Consolidated Financial Statements and Report of Independent Certified Public Accountants

The Visiting Nurse Association of Texas

June 30, 2016

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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The Visiting Nurse Association of Texas

Report on the 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, 2016, 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 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 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.

Grant Thornton

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, 2016, 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

Supplementary information

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.

Report on 2015 summarized comparative information

We have previously audited the Corporation's 2015 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 11, 2015. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 1, 2016, 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.

Grant Thornton LLP

Dallas, Texas
November 1, 2016

The Visiting Nurse Association of Texas

CONSOLIDATED BALANCE SHEET

June 30, 2016 and 2015

ASSETS	2016	2015
Cash and cash equivalents	$ 5,182,501	$ 6,254,547
Accounts receivable, net of allowance of $559,217 and $340,577 respectively	2,721,534	2,878,691
Pledges receivable, current	2,038,672	288,588
Prepaid expenses and other current assets	170,503	157,418
Total current assets	10,113,210	9,579,244
Investments at market value	10,354,434	10,033,909
Pledges receivable, net	811,799	684,573
Property and equipment, net of accumulated depreciation and amortization	8,071,916	6,901,631
Total assets	$29,351,359	$27,199,357
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 2,600,130	$ 2,096,537
Accrued payroll and vacation expenses	694,075	676,878
Total current liabilities	3,294,205	2,773,415
Net assets		
Unrestricted	17,004,071	18,290,903
Temporarily restricted	5,584,475	2,666,431
Permanently restricted	3,468,608	3,468,608
Total net assets	26,057,154	24,425,942
Total liabilities and net assets	$29,351,359	$27,199,357

The accompanying notes are an integral part of this consolidated statement.

The Visiting Nurse Association of Texas

CONSOLIDATED STATEMENT OF OPERATIONS
AND CHANGES IN NET ASSETS

For the Years ended June 30, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
Revenues					
Net patient service revenue	$20,707,859	$ -	$ -	$20,707,859	$20,454,687
Contributions	1,417,952	6,430,544	-	7,848,496	6,795,857
Grant revenue	1,970,567	-	-	1,970,567	1,637,315
Investment income	220,628	-	-	220,628	360,687
Miscellaneous income	6,966	-	-	6,966	3,533
Net assets released for capital	-	-	-	-	46,209
Net assets released for operating	3,512,500	(3,512,500)	-	-	-
Total revenues	27,836,472	2,918,044	-	30,754,516	29,298,288
Expenses					
Personnel costs	15,728,354	-	-	15,728,354	13,961,771
Supplies	6,048,415	-	-	6,048,415	5,334,180
Other operating expenses	6,709,840	-	-	6,709,840	6,951,545
Provision for bad debts	268,071	-	-	268,071	86,160
Depreciation and amortization	482,437	-	-	482,437	564,572
Total expenses	29,237,117	-	-	29,237,117	26,898,228
(Deficiency) excess of revenue over (under) expense	(1,400,645)	2,918,044	-	1,517,399	2,400,060
Net unrealized gains (losses) on investments	113,813	-	-	113,813	(89,051)
Net assets released for capital	-	-	-	-	(46,209)
Change in net assets	(1,286,832)	2,918,044	-	1,631,212	2,264,800
Net assets at beginning of year	18,290,903	2,666,431	3,468,608	24,425,942	22,161,142
Net assets at end of year	$17,004,071	$ 5,584,475	$3,468,608	$26,057,154	$24,425,942

The accompanying notes are an integral part of this consolidated statement.

The Visiting Nurse Association of Texas

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Years ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,631,212	$ 2,264,800
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	482,437	564,572
Change in discount on pledges	13,401	3,592
Net unrealized (gains) losses on investments	(113,813)	89,051
Investment income reinvested, net	(34,259)	124,594
Realized gain on sale of investments	(3,739)	(167,257)
Provision for bad debts	268,071	86,160
Loss on disposal of fixed assets	-	3,208
Changes in operating assets and liabilities		
Accounts receivable	(110,914)	(96,131)
Pledges receivable	(1,890,711)	(976,753)
Prepaid expenses and other current assets	(13,085)	45,598
Accounts payable and accrued liabilities	503,593	186,295
Accrued payroll and vacation expenses	17,197	106,807
Net cash provided by operating activities	749,390	2,234,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,652,722)	(390,324)
Purchases of investments	(1,560,759)	(5,188,555)
Proceeds from sales of investments	1,392,045	4,886,750
Net cash used in investing activities	(1,821,436)	(692,129)
Net (decrease) increase in cash and cash equivalents	(1,072,046)	1,542,407
Cash and cash equivalents at beginning of year	6,254,547	4,712,140
Cash and cash equivalents at end of year	$ 5,182,501	$ 6,254,547

The accompanying notes are an integral part of this consolidated 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") are engaged in community health programs to provide private home care, hospice, and nutrition services for residents of Dallas and nine other Texas counties. The Corporation is 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.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 and in capital contributions released from restrictions in the accompanying consolidated statement 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 (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;
- as increases (decreases) in unrestricted net assets in all other cases.

Excess of Revenue Over Expenses

The statement of operations and changes in net assets includes excess of revenue over 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 before the provision for bad debt by source for the years ended June 30, 2016 and 2015 are as follows:

	June 30,	
	2016	2015
Medicare	56%	59%
Medicaid	10%	10%
Private Pay and Insurance	11%	8%
State and County	23%	23%
Total	100%	100%

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pledge Receivables

Unconditional promises to give are recorded as pledge receivables and contribution revenue, when the promise is made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contribution.

Pledge receivables 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.

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, 2016 or 2015.

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, 2016 or 2015.

Advertising Expenses

The Corporation expenses advertising costs as incurred. Advertising expenses were approximately $444,000 and $474,000 for the years ending June 30, 2016 and 2015, respectively, and are included in other operating expenses in the accompanying consolidated statement of operations and changes in net assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 N. 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.

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, 2015, 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 $4,634,543 and $3,907,405 in 2016 and 2015 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, 2016 and 2015, were approximately $4,526,000 and $3,643,000, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", which supersedes all existing revenue recognition guidance under current 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 with the year ending December 29, 2018, and is to be applied. The Corporation is currently evaluating the impact to its future 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 after December 15, 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.

NOTE C - PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2016 are summarized as follows:

	Pledges due in less than one year	Pledges due within 1 to 5 years	Less: unamortized present value discount	Pledges receivable balance, net
Pledges outstanding	$2,050,000	$825,000	$(24,529)	$2,850,471

Pledges receivable as of June 30, 2015 are summarized as follows:

	Pledges due in less than one year	Pledges due within 1 to 5 years	Less: unamortized present value discount	Pledges receivable balance, net
Pledges outstanding	$ 300,000	$ 700,000	$ (26,839)	$973,161

NOTE D - INVESTMENTS

Investments at market value consist of the following:

	June 30,	
	2016	2015
Marketable securities	$ 9,919,251	$ 9,646,449
Deferred compensation account	435,183	387,460
	$10,354,434	$10,033,909

The following summarizes investment returns:

	Years ended June 30,	
	2016	2015
Dividend and interest income	$216,890	$193,430
Net realized gains on investments	3,738	167,257
Investment income	220,628	360,687
Net unrealized gains (losses) on investments	$113,813	$ (89,051)

Investment fees were approximately $62,000 and $63,000 for the years ended June 30, 2016 and 2015, respectively, and are included in other operating expenses in the accompanying consolidated statement of operations and changes in net assets.

NOTE E - 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.

NOTE E - 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, 2016	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 122,313	$ 122,313	$ -	$ -
Corporate equities	6,395,414	6,395,414	-	-
Fixed income securities	2,974,305	2,974,305	-	-
Open-end fund	85,319	85,319	-	-
Real estate fund	341,900	341,900	-	-
Total marketable investments	9,919,251	9,919,251	-	-
Mutual fund	435,183	-	435,183	-
	$10,354,434	$9,919,251	$ 435,183	$ -

		Fair Value Measurements Using		
As of June 30, 2015	Total	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	$ 177,204	$ 177,204	$ -	$ -
Corporate equities	6,745,108	6,745,108	-	-
Fixed income securities	2,507,247	2,507,247	-	-
Open-end fund	86,130	86,130	-	-
Real estate fund	130,760	130,760	-	-
Total marketable investments	9,646,449	9,646,449	-	-
Mutual fund	387,460	-	387,460	-
	$10,033,909	$9,646,449	$ 387,460	$ -

Marketable securities are comprised of equity securities, fixed income securities, and multi-strategy equity funds, and money markets which are held with the same external investment manager.

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

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, 2016.

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, 2016. See Note H.

NOTE F - ACCOUNTS RECEIVABLE

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

	2016	2015
Beginning balance	$340,577	$ 425,907
Provision for bad debts	268,071	86,160
Accounts written-off	(49,431)	(171,490)
Ending balance	$559,217	$ 340,577

NOTE G - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	June 30,	
	2016	2015
Buildings and improvements	$ 8,246,081	$ 6,921,816
Equipment, furniture and fixtures	6,648,344	6,445,569
	14,894,425	13,367,385
Less accumulated depreciation and amortization	(7,463,009)	(7,106,254)
	7,431,416	6,261,131
Land	640,500	640,500
Ending balance	$ 8,071,916	$ 6,901,631

Depreciation and amortization expense was approximately $482,000 and $565,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE H - 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.

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 $435,183 and $387,460 were included in investments and accrued liabilities in the accompanying consolidated balance sheet as of June 30, 2016 and 2015, respectively.

NOTE I - ESTIMATED THIRD-PARTY PAYOR 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 56% and 59% of net patient service revenue, respectively, for each of the years ended June 30, 2016 and 2015.

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 recognizes revenue as services are administered at the available rate at that time.

NOTE J - 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 K - RESTRICTIONS ON NET ASSETS

Income from permanently restricted net assets is restricted for the following purposes:

	June 30,	
	2016	2015
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,	
	2016	2015
Property and equipment	$1,486,463	$ 52,861
Indigent care	4,075,070	2,582,288
Other purposes	22,942	31,282
	$5,584,475	$2,666,431

NOTE L - 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,	
	2016	2015
Indigent care at billable rates	$2,854,576	$2,167,908
Property and equipment	71,002	15,608
Capital campaign	-	46,209
Other operating purposes	586,922	796,270
	$3,512,500	$3,025,995

NOTE M - 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 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 N - FUNCTIONAL ALLOCATION OF EXPENSES

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

	Years ended June 30,	
	2016	2015
Program	$23,450,861	$21,266,730
Fundraising	1,505,926	1,507,880
Management and general	4,280,330	4,123,618
Total expenses and other deductions	$29,237,117	$26,898,228

NOTE O - LEASES

The Corporation leases equipment, various branch offices, and the administrative office under operating leases expiring through December 31, 2021. Lease expense under these leases was approximately $503,000 and $478,000 during the years ended June 30, 2016 and 2015, respectively, and is included in other operating expenses in the accompanying consolidated statement of operations and changes in net assets. Certain leases provide for escalation of the annual rent based upon increases in the lessor's operating costs and fixed rental increases.

Future minimum rentals on noncancelable leases with initial lease terms greater than one year are as follows at June 30, 2016:

Year ending June 30	
2017	$ 466,360
2018	465,927
2019	456,676
2020	397,265
2021	147,358
	$1,933,586

NOTE P - 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 contributions to the 403(b) plan of 3% of compensation regardless of employee participation. The Corporation's contributions to the plan for the years ended June 30, 2016 and 2015 were approximately $314,000, and $337,000, respectively.

NOTE Q - CONCENTRATION OF CREDIT RISK

Receivables from government agencies represent approximately 68% and 72% of gross accounts receivable from program services at June 30, 2016 and 2015, 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 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 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 R - 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 S - 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 over $3,800,000 to the Corporation in the last four fiscal years, including approximately $2,682,000 and $463,000 in each of the fiscal years ended June 30, 2016 and 2015, respectively.

NOTE T - SUBSEQUENT EVENTS

Subsequent events that would impact the consolidated financial statements or related disclosures have been evaluated through November 1, 2016, 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.

The Visiting Nurse Association of Texas

CONSOLIDATING BALANCE SHEET

June 30, 2016

ASSETS	VNA	VNA of Texas Foundation	Consolidated Total
Cash and cash equivalents	$ 5,182,501	$ -	$ 5,182,501
Accounts receivable, net	2,721,534	-	2,721,534
Pledge receivable, current	2,038,672	-	2,038,672
Intercompany balances	1,561,875	(1,561,875)	-
Prepaid expenses and other assets	148,483	22,020	170,503
Total current assets	11,653,065	(1,539,855)	10,113,210
Investments, at fair value	435,183	9,919,251	10,354,434
Pledges receivable, net	811,799	-	811,799
Property and equipment, net	8,021,818	50,098	8,071,916
Total assets	$20,921,865	$ 8,429,494	$29,351,359
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued liabilities	$ 2,600,130	$ -	$ 2,600,130
Accrued payroll and vacation costs	653,184	40,891	694,075
Total liabilities	3,253,314	40,891	3,294,205
Net assets			
Unrestricted	12,884,345	4,119,726	17,004,071
Temporarily restricted	4,784,206	800,269	5,584,475
Permanently restricted	-	3,468,608	3,468,608
Total net assets	17,668,551	8,388,603	26,057,154
Total liabilities and net assets	$20,921,865	$ 8,429,494	$29,351,359

The Visiting Nurse Association of Texas

CONSOLIDATING SCHEDULE OF OPERATIONS
AND CHANGES IN NET ASSETS

Year ended June 30, 2016

	VNA	VNA of Texas Foundation	Consolidated Total
REVENUES			
Net patient service revenue	$20,707,859	$ -	$20,707,859
Contributions	7,391,870	456,626	7,848,496
Grant revenue	1,970,567	-	1,970,567
Investment income	-	220,628	220,628
Miscellaneous income	6,966	-	6,966
Total revenue, gains and other support	30,077,262	677,254	30,754,516
EXPENSES			
Personnel costs	14,962,004	766,350	15,728,354
Supplies	6,045,439	2,976	6,048,415
Other operating expenses	5,979,192	730,648	6,709,840
Provision for bad debts	268,071	-	268,071
Depreciation and amortization	476,488	5,949	482,437
Total expenses	27,731,194	1,505,923	29,237,117
Excess (deficiency) of revenue over (under) expenses	2,346,068	(828,669)	1,517,399
NET UNREALIZED GAINS ON INVESTMENTS	-	113,813	113,813
Change in net assets	2,346,068	(714,856)	1,631,212
Net assets at beginning of year	15,322,483	9,103,459	24,425,942
Net assets at end of year	$17,668,551	$8,388,603	$26,057,154

The Visiting Nurse Association of Texas

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended June 30, 2016

	Hospice	Private Duty	Meals on Wheels	Program Total	Fundraising Total	Corporate Administration	FY 2016 Total
Expenses:							
Salaries	$ 6,185,010	$1,516,987	$2,006,931	$ 9,708,928	$ 590,060	$2,145,888	$12,444,876
Retirement plans	170,856	3,238	42,402	216,496	46,817	243,616	506,929
Payroll taxes	441,935	94,025	152,547	688,507	59,682	157,290	905,479
Worker's injury	75,187	19,226	15,118	109,531	857	3,979	114,367
Employee insurance benefits	1,055,312	172,480	182,475	1,410,267	64,816	281,620	1,756,703
Total personnel costs	7,928,300	1,805,956	2,399,473	12,133,729	762,232	2,832,393	15,728,354
Insurance	92,352	4,965	27,840	125,157	22,405	56,746	204,308
Legal & audit	-	-	-	-	-	181,891	181,891
Professional fees	613,126	953	40,996	655,075	11,518	179,434	846,027
Patient DME/Inpt/Resp/R&B	2,274,318	-	-	2,274,318	-	-	2,274,318
Patient supplies & drug	1,110,241	1,908	27,995	1,140,144	-	676	1,140,820
Office supplies	21,138	572	32,370	54,080	2,976	25,328	82,384
Telecommunications	271,707	6,586	77,993	356,286	11,716	62,889	430,891
Postage & delivery	14,771	522	3,996	19,289	279,531	28,319	327,139
Occupancy	380,237	47,018	111,043	538,298	37,284	195,335	770,917
Printing & copying	44,020	6,936	9,154	60,110	21,585	41,804	123,499
Transportation	264,609	1,535	19,568	285,712	1,864	18,515	306,091
Conferences & meetings	36,862	1,284	56,025	94,171	4,864	18,298	117,333
Food	-	-	4,321,688	4,321,688	-	-	4,321,688
Recruitment & advertising	175,007	7,848	20,370	203,225	6,063	234,271	443,559
Computer services	104,356	476	41,288	146,120	64,726	177,188	388,034
Membership dues	42,757	564	5,669	48,990	2,655	10,647	62,292
Equipment	35,773	432	210,436	246,641	257	58,156	305,054
Other expenses	51,415	24,174	6,301	81,890	270,301	79,819	432,010
Total before non-cash items	13,460,989	1,911,729	7,412,205	22,784,923	1,499,977	4,201,709	28,486,609
Equipment depreciation	42,819	259	124,114	167,192	4,548	71,410	243,150
Leasehold improvements amortization	8,764	10	221,901	230,675	1,401	7,211	239,287
Provision for bad debts	173,778	33,336	60,957	268,071	-	-	268,071
Total non-cash items	225,361	33,605	406,972	665,938	5,949	78,621	750,508
Total expenses	$13,686,350	$1,945,334	$7,819,177	$23,450,861	$1,505,926	$4,280,330	$29,237,117