

Financial Report 2005-2006

Letter to NYSNA Members



From Executive Director
Lola M. Fehr, MS, RN, CAE, FAAN
October 2006

This year brought its share of challenges for the New York State Nurses Association, as well as opportunities for positive change. I believe NYSNA, the nation's premier state association for registered nurses, is stronger and better than ever.

The financial report included with this letter was approved by the Board of Directors on Sept. 9, 2006. This was later than usual because of the arrest of Chief Financial Officer John Daley after the close of the fiscal

year on March 31, 2006. He was charged in June with embezzling nearly \$1.2 million in association funds over a four-year period.

I should note that NYSNA accounting staff discovered the "clues" and reported them to me. We immediately turned the case over to law enforcement authorities.

Obviously, association assets between 2002 and 2006 were actually greater than was reported at that time. The revenue loss did not have a significant effect on NYSNA programs or services, however, and we ended fiscal year 2006 more than \$750,000 in the black.

I assure you that NYSNA has taken legal steps to recover these funds and a claim has been filed with the association's insurance carrier. Through these efforts, we expect that most of the stolen funds will be restored as revenue for the current fiscal year.

The Board has hired an outside auditor to conduct an internal controls review. That process began in October 2006 and will continue for several months. We expect it will identify ways in which NYSNA can tighten its accounting procedures and put improved financial systems in place.

The Board of Directors has been a source of strength during this difficult period. The Board has demonstrated its commitment to NYSNA and its members throughout the year. Now I'd like to mention some of the significant events of the year:

Legislative victories

As usual, this year's actions by the New York State Legislature were a mixed bag, but NYSNA scored one major victory. Legislation was enacted prohibiting individuals who are not registered nurses or licensed practical nurses from describing themselves as "nurses." NYSNA definitely was a presence at the State Capitol this year, with 800 nurses and nursing students attending our Lobby Day in April and many more members returning to Albany in May for a multi-union rally in support of legislation to end mandatory overtime for nurses.

"Hospital Closing Commission" hearings

A state law enacted in 2005 authorized the formation of a commission charged with making recommendations to cut costs by downsizing and closing healthcare facilities. At public hearings sponsored by the Commission on Health Care Facilities in the 21st Century (which we call the "hospital closing commission"), NYSNA



NYSNA Deputy Executive Director Tina Gerardi speaks at a press conference at the state "hospital closing commission."



Hundreds of NYSNA members and nursing students attended Lobby Day in April.

members and staff urged the commission to ensure access to health care, especially for the most vulnerable: the poor, the elderly, and the disabled. As a member of the Save our Safety Net coalition, we spoke out all year on behalf of patients and communities.

'Physically Taxing' campaign

At the request of our members who work for the City of New York, NYSNA launched an effort to include RNs in a list of city employees whose work is considered to be 'physically taxing.' This would recognize that nursing is physically demanding and allow nurses to retire at an earlier age with full benefits. The measure moved quickly through the State Legislature and the New York City Council, thanks to determined lobbying by city nurses. It was blocked, however, by the veto of one man, Gov. George Pataki. The measure will be considered again next year.

Collaborations promote research, workplace safety

NYSNA and the Foundation of New York State Nurses formed an agreement

that will improve both organizations' efforts to promote nursing research. With support from NYSNA, the Foundation will take the lead in implementing the statewide agenda for nursing research. We also renewed our alliance with the Occupational Safety and Health Administration (OSHA) to ensure safer workplaces for nurses. These efforts will focus on workplace violence, environmental health, and chemical exposure.

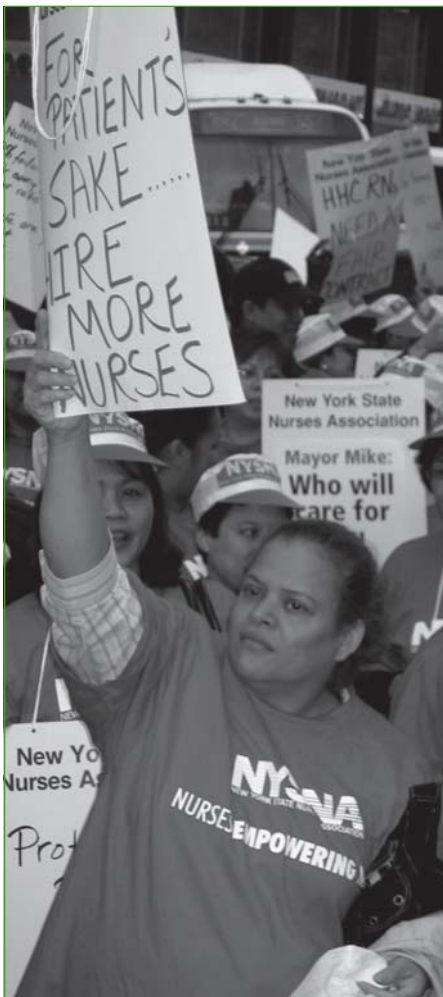
Settlement of HHC nurses' contract

The contract between New York City and NYSNA members who work in the city's public hospitals, clinics, treatment centers, and mayoral agencies was approved in May 2006, more than three years after the previous contract expired. HHC nurses participated in an historic rally outside of City Hall in October 2005, calling for a fair contract that would help retain and recruit RNs. The final contract was a victory, especially compared to what was achieved by other city unions. The lengthy negotiations emphasized, however, how difficult it is to deal with public employers who refuse to bargain in good faith while they are protected by

the state Taylor Law. NYSNA has added its voice to those calling for changes in the law. In July, NYSNA joined a bargaining coalition with other city unions, as talks on the next contract are set to begin next year.

United American Nurses mobilization fund

In March of this year, delegates to the United American Nurses (UAN) National Assembly approved the creation of a fund dedicated to organizing more RNs for collective bargaining. NYSNA, as a constituent of UAN, will be required to pay another \$30 per collective bargaining member per year to this fund, which amounts to nearly \$1 million. Needless to say, this would have a



HHC RNs gathered outside City Hall to get the Mayor to hear their demands for a fair contract.

major impact on our ability to serve members. The Board of Directors and Delegate Assembly have proposed a “pass-through,” asking bargaining unit members to agree to pay the additional amount. LBU members will vote on this measure later this year.

Too numerous to mention . . .

Every day, in many places throughout the state, NYSNA is working to support and promote nursing practice by:

- **Providing continuing education** within facilities, at NYSNA offices upstate and downstate, and online.
- **Giving expert advice** to members who have questions about how state law, health regulations, and labor law affects their practice.
- **Protecting nurses’ rights** through grievance proceedings, arbitrations, career counseling, and resources provided by our Statewide Peer Assistance Program.
- **Winning groundbreaking contracts.** Successful campaigns were completed during the past year at several major facilities, including Saint Vincents Manhattan, Flushing Hospital, Brooklyn Hospital, Montefiore Medical Center, Ellis Hospital, and Nyack Hospital. Nurses at Greenville Hospital in New Jersey won their first contract agreement.
- **Information** is shared through newsletters, brochures, our Web site, meetings at the local and state levels, and the NYSNA Library.
- **Lobbying** is conducted at both state and local levels on behalf of legislation that will improve nurses’ working conditions and patient care – and against measures that

would erode nursing practice.

Because NYSNA *is* its members, none of these things could happen without their guidance and support. Significant contributions are made by the **Delegate Assembly**, which works with NYSNA staff in the collective bargaining arena to set goals and strategy, promote internal organizing, and increase member participation in labor issues. Members also fulfill vital roles on the:

- Bylaws Committee
- Congress of Bargaining Unit Leaders and local bargaining units
- Council on Continuing Education
- Council on Ethical Practice and Human Rights
- Council on Legislation
- Council on Nursing Education
- Council on Nursing Research
- Council on Nursing Practice and various practice units
- Editorial Board of the *Journal of NYSNA*
- Membership Committee
- NYSNA Political Action Committee
- Peer Assistance Committee

What’s next?

The coming year will bring events we can foresee and others that will arise unexpectedly. Whatever lies before us, I’m confident that NYSNA will continue to fulfill its mission:

To support and enhance the practice of the registered professional nurse and to improve the public’s health by providing leadership in changing the healthcare environment.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
New York State Nurses Association

We have audited the accompanying statement of financial position of the New York State Nurses Association (a New York not-for-profit corporation) as of March 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the New York State Nurses Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's March 31, 2005 financial statements and, in our report dated May 17, 2005, we expressed an unqualified opinion on those financial statements.

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 the New York State Nurses Association as of March 31, 2006, and the change 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.

Ballew Shady Taroni & Co. LLP

Albany, New York
May 15, 2006, except for Note L,
which is as of August 15, 2006

NEW YORK STATE NURSES ASSOCIATION — STATEMENT OF FINANCIAL POSITION

March 31, 2006

(with comparative totals for 2005)

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 755,713	\$ 2,257,967
Accounts receivable	3,373,503	3,078,638
Prepaid expenses	151,241	189,073
Investments	5,872,997	5,478,972
Land, building, and equipment, net	6,259,033	6,719,880
Note receivable	46,660	53,824
Deposits	111,844	114,857
Intangible pension asset	<u>1,855,181</u>	<u>2,034,531</u>
Total assets	<u>\$ 18,426,172</u>	<u>\$ 19,927,742</u>
LIABILITIES		
Line-of-credit	\$ -	\$ 179,791
Accounts payable	395,818	301,829
Dues and collections payable	1,114,779	1,134,937
Accrued payroll and payroll taxes	543,562	425,872
Accrued compensated absences	1,014,232	931,222
Unearned revenues	197,513	229,297
Accrued pension cost	2,325,822	4,741,341
Long-term debt	<u>1,896,732</u>	<u>3,735,483</u>
	<u>7,488,458</u>	<u>11,679,772</u>
NET ASSETS		
Unrestricted	9,875,586	7,268,434
Temporarily restricted	<u>1,062,128</u>	<u>979,536</u>
	<u>10,937,714</u>	<u>8,247,970</u>
Total liabilities and net assets	<u>\$ 18,426,172</u>	<u>\$ 19,927,742</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

NEW YORK STATE NURSES ASSOCIATION NOTES TO FINANCIAL STATEMENTS

March 31, 2006

(with comparative notes for 2005)

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Organization

The New York State Nurses Association (NYSNA) is a not-for-profit organization incorporated in New York State during April 1902. The purpose of NYSNA is to promote the advancement of the profession of nursing for approximately 200,000 registered professional nurses throughout New York State and represents the interest of its approximately 34,000 members.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

2. Accounting Method

The financial statements are prepared on the accrual basis of accounting in accordance with the AICPA Audit and Accounting Guide Not-for-Profit Organizations.

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure 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.

3. Cash and Cash Equivalents

For the purpose of the statement of cash flows, NYSNA considers all highly liquid investments with an initial maturity with three months or less to be cash equivalents.

As of March 31, 2005, under the terms of NYSNA's Key Bank loan agreement, approximately \$1,993,000 of cash and cash equivalents was restricted for the refinancing of the existing loan payable to Farm Family Life Insurance Company (see Note F).

4. Accounts Receivable

Accounts receivable are carried at original invoice amounts less any estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. NYSNA considers accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts is required at March 31, 2006 and 2005.

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received.

A receivable is considered past due if any portion of the receivable balance is outstanding for more than 120 days. NYSNA does not charge interest on any past due receivables.

5. Land, Building, and Equipment, Net

Acquisition of land, buildings, and equipment and expenditures which materially change capacities or

extend useful lives are reported at cost, net of accumulated depreciation. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred. When land, building, and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is included in NYSNA's change in net assets.

Depreciation is provided for in amounts to relate the cost of depreciable assets to expenses over their estimated useful lives on the straight-line method. The estimated lives used in determining depreciation vary from three to twenty-five years.

6. Dues and Collections Payable

Members who belong to both NYSNA and the Constituent District Nurses Association (CDNA) may send combined NYSNA and CDNA dues to NYSNA. NYSNA then remits the CDNA dues portion of the amount collected to CDNA. NYSNA accounts for these receipts and payments as agency transactions and, accordingly, these transactions are not recorded in the statement of activities. CDNA does not pay a fee to NYSNA for this service.

NYSNA also pays a percentage of all dues collected from NYSNA members as its assessments to the American Nurses Association (ANA) and United American Nurses (UAN).

7. Unearned Revenue

Unearned revenue represents members' dues and grant funds received in advance of the period to which they relate.

NEW YORK STATE NURSES ASSOCIATION – STATEMENT OF ACTIVITIES
March 31, 2006
(with comparative totals for 2005)

	Unrestricted	Temporarily Restricted	Total 2006	Total 2005
REVENUES, GAINS, AND OTHER SUPPORT				
Dues and service charges	\$26,348,538	\$ 454,224	\$ 26,802,762	\$ 25,230,755
Agency shop and nonmember service fees	545,126	-	545,126	726,439
Administrative fees	214,027	-	214,027	211,962
Meetings and workshops	468,691	-	468,691	498,973
Convention revenue	233,198	-	233,198	173,058
Investment earnings, net	248,902	22,464	271,366	634,035
Other	493,694	190,148	683,842	595,818
Net assets released from restrictions	<u>586,543</u>	<u>(586,543)</u>	<u>-</u>	<u>-</u>
	29,138,719	80,293	29,219,012	28,071,040
Unrealized gains on investments	<u>206,070</u>	<u>2,345</u>	<u>208,415</u>	<u>106</u>
Total revenues, gains, and other support	<u>29,344,789</u>	<u>82,638</u>	<u>29,427,427</u>	<u>28,071,146</u>
EXPENSES AND LOSSES				
Program	17,890,113	-	17,890,113	18,969,915
Constituent	4,069,942	-	4,069,942	3,963,053
Convention	195,295	-	195,295	187,645
Administration	<u>6,037,255</u>	<u>-</u>	<u>6,037,255</u>	<u>5,858,701</u>
Total expenses	28,192,605	-	28,192,605	28,979,314
Unrealized losses on investments	<u>-</u>	<u>46</u>	<u>46</u>	<u>385,520</u>
Total expenses and losses	<u>28,192,605</u>	<u>46</u>	<u>28,192,651</u>	<u>29,364,834</u>
CHANGE IN NET ASSETS	1,152,184	82,592	1,234,776	(1,293,688)
OTHER CHANGE IN NET ASSETS				
Additional pension asset in excess of unrecognized prior service cost	1,454,968	-	1,454,968	22,202
NET ASSETS, beginning of year	<u>7,268,434</u>	<u>979,536</u>	<u>8,247,970</u>	<u>9,519,456</u>
NET ASSETS, end of year	<u>\$ 9,875,586</u>	<u>\$ 1,062,128</u>	<u>\$ 10,937,714</u>	<u>\$ 8,247,970</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets represent funds restricted for the operations of the Political Action Committee (PAC), the Protected Action Fund (PAF), and Academic Scholarship Pre/Post Registered Nurse (RN) Students. PAC was formed to support state political candidates in the form of campaign contributions. PAF was formed to provide support for bargaining units engaged in labor activities. Academic Scholarship Pre/Post RN Students represents a bequest received from a retired RN to provide scholarships for pre/post RN students. Support for these services are reported as an increase in temporarily restricted net assets. When the restriction on these assets expires, temporarily restricted net assets are reclassified as unrestricted net assets.

9. Tax Status

NYSNA is exempt from income tax under Section 501(c)(5) of the Internal Revenue Code.

10. Comparative Totals Summarized Financial Information for 2005

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NYSNA's financial statements for the year ended March 31, 2005, from which the summarized information was derived.

NOTE B - INVESTMENTS

A summary of NYSNA's investments follows:

	March 31, 2006			
	Original Cost	Gross Unrealized Gains	Gross Unrealized Gains	Fair Value
Fixed income securities	\$ 2,349,722	\$ 141	\$ (73,822)	\$ 2,276,041
Equity securities	2,322,748	885,678	-	3,208,426
Mutual funds	<u>394,006</u>	<u>60</u>	<u>(5,536)</u>	<u>388,530</u>
	<u>\$ 5,066,476</u>	<u>\$ 885,879</u>	<u>\$ (79,358)</u>	<u>\$ 5,872,997</u>
	March 31, 2005			
	Original Cost	Gross Unrealized Gains	Gross Unrealized Gains	Fair Value
Fixed income securities	\$ 2,349,412	\$ 5,949	\$ (34,578)	\$ 2,320,783
Equity securities	2,163,745	631,794	-	2,795,539
Mutual funds	<u>367,664</u>	<u>214</u>	<u>(5,228)</u>	<u>362,650</u>
	<u>\$ 4,880,821</u>	<u>\$ 637,957</u>	<u>\$ (39,806)</u>	<u>\$ 5,478,972</u>

NYSNA uses the specific identification method to determine the cost of securities sold. The fair value was obtained from the published market prices at March 31, 2006 and 2005.

A summary of investment earnings, net, is as follows:

	Years Ended March 31,	
	2006	2005
Dividend and interest	\$ 207,465	\$ 290,710
Net realized gains	99,107	390,775
Investment fees	<u>(35,206)</u>	<u>(47,450)</u>
Investment earnings, net	<u>\$ 271,366</u>	<u>\$ 634,035</u>

**NEW YORK STATE NURSES ASSOCIATION
STATEMENT OF CASH FLOWS
March 31, 2006
(with comparative totals for 2005)**

CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
	2006	2005
Change in net assets	\$ 1,234,776	\$ (1,293,688)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Bad debts	-	5,725
Depreciation	588,554	674,069
Unrealized (gains) losses on investments	(208,369)	385,414
Realized (gains) on investments	(99,107)	(390,775)
Reinvested dividends	(12,805)	(118,609)
Additional pension asset in excess of unrecognized prior service cost	1,454,968	22,202
<i>(Increase) decrease in</i>		
Accounts receivable	(294,865)	(159,943)
Prepaid expenses	37,832	55,180
Deposits	3,013	-
Intangible pension asset	179,350	(1,534,423)
<i>Increase (decrease) in</i>		
Accounts payable	93,989	(439,003)
Dues and collection payable	(20,158)	5,016
Accrued payroll and payroll taxes	117,690	21,375
Accrued compensated absences	83,010	90,971
Unearned revenues	(31,784)	(64,224)
Accrued pension cost	<u>(2,415,519)</u>	<u>1,046,262</u>
	<u>710,575</u>	<u>(1,694,451)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Proceeds from sale of and distributions from investments	9,115,207	16,243,942
Purchases of investments	(9,188,951)	(14,543,928)
Purchase of building, improvements, and equipment	(127,707)	(234,373)
Repayments of note receivable	<u>7,164</u>	<u>7,164</u>
	<u>(194,287)</u>	<u>1,472,805</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Line-of-credit, net	(179,791)	46,552
Proceeds from long-term debt	-	1,993,636
Principal payments on long-term debt	<u>(1,838,751)</u>	<u>(270,580)</u>
	<u>(2,018,542)</u>	<u>1,769,608</u>
Net increase (decrease) in cash and cash equivalents	(1,502,254)	1,547,962
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,257,967</u>	<u>710,005</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 755,713</u>	<u>\$ 2,257,967</u>

*The accompanying Notes to Financial Statements are
an integral part of these statements.*

**NEW YORK STATE NURSES ASSOCIATION
UNRESTRICTED REVENUES
Year Ended March 31, 2006
(with comparative totals for 2005)**

	2006	2005
Dues and service charges	\$ 26,348,538	\$ 24,766,179
Agency shop and nonmember service fees	<u>545,126</u>	<u>726,439</u>
Administrative fees		
New York State Nurses Association Welfare Plan	175,000	175,002
Westchester County New York State Nurses Association Welfare Plan	11,247	15,000
Political Action Committee	12,000	7,380
Protected Action Fund	<u>15,780</u>	<u>14,580</u>
	<u>214,027</u>	<u>211,962</u>
Meetings and workshops	<u>468,691</u>	<u>498,973</u>
Convention revenues	<u>233,198</u>	<u>173,058</u>
Investment earnings, net	<u>248,902</u>	<u>623,827</u>
Other revenue		
Continuing education fees	55,395	56,244
Conference revenue, net	130,769	156,995
Credit card revenue	188,956	209,268
Publications		
Advertising	28,410	26,521
Subscriptions	2,455	2,284
Sale of pamphlets and reprints	1,077	1,830
Miscellaneous	<u>86,632</u>	<u>115,459</u>
	<u>493,694</u>	<u>568,601</u>
Net assets released from restrictions	<u>586,543</u>	<u>226,835</u>
	<u>\$29,138,719</u>	<u>\$27,795,874</u>

**NEW YORK STATE NURSES ASSOCIATION – EXPENSES
Year Ended March 31, 2006
(with comparative totals for 2005)**

	2006	2005
Program expenses		
Communications & Publications	\$ 933,458	\$ 963,963
Depreciation	532,337	610,109
Economic and General Welfare	13,136,894	13,720,884
Membership Services	601,958	709,315
Nursing Education	523,426	681,751
Organization Services	360,401	356,238
Planning and Research	465,056	590,886
Practice & Governmental Affairs	1,331,584	1,363,039
SPAN, net	<u>4,999</u>	<u>(26,270)</u>
	<u>17,890,113</u>	<u>18,969,915</u>
Constituent	<u>4,069,942</u>	<u>3,963,053</u>
Convention	<u>195,295</u>	<u>187,645</u>
Administrative expenses		
Corporate committees & matters	112,864	119,548
Data processing	614,660	679,975
Depreciation	56,216	63,960
General and administration	3,946,463	3,939,202
Political Action Committee	72,913	142,462
Protected Action Fund	473,670	27,640
Special services	<u>760,469</u>	<u>885,914</u>
	<u>6,037,255</u>	<u>5,858,701</u>
	<u>\$ 28,192,605</u>	<u>\$ 28,979,314</u>

NEW YORK STATE NURSES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2006
(with comparative notes for 2005)

NOTE C - LAND, BUILDING, AND EQUIPMENT, NET

A summary of NYSNA's land, building, and equipment, net, follows:

	March 31,	
	2006	2005
Land	\$ 1,297,202	\$ 1,297,202
Building	6,896,353	6,896,353
Office furnishings and equipment	<u>3,582,001</u>	<u>3,454,294</u>
	11,775,556	11,647,849
Less accumulated depreciation	<u>5,516,523</u>	<u>4,927,969</u>
Land, building, and equipment, net	<u>\$ 6,259,033</u>	<u>\$ 6,719,880</u>

NOTE D - NOTE RECEIVABLE

NYSNA has an unsecured, non-interest bearing note receivable of \$46,660 and \$53,824 from the Foundation of the New York State Nurses Association, Inc. at March 31, 2006 and 2005, respectively. NYSNA receives monthly principal installments of \$597. The note matures October 2, 2012.

A summary of NYSNA's future minimum installments of its note receivable follows:

For the year ending May 31,	2007	\$ 7,164
	2008	7,164
	2009	7,164
	2010	7,164
	2011	7,164
	Thereafter	<u>10,840</u>
		<u>\$ 46,660</u>

NOTE E - LINE-OF-CREDIT

NYSNA has available a \$1,000,000 unsecured line-of-credit with KeyBank National Association (KeyBank), of which \$0- and \$179,791 was outstanding at March 31, 2006 and 2005 respectively. The current line is renewable August 31, 2006. Interest is charged at the KeyBank base rate (7.50% and 5.75% at March 31, 2006 and 2005, respectively).

NOTE F - LONG-TERM DEBT

A summary of NYSNA's long-term debt follows:

	March 31,	
	2006	2005
<i>KeyBank National Association</i>		
Payable in monthly installments of \$6,364, plus interest at LIBOR plus 240 basis points (7.23% and 5.09% at March 31, 2006 and 2005, respectively), maturing September 2014 (a)(b)(c)	\$ 1,896,732	\$ 1,974,543
<i>Farm Family Life Insurance Company</i>		
Payable in monthly installments of \$34,209, including interest at 8.375%, paid in full July 2005 (a)(c)	<u>-</u>	<u>1,760,940</u>
	<u>\$ 1,896,732</u>	<u>\$ 3,735,483</u>

(a) Secured by the land, building, and equipment.

(b) NYSNA has an interest rate Swap agreement to reduce the impact of changes in interest rates on its floating rate loan. The agreement has a total notional principal amount of approximately \$1,889,000 and \$1,968,000 at March 31, 2006 and 2005, respectively. The agreement effectively changes NYSNA's interest rate exposure on its floating rate to a fixed 7.29%. The Swap agreement matures at the time the related notes mature. NYSNA is exposed to credit loss in the event of nonperformance by the counter parties to the interest rate Swap agreement. However, NYSNA does not anticipate nonperformance by the counter parties. The fair value of the Swap agreement was a receivable (liability) of approximately \$34,000 and \$(25,000) at March 31, 2006 and 2005, respectively. The loan agreement requires NYSNA to meet certain covenants.

(c) The proceeds from the Key Bank loan were used to pay off the loan payable to Farm Family Life Insurance Company during July 2005. (See Note A3.)

A summary of NYSNA's future minimum maturities of long-term debt follows:

For the year ending March 31,	2007	\$ 76,368
	2008	76,368
	2009	76,368
	2010	76,368
	2011	76,368
	Thereafter	<u>1,514,892</u>
		<u>\$ 1,896,732</u>

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	March 31,	
	2006	2005
PAF	\$ 748,326	\$ 891,210
PAC	139,402	88,326
Academic Scholarship Pre/Post RN Students	<u>174,400</u>	<u>-</u>
	<u>\$ 1,062,128</u>	<u>\$ 979,536</u>

NOTE H - PENSION PLAN

NYSNA has a noncontributory, defined benefit pension plan covering substantially all of its employees. Benefits are based on the employee's years of service and the employee's compensation. NYSNA's funding policy is to contribute annually an amount within ranges established by the Employee Retirement Income Security Act (ERISA) of 1974. NYSNA uses the Projected Unit Credit Actuarial Cost Method to determine its annual contribution to the pension plan. The Plan's assets are held in Mellon Financial's general account and consist primarily of cash equivalents, equity securities, and fixed income securities. NYSNA's funding policy is to contribute funds to a trust as necessary to provide for current service and for any unfunded projected benefit obligations over a reasonable period as actuarially determined by Milliman Consultants and Actuaries (Milliman) and Harbridge Consulting Group (Harbridge), the Plan's consulting actuaries for the years ended March 31, 2006 and 2005, respectively. To the extent that these requirements are fully covered by assets in the trust, a contribution may not be necessary in a particular year.

The following table sets forth the Plan's funded status and amounts recognized on the statement of financial position under SFAS No. 87, Employers' Accounting for Pension, and SFAS No. 132 and No. 132R, Employers' Disclosures about Pensions and Other Postretirement Benefits, as reported by Milliman and Harbridge for the years ended March 31, 2006 and 2005, respectively.

	March 31,	
	2006	2005
Benefit obligation	\$ 22,023,988	\$ 21,695,056
Fair value of plan assets	<u>16,723,429</u>	<u>13,847,007</u>
Funded status	<u>\$ (5,300,559)</u>	<u>\$ (7,848,049)</u>
Intangible asset	<u>\$ 1,855,181</u>	<u>\$ 2,034,531</u>
Accrued pension cost		
Current portion	\$ 517,778	\$ 160,336
Long-term portion	<u>1,808,044</u>	<u>4,581,005</u>
Accrued pension cost	<u>\$ 2,325,822</u>	<u>\$ 4,741,341</u>

	March 31,	
	2006	2005
Weighted average assumptions used in the accounting for net pension cost were:		
Discount rate	6.00%	5.75%
Expected return on assets	8.50%	8.50%
Rate of compensation increase	3.50%	3.50%

	March 31,	
	2006	2005
Net periodic pension cost (annual expense)	\$ 1,677,896	\$ 1,714,809
NYSNA's contributions	2,459,097	2,180,768
Benefits paid	890,671	440,284

The Plan's investments by asset category are as follows:

	March 31,	
	2006	2005
<u>Asset Category</u>		
Cash and cash equivalents	3.5%	9.7%
Debt securities	41.0%	35.3%
Equity funds	<u>55.5%</u>	<u>55.0%</u>
	<u>100.0%</u>	<u>100.0%</u>

Management of the Plan's assets is designed to maximize total return (income plus capital change) while preserving the capital values of the funds, protecting the funds from inflation, and providing liquidity as needed for Plan benefits.

NOTE H - PENSION PLAN - continued

NYSNA's Plan trustees determine the specific investments held by the Plan and promote a reasonable degree of diversification. The investments are reviewed at least annually.

NYSNA expects to contribute \$2,000,000 to the Plan during the year ending March 31, 2007.

The following benefit payments, which reflect expected future service as appropriate, are expected to be made to participants:

2007	\$	825,503
2008		829,521
2009		842,553
2010		877,235
2011		901,753
2012 - 2016		5,480,395

In accordance with SFAS No. 87, an intangible asset equal to the additional pension liability shall be recognized, provided that the asset recognized does not exceed the amount of unrecognized prior service cost. The excess of the minimum pension liability over the unrecognized prior service cost for the Plan is reported herein as an addition to net assets as follows:

	March 31,	
	2006	2005
Additional minimum pension liability	\$ (2,654,847)	\$ (4,289,165)
Unrecognized prior service cost	<u>1,855,181</u>	<u>2,034,531</u>
Cumulative reduction to net assets	(799,666)	(2,254,634)
Less prior year's cumulative reduction to net assets	<u>(2,254,634)</u>	<u>(2,276,836)</u>
Current year addition to net assets	<u>\$ 1,454,968</u>	<u>\$ 22,202</u>

Assumed Retirement Age

Participants not covered by the Communication Workers of America (CWA) Collective Bargaining Agreement are assumed to retire at age 62 with a minimum of 10 years of service. Participants covered by the CWA Collective Bargaining Agreement are assumed to retire at age 65 with a minimum of three years of participation.

NOTE I - RELATED PARTY TRANSACTIONS

NYSNA provides management, facilities, and personnel services to the New York State Nurses Association Welfare Plan and the Westchester County New York State Nurses Association Welfare Plan. The reimbursement to NYSNA for these services was approximately \$186,000 and \$190,000 for the years ended March 31, 2006 and 2005, respectively.

NYSNA pays an assessment to ANA and UAN for membership privileges which are based on a percentage of member dues collected by NYSNA. The assessments totaled \$4,069,942 and \$3,963,053 for the years ended March 31, 2006 and 2005, respectively, and are recorded herein as "constituent expenses."

NOTE J - COMMITMENT AND CONTINGENCIES

1. Operating Leases

NYSNA has entered into various lease agreements for the use of office space, automobiles, and equipment. The agreements require payments ranging from \$334 to \$62,458 per month and expire or expired at various times from June 2006 through February 2013. NYSNA also rents various equipment on a month-to-month basis. These leases are reported herein as "operating leases."

During 2006, NYSNA entered into an eight-year sublease agreement for the use of certain office space in its New York City location, expiring February 2013. The subleasee is required to pay monthly rental payments of \$4,500.

A summary of the future minimum lease and sublease payments are as follows:

	Lease Payments	Sublease Payments
For the year ending March 31,		
2007	\$ 904,996	\$ 54,000
2008	860,897	54,000
2009	863,494	54,000
2010	836,719	54,000
2011	775,485	54,000
Thereafter	<u>1,436,537</u>	<u>103,500</u>
	<u>\$ 5,678,128</u>	<u>\$ 373,500</u>

Total rent expense on these operating leases, net of sublease revenue, was approximately \$954,000 and \$980,000 for the years ended March 31, 2006 and 2005, respectively.

2. Concentration of Credit Risk

NYSNA maintains cash balances in one financial institution located in the Northeast. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times, NYSNA has bank deposits in excess of amounts insured by the FDIC.

3. Grants

During the year ended March 31, 2006, PAF had issued approximately \$266,000 in grants to three bargaining units for various advertising costs, of which approximately \$127,000 had not been requested by the bargaining units as of March 31, 2006.

NOTE K - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest was \$219,101 and \$220,883 for the years ended March 31, 2006 and 2005, respectively. Interest expense was \$202,971 and \$234,450 for the years ended March 31, 2006 and 2005, respectively.

NOTE L - SUBSEQUENT EVENT

In May 2006, it was discovered that one of NYSNA's employees had misappropriated certain NYSNA funds. Upon discovering this, the employee involved was relieved of his duties and NYSNA, the local police, and forensic accounting consultants retained by NYSNA conducted an in-depth investigation of the related accounting books and records starting with the date the employee was first hired. As a result, it was determined that over the period January 2002 through May 2006, this employee had misappropriated over \$1,190,000. The total misappropriated through March 31, 2006, was \$1,078,000, and if such misappropriations had not occurred, NYSNA's net assets at March 31, 2006, would have been higher by this amount.

NYSNA is currently in the process of filing a claim with its fidelity insurance carrier, on which the maximum coverage, net of deductible, is \$495,000. Substantial restitution has also been offered by the employee involved and certain members of his family. However, such loss recovery amounts have not been reflected in the accompanying financial statements because under accounting principles generally accepted in the United States of America, these recoveries should not be accrued until they are certain.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION**

Board of Directors
New York State Nurses Association

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the New York State Nurses Association as of and for the year ended March 31, 2006, which are presented in the preceding section of this report. The supplemental information listed in the Contents of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The prior year summarized comparative information has been derived from the Association's March 31, 2005, financial statements and, in our report dated May 17, 2005, we expressed an unqualified opinion on those financial statements.

Bellam Shady Tawani & Co LLP

Albany, New York
May 15, 2006, except for Note L to the basic financial statements, which is as of August 15, 2006

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