

**UNIVERSAL HEALTH CARE
FOUNDATION OF CONNECTICUT, INC.**

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
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INDEPENDENT AUDITOR'S REPORT

March 23, 2005

Board of Directors
Universal Health Care Foundation of Connecticut, Inc.
290 Pratt Street
Meriden, CT 06450

We have audited the accompanying statement of financial position of Universal Health Care Foundation of Connecticut, Inc. as of December 31, 2004 and 2003, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of Universal Health Care Foundation of Connecticut, Inc.'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 that 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 Universal Health Care Foundation of Connecticut, Inc. as of December 31, 2004 and 2003, 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.

Maletta & Company
Certified Public Accountants

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

ASSETS

	2004	2003
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 160,458	\$ 176,107
Due from CHART	6,550	5,955
Prepaid Expenses	25,720	13,276
Other Receivable	4,737	1,848
Total Current Assets	197,465	197,186
 INVESTMENTS		
Investments	52,227,183	49,456,286
 FIXED ASSETS		
Equipment	33,500	20,077
Leasehold Improvements	2,495	-0-
Less: Accumulated Depreciation	(12,544)	(7,632)
Net Equipment	23,451	12,445
 OTHER ASSETS		
Security Deposit	7,200	2,200
 TOTAL ASSETS	\$ 52,455,299	\$ 49,668,117

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 48,106	\$ 48,497
Grants Payable	868,312	457,500
Accrued Expenses	76,619	69,632
Deferred Income	50,000	-0-
Accrued Annual Leave	15,134	9,843
Accrued Payroll	23,653	23,789
Payroll Taxes Payable	1,455	1,616
Total Current Liabilities	1,083,279	610,877
 NET ASSETS		
Unrestricted Net Assets	51,372,020	49,057,240
Total Net Assets	51,372,020	49,057,240
 TOTAL LIABILITIES AND NET ASSETS	\$ 52,455,299	\$ 49,668,117

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
OPERATING REVENUE		
Income from Investments (See Note 2)	\$ 399,385	\$ 501,166
Realized Gain on Investments	1,269,436	611,121
Unrealized Gain on Investments	<u>2,792,848</u>	<u>4,438,764</u>
 Total Operating Revenue	 4,461,669	 5,551,051
OPERATING EXPENSES		
Functional Expenses		
Management & General	436,601	427,479
Strategic Initiatives	165,775	94,915
Health Care Access	546,303	76,582
Small Business Health Insurance	172,048	292,306
Legal Resources/ Compliance	188,490	214,439
Health Advocacy	<u>637,672</u>	<u>807,911</u>
 Total Expenses	 <u>2,146,889</u>	 <u>1,913,632</u>
 CHANGE IN NET ASSETS	 2,314,780	 3,637,419
 NET ASSETS, BEGINNING OF YEAR	 <u>49,057,240</u>	 <u>45,419,821</u>
 NET ASSETS, END OF YEAR	 <u>\$ 51,372,020</u>	 <u>\$ 49,057,240</u>

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,314,780	\$ 3,637,419
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	4,912	3,948
Unrealized Gain on Investments	(2,792,848)	(4,438,764)
<i>Add</i>		
Decrease in Dividends Receivable		44,696
Decrease in Prepaid Expenses		14,193
Increase in Accrued Expenses	6,987	37,079
Increase in Annual Leave	5,291	9,843
Increase in Accrued Payroll		7,717
Increase in Grants Payable	410,812	188,188
Increase in Payroll Taxes Payable		1,616
Increase in Deferred Income	50,000	
Increase in Accounts Payable		5,544
	473,090	308,876
<i>Less</i>		
Increase in Prepaid Expenses	(12,444)	
Increase in Due from CHART	(595)	(1,020)
Increase in Other Receivable	(2,889)	(1,848)
Increase in Security Deposit	(5,000)	
Decrease in Accrued Payroll	(136)	
Decrease in Payroll Taxes Payable	(161)	
Decrease in Accounts Payable	(391)	
	(21,616)	(2,868)
Net Cash Flow Provided by Operating Activities	(21,682)	(491,389)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(15,918)	(3,699)
Purchase of Investments (Net)	21,951	318,238
	6,033	314,539
Sale/Net Cash Flow from Investing Activities	6,033	314,539
NET INCREASE (DECREASE) IN CASH	(15,649)	(176,850)
Cash and Cash Equivalents, Beginning of Year	176,107	352,957
Cash and Cash Equivalents, End of Year	\$ 160,458	\$ 176,107

Operating activities reflect interest paid of \$-0- and \$-0- income taxes paid for 2004 and 2003.

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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Management & General	Strategic Initiatives	Health Care Access	Small Business Health Insurance	Legal Resources/ Compliance	Health Advocacy	Total 2004	Total 2003
Wages	\$ 112,102	\$ 29,157	\$ 69,825	\$ 50,617	\$ 31,850	\$ 63,258	\$ 356,809	\$ 274,927
Fringe Benefits	20,780	5,405	12,943	9,383	5,904	11,726	66,141	27,863
Payroll Taxes	7,848	2,041	4,888	3,543	2,230	4,428	24,978	21,172
Pension Expense	8,085	2,103	5,036	3,651	2,297	4,562	25,734	19,326
Conferences & Seminars	2,327	605	1,449	1,051	661	1,313	7,406	8,075
Travel In-State	915	238	570	413	260	516	2,912	4,964
Board Expenses	9,042						9,042	9,774
Grants		5,000	423,904	100,402	142,300	548,881	1,220,487	1,083,149
Legal	21,195						21,195	11,611
Accounting	4,220						4,220	17,331
Audit	12,500						12,500	18,617
Finance Operations	84,660						84,660	84,503
Program Operations		2,988	2,988	2,988	2,988	2,988	14,940	14,912
Temporary Help	19,138						19,138	3,259
Legislative Monitoring	7,500						7,500	6,500
Recruitment	17,064						17,064	12,510
Communications	7,908	47,299					55,207	50,610
Technical Consultants		70,939	24,700				95,639	141,714
Computer Expense	4,318						4,318	7,119
Equipment Maintenance	9,032						9,032	8,160
Rent Expense	36,400						36,400	31,024
Printing & Reproduction	1,992						1,992	2,871
Insurance	2,327						2,327	12,748
Office Supplies	7,427						7,427	5,729
Office Expense	8,677						8,677	5,917
Dues and Subscription	5,153						5,153	4,408
Telephone	16,592						16,592	14,768
Postage	3,537						3,537	3,047
Meetings	950						950	3,076
Depreciation	4,912						4,912	3,948
Total Expenditures	\$ 436,601	\$ 165,775	\$ 546,303	\$ 172,048	\$ 188,490	\$ 637,672	\$ 2,146,889	\$ 1,913,632

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Universal Health Care Foundation of Connecticut, Inc. (UHCFC) is presented to assist in understanding UHCFC financial statements. The financial statements and notes are representations of UHCFC's management, who are responsible for their integrity and objectivity. These 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.

Nature of Activities

Universal Health Care Foundation of Connecticut, Inc. is a private, not-for-profit corporation established in 2000. The Universal Health Care Foundation's mission is to be a catalyst that engages people and communities in shaping a democratic health system that provides universal access to quality health care and promotes health in Connecticut. The Foundation believes that health care is a fundamental right and that their work is part of a broader movement for social and economic justice.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statement presentation follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 116, "*Accounting for Contributions Received and Contributions Made*", and SFAS No. 117, "*Financial Statements of Not-for-Profit Organizations*." Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of UHCFC and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed stipulations or the restrictions have expired. These assets may be designated for specific purposes by action of UHCFC officers and Board of Directors.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of UHCFC or that expire by the passage of time.

Permanently restricted net assets contain donor-imposed restrictions that stipulate that resources be maintained permanently, but permit UHCFC to use or expend part or all of the income derived from the related investments for general or specific purposes.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenues, including promises to give, are reported as increases in unrestricted net assets unless use of the related asset is limited by donor or grantor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income Tax Structure

Under provisions of the Internal Revenue Service Code, section 501(c)(3), UHCFC is exempt from taxes on income other than unrelated business income. For the year ended December 31, 2004 and 2003, UHCFC did not have any unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(3).

Investments

UHCFC follows the provisions of SFAS No. 124, "*Accounting for Certain Investments Held by Not-for-Profit Organizations*," which requires all publicly traded debt and equity securities to be recorded at fair market value generally determined on the basis of quoted market values. Purchases and sales of securities are reflected on a trade-date basis. Realized gains and losses on sales of securities are based on average cost.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, expenses are recorded directly to program services or general and administrative categories based on specific identification.

Estimates

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent cash in checking accounts, money market funds or short-term investments with original maturities of three months or less, except for those short-term investments managed by UHCFC investment managers as part of their long-term investment strategies. UHCFC maintains cash accounts with banking institutions insured by the FDIC. At December 31, 2004, the carrying amount was \$160,458 and the bank balance was \$210,931, of which \$110,931 was not covered by FDIC insurance. In addition, the carrying amount was \$176,107 and the bank balance was \$236,291, of which \$136,291 was not covered by FDIC insurance at December 31, 2003.

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Governance

The Universal Health Care Foundation of Connecticut, Inc. is the supporting organization for the Connecticut Health Advancement & Research Trust, Inc., (CHART). CHART is the sole member of Universal Health Care Foundation of Connecticut, Inc. CHART holds the power to select all members of the board of directors for the Foundation.

The nature of the relationship is such that CHART makes recommendations for approval by Universal Health Care Foundation of Connecticut, Inc.

NOTE 2 – INVESTMENTS

UHCFC maintains the endowment fund in multiple investment management accounts. Investments in stocks and fixed income securities are valued based upon quoted market prices. Investments by type consisted of the following as of December 31, 2004 and 2003.

	2004	
	Cost	Fair Value
Cash and Cash Equivalents	\$ 4,924,199	\$ 4,924,199
Common and Preferred Stocks	24,177,650	31,666,830
Mutual Funds	15,746,516	15,636,154
Totals	\$ 44,848,365	\$ 52,227,183

	2003	
	Cost	Fair Value
Cash and Cash Equivalents	\$ 8,048,008	\$ 8,048,008
Common and Preferred Stocks	23,152,760	27,823,160
Mutual Funds	13,816,753	13,585,118
Totals	\$ 45,017,521	\$ 49,456,286

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 2 – INVESTMENTS (CONT'D)

The following schedule summarizes the results for investment managers for the years ended December 31, 2004 and 2003.

	2004	
	Cost	Fair Value
Fleet Money Market	\$ 4,924,199	\$ 4,924,199
Alliance Capital Management	4,994,303	6,363,734
Ariel Capital Management	3,745,657	4,816,030
Boston Common	4,476,847	6,676,853
Longwood Asset Management	3,977,247	4,967,340
Walden Asset Management	6,983,596	8,842,873
PIMCO Bond Fund	14,546,516	14,311,082
Principal Real Estate Investment Fund	1,200,000	1,325,072
Totals	\$ 44,848,365	\$ 52,227,183

	2003	
	Cost	Fair Value
Fleet Money Market	\$ 8,048,008	\$ 8,048,008
Alliance Capital Management	4,610,076	5,588,746
Ariel Capital Management	3,443,811	4,226,372
Boston Common	4,597,764	5,633,840
Longwood Asset Management	3,667,709	4,536,150
Walden Asset Management	6,833,400	7,838,052
PIMCO Bond Fund	13,816,753	13,585,118
Totals	\$ 45,017,521	\$ 49,456,286

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2004 and 2003.

	2004
Income from Investments (Net of \$320,485 in expenses)	\$ 399,385
Realized Gain on Investments	1,269,436
Unrealized gain on Investments	2,792,848
Totals	\$ 4,461,669
	2003
Income from Investments (Net of \$212,829 in expenses)	\$ 501,166
Realized Gain on Investments	611,121
Unrealized gain on Investments	4,438,764
Totals	\$ 5,551,051

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 3 – PROPERTY AND EQUIPMENT

UHCFC follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Depreciation is computed utilizing the straight-line method over the estimated useful life of the asset.

		<u>2004</u>	
	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>
Computer Equipment	\$ 26,239	\$ 4,781	\$ 12,413
Office Furniture	1,311	131	131
Telephone System	5,950	-0-	-0-
Leasehold Improvements	2,495	-0-	-0-
Totals	<u>\$ 35,995</u>	<u>\$ 4,912</u>	<u>\$ 12,544</u>

NOTE 4 – EMPLOYEE BENEFIT PLAN

UHCFC participates in the National Organizers Alliance 401(k) savings plan that covers all employees. Under the plan, UHCFC has elected to contribute 7% of the gross salaries of all eligible employees. For the years ended December 31, 2004 and 2003, employees may also contribute up to an aggregate of \$13,000 and \$12,000 annually, respectively. For the years ended December 31, 2004 and 2003, individual's age 50 or older may contribute an additional \$3,000 and \$2,000 per year, respectively. For the years ended December 31, 2004 and 2003, UHCFC contributed \$25,733 and \$19,326 to the plan, respectively.

NOTE 5 – GRANTS PAYABLE

Grants payable consist of amounts awarded, but not paid, to nonprofit groups to assist the Foundation in implementing its vision of universal and affordable health care. As of December 31, 2004 and 2003, UHCFC had grants payable totaling \$868,312 and \$457,500, respectively.

NOTE 6 – DUE FROM CHART

UHCFC is a supporting organization to the Connecticut Health Advancement and Research Trust, Inc. As of December 31, 2004 and 2003, UHCFC has incurred \$6,550 and \$5,955, respectively, of expenditures that are reimbursable from CHART.

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE 7 – LEASES

UHCFC has entered into several operating lease arrangements effective February 2005. UHCFC leases a copier, equipment, and office space located at 290 Pratt Street, Meriden, CT 06450. The minimum annual lease payments are as follows:

<u>Periods Ending December 31,</u>		
2005	\$	50,058
2006		71,744
2007		81,744
2008		79,686
2009		81,000