

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

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

**FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

February 21, 2006

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, 2005 and 2004, 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, 2005 and 2004, 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.

A handwritten signature in black ink that reads 'Maletta & Company'.

Maletta & Company
Certified Public Accountants

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

ASSETS		
	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,236,293	\$ 160,458
Due from CHART	6,910	6,550
Prepaid Expenses	24,636	25,720
Other Receivables	2,520	4,737
Total Current Assets	<u>1,270,359</u>	<u>197,465</u>
INVESTMENTS		
Investments	50,182,220	52,227,183
FIXED ASSETS		
Equipment	185,614	33,500
Leasehold Improvements	20,465	2,495
Less: Accumulated Depreciation	<u>(28,629)</u>	<u>(12,544)</u>
Net Equipment	177,450	23,451
OTHER ASSETS		
Security Deposit	<u>5,000</u>	<u>7,200</u>
TOTAL ASSETS	<u><u>\$ 51,635,029</u></u>	<u><u>\$ 52,455,299</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 53,827	\$ 48,106
Grants Payable	644,924	868,312
Accrued Expenses	78,851	76,619
Deferred Income	50,000	50,000
Accrued Annual Leave	17,555	15,134
Accrued Payroll	8,607	23,653
Payroll Taxes Payable	<u>772</u>	<u>1,455</u>
Total Current Liabilities	854,536	1,083,279
NET ASSETS		
Unrestricted Net Assets	<u>50,780,493</u>	<u>51,372,020</u>
Total Net Assets	<u>50,780,493</u>	<u>51,372,020</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 51,635,029</u></u>	<u><u>\$ 52,455,299</u></u>

*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, 2005 AND 2004

	2005	2004
OPERATING REVENUE		
Income from Investments (See Note 2)	\$ 671,545	\$ 399,385
Realized Gain on Investments	2,799,606	1,269,436
Unrealized Gain on Investments	(952,067)	2,792,848
Total Operating Revenue	2,519,084	4,461,669
OPERATING EXPENSES		
Functional Expenses		
Management & General	508,642	345,874
Program Grants	1,747,747	1,483,824
Research	481,251	122,078
Strategic Communication	298,107	146,403
Convening	74,864	48,710
Total Expenses	3,110,611	2,146,889
CHANGE IN NET ASSETS	(591,527)	2,314,780
NET ASSETS, BEGINNING OF YEAR	51,372,020	49,057,240
NET ASSETS, END OF YEAR	\$ 50,780,493	\$ 51,372,020

*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, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (591,527)	\$ 2,314,780
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	16,085	4,912
Unrealized Gain on Investments	952,067	(2,792,848)
<i>Add</i>		
Decrease in Prepaid Expenses	1,084	
Decrease in Other Receivables	2,217	
Decrease in Security Deposit	2,200	
Increase in Accounts Payable	5,721	
Increase in Grants Payable		410,812
Increase in Accrued Expenses	2,232	6,987
Increase in Deferred Income		50,000
Increase in Annual Leave	2,421	5,291
Increase in Accrued Payroll		
Increase in Payroll Taxes Payable		
	15,875	473,090
<i>Less</i>		
Increase in Prepaid Expenses		(12,444)
Increase in Due from CHART	(360)	(595)
Increase in Other Receivables		(2,889)
Increase in Security Deposit		(5,000)
Decrease in Accrued Payroll	(15,046)	(136)
Decrease in Payroll Taxes Payable	(683)	(161)
Decrease in Accounts Payable		(391)
Decrease in Grants Payable	(223,388)	
	(239,477)	(21,616)
Net Cash Flow Provided by Operating Activities	153,023	(21,682)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(170,084)	(15,918)
Purchase of Investments (Net)	1,092,896	21,951
Sale/Net Cash Flow from Investing Activities	922,812	6,033
NET INCREASE (DECREASE) IN CASH	1,075,835	(15,649)
Cash and Cash Equivalents, Beginning of Year	160,458	176,107
Cash and Cash Equivalents, End of Year	\$ 1,236,293	\$ 160,458

Operating activities reflect interest paid of \$-0- and \$-0- income taxes paid for 2005 and 2004.

*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, 2005 AND 2004

	Management & General	Program Grants	Research	Strategic Communication	Convening	Total 2005	Total 2004
Wages	\$ 78,239	\$ 221,635	\$ 60,585	\$ 66,720	\$ 39,878	\$ 467,057	\$ 356,809
Payroll Taxes	5,509	15,605	4,266	4,698	2,808	32,885	24,978
Fringe Benefits	13,398	37,955	10,375	11,426	6,829	79,983	66,141
Pension Expense	5,307	15,033	4,109	4,525	2,705	31,679	25,734
Conferences & Seminars	1,130	3,201	875	964	576	6,746	7,406
Travel Expenses	2,822	7,995	2,185	2,407	1,439	16,848	2,912
Board Expenses	30,028					30,028	9,042
Grants		14,110				14,110	8,225
Health Advocacy		751,150				751,150	642,179
Organizing		216,705				216,705	205,000
Action Research		201,150				201,150	264,681
Sm. Business Network		120,000				120,000	100,402
Legal Fees	14,767					14,767	21,195
Accounting	8,651	2,163				10,814	4,220
Audit	12,500					12,500	12,500
Finance Operations	73,056	18,264				91,320	84,660
Program Operations				19,525	15,469	34,994	14,940
Legislative Monitoring			3,875	3,875		7,750	7,500
Technical Consultants		16,348	394,981	96,670		507,998	62,953
Technical Assistance		60,737		27,794		88,531	32,686
Communications	44,643	28,495		53,040		126,178	55,207
Technology	16,626			1,303		17,929	4,318
Recruitment	4,262					4,262	17,064
Temporary Help	41,285	17,201		5,160	5,160	68,806	19,138
Facilities Expense	66,018					66,018	40,961
New Space Expense	32,796					32,796	2,678
Dues and Subscription	8,424					8,424	5,153
Office Operations	47,433					47,433	47,257
Meetings	1,748					1,748	950
Total Expenditures	<u>\$ 508,642</u>	<u>\$ 1,747,747</u>	<u>\$ 481,251</u>	<u>\$ 298,107</u>	<u>\$ 74,864</u>	<u>\$ 3,110,611</u>	<u>\$ 2,146,889</u>

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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, 2005 AND 2004

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, 2005 and 2004, 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, 2005, the carrying amount was \$1,236,293 and the bank balance was \$1,409,549, of which \$1,309,549 was not covered by FDIC insurance. In addition, the carrying amount was \$160,458 and the bank balance was \$210,931, of which \$110,931 was not covered by FDIC insurance at December 31, 2004.

**UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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, 2005 and 2004.

	2005	
	Cost	Fair Value
Cash and Cash Equivalents	\$ 160,887	\$ 160,887
Common and Preferred Stocks	27,933,381	34,535,620
Mutual Funds	15,694,045	15,485,713
Totals	\$ 43,788,313	\$ 50,182,220

	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

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 – INVESTMENTS (CONT'D)

The following schedule summarizes the results for investment managers for the years ended December 31, 2005 and 2004.

	2005	
	Cost	Fair Value
Bank of America Money Market	\$ 160,887	\$ 160,887
Alliance Capital Management	4,354,206	5,361,172
SIRE Hedge Fund	2,500,000	2,810,349
Ariel Capital Management	4,151,241	5,043,017
Boston Common	3,626,472	5,952,578
Longwood Asset Management	4,699,429	5,269,342
Walden Asset Management	6,102,033	7,532,364
Private Advisors	2,500,000	2,566,798
PIMCO Bond Fund	14,378,097	13,902,838
Principal Real Estate Investment Fund	1,315,948	1,582,875
Totals	<u>\$ 43,788,313</u>	<u>\$ 50,182,220</u>

	2004	
	Cost	Fair Value
Bank of America 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	<u>\$ 44,848,365</u>	<u>\$ 52,227,183</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2005 and 2004.

	2005
Income from Investments (Net of \$335,954 in expenses)	\$ 671,545
Realized Gain on Investments	2,799,606
Unrealized gain on Investments	(952,067)
Totals	<u>\$ 2,519,084</u>

UNIVERSAL HEALTH CARE FOUNDATION OF CONNECTICUT, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 – INVESTMENTS (CONT'D)

	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

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.

		2005	
	Cost	Depreciation	Accumulated Depreciation
Computer Equipment	\$ 49,095	\$ 6,684	\$ 19,097
Office Furniture	124,619	7,093	7,224
Telephone System	11,900	1,190	1,190
Leasehold Improvements	20,465	1,118	1,118
Totals	\$ 206,079	\$ 16,085	\$ 28,629

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, 2005 and 2004, employees may also contribute up to an aggregate of \$14,000 and \$13,000 annually, respectively. For the years ended December 31, 2005 and 2004, individual's age 50 or older may contribute an additional \$4,000 and \$3,000 per year, respectively. For the years ended December 31, 2005 and 2004, UHCFC contributed \$31,679 and \$25,733 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, 2005 and 2004, UHCFC had grants payable totaling \$644,924 and \$868,312, respectively.

NOTE 6 – DUE FROM CHART

UHCFC is a supporting organization to the Connecticut Health Advancement and Research Trust, Inc. As of December 31, 2005 and 2004, UHCFC has incurred \$6,910 and \$6,550, 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, 2005 AND 2004

NOTE 7 – LEASES

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

Periods Ending December 31,		
2006	\$	71,744
2007		81,744
2008		79,686
2009		81,000
2010		84,000