety of unpaid volunteers assisting the organization in its exempt activities. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

Note E – Concentration of Credit Risk

HPNF maintains cash balances at one separate financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

## Accountants' Review Report

To the Board of Directors  
Hospice and Palliative Nurses Foundation  
Penn Center West, Suite 229  
Pittsburgh, PA 15276

Members of the Board:

We have reviewed the accompanying statement of assets and net assets - cash basis of Hospice and Palliative Nurses Foundation, (a non-profit charitable corporation) as of December 31, 2004, and the related statement of support, revenue, and expenses - cash basis, cash flows - cash basis, and functional expenses - cash basis for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Hospice and Palliative Nurses Foundation.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note A.

*Michael & Daniels, LLC*

Pittsburgh, Pennsylvania  
September 14, 2005

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF ASSETS AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2004

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Assets

Current Assets

Cash and cash equivalents \$ 138,077

Fixed Assets

Equipment \$ 7,147  
Less accumulated depreciation (148) 6,999

Total Assets \$ 145,076

Net Assets

Net Assets

Net assets - unrestricted \$ 95,576  
Net assets - board designated 1,500  
Net assets - temporarily restricted 48,000

Total Net Assets \$ 145,076

See accompanying notes and accountants' report.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Grant	\$ 3,000	\$ 35,000	\$ 38,000
Contributions	28,731		28,731
Interest income	1,086		1,086
Miscellaneous	2,414		2,414
Net assets released from restrictions	<u>31,959</u>	<u>(31,959)</u>	<u>-0-</u>
Total support and revenues	67,190	3,041	70,231
Expenses			
Program services			
Educational and research	12,348		12,348
Supporting services			
Management and general	5,304		5,304
Fundraising	<u>26,568</u>		<u>26,568</u>
Total support services	31,872		31,872
Total expenses	44,220		44,220
Excess of support and revenue over program expenses	22,970	3,041	26,011
Net assets at beginning of year	<u>74,106</u>	<u>44,959</u>	<u>119,065</u>
Net assets at end of year	\$ <u>97,076</u>	\$ <u>48,000</u>	\$ <u>145,076</u>

See accompanying notes and accountants' report.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF CASH FLOWS-CASH BASIS  
FOR THE YEAR ENDED DECEMBER, 31, 2004

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Cash Flow from Operating Activities:

Net excess of support and revenue over program expenses	\$ 26,011
Adjustments to reconcile excess support over program expenses:	
Depreciation	<u>148</u>
Net Cash Provided by Operating Activities	26,159

Cash Flows From Investing Activities:

Purchase of equipment	<u>(7,147)</u>
Net Cash (Used) in Investing Activities	(7,147)

Net Increase (Decrease) in Cash	19,012
Cash at Beginning of the Year	<u>119,065</u>
Cash at End of the Year	\$ <u>138,077</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:	
Interest	\$ -0-
Income taxes	\$ -0-

See accompanying notes and accountants' report.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Services	Support Services			Total Expenses
	Education & Research	Management and General	Fundraising	Total Support Services	
Board meeting	\$ 1,397	\$ 1,397	\$ 1,398	\$ 2,795	\$ 4,192
Board travel	113	114	114	228	341
Travel	696	696	697	1,393	2,089
Conference calls	42	42	43	85	127
Shipping	21	22	22	44	65
Board insurance	708	708	708	1,416	2,124
Liability insurance	322	323	323	646	968
Other	160	161	161	322	482
Professional fees	894	894	894	1,788	2,682
Printing	0	0	1,071	1,071	1,071
Postage	0	0	47	47	47
Banner	0	0	841	841	841
Staff development	0	0	221	221	221
Accounting	857	858	858	1,716	2,573
Bank charges	8	9	9	18	26
Silent auction	0	0	56	56	56
Teleconferences	0	0	39	39	39
Unrestricted scholarship	2,038	0	0	0	2,038
Restricted grants	2,000	0	0	0	2,000
Sigma Theta Tau grant	2,495	0	0	0	2,495
Project	516	0	0	0	516
Wages	0	0	18,985	18,985	18,985
Depreciation	49	49	50	99	148
Freight & delivery	31	31	31	62	93
	<u>\$ 12,348</u>	<u>\$ 5,304</u>	<u>\$ 26,568</u>	<u>\$ 31,872</u>	<u>\$ 44,220</u>

See accompanying notes and accountants' report.

HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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Note A - Summary of Significant Accounting Policies

**Nature of Operations**

Hospice and Palliative Nurses Foundation (HPNF) is a non-profit charitable corporation pursuant to Section 501 (c) (3) of the Internal Revenue Code. The organization's purpose is to provide educational and scientific support to nurses and other health care professionals involved in hospice and palliative care.

**Basis of Accounting**

HPNF's policy is to prepare its financial statements on the cash basis of accounting, consequently certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

**Income Taxes**

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**Cash Flows**

The organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Estimates**

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HOSPICE AND PALLIATIVE NURSES FOUNDATION  
(A Non-Profit Charitable Corporation)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

---

Note A - Summary of Significant Accounting Policies Continued

**Property and Equipment**

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