

HOSPICE OF THE FOOTHILLS

FINANCIAL STATEMENTS
June 30, 2021 and 2020

HOSPICE OF THE FOOTHILLS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hospice of the Foothills
Grass Valley, California

We have audited the accompanying financial statements of Hospice of the Foothills (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospice of the Foothills as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Propp Christensen Caniglia LLP

October 29, 2021
Roseville, California

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HOSPICE OF THE FOOTHILLS

STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 4,346,105	\$ 3,044,864
Investments	743,438	683,699
Accounts receivable, net	470,898	177,448
Prepaid expenses	65,707	74,625
Total current assets	5,626,148	3,980,636
Property and equipment, net	4,603,867	4,982,921
Endowment assets:		
Cash and cash equivalents	49,332	35,539
Investments	1,373,780	1,170,143
Total endowment assets	1,423,112	1,205,682
Operating deposits	7,887	14,332
Total assets	\$ 11,661,014	\$ 10,183,571

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 175,450	\$ 103,659
Accrued payroll and related expenses	155,038	115,390
Accrued paid time-off benefits	287,841	231,926
Deferred revenue	1,200	323,089
Other current liabilities	24,304	3,542
Notes payable, current portion	300,012	226,285
Total current liabilities	943,845	1,003,891
Long-term liabilities:		
Notes payable, less current portion	3,537,506	3,837,518
Total liabilities	4,481,351	4,841,409
Net assets:		
Without donor restrictions:		
Undesignated	5,756,551	4,136,480
Board designated endowment	607,170	389,740
With donor restrictions	815,942	815,942
Total net assets	7,179,663	5,342,162
Total liabilities and net assets	\$ 11,661,014	\$ 10,183,571

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

HOSPICE OF THE FOOTHILLS

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenues, gains and other support:			
Contributions	\$ 797,612	\$ 99,085	\$ 896,697
Grants	27,500	-	27,500
Medicare/Medi-Cal reimbursements	7,156,175	-	7,156,175
Private insurance reimbursements	126,121	-	126,121
Rental income	93,202	-	93,202
Thrift stores	1,267,866	-	1,267,866
In-kind fundraising revenue	56,455	-	56,455
Net return on investments	57,413	217,425	274,838
Other income	21,181	-	21,181
COVID relief funds	323,089	-	323,089
Events	68,586	-	68,586
Loss on disposal of property and equipment	(4,052)	-	(4,052)
Net assets released from restrictions	316,510	(316,510)	-
Total revenue, gains and other support	10,307,658	-	10,307,658
Expenses:			
Program services	5,556,234	-	5,556,234
Supporting services:			
Management and general	1,335,632	-	1,335,632
Fundraising:			
Thrift stores	1,194,665	-	1,194,665
Other fundraising and marketing	383,626	-	383,626
Total fundraising	1,578,291	-	1,578,291
Total expenses	8,470,157	-	8,470,157
Change in net assets	1,837,501	-	1,837,501
Net assets, beginning of year	4,526,220	815,942	5,342,162
Net assets, end of year	\$ 6,363,721	\$ 815,942	\$ 7,179,663

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

HOSPICE OF THE FOOTHILLS

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Years Ended June 30, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
Revenues, gains and other support:			
Contributions	\$ 361,981	\$ 51,910	\$ 413,891
Grants	5,000	3,813	8,813
Medicare/Medi-Cal reimbursements	5,459,502	-	5,459,502
Private insurance reimbursements	149,841	-	149,841
Rental income	91,463	-	91,463
Thrift stores	1,088,333	-	1,088,333
In-kind revenue	45,543	-	45,543
Net return on investments	43,792	55,791	99,583
Other income	20,339	-	20,339
COVID relief funds	852,073	-	852,073
Events	77,142	-	77,142
Loss on disposal of property and equipment	(2,940)	-	(2,940)
Net assets released from restrictions	111,514	(111,514)	-
Total revenue, gains and other support	8,303,583	-	8,303,583
Expenses:			
Program services	4,976,873	-	4,976,873
Supporting services:			
Management and general	1,247,497	-	1,247,497
Fundraising:			
Thrift stores	1,047,799	-	1,047,799
Other fundraising and marketing	357,962	-	357,962
Total fundraising	1,405,761	-	1,405,761
Total expenses	7,630,131	-	7,630,131
Change in net assets	673,452	-	673,452
Net assets, beginning of year	3,852,768	815,942	4,668,710
Net assets, end of year	\$ 4,526,220	\$ 815,942	\$ 5,342,162

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

HOSPICE OF THE FOOTHILLS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2021 and 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	2021 Total
Administration	\$ -	\$ 3,441	\$ -	\$ 3,441
Advertising	1,456	-	12,345	13,801
Auto and truck costs	-	-	12,211	12,211
Bad debt	844	-	-	844
Community education	377	3,884	-	4,261
Computer costs	68,722	30,662	12,017	111,401
Credit card fees	-	-	23,150	23,150
Direct patient expenses	765,588	-	-	765,588
Dues, subscriptions and library	6,144	19,950	238	26,332
Employee benefits	636,866	160,574	203,823	1,001,263
Equipment rental	4,645	3,518	1,380	9,543
Events	-	-	5,939	5,939
In-kind	-	-	45,455	45,455
Insurance	25,384	14,551	12,989	52,924
Interest and finance charges	158,466	10,723	5,282	174,471
Janitorial	-	4,531	-	4,531
Medical director	22,246	-	-	22,246
Miscellaneous	15,848	1,958	39,058	56,864
Occupancy	-	-	249,153	249,153
Office expenses	11,955	4,531	4,549	21,035
Payroll taxes	252,445	56,264	64,644	373,353
Postage	-	5,221	5,926	11,147
Printing	1,363	1,632	10,251	13,246
Professional fees	3,092	162,930	-	166,022
Repairs and maintenance	-	46,273	11,224	57,497
Salaries	2,907,520	658,354	706,460	4,272,334
Staff development	8,890	83,023	70	91,983
Supplies	-	871	13,311	14,182
Telephone	67,389	13,664	14,063	95,116
Trash removal	-	4,600	39,723	44,323
Travel	63,384	1,069	2,193	66,646
Utilities	23,710	10,458	37,447	71,615
Workers compensation	118,019	5,638	27,344	151,001
Total expenses before depreciation	5,164,353	1,308,320	1,560,245	8,032,918
Depreciation	391,881	27,312	18,046	437,239
Total expenses	<u>\$ 5,556,234</u>	<u>\$ 1,335,632</u>	<u>\$ 1,578,291</u>	<u>\$ 8,470,157</u>

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

HOSPICE OF THE FOOTHILLS

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended June 30, 2021 and 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	2020 Total
Administration	\$ -	\$ 3,514	\$ -	\$ 3,514
Advertising	1,085	1,498	13,916	16,499
Auto and truck costs	-	-	10,567	10,567
Bad debt	55	-	-	55
Community education	462	4,114	-	4,576
Computer costs	65,816	32,364	11,158	109,338
Credit card fees	-	-	18,086	18,086
Direct patient expenses	570,759	-	-	570,759
Dues, subscriptions and library	4,815	22,669	1,448	28,932
Employee benefits	645,284	159,669	161,363	966,316
Equipment rental	11,489	12,000	1,380	24,869
Events	-	-	30,520	30,520
Insurance	25,212	14,362	14,564	54,138
Interest and finance charges	167,670	14,643	5,589	187,902
Janitorial	183	5,176	-	5,359
Medical director	132,052	-	-	132,052
Miscellaneous	19,469	1,663	33,715	54,847
Occupancy	-	-	272,696	272,696
Office expenses	9,782	4,399	8,705	22,886
Payroll taxes	219,852	53,077	58,455	331,384
Postage	-	5,015	6,669	11,684
Printing	1,314	929	10,870	13,113
Professional fees	10,783	169,634	-	180,417
Repairs and maintenance	882	45,176	6,272	52,330
Salaries	2,450,238	604,556	600,918	3,655,712
Staff development	3,557	28,990	674	33,221
Supplies	-	626	7,664	8,290
Telephone	53,082	14,471	11,711	79,264
Trash removal	-	4,453	35,813	40,266
Travel	60,137	1,080	2,904	64,121
Utilities	25,102	12,887	35,246	73,235
Workers compensation	113,815	3,584	18,301	135,700
Total expenses before depreciation	4,592,895	1,220,549	1,379,204	7,192,648
Depreciation	383,978	26,948	26,557	437,483
Total expenses	\$ 4,976,873	\$ 1,247,497	\$ 1,405,761	\$ 7,630,131

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

HOSPICE OF THE FOOTHILLS

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,837,501	\$ 673,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	437,239	437,483
Net realized and unrealized gains	(229,054)	(43,567)
Loss on disposal of property and equipment	4,052	2,940
Provision for bad debts	844	55
Changes in operating assets and liabilities:		
Accounts receivable	(294,294)	342,735
Prepaid expenses	8,918	58,259
Operating deposits	6,445	(139)
Accounts payable	71,791	(81,185)
Accrued payroll and related expenses	39,648	31,229
Accrued paid time-off benefits	55,915	23,403
Deferred revenue	(321,889)	301,517
Other current liabilities	20,762	(12,003)
Net cash provided by operating activities	1,637,878	1,734,179
Cash flows from investing activities:		
Purchases of investments	(269,567)	(655,247)
Proceeds from sale of investments	235,245	871,200
Purchases of property and equipment	(62,237)	(297,293)
Proceeds from sale of property and equipment	-	9,125
Net cash used in investing activities	(96,559)	(72,215)
Cash flows from financing activities:		
Principal payments on notes payable	(226,285)	(216,976)
Net change in cash and cash equivalents	1,315,034	1,444,988
Cash and cash equivalents, beginning of year	3,080,403	1,635,415
Cash and cash equivalents, end of year	\$ 4,395,437	\$ 3,080,403
Ending cash and cash equivalents includes the following accounts:		
Cash and cash equivalents - operating	\$ 4,346,105	\$ 3,044,864
Cash and cash equivalents - endowment	49,332	35,539
	\$ 4,395,437	\$ 3,080,403
<u>Supplementary disclosure of cash flow information:</u>		
Interest paid	\$ 174,471	\$ 187,902

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

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1: NATURE OF ACTIVITIES

Hospice of the Foothills (the "Organization"), is a community-based, non-profit organization incorporated in 1979 under the laws of the State of California. It is staffed with volunteer and paid professionals serving terminally ill patients and their families in Western Nevada County and surrounding communities. A combination of volunteer time and services, private donations from the community, memorial donations, bequests, private foundations, Friends of Hospice, Medicare, Medi-Cal, and private insurance allows the care to be offered at no cost to the patient.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations.

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions without donor restrictions are reported as revenues which increase net assets without donor restrictions. Expirations of donor restrictions on contributions whose restrictions are met in the same reporting period have been reported as reclassifications between the applicable classes of net assets.

The Organization has adopted the provisions of FASB Accounting Standards Update ("ASU") No. 2018-08 "Not-for-Profit Entities (Topic 958)". The ASU provides an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Organization adopted the provisions of FASB ASC 606 as revised by ASU 2014-09. The Organization's income received is not recognized as revenues until the revenue is earned, which is at the time when the services are provided. The Organization has retrospectively adopted the new guidance as of June 30, 2021 with no changes to previously reported net assets.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investment securities with a maturity of three months or less, and convertible to a known amount of cash, to be cash equivalents. In accordance with the FASB ASC Topic 230, *Statement of Cash Flows*, the statement of cash flows presents the total change in cash, including restricted cash, during the year.

Accounts and Pledges Receivable

Accounts and pledges receivable have been reported at the outstanding balance, less an allowance for doubtful accounts. The Organization provides for losses on receivable balances using the allowance method. This method is based on experience and other circumstances which may affect the collectability of the balance. Uncollectible receivables are charged off when management determines the receivable will not be collected.

Inventory

Inventories in the Organization's thrift stores consist solely of donated items and are not reflected on the balance sheet. Accounting principles dictate that inventory be stated at the lower of cost or market value. Inventory at any point in time is valued at negligible amounts and not recorded on the statement of financial position.

Investments

The Organization has adopted FASB ASC 958-320, Not-for-Profit Entities – Investments – Debt and Equity Securities. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair value is based on quoted market prices for debt and marketable equity securities, published unit values for mutual funds, and money market mutual funds. Unrealized gains and losses are included in the change in net assets without donor restrictions. Investment income is reported as increases in net assets without donor restrictions in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair market value at the date of receipt. The Organization maintains a minimum capitalization threshold of \$1,500. The Organization provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 3 to 25 years. Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of IRC Section 509(a)(2) and qualifies for deductible contributions as provided in Section 170(b)(1)(A). After they are filed, the Organization's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns. Activities unrelated to the Organization's mission may be subject to unrelated business income tax.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind Donations

Contributions in-kind, when received, are recognized at fair market value. Furnishings and fixtures, labor, materials, and supplies donated from individuals, businesses and contractors totaled \$56,455 and \$45,543 for the years ended June 30, 2021 and 2020, respectively.

Donated Services

During the years ended June 30, 2021 and 2020, the Organization received donated investment advisory services in the amount of \$11,000, each year. The Organization pays for most services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 totaled \$13,801 and \$16,499, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Costs specifically identified with programs are directly allocated to those functions. All costs not identifiable with programs, but indispensable to the conduct of such programs and activities and to the Organization's existence, are included as management and general expenses. Expenses that benefit more than one function of the Organization are allocated among the functions based generally on the amount of time and effort spent by personnel on each function.

Fair Value Measurements

The Organization has adopted the provisions of FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments: Fair values, which are the amounts reported in the statement of financial presentation, are based on quoted market prices. There have been no changes in the methodology used at June 30, 2021 and 2020.

The Organization has adopted the provisions of FASB ASC 825 as revised by ASU 2016-01, Financial Instruments—Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 enhances the reporting model for financial instruments by providing financial statement users with more decision-useful information.

The Organization has adopted the provisions of FASB ASC 820 as revised by ASU 2018-13, Fair Value Measurement (Topic 820): Changes to the disclosure requirements for Fair Value Measurement. ASU 2018-13 modifies the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The Organization has retrospectively adopted ASU 2018-13 as of June 30, 2021 with no effect to previously reported change in net assets or net assets.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2021. Early application is permitted. The Organization is currently evaluating the impact the adoption of this ASU will have on its financial statements.

In September 2020, the FASB modified ASC Section 958 by issuing ASU 2020-07, Not-for-Profit (Topic 958). The amendments in this update are designed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. The amendments in the update are effective for annual reporting periods beginning after June 15, 2021. Early application is permitted. The Organization is currently evaluating the impact the adoption of this ASU will have on its financial statements.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified, with no effect to net assets to conform to the 2021 financial statement presentation.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through October 29, 2021, the date that the financial statements were available to be issued.

The Organization is currently negotiating to lease a commercial space in Grass Valley with the intention of consolidating all gift and thrift operations, except the Penn Valley location, with a targeted opening date in the first quarter of 2022.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2021	2020
Current financial assets:		
Cash and cash equivalents	\$ 4,346,105	\$ 3,044,864
Investments	743,438	683,699
Accounts receivable, net	470,898	177,448
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,560,441</u>	<u>\$ 3,906,011</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2021	2020
Medicare	\$ 381,316	\$ 118,691
MediCal	42,281	40,092
Private	20,181	8,575
Other	28,151	14,784
Subtotal	471,929	182,142
Less allowance for doubtful accounts	<u>(1,031)</u>	<u>(4,694)</u>
Total accounts receivable, net	<u>\$ 470,898</u>	<u>\$ 177,448</u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2021	2020
Land and land improvements	\$ 1,874,704	\$ 1,866,124
Buildings	7,940,307	7,916,392
Leasehold improvements	52,318	46,835
Furniture and fixtures	94,104	157,148
Equipment	7,507	17,342
Software	256,144	270,260
Office equipment	291,429	427,717
Vehicles	55,674	53,040
Total property and equipment	10,572,187	10,754,858
Less accumulated depreciation	<u>(5,968,320)</u>	<u>(5,771,937)</u>
Total property and equipment, net	<u>\$ 4,603,867</u>	<u>\$ 4,982,921</u>

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 6: INVESTMENTS

Investments consist of the following at June 30:

	2021		2020	
	Cost	Market Value	Cost	Market Value
Cash equivalents				
Endowment	<u>\$ 49,332</u>	<u>\$ 49,332</u>	<u>\$ 35,539</u>	<u>\$ 35,539</u>
Investments				
Endowment:				
Stock funds	\$ 399,161	\$ 600,855	\$ 470,575	\$ 550,387
Taxable bond funds	<u>745,349</u>	<u>772,925</u>	<u>583,592</u>	<u>619,756</u>
Subtotal	<u>1,144,510</u>	<u>1,373,780</u>	<u>1,054,167</u>	<u>1,170,143</u>
General:				
Stock funds	158,535	217,515	177,669	202,583
Taxable bond funds	<u>515,961</u>	<u>525,923</u>	<u>470,415</u>	<u>481,116</u>
Subtotal	<u>674,496</u>	<u>743,438</u>	<u>648,084</u>	<u>683,699</u>
Total investments	<u>\$ 1,819,006</u>	<u>\$ 2,117,218</u>	<u>\$ 1,702,251</u>	<u>\$ 1,853,842</u>

The following is a summary of net return on investments for the years ended June 30:

	2021	2020
Interest and dividends	\$ 64,207	\$ 74,940
Net realized/unrealized gain	229,054	43,567
Investment fees	<u>(18,423)</u>	<u>(18,924)</u>
Net return on investments	<u>\$ 274,838</u>	<u>\$ 99,583</u>

NOTE 7: FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Stock funds	\$ 818,370	\$ -	\$ -	\$ 818,370
Taxable bond funds	<u>1,298,848</u>	<u>-</u>	<u>-</u>	<u>1,298,848</u>
Total investments	<u>\$ 2,117,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,117,218</u>
	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Stock funds	\$ 752,970	\$ -	\$ -	\$ 752,970
Taxable bond funds	<u>1,100,872</u>	<u>-</u>	<u>-</u>	<u>1,100,872</u>
Total investments	<u>\$ 1,853,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,853,842</u>

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 8: ACCRUED PAID TIME-OFF BENEFITS

The Organization provides paid time-off benefits for its regular full-time and regular part-time employees that accrue from their date of hire and vest after 30 days of employment. Eligible employees accrue paid time-off hours based upon the scheduled number of regular hours the employee works per week (up to a maximum of 40 regular hours) as well as the number of years of service with the Organization. Temporary and per diem employees are not eligible for paid time-off benefits. The number of maximum paid days ranges from 15 to 30 days depending on the number of years of service with the Organization and the number of hours worked per week. Paid time-off not taken rolls over from one year to the next up to a maximum of not more than 1.5 times the employee's annual days of paid time-off. Once the maximum number of paid time-off days is earned, employees stop accruing until the balance of earned paid time-off is reduced by taking time-off or may be cashed out according to plan restrictions. Upon separation of employment, all accrued paid time-off hours will be paid in the employee's final paycheck in accordance with applicable state and federal laws. At June 30, 2021 and 2020, accrued paid time-off totaled \$287,841 and \$231,926, respectively.

NOTE 9: LINE OF CREDIT

The Organization has available a line of credit with a financial institution for \$300,000. The line of credit was obtained on February 5, 2010 and renews automatically under terms of the agreement. As of November 26, 2012, the terms were updated as follows: borrowings under the line of credit bear interest at 1.25 percentage points over the bank's prime rate, but no less than 4.00% per annum. All borrowings are secured by the Organization's assets. As of June 30, 2021 and 2020 there was no outstanding balance.

NOTE 10: NOTES PAYABLE

The Organization obtained permanent financing on its building with a note payable to a financial institution of \$6,000,000. The note is a 25-year fully-amortizing loan bearing interest at a fixed rate of 4.411% with monthly principal and interest payments of \$33,258 beginning February 1, 2009 and maturing January 1, 2034. The loan is secured by the Organization's facility. At June 30, 2021 and 2020, the outstanding balance on the note totaled \$3,833,764 and \$4,055,964, respectively.

Effective September 16, 2021, the Organization refinanced the note on its building. The new loan in the amount of \$3,776,990 is a 10-year fully-amortizing loan bearing interest at a fixed rate of 3.4%, with monthly principal and interest payments of \$37,312. The first payment is due on November 1, 2021 and the loan matures on October 1, 2031.

The Organization obtained financing for a portion of the cost related to installing energy efficient LED parking lot lighting with a note payable to PG&E for \$10,553. The note was a 5-year, 0% loan with monthly payments of \$175 beginning October 21, 2015 and matured on September 30, 2020. At June 30, 2020, the outstanding balance on the note totaled \$1,231.

The Organization obtained financing for a portion of the cost related to installing energy efficient LED lighting with a note payable to PG&E for \$5,017. The note is a 38-month, 0% loan with monthly payments of \$132 beginning November 2018 and matures December 2021. At June 30, 2021 and 2020, the outstanding balance on the note totaled \$792 and \$2,376, respectively.

The Organization obtained financing for a portion of the cost related to installing energy efficient LED lighting with a note payable to PG&E for \$6,348. The note is a 5-year, 0% loan with monthly payments of \$106 beginning November 2018 and matures October 2023. At June 30, 2021 and 2020, the outstanding balance on the note totaled \$2,962 and \$4,232, respectively.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS June 30, 2021 and 2020

NOTE 10: NOTES PAYABLE (CONTINUED)

The maturities of the notes payable for the next five years and thereafter are as follows:

<u>Year Ending December 31:</u>	
2022	\$ 300,012
2023	332,312
2024	342,774
2025	354,626
2026	367,046
Thereafter	<u>2,140,748</u>
Total	<u>\$ 3,837,518</u>

NOTE 11: CONTRIBUTIONS

Contributions are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Community donations	\$ 135,292	\$ 153,662
Bequests	526,050	69,480
Friends of Hospice	136,270	137,966
Memorial donations	99,085	51,910
Other	<u>-</u>	<u>873</u>
	<u>\$ 896,697</u>	<u>\$ 413,891</u>

NOTE 12: OPERATING LEASE OBLIGATIONS

The Organization is currently obligated for its thrift store space under four separate lease agreements and holds several equipment leases. The lease obligations are as follows:

Grass Valley Thrift Store

This lease began on September 15, 2014 and extends through March 31, 2020. The lease calls for initial regular monthly payments of \$4,675. Base rent adjusts annually. In April 2020, the lease was extended on a month-to-month basis.

Nevada City Thrift Store

This lease began on September 1, 1997, was renewed on July 1, 2019 and extends through June 30, 2020. The lease calls for regular monthly payments of \$6,400. In July 2020, the lease was renewed for one additional year and called for \$6,600 regular monthly payments. In June 2021, the lease was extended on a month-to-month basis.

Rough and Ready Warehouse

This lease was renewed on July 1, 2018 and extends through July 1, 2021. The lease calls for initial regular monthly payments of \$4,575. Base rent adjusts annually by 3% each July 1st for the term of the lease. Retail sales were ended at this location in February 2021 and occupancy was terminated in June 2021.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 12: OPERATING LEASE OBLIGATIONS (CONITNUED)

Penn Valley Thrift Store

This lease was renewed on January 10, 2018 and extends through January 10, 2023. The lease calls for initial regular monthly payments of \$3,500. Base rent adjusts annually each January for the term of the lease.

Rental expenses under these lease obligations totaled \$249,153 and \$272,696 for the years ended June 30, 2021 and 2020, respectively.

Equipment Operating Leases

The Organization leases various postage, copier and credit card processing machines which extend through August 2022. Equipment rental expenses under these obligations totaled \$9,543 and \$24,869 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments at June 30, 2021, under agreements classified as operating leases with noncancelable terms, are as follows:

<u>Year ending June 30:</u>	
2022	\$ 44,352
2023	20,428
Total	<u>\$ 64,780</u>

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the Organization's Endowment fund, and results from donations received from donors who have specified that their contribution be kept in perpetuity, and the earnings there upon be used by the Organization in support of its ongoing activities. At June 30, 2021 and 2020, net assets with donor restrictions totaled \$815,942, which is composed of the original value of the gifts donated to the permanent endowment.

NOTE 14: ENDOWMENTS

Net assets with donor restrictions associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with the Organization's spending policy, annually, the Board of Directors appropriates for expenditures all investment income, including interest, dividends, and net appreciation (depreciation). Funds that are appropriated for expenditure but not immediately expended convert to Board Designated Endowment funds. The Board Designated Endowment funds are classified and reported as net assets without donor restrictions and are available for unrestricted expenditure at any time.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original donor's gift, as of the date of the gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the funds.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 14: ENDOWMENTS (CONTINUED)

The remaining portion of endowment funds continue to be classified as net assets subject to donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of Hospice of the Foothills and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Hospice of the Foothills, and (7) the investment policies of Hospice of the Foothills.

The Organization has adopted investment and spending policies approved by the Board of Directors for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets over the long term. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. In establishing this spending policy, the long-term expected return on the related endowment funds has been considered. Accordingly, over the long term, the Organization expects the current spending policies to allow the endowment funds to be appropriately maintained.

Changes in the endowment net assets as of June 30, 2021 and 2020 are shown as follows:

	Without Donor Restrictions	With Donor Restrictions	Endowment Total
Net assets, June 30, 2019	\$ 333,949	\$ 815,942	\$ 1,149,891
Investment return:			
Investment income	-	30,487	30,487
Net appreciation (realized and unrealized)	-	31,403	31,403
Expenditures	-	(6,099)	(6,099)
Appropriated - released from restriction	55,791	(55,791)	-
Net assets, June 30, 2020	389,740	815,942	1,205,682
Investment return:			
Investment income	-	43,773	43,773
Net appreciation (realized and unrealized)	-	179,408	179,408
Expenditures	-	(5,751)	(5,751)
Appropriated - released from restriction	217,430	(217,430)	-
Net assets, June 30, 2021	<u>\$ 607,170</u>	<u>\$ 815,942</u>	<u>\$ 1,423,112</u>

HOSPICE OF THE FOOTHILLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 15: RENTAL INCOME

The Organization leases a portion of its facility for pediatric health and respite services. The current lease commenced in February 2016 and extends through January 2023. The lease calls for initial regular monthly rent payments of \$7,000. Beginning February 1, 2019, monthly rent payments were \$7,500 with a 1.5% increase in 2020 and a 2.5% increase in 2021.

Future minimum rental income for the next two years is as follows:

<u>Year ending June 30:</u>	
2022	\$ 92,154
2023	<u>53,757</u>
Total	<u>\$ 145,911</u>

NOTE 16: FUNDRAISING COSTS

For the fiscal year ended June 30, 2021, fundraising costs of \$1,576,671 reported on the statement of activities includes \$1,204,045 of direct costs of operating the four thrift stores. In February 2021, one of the thrift stores was closed. The remaining amount of \$372,626 are direct fundraising and marketing costs. For the fiscal year ended June 30, 2020, fundraising costs of \$1,405,761 reported on the statement of activities includes \$1,047,799 of direct costs of operating the four thrift stores. The remaining amount of \$357,962 are direct fundraising and marketing costs.

NOTE 17: COST REPORT

A comprehensive report detailing all Organization costs is required to be submitted to the Centers for Medicare and Medicaid Services (CMS) by November 30, 2021. All Medicare reimbursement funds applied for after that date can be held by the governmental agencies pending the review and approval of the report.

NOTE 18: EMPLOYEE RETIREMENT PLAN

The Organization has established a SIMPLE IRA plan to provide retirement benefits for its employees. Employees may elect to contribute to their retirement by deductions from their payroll and the Organization will match their contributions up to a maximum of 3% of the employee's gross income. Employees are eligible for the retirement contribution match on the first day of the month after 30 consecutive days of employment as a regular employee. For the years ended June 30, 2021 and 2020, retirement plan contributions totaled \$96,241 and \$87,751, respectively.

NOTE 19: RELATED PARTY TRANSACTIONS

Certain board members are employed by financial institutions that provide investment and investment advisory services to the Organization. No direct fees were paid by the Organization to the board members for performing these services.

During the year ended June 30, 2020, a minimal amount of supplies were purchased from a vendor who is related to a management-level employee of the Organization.

HOSPICE OF THE FOOTHILLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 20: CONCENTRATIONS AND CONTINGENCIES

During the 2021 and 2020 fiscal years, the Organization received approximately 69% and 66%, respectively, of its revenue and support from Medicare and Medi-Cal reimbursements. Additionally, associated Medicare and Medi-Cal accounts receivable is approximately 90% and 89% of total accounts receivable at June 30, 2021 and 2020, respectively. In addition, the Organization is currently subject to an ongoing 2% federal sequestration on Medicare reimbursements. The 2% sequestration on Medicare reimbursements was suspended by the CARES Act for claims relating to services delivered for the period of May 1, 2020 through December 31, 2021. The Organization is also exposed to potential future Medicare rate reductions and the unknown consequences of the Affordable Care Act.

The Organization maintains its cash and cash equivalents in multiple bank deposit accounts which, at times, may exceed the \$250,000 per depositor Federal Deposit Insurance Corporation insured limits. Total uninsured cash balances at June 30, 2021 and 2020 were \$3,872,864 and \$2,330,704, respectively. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant risk on cash accounts.

For those investments held by a broker who is a member of the Securities Investor Protection Corporation, the cash and securities are insured up to \$500,000 in the event the brokerage firm goes out of business.

During 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of all businesses that were non-essential per the government's definitions. Due to these mandates, the Organization closed all four of its gift and thrift locations on March 17, 2020 and implemented a phased reopening beginning on May 19, 2020 and ending with the final store reopening on August 19, 2020. Retail operations were also affected in 2021 by varying capacity and other restrictions and mandates. Throughout 2020 and 2021, as the pandemic continued, the Organization experienced a wide fluctuation in patient census levels, continuing strong donor support, reduced gift and thrift revenues and increased expenses related to the pandemic, which were largely reimbursed by governmental relief programs. The Organization expects continuing effects on operations due to the COVID-19 pandemic. The related financial impact cannot be readily determined at this time.

NOTE 21: COVID RELIEF FUNDS

In April 2020, the Organization was granted a loan from Tri Counties Bank in the amount of \$835,500 under the Paycheck Protection Program ("PPP") as part of the CARES Act. The note and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. As of June 30, 2020, the Organization had substantially met the conditions of the loan and applied for loan forgiveness on September 16, 2020. As of June 30, 2020, the Organization recognized \$835,500 in the statement of activities. The loan was forgiven in full on November 16, 2020.

In April 2020, the Organization was granted \$339,659 in healthcare provider relief funds as part of the CARES Act. These funds are required to be used to prevent, prepare for, and respond to coronavirus and covers healthcare-related expenses or lost revenues that are attributable to coronavirus. As of June 30, 2020, the Organization recognized \$16,573 in the statement of activities and recorded the remaining \$323,086 in deferred revenues. Under the current provisions of the grant, the period of availability of the funds ends on June 30, 2021 and any unused funds on or before that date are required to be refunded to the grantor. As of June 30, 2021, the remaining \$323,086 was recognized as revenue.