The Visiting Nurse Association of Texas

Consolidated Financial Report
June 30, 2018

C O N T E N T S

Independent Auditor's Report

To the Board of Directors
The Visiting Nurse Association of Texas

Report on the Consolidated Financial Statements

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, 2018, 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 consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 reasonable basis for our audit opinion.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970 | Fax:972.702.8321
CPAs AND ADVISORS | WEAVER.COM

The Board of Directors
The Visiting Nurse Association of Texas

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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet, consolidating schedule of operations and changes in net assets, and schedule of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The consolidated balance sheet as of June 30, 2017 and the consolidated cash flows for the year then ended, were audited by other auditors whose report dated November 7, 2017, expressed an unmodified opinion on those consolidated statements. The summarized consolidated statement of operations and changes in net assets for the year ended June 30, 2017, was derived from the statement of operations and changes in net assets, which was audited by other auditors.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report, dated November 9, 2018, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 9, 2018

The Visiting Nurse Association of Texas

Consolidated Balance Sheets

June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 3,640,752	$ 5,716,992
Accounts receivable, net of allowance of $696,230 and $813,649 respectively	2,938,527	2,921,547
Pledges receivable, current	375,000	750,000
Prepaid expenses and other current assets	164,911	161,652
Total current assets	7,119,190	9,550,191
Investments, at fair value	11,968,102	11,140,198
Pledges receivable, net of current	93,493	358,502
Property and equipment, net	8,434,301	7,996,304
TOTAL ASSETS	$ 27,615,086	$ 29,045,195
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 2,565,064	$ 2,285,550
Accrued payroll and vacation expenses	739,516	697,467
Total liabilities	3,304,580	2,983,017
Net assets		
Unrestricted	18,244,190	19,072,362
Temporarily restricted	2,097,708	3,021,208
Permanently restricted	3,968,608	3,968,608
Total net assets	24,310,506	26,062,178
TOTAL LIABILITIES AND NET ASSETS	$ 27,615,086	$ 29,045,195

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Visiting Nurse Association of Texas

Consolidated Statements of Operations
and Changes in Net Assets
For the Years Ended June 30, 2018 and 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
REVENUES					
Net patient service revenue	$ 18,736,282	$ -	$ -	$ 18,736,282	$ 19,076,038
Contributions	479,538	3,874,372	-	4,353,910	4,886,855
Grant revenue	1,892,878	-	-	1,892,878	2,129,892
Investment income	309,741	-	-	309,741	260,184
Other income	3,843	-	-	3,843	6,481
Net assets released from restrictions	4,797,872	(4,797,872)	-	-	-
Total revenues	26,220,154	(923,500)	-	25,296,654	26,359,450
EXPENSES					
Personnel costs	13,925,023	-	-	13,925,023	14,367,676
Supplies	5,852,380	-	-	5,852,380	5,887,678
Other operating expenses	6,586,072	-	-	6,586,072	5,746,992
Provision for bad debt	501,801	-	-	501,801	382,644
Depreciation and amortization	666,773	-	-	666,773	541,744
Total expenses	27,532,049	-	-	27,532,049	26,926,734
Excess (deficiency) of revenue over (under) expense	(1,311,895)	(923,500)	-	(2,235,395)	(567,284)
Net unrealized gains on investments	483,723	-	-	483,723	572,308
Change in net assets	(828,172)	(923,500)	-	(1,751,672)	5,024
Net assets at beginning of year	19,072,362	3,021,208	3,968,608	26,062,178	26,057,154
Net assets at end of year	$ 18,244,190	$ 2,097,708	$ 3,968,608	$ 24,310,506	$ 26,062,178

The Notes to Consolidated Financial Statements
are an integral part of these statements.

The Visiting Nurse Association of Texas

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,751,672)	$ 5,024
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	666,773	541,744
Change in discount on pledges	(9,991)	14,457
Net unrealized gains on investments	(483,723)	(572,308)
Investment income reinvested, net	(87,026)	(400,715)
Realized gain on sale of investments	(18,575)	(28,976)
Provision for bad debts	(104,260)	382,644
Loss on disposal of fixed assets	-	6,205
Changes in operating assets and liabilities		
Accounts receivable	87,280	(582,657)
Pledges receivable	650,000	1,727,512
Prepaid expenses and other current assets	(3,259)	8,851
Accounts payable and accrued liabilities	279,514	(314,580)
Accrued payroll and vacation expenses	42,049	3,392
Net cash provided by (used in) operating activities	(732,890)	790,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,104,770)	(472,337)
Purchases of investments	(1,414,094)	(786,270)
Proceeds from sales of investments	1,175,514	1,002,505
Net cash used in investing activities	(1,343,350)	(256,102)
Net change in cash and cash equivalents	(2,076,240)	534,491
CASH AND CASH EQUIVALENTS, beginning of year	5,716,992	5,182,501
CASH AND CASH EQUIVALENTS, end of year	$ 3,640,752	$ 5,716,992

The Notes to Consolidated Financial Statements
are an integral part of these statements.

The Visiting Nurse Association of Texas
Notes to Consolidated Financial Statements

Note 1. 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) are engaged in community health programs to provide private home care, hospice, and nutrition services for residents of Dallas and nine other Texas counties.

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 2. 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:

<u>Unrestricted net assets</u> - Net assets not subject to donor-imposed stipulations.

<u>Temporarily restricted net assets</u> - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Corporation and/or the passage of time.

<u>Permanently restricted net assets</u> - 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 received with temporary restrictions which are satisfied in the same reporting period are accounted for as described above and are included in net assets released from restrictions in the accompanying consolidated statements of operations and changes in 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.

The Corporation interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the State of Texas as allowing the Corporation, absent donor stipulations to the contrary as stated in the gift instrument, to appropriate as much of a donor-restricted endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established.

Realized and unrealized gains 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; and
- As increases (decreases) in unrestricted net assets in all other cases.

Excess (Deficiency) of Revenue Over (Under) Expenses

The statement of operations and changes in net assets includes excess (deficiency) of revenue over (under) expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over 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.

Net patient service revenue percentages by source before the provision for bad debt for the years ended June 30, 2018 and 2017 are as follows:

	June 30,	
	2018	2017
Medicare	69%	59%
Medicaid	9%	9%
Private Pay and Insurance	5%	10%
State and County	17%	22%
Total	100%	100%

Cash and Cash Equivalents

Cash equivalents are comprised of demand deposits and short-term investments with original maturities of three months or less. The Corporation maintains cash balances in financial institutions which, at times, may exceed federally insured limits. The Corporation has not experienced losses on these accounts.

Investments

Investments are carried at fair value, which is determined based on quoted market prices. Gains and losses on transactions are recorded when realized based on the original cost (amortized in the case of bonds) of the investments sold based on the specific identification method. The net realized and unrealized gains or losses on investments are reflected in the statements of operations and changes in net assets.

Accounts Receivable

The Corporation's accounts receivable relate to patient services. Credit is extended to patients and third party payers 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 payers net of contractual allowances and an allowance for doubtful accounts. Accounts are generally considered past due after 60 days. The Corporation determines its allowance based on past due accounts. Significantly past due invoices are charged to the allowance for uncollectible accounts and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and contribution revenue, when the promise is made. 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 on the contribution.

Pledges receivable and related contributions are initially recorded at their net realizable value based on amounts expected to be collected from donors. This valuation reflects net pledge balances at a level which, in the judgement of management, is adequate to meet the potential risk of uncollectibility of the receivable. Management's judgment of the uncollectibility is based on a variety of factors, which include experience related to charge offs and recoveries, previous collection history and scrutiny of individual accounts. Specific accounts are written off only upon notification from donors that the pledges are no longer collectible. There is no allowance on pledges receivable for the years ended June 30, 2018, and 2017.

Property and Equipment

The Corporation follows a policy of capitalizing 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 the useful life or related lease term.

Income Taxes

The Corporation is given 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, 2018 or 2017.

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 statement of activities for the years ended June 30, 2018 or 2017.

Advertising Expenses

The Corporation expenses advertising costs as incurred. Advertising expenses were approximately $184,000 and $195,000 for the years ending June 30, 2018 and 2017, 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 14. 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 net assets available for such purposes.

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, 2017, 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 $5,806,000 and $5,126,000 in 2018 and 2017 respectively. The estimated cost of charity care services were determined using a ratio of cost to total costs and applying that ratio to the total cost associated with providing services to charity clients for the period. 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, 2018 and 2017, were approximately $3,313,000 and $3,898,000 respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers", which supersedes all existing revenue recognition guidance under current accounting principles generally accepted in the United States of America (GAAP). This guidance was subsequently clarified by ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" in March 2016. The new standard requires the recognition of revenue to depict the transfer of promised goods or services to customers while exercising extensive judgment and use of estimates. This accounting standard is effective for the Corporation beginning in fiscal year 2020, and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Corporation is currently evaluating the impact to its future financial statements.

In January 2016, the FASB issued ASU No 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which makes limited amendments to the guidance in U.S. GAAP on the classification and measurement of financial instruments. The update significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The update will take effect for the Corporation for fiscal years beginning after December 15, 2018. The Corporation does not believe the adoption of this ASU will have a material effect on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. ASU 2016-02 is effective for the Corporation beginning fiscal year 2021. The Corporation is currently evaluating the impact to its future financial statements.

In August 2016, the FASB issued ASU. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities". This standard requires a different presentation for net asset classifications, as well as requires additional disclosures about liquidity, financial performance and cash flows. The standard is effective for the Corporation beginning fiscal year 2019. The Corporation is currently evaluating the impact to its future financial statements.

There have been no other recently issued accounting updates that have or are expected to have a material impact on the Corporation's consolidated financial statements.

Reclassifications

Certain accounts relating to the prior period have been reclassified to conform to the current year's presentation. The reclassifications have no effect on prior period change in net assets.

Note 3. Pledges Receivable

Pledges receivable as of June 30, 2018 are summarized as follows:

	Pledges due in less than one year	Pledges due within 1 to 5 year	Less unamortized present value discount	Pledges receivable balance
Pledges outstanding	$ 375,000	$ 100,000	$ (6,507)	$ 468,493

Pledges receivable as of June 30, 2017 are summarized as follows:

	Pledges due in less than one year	Pledges due within 1 to 5 year	Less unamortized present value discount	Pledges receivable balance
Pledges outstanding	$ 750,000	$ 375,000	$ (16,498)	$ 1,108,502

Note 4. Investments

Investments at fair value consist of the following:

	June 30, 2018		June 30, 2017	
Marketable securities	$	11,408,329	$	10,686,026
Deferred compensation account		559,773		454,172
	$	11,968,102	$	11,140,198

The following summarizes investment returns:

	June 30, 2018		June 30, 2017	
Dividend and interest income	$	291,166	$	231,208
Net realized gains on investments		18,575		28,976
Investment income		309,741		260,184
Net unrealized gains on investments	$	483,723	$	572,308

Investment fees were approximately $70,000 and $65,000 for the years ended June 30, 2018 and 2017, respectively, and are included in other operating expenses in the accompanying consolidated statement of operations and changes in net assets.

Note 5. 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 standard establishes 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.

Mutual fund accounts: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. There are no redemption restrictions on these funds.

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, 2018	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Corporate equities	$ 8,153,901	$ 8,153,901	$ -	$ -
Corporate Bonds	1,776,909	-	1,776,909	-
Government Bonds	404,102	404,102	-	-
Open-end fund	90,200	90,200	-	-
Index fund	582,036	582,036	-	-
Bond fund	555,300	555,300	-	-
Total investments, at fair value	$ 11,562,448	$ 9,785,539	$ 1,776,909	$ -

		Fair Value Measurements Using		
As of June 30, 2017	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Corporate equities	$ 6,917,187	$ 6,917,187	$ -	$ -
Corporate Bonds	1,978,210	-	1,978,210	-
Government Bonds	408,376	408,376	-	-
Open-end fund	86,724	86,724	-	-
Index fund	886,298	886,298	-	-
Bond fund	569,100	569,100	-	-
	$ 10,845,895	$ 8,867,685	$ 1,978,210	$ -

Cash held in investments was $405,654 and $294,303 for the years ended June 30, 2018 and 2017, respectively.

Marketable investments are comprised of equity securities, fixed income securities, 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. There were no unfunded commitments related to these investments at June 30, 2018.

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 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, 2018. See Note 8.

Note 6. Accounts Receivable

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

	2018	2017
Beginning balance	$ 813,649	$ 559,217
Provision for bad debts	501,801	382,644
Accounts written-off	(619,220)	(128,212)
Ending balance	$ 696,230	$ 813,649

Note 7. Property and Equipment

A summary of property and equipment is as follows:

	2018	2017
Buildings and improvements	$ 8,267,730	$ 8,246,444
Equipment, furniture and fixtures	7,291,636	6,821,042
	15,559,366	15,067,486
Less accumulated depreciation and amortization	(8,654,501)	(7,987,728)
Software in development	888,936	276,046
Land	640,500	640,500
Ending balance	$ 8,434,301	$ 7,996,304

Depreciation expense was approximately $667,000 and $542,000 for the years ended June 30, 2018 and 2017, respectively.

Note 8. Deferred Compensation Plan

The Corporation entered into deferred compensation agreements with executive management. The agreements provide for twenty-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 in VNA's sponsored 457(b) Plan.

The employee can withdraw the fair 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 $559,773 and $454,173 were included in investments held at fair value and accounts payable and accrued liabilities in the accompanying consolidated balance sheets as of June 30, 2018 and 2017, respectively.

Note 9. Estimated Third-Party Payer Settlements

The Corporation has agreements with third-party payers 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 payers.

Medicare is the Corporation's most significant third-party payer, which accounted for 69% and 59% of net patient service revenue for each of the years ended June 30, 2018 and 2017, respectively.

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

On January 1, 2016 CMS (Medicare), implemented a refinement to the Medicare hospice reimbursement per diem. This refinement eliminated the single-tier per diem for routine hospice care and replaced it with a two-tiered rate, with a higher per diem for the first 60 days of care, and a lower rate for days 61 and after. The Corporation has not experienced a major change in total revenue because of these refinements.

Note 10. State Program Reimbursement

The Corporation provides services to patients under several state program contracts administered by the Texas Department of Aging and Disability Services (DADS). These contracts provide for reimbursement of services based on a negotiated fee for service arrangement. Beginning in February of 2011, DADS contracted with two managed care organizations to provide state Medicaid services through the Star Plus Program in the Dallas County catchment area. Currently Title XIX and Title XX services are managed and reimbursed by these managed care companies. Local community-raised funds may 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.

Note 11. Restrictions on Net Assets

Permanently restricted net assets are restricted for the following purposes:

	June 30, 2018	June 30, 2017
Program services	$ 3,523,097	$ 3,523,097
Indigent care	144,751	144,751
Other purposes	300,760	300,760
	$ 3,968,608	$ 3,968,608

Temporarily restricted net assets are restricted for the following purposes:

	June 30, 2018	June 30, 2017
Property and equipment	$ 1,338,536	$ 1,318,274
Indigent care	735,328	1,681,619
Other purposes	23,844	21,315
	$ 2,097,708	$ 3,021,208

Note 12. 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:

	June 30, 2018	June 30, 2017
Indigent care at billable rates	$ 3,132,388	$ 5,220,924
Property and equipment	1,662,667	240,740
Other operating purposes	2,817	3,702
	$ 4,797,872	$ 5,465,366

Note 13. Donated Services

The Corporation receives donated services from volunteers who provide assistance primarily with the Meals on Wheels and Hospice programs. These services are not reflected in the accompanying consolidated statements of operations 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 14. Functional Allocation of Expenses

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

	June 30, 2018	June 30, 2017
Program	$ 23,387,941	$ 21,858,184
Fundraising	1,674,796	1,670,871
Management and general	2,469,312	3,397,679
Total expenses and other deductions	$ 27,532,049	$ 26,926,734

Note 15. Leases

The Corporation leases equipment, various branch offices, and the administrative office under operating leases expiring through 2023. Lease expense under these leases was approximately $713,000 and $677,000 during the years ended June 30, 2018 and 2017, 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, 2018:

Year ending June 30,		
2019	$	648,071
2020		517,064
2021		223,655
2022		38,303
2023		7,734
	$	1,434,827

Note 16. 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 100% of the participant's contribution up to a maximum of 6% of the annual compensation of the participant. The Corporation's contributions to the plan for the years ended June 30, 2018 and 2017 were approximately $261,000 and $348,000, respectively.

Note 17. Concentration of Credit Risk

Receivables from government agencies represent approximately 77% of gross accounts receivable from program services at June 30, 2018 and 2017, 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. Nongovernmental receivables consist of receivables from various payers, 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 uncollectible 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 18. 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 19. 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 approximately $1,769,000 to the Corporation in the last two fiscal years, including approximately $459,000 and $1,310,000 in each of the fiscal years ended June 30, 2018 and 2017, respectively.

Note 20. Subsequent Events

Subsequent events that would impact the consolidated financial statements or related disclosures have been evaluated through November 9, 2018, 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.

Supplementary Information

The Visiting Nurse Association of Texas

Consolidating Balance Sheet

June 30, 2018

	VNA	VNA of Texas Foundation	Consolidated Total
ASSETS			
Cash and cash equivalents	$ 3,640,752	$ -	$ 3,640,752
Accounts receivable, net	2,937,084	1,443	2,938,527
Pledges receivable, current	375,000	-	375,000
Intercompany	4,211,942	(4,211,942)	-
Prepaid expenses and other current assets	157,771	7,140	164,911
Total current assets	11,322,549	(4,203,359)	7,119,190
Investments, at fair value	559,773	11,408,329	11,968,102
Pledges receivable, net of current	93,493	-	93,493
Property and equipment, net	8,406,422	27,879	8,434,301
TOTAL ASSETS	$ 20,382,237	$ 7,232,849	$ 27,615,086
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued liabilities	$ 2,565,064	$ -	$ 2,565,064
Accrued payroll and vacation expenses	693,515	46,001	739,516
Total liabilities	3,258,579	46,001	3,304,580
Net assets			
Unrestricted	15,555,071	2,689,119	18,244,190
Temporarily restricted	1,568,587	529,121	2,097,708
Permanently restricted	-	3,968,608	3,968,608
Total net assets	17,123,658	7,186,848	24,310,506
TOTAL LIABILITIES AND NET ASSETS	$ 20,382,237	$ 7,232,849	$ 27,615,086

The Visiting Nurse Association of Texas

Consolidating Schedule of Operations
and Changes in Net Assets
Year Ended June 30, 2018

	VNA	VNA of Texas Foundation	Consolidated Total
REVENUES			
Patient service revenue	$ 18,736,282	$ -	$ 18,736,282
Contributions	4,336,505	17,405	4,353,910
Grant revenue	1,892,878	-	1,892,878
Investment income	3	309,738	309,741
Miscellaneous income	3,843	-	3,843
Total revenues	24,969,511	327,143	25,296,654
EXPENSES			
Personnel costs	13,058,070	866,953	13,925,023
Supplies	5,851,328	1,052	5,852,380
Other operating expenses	5,790,390	795,682	6,586,072
Provision for bad debt	501,801	-	501,801
Depreciation and amortization	655,664	11,109	666,773
Total expenses	25,857,253	1,674,796	27,532,049
Excess (deficiency) of revenue over (under) expense	(887,742)	(1,347,653)	(2,235,395)
Net unrealized gains on investments	-	483,723	483,723
Change in net assets	(887,742)	(863,930)	(1,751,672)
Net assets at beginning of year	18,011,400	8,050,778	26,062,178
NET ASSETS AT END OF YEAR	$ 17,123,658	$ 7,186,848	$ 24,310,506

The Visiting Nurse Association of Texas

Schedule of Functional Expenses

For the Year Ended June 30, 2018

	Hospice	Private Duty	Meals on Wheels	Program Total	Fundraising Total	Management and General	FY 2018 Total
EXPENSES							
Expenses							
Salaries	$ 6,370,143	$ 518,272	$ 2,260,850	$ 9,149,265	$ 655,288	$ 1,370,183	$ 11,174,736
Retirement plans	164,936	1,454	39,948	206,338	50,793	151,041	408,172
Payroll taxes	474,010	33,082	173,182	680,274	44,519	87,482	812,275
Worker's injury	47,126	6,778	43,361	97,265	878	2,137	100,280
Employee insurance benefits	898,619	65,177	191,014	1,154,810	115,477	159,273	1,429,560
Total personnel costs	7,954,834	624,763	2,708,355	11,287,952	866,955	1,770,116	13,925,023
Insurance	86,391	11,101	51,361	148,853	18,792	36,833	204,478
Legal & audit	-	-	-	-	-	197,335	197,335
Professional fees	729,048	1,157	31,730	761,935	26,788	27,447	816,170
Patient DME/Inpt/Resp/R&B	2,239,753	-	-	2,239,753	-	-	2,239,753
Patient supplies & drugs	879,723	112	28,504	908,339	-	-	908,339
Office supplies	20,668	310	34,623	55,601	1,052	19,704	76,357
Telecommunications	270,587	5,057	112,843	388,487	16,770	29,927	435,184
Postage & delivery	8,813	207	5,516	14,536	321,394	11,682	347,612
Occupancy	283,091	25,722	300,745	609,558	51,372	144,772	805,702
Printing & copying	50,698	1,595	12,506	64,799	7,829	5,983	78,611
Transportation	314,303	3,763	111,160	429,226	3,780	4,727	437,733
Conferences & meetings	88,781	487	38,540	127,808	8,557	16,725	153,090
Food	-	-	4,305,141	4,305,141	-	-	4,305,141
Recruitment & advertising	115,504	3,708	15,072	134,284	4,529	45,567	184,380
Computer services	169,271	3,939	307,056	480,266	82,568	11,908	574,742
Membership dues	39,505	261	8,945	48,711	320	5,604	54,635
Equipment	29,096	515	176,059	205,670	7,247	52,633	265,550
Other expenses	15,992	-	15,064	31,056	245,734	76,850	353,640
Total before non-cash items	13,296,058	682,697	8,263,220	22,241,975	1,663,687	2,457,813	26,363,475
Equipment depreciation	70,135	1,786	208,036	279,957	11,109	6,434	297,500
Leasehold improvements	7,985	85	276,740	284,810	-	5,065	289,875
Amortization	-	-	79,398	79,398	-	-	79,398
Provision for bad debts	186,338	131,428	184,035	501,801	-	-	501,801
Total non-cash items	264,458	133,299	748,209	1,145,966	11,109	11,499	1,168,574
TOTAL EXPENSES	$ 13,560,516	$ 815,996	$ 9,011,429	$ 23,387,941	$ 1,674,796	$ 2,469,312	$ 27,532,049