

BRIDGES TO EXCELLENCE, INC.

Financial Statements
for the year ended December 31, 2007

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Bridges To Excellence, Inc. (a nonprofit organization) as of December 31 2007, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Bridges to Excellence, Inc.

A review consists principally of inquiries of Bridges To Excellence personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Artis Thauke, Partner a Company, LLC

May 31, 2009

BRIDGES TO EXCELLENCE, INC.
Statement of Financial Position
as of December 31, 2007

Assets	
Cash and cash equivalents	\$ 436,005
Accounts receivable	153,183
Property and equipment, net of accumulated depreciation	<u>154,290</u>
 Total assets	 <u><u>\$ 743,478</u></u>
 Liabilities and Net Assets	
Accounts payable and accrued expenses	\$ 124,667
Due to affiliate	42,500
Deferred revenue	<u>506,667</u>
 Total liabilities	 673,834
 Net assets, unrestricted	 <u>69,644</u>
 Total liabilities and net assets	 <u><u>\$ 743,478</u></u>

See independent accountants' review report and accompanying notes.

BRIDGES TO EXCELLENCE, INC.
Statement of Activities
for the year ended December 31, 2007

Unrestricted revenue and gains:	
License fees	\$ 552,501
Operational fees	301,595
Grants and contracts	253,500
Honorarium, physician portal and other income	<u>131,325</u>
Total unrestricted revenue and gains	<u>1,238,921</u>
Expenses:	
Program services	821,745
Supporting services	<u>633,943</u>
Total expenses	<u>1,455,688</u>
Decrease in unrestricted net assets	(216,767)
Unrestricted net assets, beginning of year	<u>286,411</u>
Unrestricted net assets, end of year	<u><u>\$ 69,644</u></u>

See independent accountants' review report and accompanying notes.

BRIDGES TO EXCELLENCE, INC.
Statement of Cash Flows
Representing Increases (Decreases) in Cash
for the year ended December 31, 2007

Cash flows from operating activities:	
Decrease in unrestricted net assets	\$ (216,767)
Depreciation	51,675
Changes in operating assets and liabilities:	
Accounts receivable	347,649
Accounts payable and accrued expenses	(61,251)
Deferred revenue	256,667
Due from affiliate	<u>58,342</u>
Net cash provided by operating activities	<u>436,315</u>
Cash flows from investing activities:	
Capital additions	<u>(2,128)</u>
Net increase in cash	434,187
Cash and cash equivalents, beginning of year	<u>1,818</u>
Cash and cash equivalents, end of year	<u><u>\$ 436,005</u></u>

See independent accountants' review report and accompanying notes.

BRIDGES TO EXCELLENCE, INC.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Activities

Bridges To Excellence, Inc. ("BTE") is a tax-exempt (501 (c) (3)), non-profit 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 will provide 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 2007, BTE received \$94,500 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

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

Basis of Accounting

Effective on January 1, 2007, BTE changed its method of accounting from the modified cash basis to the accrual basis of accounting. BTE believes that the accrual basis more accurately reflects financial position and changes in net assets. The effect of the change was to increase net assets at December 31, 2006 by \$64,914 for the effect of the retroactive application of the new method.

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 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, 2007 was \$102,155. 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.

BRIDGES TO EXCELLENCE, INC.
Notes to Financial Statements

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

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.

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 functions 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.