

INDIANA STATE NURSES ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Indiana State Nurses Association:

We have audited the statements of financial position of Indiana State Nurses Association, Inc. (an Indiana non-profit corporation) as of December 31, 2005 and 2004, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Indiana State Nurses Association as of December 31, 2005 and 2004, and the results of its activity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ENT & IMLER CPA GROUP, P.C.

Indianapolis, Indiana
February 3, 2006

INDIANA STATE NURSES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash - checking	\$ 26,498	\$ 18,786
Cash - savings and money market	15,237	47,200
Accounts receivable	1,018	210
Receivable - ISNAP program	62,139	-
Certificates of deposit	142,181	148,488
Book inventory	17,397	18,253
Marketable securities	15,917	13,760
Prepaid expenses	7,641	3,456
	<u>288,028</u>	<u>250,153</u>
Total Current Assets		
FIXED ASSETS, at cost:		
Land	25,000	25,000
Buildings	125,000	125,000
Building improvements	80,710	80,710
Equipment	77,596	45,110
	<u>308,306</u>	<u>275,820</u>
Less: accumulated depreciation	<u>(234,891)</u>	<u>(226,391)</u>
	<u>73,415</u>	<u>49,429</u>
Total Property and Equipment, net		
OTHER ASSETS:		
Certificates of deposit	<u>-</u>	<u>70,000</u>
	<u>-</u>	<u>70,000</u>
Total Other Assets		
	<u>\$ 361,443</u>	<u>\$ 369,582</u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

(Continued)

DECEMBER 31, 2005 AND 2004

LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 1,416	\$ 528
MBNA payable	5,395	5,395
PAC payable	99	48
Regional dues payable	5,928	5,488
ANA dues payable	11,996	12,713
Rent deposits payable	978	969
Accrued property taxes	1,231	1,231
Unearned revenue	<u>7,003</u>	<u>15,672</u>
Total Current Liabilities	<u>34,046</u>	<u>42,044</u>
LONG-TERM DEBT , net of current maturities:		
MBNA payable	<u>5,396</u>	<u>10,791</u>
Total Liabilities	<u>39,442</u>	<u>52,835</u>
NET ASSETS:		
Unrestricted	<u>322,001</u>	<u>316,747</u>
Total Net Assets	<u>322,001</u>	<u>316,747</u>
	<u>\$ 361,443</u>	<u>\$ 369,582</u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>UNRESTRICTED NET ASSETS</u>		
SUPPORT AND REVENUE:		
Program services (Schedule I)	\$ 235,231	\$ 89,230
Supporting services (Schedule I)	151,661	147,416
Other revenues (Schedule I)	<u>48,595</u>	<u>33,761</u>
Total Unrestricted Support and Revenue	<u>435,487</u>	<u>270,407</u>
EXPENSES:		
Program services (Schedule II)	200,294	50,085
Supporting services (Schedule II)	<u>229,939</u>	<u>245,515</u>
Total Unrestricted Expenses	<u>430,233</u>	<u>295,600</u>
CHANGE IN UNRESTRICTED NET ASSETS	5,254	(25,193)
NET ASSETS, beginning of year	<u>316,747</u>	<u>341,940</u>
NET ASSETS, end of year	<u><u>\$ 322,001</u></u>	<u><u>\$ 316,747</u></u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ 5,254	\$ (25,193)
Adjustments to reconcile change in unrestricted net assets to net cash (used) provided by operations:		
Depreciation	8,500	3,830
Unrealized gains	(2,157)	(2,269)
Increase (decrease) in:		
Accounts receivable	(808)	536
Receivable - ISNAP	(62,139)	-
Certificates of deposit	76,307	9,104
Book inventory	856	575
Prepaid expenses	(4,185)	906
Increase (decrease) in:		
Accounts payable	888	(14,955)
MBNA payable	(5,395)	(5,395)
PAC payable	51	(45)
Regional dues payable	440	3,887
ANA dues payable	(717)	284
Security deposits payable	9	9
Unearned revenue	(8,669)	4,339
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>8,235</u>	<u>(24,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	<u>(32,486)</u>	<u>(651)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(32,486)</u>	<u>(651)</u>
DECREASE IN CASH	(24,251)	(25,038)
CASH, beginning of year	<u>65,986</u>	<u>91,024</u>
CASH, end of year	<u><u>\$ 41,735</u></u>	<u><u>\$65,986</u></u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Purpose

The Indiana State Nurses Association, Inc. (the "Association") is a statewide organization founded in 1903 to foster high standards of nursing, to promote the professional and educational development of nurses while advancing their welfare, to work for the improvement of health standards, and to work for the availability of health care services for all people.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis, except for membership dues, which are recorded as income when received. However, the differences in amounts are not material to these financial statements since most members pay on a monthly basis.

Financial Statement Presentation

The Association elected to adopt Statement of Financial Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows.

Cash

For purposes of the statement of cash flows, the Association considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. There was no cash paid for interest and income taxes for 2005 and 2004.

Accounts Receivables

Accounts receivable represented reimbursement for administrative services, exhibitor receipts for the convention, and purchase of labels. Normal accounts receivables are due within 30 days after the issuance of the invoice. Receivables past due more than 120 days are considered delinquent. Delinquent receivables may be charged to bad debt expense based upon a periodic review of the accounts. At December 31, 2005 and 2004, no allowance for uncollectible accounts was considered necessary.

Book Inventory

Inventory consists of publications of the Association's 100-year history. They are recorded at the lower of cost or market, determined by the first-in, first-out method.

Investments

The Association elected to adopt SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Associations," in 1996. Under SFAS No. 124, investments in mutual funds with readily determinable fair value are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the Statement of Activities.

Net Assets

The financial statements report amounts separately by class of net assets:

Unrestricted net assets

Unrestricted amounts are those, which are currently available by the Board for use in the Association's activities.

Temporarily restricted net assets

Temporarily restricted expendable amounts are those, which are restricted by donors for specific purposes. As of December 31, 2005 and 2004, there were no temporarily restricted net assets.

Permanently restricted net assets

Permanently restricted amounts are those, which are subject to donor-imposed stipulations that require that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on the related investments for general or specific purposes. The Association does not have any permanently restricted net assets as of December 31, 2005.

Member Billing System

The Association is responsible for all member dues billing and collections, including the American Nurses Association (ANA) assessment, State and Region. The Association collects the membership dues from its members and remits a portion of the collected monies to both the ANA and the constituent regions.

The Association charges a minimal service fee for handling the billing, collection and remittance procedures for the semi-annual and electronic transfer payment plans. This amount is reflected in the marketing program revenues in the accompanying financial statements.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Reclassification

Certain balances have been reclassified to conform with the current year presentation with no effect on changes in net assets.

Membership Marketing

The Association expenses membership marketing costs as they are incurred. Membership marketing expense was \$6,593 and \$7,625 for the years ended December 31, 2005 and 2004, respectively. The 2005 and 2004 amount includes web-site maintenance and updates performed by an outside consultant.

Impairment of Long-Lived Assets

Each year, the Association evaluates whether there has been an impairment that is other than temporary in any of its long-lived assets. An impairment in value is considered to have occurred when the undiscounted future net operating cash flows associated with the long-lived assets are not sufficient to cover the carrying value of the long-lived assets. If it is determined that an impairment in value has occurred, the carrying value will be written down to the present value of the future operating cash flows to be generated by the long-lived assets. Management has determined that no impairment existed as of December 31, 2005.

Program Expenses

Except for the Indiana State Nurses Assistance Program (Note 11), the Association recognizes only the expenses that are directly related to a program as program expenses. All indirect expenses are reported as Supporting Services in the Statement of Expenses and none are allocated to the programs. Indirect expenses consist of salaries and personnel costs, occupancy costs, general and administrative expenses and depreciation expenses.

NOTE 2 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Association Governance

To promote the general health and welfare of the public through association programs, activities, and relationships.

Education

To provide for the continuing professional development and practice demands of nurses. To promote appropriate standard of nursing practice, nursing education and nursing services as defined by the American Nurses' Association.

Practice Programs

To assist individual members to improve professional practice and development within a specific clinical or functional area.

Governmental Affairs

To promote legislation and to speak for nurses in regard to legislative action.

Workplace Issues

To promote issues that relate to the nurses' workplace and working conditions.

Marketing Program

To promote membership in the professional association and to inform members of the Association's activities.

Endorsed Programs

Include royalty income received on credit card arrangements using the Association's name. The Association receives a minimal percentage of gross purchases. The revenue is used to accomplish the Associations' general purpose.

Membership Dues

Dues paid by individuals for membership in the Association. Revenue is used to offset administrative expenses and accomplish the Association's general purpose.

NOTE 3 – PROPERTY, FURNITURE AND EQUIPMENT

Depreciation of property, furniture and equipment is computed based upon the estimated useful lives of the assets using both accelerated and straight-line methods. The estimated useful lives for the more significant items within each property classification are as follows:

Building	20 years
Building improvements	10-31 years
Equipment	5-7 years

Expenditures for property, furniture and equipment and for renewals or betterments which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activity.

Depreciation expense was \$2,855 and \$3,830 for supporting services and \$5,645 and \$0 for the ISNAP program for the years ended December 31, 2005 and 2004, respectively

NOTE 4 – ECONOMIC DEPENDENCY

The membership of the Association is primarily made up of nurses in the state of Indiana. Membership dues constitute 36% and 56% of total support for the Association for 2005 and 2004, respectively.

NOTE 5 – INCOME TAX

The Association is exempt from federal income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code and accordingly, no provision for corporate federal income taxes on exempt purpose activities is required.

NOTE 6 - INVESTMENTS

Investments are stated at fair value and consist of certificate of deposit and marketable securities. Fair values and unrealized gains (losses) at December 31, 2005 and 2004 are summarized as follows:

	2005		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificate of Deposit	\$ 142,181	\$ 142,181	\$ -
Marketable Securities	<u>11,691</u>	<u>15,917</u>	<u>4,226</u>
	<u>\$ 153,872</u>	<u>\$ 158,098</u>	<u>\$ 4,226</u>

	2004		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificate of Deposit	\$ 218,488	\$ 218,488	\$ -
Marketable Securities	<u>11,668</u>	<u>13,760</u>	<u>2,092</u>
	<u>\$ 230,156</u>	<u>\$ 232,248</u>	<u>\$ 2,092</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended:

	<u>2005</u>	<u>2004</u>
Investment income	\$ 6,507	\$ 6,190
Unrealized gain (loss)	<u>2,157</u>	<u>2,269</u>
Total investment return	<u>\$ 8,664</u>	<u>\$ 8,459</u>

Interest rates and maturity dates of certificates of deposit held as of December 31, 2005 were as follows:

<u>Dates of Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
3/28/2006	4.00%	\$ 72,181
6/13/2006	3.06%	<u>70,000</u>
Total outstanding		<u>\$ 142,181</u>

NOTE 7 – RENTAL INCOME

The Association receives rental income from the lease of space in its administrative offices under leases that expire on various dates through 2006. These leases are generally renewed on an annual basis. The Association also maintains a lease agreement whereby it receives lawn maintenance in exchange for the use of its garage facility for storage. The agreement may be terminated upon written notice by either party at any time.

NOTE 8 - PROFIT SHARING PLAN

The Association has a Simplified Employee Pension Plan, which covers substantially all employees. Pension plan expense amounted to \$6,927 and \$7,397 for the years ended December 31, 2005 and 2004, respectively.

NOTE 9 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivable. Concentrations of credit risk with respect to trade receivables are limited due to the small amounts of small balanced receivables. As of December 31, 2005 and 2004, the Association had no significant concentrations of credit risk.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

During 2004, the Association was notified by their endorsed program provider that the endorsed program revenue was overpaid by \$21,581 in prior years. The endorsed program provider will reduce the yearly endorsed program revenue paid to the Association by \$5,395 per year until the full overpayment has been returned. The total unrestricted support and revenue was overstated in the prior years by \$21,581. As a result a prior period adjustment has been made to reduce the endorsed program revenue and record a liability of \$21,581 as of December 31, 2003.

NOTE 11 – INDIANA STATE NURSES ASSISTANCE PROGRAM (ISNAP)

Beginning August 1, 2005, the Association contracted with the state of Indiana to administer the ISNAP program. This contract is a two year contract that may be renewed for an additional two years and may include an increase of 5% of the contract amount. The contract shall not exceed \$840,000 during the initial contract period. The Association will bill the State for monitoring of participants at \$77 per month, per participant. As of December 31, 2005, the Association had a receivable of \$62,139, which is reported in the statements of financial position. All expenses for ISNAP including staff, benefits, supplies, equipment, administration, and overhead are allocated directly to ISNAP.

The program is designed to provide a confidential, non-punitive, therapeutic approach to substance use, abuse and chemical dependency for licensed nurses through early intervention to decrease the time between the acknowledgment of the problem and entry into recovery.

INDIANA STATE NURSES ASSOCIATION**SCHEDULE OF SUPPORT AND REVENUE****YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Program Services:		
Association governance:		
Meeting of the members	\$ 10,338	\$ 4,420
Education:		
Committee on Approval	18,092	20,687
Other	364	159
Practice programs	270	1,090
Governmental affairs:		
Legislative conference	2,770	4,930
Workplace issues	539	1,697
Marketing program:		
ISNA Bulletin	70	70
Member billing system	3,897	3,676
Other	992	385
ISNAP program	152,999	-
Endorsed programs	44,900	52,116
	<u>235,231</u>	<u>89,230</u>
Supporting Services:		
Membership dues	307,744	304,344
American Nurses Association assessment	(148,054)	(143,221)
Regional dues	(8,029)	(13,707)
	<u>151,661</u>	<u>147,416</u>
Other Revenues:		
Occupancy	17,686	17,215
Interest	163	68
Investment income	6,507	6,190
Unrealized gains (losses) on investments	2,157	2,269
Miscellaneous	22,082	8,019
	<u>48,595</u>	<u>33,761</u>
Total Other Revenues	<u>48,595</u>	<u>33,761</u>
Total Revenues	<u>\$ 435,487</u>	<u>\$ 270,407</u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION**SCHEDULE OF EXPENSES****YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Program Services:		
Association governance:		
Meeting of the members	\$ 10,624	\$ 2,434
Other	1,942	1,127
Education:		
Committee on Approval	793	1,494
Practice programs	195	514
Governmental affairs:	25,822	26,438
Workplace issues:	2,666	2,390
Marketing program:		
ISNA Bulletin	1,940	113
Member billing system	7,952	8,063
Other	4,652	7,512
ISNAP program	<u>143,708</u>	<u>-</u>
Total Program Services	<u>200,294</u>	<u>50,085</u>
Supporting Services:		
Personnel	179,998	193,586
Occupancy	16,302	17,230
General and Administrative	28,504	25,442
Depreciation	2,855	3,830
ANA Obligations	<u>2,280</u>	<u>5,427</u>
Total Supporting Services	<u>229,939</u>	<u>245,515</u>
Total Expenses	<u>\$ 430,233</u>	<u>\$ 295,600</u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION**SCHEDULES OF PROGRAM SERVICES' REVENUE AND EXPENSES****YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Program Services:		
Association governance:		
Meeting of the members revenue	\$ 10,338	\$ 4,420
Meeting of the members expense	<u>(10,624)</u>	<u>(2,434)</u>
Net revenue (expenses)	<u>(286)</u>	<u>1,986</u>
Other revenue	-	-
Other expenses	<u>(1,942)</u>	<u>(1,127)</u>
Net expenses	<u>(1,942)</u>	<u>(1,127)</u>
Net revenue (expenses) on association governance	<u>\$ (2,228)</u>	<u>\$ 859</u>
Education:		
Committee on Approval revenue	\$ 18,092	\$ 20,687
Committee on Approval expenses	<u>(793)</u>	<u>(1,494)</u>
Net revenue	<u>17,299</u>	<u>19,193</u>
Other revenue	364	159
Other expenses	<u>-</u>	<u>-</u>
Net revenue	<u>364</u>	<u>159</u>
Net revenue on education	<u>\$ 17,663</u>	<u>\$ 19,352</u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION**SCHEDULES OF PROGRAM SERVICES' REVENUE AND EXPENSES**

(Continued)

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Practice Programs:		
Practice program revenue	\$ 270	\$ 1,090
Practice program expenses	<u>(195)</u>	<u>(514)</u>
Net revenue on practice programs	<u>\$ 75</u>	<u>\$ 576</u>
Governmental Affairs:		
Governmental revenue	\$ 2,770	\$ 4,930
Governmental expenses	<u>(25,822)</u>	<u>(26,438)</u>
Net expenses on governmental affairs	<u>\$ (23,052)</u>	<u>\$ (21,508)</u>
Workplace Issues:		
Workplace issues revenue	\$ 539	\$ 1,697
Workplace issues expense	<u>(2,666)</u>	<u>(2,390)</u>
Net expenses on workplace issues	<u>\$ (2,127)</u>	<u>\$ (693)</u>
Marketing Program:		
ISNA Bulletin revenue	\$ 70	\$ 70
ISNA Bulletin expenses	<u>(1,940)</u>	<u>(113)</u>
Net expenses	<u>(1,870)</u>	<u>(43)</u>
Member billing system revenue	3,897	3,676
Member billing system expenses	<u>(7,952)</u>	<u>(8,063)</u>
Net expenses	<u>(4,055)</u>	<u>(4,387)</u>

See independent auditors' report and accompanying notes to the financial statements.

INDIANA STATE NURSES ASSOCIATION**SCHEDULES OF PROGRAM SERVICES' REVENUE AND EXPENSES**

(Continued)

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Other revenue	992	385
Other expenses	<u>(4,652)</u>	<u>-</u>
Net revenue (expenses) on marketing program	<u>\$ (3,660)</u>	<u>\$ 385</u>
ISNAP Program:		
ISNAP program revenue	\$ 152,999	\$ -
ISNAP program expenses	<u>(143,708)</u>	<u>-</u>
Net revenue on ISNAP program	<u>\$ 9,291</u>	<u>\$ -</u>
Endorsed Programs:		
Endorsed programs revenue	\$ 44,900	\$ 52,116
Endorsed programs expenses	<u>-</u>	<u>-</u>
Net revenue on endorsed programs	<u>\$ 44,900</u>	<u>\$ 52,116</u>

See independent auditors' report and accompanying notes to the financial statements.