

TIDEWELL HOSPICE AND PALLIATIVE CARE

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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Established 1972

Kerkering, Barberio & Co., P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
TideWell Hospice and Palliative Care

We have audited the accompanying balance sheets of TideWell Hospice and Palliative Care as of June 30, 2008 and 2007, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of TideWell Hospice and Palliative Care's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 TideWell Hospice and Palliative Care as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kerkering, Barberio & Co., P.A.

Sarasota, Florida
September 30, 2008

TIDEWELL HOSPICE AND PALLIATIVE CARE

BALANCE SHEETS

JUNE 30, 2008 AND 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and cash equivalents	\$ 7,465,193	\$ 9,152,574
Patient accounts receivable, net of PIP liability	7,743,527	5,960,039
Pledges receivable, current portion	6,250	96,247
Inventory	218,617	213,179
Investments	33,526,826	33,980,334
Bequests receivable, current portion	-	125,000
Prepaid expenses	293,955	214,844
Total current assets	<u>49,254,368</u>	<u>49,742,217</u>
Land, buildings and equipment, net	30,955,621	28,030,491
Beneficial interest in net assets of the Community Foundation of Sarasota County, Inc.	6,496,430	6,760,103
Bequests receivable, net of current portion	2,612,151	2,574,584
Pledges receivable, long-term	77,997	85,143
Refundable deposits	<u>62,524</u>	<u>49,328</u>
 Total Assets	 <u>\$ 89,459,091</u>	 <u>\$ 87,241,866</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 6,429,409	\$ 6,523,793
Refundable advances	-	12,393
Deferred revenues	14,659	11,205
Total current liabilities	<u>6,444,068</u>	<u>6,547,391</u>
Net Assets		
Unrestricted		
Undesignated	44,900,193	43,639,455
Board designated	565,443	565,443
Investment in land, buildings and equipment	30,955,621	28,030,491
Total unrestricted net assets	<u>76,421,257</u>	<u>72,235,389</u>
Temporarily restricted	69,698	1,689,504
Permanently restricted	6,524,068	6,769,582
Total net assets	<u>83,015,023</u>	<u>80,694,475</u>
 Total Liabilities and Net Assets	 <u>\$ 89,459,091</u>	 <u>\$ 87,241,866</u>

The accompanying notes are an integral part of these financial statements.

TIDEWELL HOSPICE AND PALLIATIVE CARE

STATEMENTS OF OPERATIONS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Unrestricted revenues, gains and other support		
Net patient service revenue	\$ 85,908,813	\$ 73,566,025
Contributions, donations and memorials	3,583,217	3,562,601
Net assets released from restrictions used for operations	<u>1,957,701</u>	<u>2,502,803</u>
Total revenue, gains and other support	<u>91,449,731</u>	<u>79,631,429</u>
Expenses		
Salaries and benefits	44,230,790	35,882,261
Purchased services	1,273,779	1,246,120
Residential in-patient services	19,470,665	17,865,777
Administrative	9,007,807	8,102,662
DME - Medicine and drugs	11,631,335	10,758,540
Depreciation and amortization	<u>1,799,441</u>	<u>1,562,624</u>
Total expenses	<u>87,413,817</u>	<u>75,417,984</u>
Excess of revenues, gains, and other support over expenses	<u>4,035,914</u>	<u>4,213,445</u>
Other Revenue (Expense)		
Investment income	1,655,941	1,164,943
Realized and unrealized gain (loss) on investments, net	(2,253,960)	3,717,635
Loss on disposal of land, building and equipment	(243,311)	(5,063)
Investment earnings on assets held by the Community Foundation of Sarasota County, Inc.	484,515	470,914
Sale of Journeys Home Care	200,000	-
Miscellaneous revenues	<u>306,769</u>	<u>466,259</u>
Total other revenue, net	<u>149,954</u>	<u>5,814,688</u>
Increase in unrestricted net assets	<u>\$ 4,185,868</u>	<u>\$ 10,028,133</u>

The accompanying notes are an integral part of these financial statements.

TIDEWELL HOSPICE AND PALLIATIVE CARE
 STATEMENTS OF CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets		
Excess of revenue, gains and other support over expenses	\$ 4,035,914	\$ 4,213,445
Investment income	1,655,941	1,164,943
Realized and unrealized gain (loss) on investments, net	(2,253,960)	3,717,635
Loss on disposal of land, building and equipment	(243,311)	(5,063)
Investment earnings on assets held by the Community Foundation of Sarasota County, Inc.	484,515	470,914
Sale of Journeys Home Care	200,000	-
Miscellaneous revenues	306,769	466,259
	<u>4,185,868</u>	<u>10,028,133</u>
Increase in unrestricted net assets		
Temporarily Restricted Net Assets		
Capital campaign contribution	61,034	733,549
Other contributions	284,219	294,743
Grant revenue from Community Foundation of Sarasota County, Inc.	-	3,000,000
Transfer to permanently restricted net assets	(7,358)	-
Net assets released from restrictions	(1,957,701)	(2,502,803)
	<u>(1,619,806)</u>	<u>1,525,489</u>
(Decrease) increase in temporarily restricted net assets		
Permanently Restricted Net Assets		
Change in net assets of the Community Foundation of Sarasota County, Inc.	(263,673)	(2,894,984)
Capital campaign contribution	18,159	1,679
	<u>(245,514)</u>	<u>(2,893,305)</u>
Decrease in permanently restricted net assets		
Increase in net assets	2,320,548	8,660,317
Net assets at beginning of year	80,694,475	72,034,158
Net assets at end of year	<u>\$ 83,015,023</u>	<u>\$ 80,694,475</u>

The accompanying notes are an integral
 part of these financial statements.

TIDEWELL HOSPICE AND PALLIATIVE CARE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ <u>2,320,548</u>	\$ <u>8,660,317</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,799,441	1,562,624
Donated assets	(193,634)	(1,095)
Donated investments	-	(5,492)
Loss on disposal of land, building and equipment	243,311	5,063
Realized and unrealized loss (gain) on investments, net	2,253,960	(3,717,635)
Beneficial interest in the net assets of the Community Foundation of Sarasota County, Inc.	263,673	2,894,984
Restricted contributions	(279,165)	(3,848,581)
(Increase) decrease in operating assets		
Patient accounts receivable, net of PIP liability	(1,783,488)	(1,524,617)
Pledges receivable	97,143	(156,228)
Inventory	(5,438)	(4,991)
Bequests receivable	87,433	(137,478)
Prepaid expenses	(79,111)	(55,470)
Refundable deposits	(13,196)	5,439
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(94,384)	2,195,869
Refundable advances	(12,393)	(149,859)
Deferred Revenues	3,454	(40,368)
Total adjustments	<u>2,287,606</u>	<u>(2,977,835)</u>
Net cash provided by operating activities	<u>4,608,154</u>	<u>5,682,482</u>
Cash Flows from Investing Activities		
Capital expenditures	(4,926,256)	(5,745,070)
Proceeds from sale of land, building and equipment	152,008	14,955
Purchases of investments	(10,228,470)	(13,169,326)
Proceeds from sales of investments	8,428,018	11,181,567
Net cash used in investing activities	<u>(6,574,700)</u>	<u>(7,717,874)</u>
Cash Flows from Financing Activities		
Proceeds from restricted contributions	279,165	3,848,581
Net cash provided by financing activities	<u>279,165</u>	<u>3,848,581</u>
Increase (decrease) in cash and cash equivalents	(1,687,381)	1,813,189
Cash and cash equivalents - beginning of year	9,152,574	7,339,385
Cash and cash equivalents - end of year	\$ <u><u>7,465,193</u></u>	\$ <u><u>9,152,574</u></u>

The accompanying notes are an integral
part of these financial statements.

TIDEWELL HOSPICE AND PALLIATIVE CARE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies

Organization

TideWell Hospice and Palliative Care (TideWell), formerly known as Hospice of Southwest Florida, Inc., is a not-for-profit organization that was incorporated March 10, 1980 for the purpose of assisting in-patient and family care for those with advanced illness in Sarasota, Manatee, Charlotte and DeSoto counties of Florida. Operations are supported primarily by Medicare, Medicaid and private insurance coverage.

Financial Statements

The financial statements and notes are representations of TideWell's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These 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 revenues and expenses during the period. Actual results could differ from those estimates and assumptions.

Donor Restricted Gifts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are treated as temporarily restricted net assets. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

TideWell reports gifts of land, building and equipment received as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations about how long those long-lived assets must be maintained, TideWell reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

TIDEWELL HOSPICE AND PALLIATIVE CARE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

TideWell leases property at below market rates. The fair market value of the rent is recorded as a contribution and as rent expense, and totaled \$67,499 for the years ended June 30, 2008 and 2007.

The Board members and many volunteers have donated their time to TideWell's program services and administrative functions. The estimated value of contributed services for the years ended June 30, 2008 and 2007 totaled \$1,685,430 and \$1,971,732, respectively and is not reflected in the financial statements.

Income Tax Status

TideWell is considered a not-for-profit corporation by the Internal Revenue Service and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for.

Cash and Cash Equivalents

TideWell considers cash and cash equivalents to be cash on hand, bank accounts, and short-term investments with an original maturity of less than three months.

Patient Accounts Receivable and Bad Debts

All patient accounts receivable are considered to be collectible at year-end. TideWell uses the allowance method of accounting for doubtful accounts. Management determines the year-end allowance based upon its review of existing receivables and historical collections by payor type.

Contributions and Pledges Receivable

Contributions received, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

TideWell assesses the collectability of individual pledges receivable annually and provides an allowance for uncollectible pledges receivable. TideWell considers all pledges receivable to be fully collectible at June 30, 2008 and 2007, therefore, no allowance has been provided for.

Bequests Receivable

TideWell has been named beneficiary in a number of bequests. Bequests that have not been recorded in the accompanying financial statements are those where the donors' wills have not yet been declared valid by the probate court and the value of the amounts to be received is not yet determinable. All other bequests are reflected as bequests receivable.

TIDEWELL HOSPICE AND PALLIATIVE CARE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists of medical supplies and donated burial plots. The medical supplies are stated at the lower of cost (average) or market (net realizable value). Burial plots are recorded at fair market value at the date of donation.

Investments

TideWell records investments at fair market value, which represent the value on the date of donation or cost on the date of purchase plus reinvested earnings and appreciation or depreciation. Realized and unrealized gains and losses are reported in the Statements of Operations. Investment income (interest and dividends) is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

Land, Buildings and Equipment

Land, building and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. Buildings and related improvements have a forty year estimated service life. Furniture, equipment and vehicles have estimated service lives ranging from three to twenty years. Major renewals, betterments and replacements, in excess of \$1,000, are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Net Patient Service Revenue

Net patient service revenue represents the estimated net realizable amount from patients, third party payers and others for services rendered. TideWell has agreements with Medicare and Medicaid that provide for reimbursement to TideWell at prospectively determined rates. Services rendered to Medicare program beneficiaries are paid based on estimated program service utilization during the year using a periodic interim payment system (PIP).

Revenue received under Medicare and Medicaid programs is subject to audit and retroactive adjustment. In the event of differences between amounts submitted for payment and final settlement, such amount is reported in operations in the year the settlement is reached. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or changes in net assets of TideWell. Medicare and Medicaid revenue totaled \$83,570,520 and \$70,344,825 for the years ended June 30, 2008 and 2007, respectively.

TideWell has also entered into payment agreements with certain commercial insurance carriers. Private insurance and private pay revenue totaled \$2,338,293 and \$3,221,200 for the years ended June 30, 2008 and 2007, respectively.

TIDEWELL HOSPICE AND PALLIATIVE CARE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Advertising Expense

TideWell reports advertising costs as incurred. Advertising expense for the years ended June 30, 2008 and 2007 totaled \$696,793 and \$708,326, respectively.

Note 2 - Patient Accounts Receivable

Patient accounts receivable consist of patient insurance claims to Medicare, Medicaid, private insurance companies and private pay. An allowance for doubtful accounts was not deemed necessary at June 30, 2008 and 2007.

Patient accounts receivable consisted of the following at June 30:

	2008	2007
Medicare and Medicaid	\$ 8,239,821	\$ 6,500,042
Private insurance	576,083	450,578
Private pay	55,242	110,615
Other	7,985	-
PIP liability	(1,135,604)	(1,101,196)
Total patient accounts receivable, net of PIP liability	<u>\$ 7,743,527</u>	<u>\$ 5,960,039</u>

Note 3 - Investments

Investments consisted of the following as of June 30:

	2008			2007		
	Cost	Market Value		Cost	Market Value	
U.S. government obligations	\$ 2,594,606	\$ 2,627,019	8%	\$ 2,503,067	\$ 2,527,806	8%
Mutual funds	2,437,730	2,426,498	7%	2,270,013	2,326,105	7%
Corporate bonds	8,229,476	8,273,641	25%	7,272,877	7,229,673	21%
Common stock	17,998,346	18,971,141	57%	17,749,349	21,135,309	62%
Limited Partnership	492,500	492,500	1%	492,500	492,500	1%
Other	734,818	736,027	2%	269,865	268,941	1%
Total Investments	<u>\$ 32,487,476</u>	<u>\$ 33,526,826</u>	<u>100%</u>	<u>\$ 30,557,671</u>	<u>\$ 33,980,334</u>	<u>100%</u>

TIDEWELL HOSPICE AND PALLIATIVE CARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 3 - Investments (Continued)

Investment expense for the years ended June 30, 2008 and 2007 was \$186,532 and \$160,059, respectively. The limited partnership investment was donated and market value is based on a historical like-kind sale.

TideWell recognized unrealized gains (losses) on investments of \$(2,383,314) and \$2,433,163 for the years ending June 30, 2008 and 2007, respectively, and realized gains of \$129,354 and \$1,284,472 for the years ending June 30, 2008 and 2007, respectively.

Note 4 - Pledges Receivable

As of June 30, 2008 and 2007, unconditional promises to give totaled \$84,247 and \$181,390, respectively. Signed pledges are recorded as receivables based upon management evaluations of donors and pledge history. A discount of \$9,778 is provided as of June 30, 2008 to give consideration to future cash flows. All pledges receivable are determined by management to be collectible. Therefore, an allowance for uncollectible pledges has not been provided for.

Pledges receivable at June 30, 2008 are due as follows:

2009	\$ 6,250
2010	23,519
2011	23,506
2012	23,096
2013	17,654
	<u>94,025</u>
Less: Discount to net present value	(9,778)
Net pledges receivable	<u>\$ 84,247</u>

Pledges receivable are summarized on the Statement of Financial Position according to their expected date of receipt at June 30, 2008 as follows:

Pledges receivable, current portion	\$ 6,250
Pledges receivable, long-term	77,997
Total pledges receivable, net of discount	<u>\$ 84,247</u>

TIDEWELL HOSPICE AND PALLIATIVE CARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 5 - Land, Buildings and Equipment

Land, buildings and equipment consisted of the following at June 30:

	2008	2007
Buildings and building improvements	\$ 28,844,415	\$ 25,769,615
Furniture, equipment and vehicles	8,870,058	7,950,635
Land and land improvements	2,362,590	2,364,217
	40,077,063	36,084,467
Less: accumulated depreciation	9,121,442	8,053,976
Land, buildings and equipment, net	\$ 30,955,621	\$ 28,030,491

Depreciation expense for the years ended June 30, 2008 and 2007 totaled \$1,799,441 and \$1,562,624, respectively. Maintenance and repairs was \$969,402 and \$835,518 for the years ended June 30, 2008 and 2007, respectively.

Note 6 - Operating Leases

TideWell leases three different office facilities for service centers within the counties of operation, with agreements expiring between 2008 and 2011. TideWell also leases numerous office equipment under agreements classified as operating leases expiring through December 2012.

At June 30, 2008, future minimum lease payments for the remainder of the lease term and in the aggregate are as follows:

2009	\$ 543,476
2010	385,308
2011	131,628
2012	54,351
Total	\$ 1,114,763

In addition to the above, TideWell entered into a thirty-year lease during 1996 on property in Sarasota, Florida for \$1 per year, which provides for the payment of the real estate taxes. The fair market value rental of \$67,499 is recorded as a contribution and as rent expense in the accompanying financial statements for the years ended June 30, 2008 and 2007.

Rent expense for the years ended June 30, 2008 and 2007 was \$655,873 and \$557,589, respectively.

TIDEWELL HOSPICE AND PALLIATIVE CARE
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 6 - Operating Leases (Continued)

TideWell leased two units of a building to two unrelated parties. The two leases commenced on November 1, 2005 and December 1, 2005, and expired on October 31, 2007 and had an original expiration date of November 30, 2008, respectively. The leases were renewed and commenced on November 1, 2007 and December 1, 2007 and will expire on October 31, 2009 and November 30, 2010, respectively. Monthly lease payments are equal to a base amount, adjusted annually based on the lesser of 3% or the "Consumer Price Index," as published by the Bureau of Labor Statistics of the United States Department of Labor.

Future minimum rental payments to be received on non-cancelable operating leases are contractually due as follows as of June 30, 2008:

2009	115,196
2010	99,596
2011	37,989
Total	\$ 252,781

Rental income totaled \$98,150 and \$95,189 for the years ended June 30, 2008 and 2007, and is included in miscellaneous revenues on the Statements of Operations..

Note 7 - Tax-deferred Savings Plan

TideWell offers a tax-deferred savings plan, which qualifies as a voluntary contribution savings plan under Internal Revenue Code Section 403(b). Employees may provide tax-deferred contributions to fully vested individual retirement accounts up to the Internal Revenue Code limit. The plan covers all employees meeting eligibility criteria. The plan provides for matching of amounts contributed by employees up to seven percent of gross based wages. Participants are vested in matching contributions ratably over a five-year period following the first six months of service.

Plan costs for the years ended June 30, 2008 and 2007 were \$1,076,340 and \$860,596, respectively.

Note 8 - Charity Care

TideWell has a policy of providing care to patients regardless of their ability to pay following a financial assessment. Such charitable services, which are excluded from revenues, amounted to approximately \$2,157,086 and \$1,951,879 for the years ended June 30, 2008 and 2007, respectively, as calculated using TideWell's established Medicare reimbursement rate.

TIDEWELL HOSPICE AND PALLIATIVE CARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 9 - Unrestricted Net Assets

Unrestricted net assets include amounts earned during the period from operations, amounts received from donors with no specified restrictions as to use and other assets held with no restrictions as to use. Unrestricted net assets are available for the following purpose:

	2008	2007
Investment in land, buildings and equipment	\$ 30,955,621	\$ 28,030,491
Board designated for capital construction	385,943	385,943
Board designated for Children's Program	179,500	179,500
Undesignated	44,900,193	43,639,455
Total unrestricted net assets	\$ 76,421,257	\$ 72,235,389

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are assets whose use has been limited by donors to specific time period or purpose. Temporarily restricted net assets are available for the following purposes:

	2008	2007
Arcadia capital construction	\$ -	\$ 1,267,052
Venice capital construction	-	101,248
General capital construction	-	182,679
Children's Program	-	64,825
Hospice Houses	50,125	50,125
Other	19,573	23,575
Total temporarily restricted net assets	\$ 69,698	\$ 1,689,504

Note 11 - Permanently Restricted Net Assets

Permanently restricted net assets are comprised of contributions to the endowment fund to be maintained into perpetuity, as well as a beneficial interest in funds held on behalf of TideWell by the Community Foundation of Sarasota County, Inc. Permanently restricted net assets totaled \$6,524,068 and \$6,769,582 for the years ended June 30, 2008 and 2007.

Note 12 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions for the years ended June 30, 2008 and 2007 totaled \$1,957,701 and \$2,502,803, respectively.

TIDEWELL HOSPICE AND PALLIATIVE CARE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

Note 13 - Concentrations of Risk

Funding Source - Approximately 91% and 88% of TideWell's total revenue and support was received from Medicare and Medicaid for the years ended June 30, 2008 and 2007, respectively. This revenue is based on standard legislated reimbursement rates and service provided as reported by TideWell. Patient accounts receivable due from Medicare and Medicaid represented approximately 93% and 92% of the accounts receivable outstanding at June 30, 2008 and 2007, respectively.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2008 and 2007, TideWell had cash balances with a single financial institution in excess of the federally insured amount.

Note 14 - Contingencies

TideWell was self-insured for workers' compensation claims through December 31, 2007. The fund had a maximum claims paid limitation of \$762,425 for the year ended June 30, 2007. If all claims were reserved for at June 30, 2007, those items would have totaled \$42,717. As of January 1, 2008, TideWell changed workers' compensation from a self-insured program to a guaranteed cost program, which eliminated their responsibility for claims made after January 1, 2008. Management believes they have adequately provided for all claims incurred but not paid in the accompanying financial statements for the years ended June 30, 2008 and 2007. Therefore, there was no liability recorded at June 30, 2008 and 2007.

In connection with the former workers' compensation program, TideWell had one secured letter of credit totaling \$45,000, which was to cover any incurred but not reported claims through December 31, 2007. The letter of credit is collateralized by certain investments, and is renewed annually. As of June 30, 2008 and 2007, TideWell had no outstanding balance drawn against the agreement.

Note 15 - Beneficial Interest in the Net Assets of the Community Foundation of Sarasota County, Inc.

As part of legal settlement between TideWell and the Hospice Foundation (no longer in existence), TideWell received all unrestricted and temporarily restricted net assets of the Foundation. All permanently restricted net assets were transferred by the Hospice Foundation to the Community Foundation of Sarasota County, Inc. (the Community Foundation). These funds are held by the Community Foundation for the benefit of TideWell. TideWell receives a quarterly distribution of the investment earnings of these dollars, based on the results of the pooled funds held in the Community Foundation. During the years ended June 30, 2008 and 2007, TideWell received \$484,515 and \$470,914, respectively.