

BRIDGES TO EXCELLENCE, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

**BRIDGES TO EXCELLENCE, INC.
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YEAR ENDED DECEMBER 31, 2006**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bridges to Excellence, Inc.
Washington, DC

We have audited the accompanying statement of assets and net assets – cash basis of the Bridges to Excellence, Inc. (BTE) as of December 31, 2006, and the related statements of revenues, expenses, and other changes in net assets – cash basis and cash flows – cash basis for the year then ended. These financial statements are the responsibility of BTE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bridges to Excellence, Inc. at December 31, 2006, and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting described in Note 1.

LarsonAllen LLP
LarsonAllen LLP

Arlington, Virginia
October 24, 2007



BRIDGES TO EXCELLENCE, INC.
STATEMENT OF ASSETS AND NET ASSETS – CASH BASIS
DECEMBER 31, 2006

ASSETS

CURRENT ASSETS

Cash	\$ 1,818
Due from EHI	15,842
Total Current Assets	<u>17,660</u>

PROPERTY AND EQUIPMENT

Software and Computer Equipment	254,317
Less: Accumulated Depreciation	<u>50,480</u>
Net Property and Equipment	<u>203,837</u>

Total Assets	<u><u>\$ 221,497</u></u>
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NET ASSETS

UNRESTRICTED NET ASSETS

\$ 221,497

Total Net Assets	<u><u>\$ 221,497</u></u>
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See accompanying Notes to Financial Statements – Cash Basis.

BRIDGES TO EXCELLENCE, INC.
STATEMENT OF REVENUES, EXPENSES, AND OTHER
CHANGES IN NET ASSETS – CASH BASIS
YEAR ENDED DECEMBER 31, 2006

RECEIPTS

Licensing Fees	\$ 606,668
Grants	90,050
Portal Income	133,385
RDE Fees	109,778
Honorarium	10,744
Other Income	1,499
Total Revenue	<u>952,124</u>

DISBURSEMENTS

Program Services	509,116
Administration	448,299
Total Expenses	<u>957,415</u>

CHANGE IN NET ASSETS

(5,291)

Net Assets - Beginning of Year

226,788

NET ASSETS - END OF YEAR

\$ 221,497

See accompanying Notes to Financial Statements – Cash Basis.

**BRIDGES TO EXCELLENCE, INC.
STATEMENT OF CASH FLOWS – CASH BASIS
YEAR ENDED DECEMBER 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (5,291)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	50,480
Change in Assets and Liabilities Due from EHI	(15,842)
Accounts Payable	-
Net Cash Provided by Operating Activities	<u>29,347</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Property and Equipment	<u>(254,317)</u>
Net Cash Used in Investing Activities	<u>(254,317)</u>
NET DECREASE IN CASH	(224,970)
Cash - Beginning of Year	<u>226,788</u>
Cash - End of Year	<u><u>\$ 1,818</u></u>

See accompanying Notes to Financial Statements – Cash Basis.

**BRIDGES TO EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS – CASH BASIS
YEAR ENDED DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bridges to Excellence, Inc. (BTE) is a non-profit organization, incorporated in 2003 to develop, facilitate and administer programs that encourage physicians and physician practices to deliver safer, more effective and efficient care by giving them financial and other incentives to do so.

Basis of Accounting

BTE's financial statements have been prepared on the modified cash basis of accounting. Consequently, revenue is recognized when received and expenses when paid. BTE records property and equipment in accordance with its capitalization policy and records transactions in a due to/from eHealth Initiative account. eHealth Initiative (eHI) is a related party to BTE (see Note 2). Management intends to change its basis of accounting to the accrual basis of accounting effective 1/1/07. The accrual basis of accounting is in accordance with generally accepted accounting principles.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

BTE has filed for exemption from the payment of income taxes under Section 501(c)(3) of the Internal Revenue Code and is currently classified as an organization that is not a private foundation under Section 509(a)(1) of the Code under an advance ruling period that ends December 31, 2007. Therefore, no provision for income taxes has been accrued in these financial statements.

Property and Equipment

Property and equipment, which consists of computer equipment and software acquired through purchase, is recorded at cost. Property and equipment is depreciated using the straight-line method over the estimated useful lives of assets (3 to 5 years). All computer equipment and software purchases over \$500 with expected lives greater than one year are capitalized.

Net Assets

All net assets of BTE are unrestricted and available for general operations.

BRIDGES TO EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS – CASH BASIS
YEAR ENDED DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of the program and administrative activities of BTE have been summarized on a functional basis in the statement of activities. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of BTE. Program services expenses include those expenses that are to initiate and coordinate the development, facilitation, and administration of quality programs with participating health care providers.

NOTE 2 RELATED PARTY TRANSACTIONS

During 2006, BTE entered into a shared services agreement with eHI. Under the terms of the agreement, eHI is responsible for the management of day-to-day operations of BTE. Under the agreement, direct expenses of BTE are paid through BTE funds or billed directly to BTE by eHI. eHI shall charge BTE for a portion of eHI's indirect costs. A mutually agreed upon indirect cost rate has not been agreed to by either the eHI or the BTE Board of Directors. An indirect cost rate of 35% of direct personnel salaries charged to BTE has been used in the interim for the year ended December 31, 2006. The amount charged by eHI to BTE was \$85,836 for the year ended December 31, 2006.