

**BRIDGES TO EXCELLENCE, INC.**

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Financial Statements  
for the years ended December 31, 2008 and 2007

## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of  
Bridges to Excellence, Inc.:

We have audited the accompanying statement of financial position of Bridges To Excellence, Inc. (a nonprofit organization) as of December 31 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridges to Excellence, Inc. as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2007 financial statements were reviewed by us, and our report thereon, dated May 31, 2009, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

*Artis Shauls, Rosen & Company, LLC*

June 10, 2009

**BRIDGES TO EXCELLENCE, INC.**  
**Statement of Financial Position**  
**as of December 31,**

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	<b>2008</b> <b>(Audited)</b>	<b>2007</b> <b>(Reviewed)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 475,389	\$ 436,005
Accounts receivable	416,280	153,183
Property and equipment, net of accumulated depreciation	<u>102,774</u>	<u>154,290</u>
 Total assets	 <u>\$ 994,443</u>	 <u>\$ 743,478</u>
 <b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 231,641	\$ 124,667
Deferred revenue	617,630	506,667
Due to affiliate	<u>-</u>	<u>42,500</u>
 Total liabilities	 849,271	 673,834
 Net assets, unrestricted	 <u>145,172</u>	 <u>69,644</u>
 Total liabilities and net assets	 <u>\$ 994,443</u>	 <u>\$ 743,478</u>

*See notes to financial statements*

**BRIDGES TO EXCELLENCE, INC.**  
**Statement of Activities**  
**for the years ended December 31,**

	<b>2008</b>	<b>2007</b>
	<b>(Audited)</b>	<b>(Reviewed)</b>
<b>Unrestricted revenue and gains:</b>		
Grants and contracts	\$ 1,337,738	\$ 253,500
License fees	924,584	552,501
Operational fees	406,827	301,595
Honorarium, physician portal and other income	<u>58,683</u>	<u>131,325</u>
 Total unrestricted revenue and gains	 <u>2,727,832</u>	 <u>1,238,921</u>
 <b>Expenses:</b>		
Program services	2,264,238	821,745
Supporting services	<u>388,066</u>	<u>633,943</u>
 Total expenses	 <u>2,652,304</u>	 <u>1,455,688</u>
 Increase (decrease) in unrestricted net assets	 75,528	 (216,767)
 Unrestricted net assets, beginning of year	 <u>69,644</u>	 <u>286,411</u>
 Unrestricted net assets, end of year	 <u>\$ 145,172</u>	 <u>\$ 69,644</u>

*See notes to financial statements*

**BRIDGES TO EXCELLENCE, INC.**  
**Statement of Cash Flows**  
**Representing Increases (Decreases) in Cash**  
**for the years ended December 31,**

	<b>2008</b>	<b>2007</b>
	<b><u>(Audited)</u></b>	<b><u>(Reviewed)</u></b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in unrestricted net assets	\$ 75,528	\$ (216,767)
Depreciation	52,464	51,675
Changes in operating assets and liabilities:		
Accounts receivable	(263,097)	347,649
Accounts payable and accrued expenses	106,974	(61,251)
Deferred revenue	110,963	256,667
Due from affiliate	(42,500)	58,342
	<u>40,332</u>	<u>436,315</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities:</b>		
Capital additions	<u>(948)</u>	<u>(2,128)</u>
Net increase in cash	39,384	434,187
Cash and cash equivalents, beginning of year	<u>436,005</u>	<u>1,818</u>
Cash and cash equivalents, end of year	<u>\$ 475,389</u>	<u>\$ 436,005</u>

*See notes to financial statements*

**BRIDGES TO EXCELLENCE, INC.**  
**Notes to Financial Statements**

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1. **Summary of Significant Accounting Policies**

*Nature of Activities*

Bridges To Excellence, Inc. ("BTE") is a tax-exempt (501 (c) (3)), nonprofit organization that designs and creates programs that encourage physicians and physician practices to deliver safer, more effective and efficient care to patients with certain chronic conditions by giving them financial and other incentives to do so. BTE works with purchasers, including health plans, and providers across the country to create the mechanisms to improve the health care system. BTE programs provide purchasers and their employees with the information they need to make better health care decisions and obtain cost effective care. Thousands of physicians throughout the country participate in BTE's programs, *The Physician Office Link, Diabetes Care Link, Cardiac Care Link, Spine Care Link and BTE Medical Home Programs.*

In July 2007, BTE signed a Services Agreement with PROMETHEUS PAYMENT, Inc. ("PPI") whereby BTE is providing certain services to PPI in connection with a project to develop, implement, refine and operate a health care services payment model ("Prometheus Engine") designed to incorporate payment incentives tied to efficiency and quality of care metrics. The objective is to improve effectiveness and efficiency of care by holding providers responsible for the cost and quality of services delivered to the patient. The system will also be designed to create a patient-centered delivery system and activate consumers through quality of care and pricing information on providers.

The agreement has an initial term of 36 months and provides for payments to BTE of up to \$157,500, \$2,673,750, and \$800,000 for planning, implementation, and reference data development and refinement, respectively over the initial term. In 2008 and 2007, BTE received \$1,229,239 and \$94,500, respectively from PPI for such services. The Agreement is automatically renewable every 12 months after the initial term unless otherwise terminated by the parties.

PPI is a tax exempt (501 (c) (3)) non-profit organization whose mission is to develop and implement a new model for health care payments that are based on Evidence-informed Case Rates ("ECR's").

BTE and PPI have two directors who are common to each organization.

**BRIDGES TO EXCELLENCE, INC.**  
**Notes to Financial Statements**

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1. **Summary of Significant Accounting Policies (continued)**

*Accounts Receivable*

Accounts receivable are carried at their estimated collectible amounts. Receivables are periodically evaluated for collectability and are charged off when they are deemed to be uncollectible. There were no charge offs of accounts receivable in 2008 or 2007.

*Property and Equipment*

Property and equipment are stated at cost and consist principally of capitalized software and computer equipment. Depreciation is provided using the straight line method over estimated useful lives which range from 3 to 5 years. Accumulated depreciation at December 31, 2008 and 2007 was \$154,620 and \$102,155, respectively. It is BTE's policy to capitalize expenditures for software and equipment that cost in excess of \$500.

*Estimates*

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

*Cash and Cash Equivalents*

Cash and cash equivalents consist of bank accounts and all highly liquid investments purchased with a maturity of three months or less.

*Revenue Recognition*

Recognition of revenues from licenses and grants are deferred and recognized ratably over the periods to which the license and grant agreements apply. Revenue from operational fees, physician portal and other income is recognized as earned.

**BRIDGES TO EXCELLENCE, INC.**  
**Notes to Financial Statements**

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1. **Summary of Significant Accounting Policies (continued)**

*Functional Allocation of Expenses*

The costs of providing programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program services consist of activities related to licensing and implementation support of BTE programs to health plans throughout the country, development of ECR data bases, and planning, development, implementation, and operation of the Prometheus Engine.

Supporting services consist of general and administrative expenses.

2. **Related Parties**

In 2007, BTE had a Shared Services Agreement (“Agreement”) with eHealth Initiative (“eHI”). eHI is a non-profit organization whose mission is to drive improvement in the quality, safety, and efficiency of healthcare through information and information technology. Under the Agreement, the Chief Executive Officer of eHI also functioned as BTE’s Chief Executive Officer. BTE’s direct expenses are paid from BTE funds or billed to BTE by eHI. The Agreement also provides for eHI to charge BTE for a portion of eHI’s indirect costs. eHI charged BTE \$136,180 for such costs in 2007 of which \$42,500 was due to eHI at December 31, 2007.

Effective on January 1, 2008, BTE and eHI mutually agreed to terminate their Agreement.