Angela Hospice Home Care, Inc.

(a not-for-profit corporation)

Financial Report

June 30, 2025

Contents

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Independent Auditor's Report

To the Board of Directors
Angela Hospice Home Care, Inc.

Opinion

We have audited the financial statements of Angela Hospice Home Care, Inc. (the "Organization"), which comprise the balance sheet as of June 30, 2025 and 2024 and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Angela Hospice Home Care, Inc.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

November 6, 2025

Balance Sheet

June 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 2,471,357	$ 3,721,145
Investments (Note 5)	13,915,870	12,157,603
Patient accounts receivable - Net (Note 3)	2,607,436	2,140,518
Contributions and grants receivable	43,956	54,125
Prepaid expenses and other assets	130,481	168,811
Total current assets	19,169,100	18,242,202
Assets Limited as to Use (Note 5)	3,481,959	3,481,959
Property and Equipment - Net (Note 4)	13,903,686	14,374,326
Right-of-use Operating Lease Assets (Note 12)	3,399,083	3,679,520
Other Assets	10,235	10,235
Total assets	**$ 39,964,063**	**$ 39,788,242**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 793,373	$ 901,963
Current portion of note payable - Related party (Note 7)	-	258,441
Current portion of lease liabilities - Operating (Note 12)	260,202	242,443
Accrued compensation and other accrued liabilities	1,074,899	966,731
Total current liabilities	2,128,474	2,369,578
Lease Liabilities - Operating (Note 12)	3,191,013	3,450,942
Total liabilities	5,319,487	5,820,520
Net Assets		
Without donor restrictions	30,365,136	30,190,355
With donor restrictions (Notes 8 and 9)	4,279,440	3,777,367
Total net assets	34,644,576	33,967,722
Total liabilities and net assets	**$ 39,964,063**	**$ 39,788,242**

See notes to financial statements.

Statement of Operations

Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenue		
Net service revenue (Note 3)	$ 24,465,720	$ 23,089,647
Fundraising revenue	315,612	282,647
Memorials	2,294,490	1,258,213
Grants	8,925	60,628
Other revenue	5,259	28,107
Investment income	487,518	513,188
Net assets released from restrictions used in operations	439,850	290,907
Total operating revenue	28,017,374	25,523,337
Expenses		
Salaries and wages	15,182,678	13,178,551
Employee benefits and payroll taxes	4,838,365	4,278,621
Direct patient care	5,315,897	5,206,608
Plant operations and equipment rental	1,385,564	1,004,448
General and administrative expense	807,344	632,899
Depreciation	758,570	706,553
Interest	4,222	11,848
Credit loss expense	147,000	72,000
Fundraising expense	82,914	65,603
Total expenses (Note 10)	28,522,554	25,157,131
Operating (Loss) Income	(505,180)	366,206
Other Income - Realized and unrealized gain on sale of investments	679,961	540,373
Increase in Net Assets without Donor Restrictions	**$ 174,781**	**$ 906,579**

Statement of Changes in Net Assets

Years Ended June 30, 2025 and 2024

	2025	2024
Increase in Net Assets without Donor Restrictions	$ 174,781	$ 906,579
Net Assets with Donor Restrictions		
Restricted contributions	284,943	69,150
Restricted investment income	199,174	158,216
Net realized and unrealized gains on investments	457,806	495,891
Net assets released from restrictions	(439,850)	(290,907)
Increase in net assets with donor restrictions	502,073	432,350
Increase in Net Assets	676,854	1,338,929
Net Assets - Beginning of year	33,967,722	32,628,793
Net Assets - End of year	**$ 34,644,576**	**$ 33,967,722**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Increase in net assets	$ 676,854	$ 1,338,929
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation expense	758,570	706,553
Net realized and unrealized gains on investments	(1,137,767)	(1,036,264)
Credit loss expense	147,000	72,000
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Patient accounts receivable	(613,918)	(311,299)
Contributions and grants receivable	10,169	19,524
Prepaid expenses and other assets	38,330	(80,994)
Accounts payable	(108,590)	(185,245)
Accrued compensation and related liabilities	108,168	229,717
Operating lease liabilities and right-of-use assets	38,267	13,695
Net cash and cash equivalents (used in) provided by operating activities	(82,917)	766,616
Cash Flows from Investing Activities		
Purchase of property and equipment	(287,930)	(968,214)
Purchases of investments	(633,373)	(507,683)
Proceeds from sale of investments	12,873	10,000
Net cash and cash equivalents used in investing activities	(908,430)	(1,465,897)
Cash Flows Used in Financing Activities - Principal payment on long-term debt - Related party	(258,441)	(250,844)
Net Decrease in Cash and Cash Equivalents	(1,249,788)	(950,125)
Cash and Cash Equivalents - Beginning of year	3,721,145	4,671,270
Cash and Cash Equivalents - End of year	**$ 2,471,357**	**$ 3,721,145**
Supplemental Cash Flow Information - Cash paid for interest	$ 4,222	$ 11,848
Significant Noncash Transactions - Recognition of lease right-of-use assets and liabilities	$ -	$ 3,774,247

Note 1 - Nature of Business

Angela Hospice Home Care, Inc. (the "Organization"), a not-for-profit corporation, provides inpatient and home hospice services primarily to patients in southeastern Michigan. The Organization is sponsored by the Congregation of the Sisters of St. Felix of Cantalice (the "Felician Sisters"). The sole corporate member is Felician Services, Inc.

Angela Hospice Home Care, Inc. is dedicated to providing comprehensive, compassionate, and Christ-like care to adults and children in the communities it serves.

Note 2 - Significant Accounting Policies

Cash and Cash Equivalents

Cash balances held in the bank exceed the federal depository insurance limit. The Organization's cash is insured only up to the federal depository insurance limit of $250,000.

Certain amounts classified within investments on the balance sheet are invested in cash equivalents. The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Patient Accounts Receivable

Accounts receivable due from patients, insurance companies, and governmental agencies are based on the consideration to which the Organization expects to be entitled in exchange for services provided. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. The Organization collectively evaluates accounts receivable to determine the allowance for credit losses based on similar risk characteristics that exist within certain classes of payors. The Organization calculates the allowance using an expected loss model that considers the Organization’s actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Organization considers expected future economic conditions and market trends when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

Contributions and Grants Receivable

The Organization's contributions and grants receivable balance is composed of promises to give and grants, all of which are expected to be received within one year.

Investments

Investments are recorded at fair market value. See Note 5 for additional information. Investment income, including realized and unrealized gains and losses, is included in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Assets Limited as to Use

Assets limited as to use represent balances relating to restricted endowment funds. See Note 5 for additional information.

Inventory

Inventories, which consist of medical and office supplies and pharmaceutical products, are stated at the lower of cost or net realizable value.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Leases

The Organization has operating leases, as described in Note 12. The Organization recognizes expense for operating leases on a straight-line basis over the lease term. The Organization made a policy election not to separate lease and nonlease components for its operating leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The Organization elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for its operating leases.

Classification of Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions

Net assets with donor restrictions - Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources must be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires - that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Retirement Plan

The Organization maintains a defined contribution plan covering all employees age 21 or over with at least one year of service. The Organization matched 10 percent of the employee deferrals for each of the years ended June 30, 2025 and 2024. The Organization contributed $64,352 and $65,286 during 2025 and 2024, respectively.

Net Service Revenue

Net service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided. These amounts are due from patients or third-party payors and include variable consideration for retroactive revenue adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided by the Organization.

The majority of the Organization’s services represent a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered. The Organization has concluded that each day that a patient receives services represents a separate contract and performance obligation based on the fact that patients have unilateral rights to terminate the contract after each day with no penalty or compensation due.

The Organization determines the transaction price based on contractually agreed-upon amounts or rates and implicit price concessions.

Note 2 - Significant Accounting Policies (Continued)

A summary of the payment arrangements with major third-party payors is as follows:

- Medicare - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates.
- Medicaid - Services rendered to Medicaid program beneficiaries are paid at per diem rates on either a prospective or retrospective basis, as determined by the State of Michigan.
- Insurance - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

The payment methodology related to these programs is based on cost and clinical assessments that are subject to review and final approval by Medicaid, Medicare, and insurance companies. Adjustments that result from this final review and approval are insignificant and are recognized in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Variable consideration also exists in the form of settlements with third-party payors as a result of retroactive adjustments due to audits, reviews, or investigations. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity. The Organization has not applied a constraint to the transaction price for settlement estimates, as the Organization has determined that it is not probable that a significant reversal in the amount of the cumulative revenue recognized would occur in the future.

If actual amounts of consideration ultimately received differ from the Organization’s estimates, the Organization adjusts these estimates, which would affect revenue in the period such variance becomes known. Adjustments arising from a change in the transaction price were not significant in 2025 or 2024.

The Organization makes an initial and ongoing evaluation of a patient’s creditworthiness or obtains third-party verification of payment coverage and, as such, considers the credit risks it assumes and any billed amounts not expected to be collected from patients or third parties for services rendered to represent credit loss expense.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

Note 2 - Significant Accounting Policies (Continued)

Fundraising Revenue, Memorials, Grants, and Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promises are received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either without donor restrictions or with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires - that is, when a stipulated time restriction ends or purpose restriction is accomplished - net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which they are recognized are reported as contributions without donor restrictions in the accompanying financial statements.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the assets are placed in service.

Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 10. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs have been allocated between the various program and support services based on estimates determined by management. Costs have been allocated between program and support services on a direct basis except for occupancy and IT-related expenses. Occupancy-related expenses, which include primarily depreciation expense, are allocated based on an estimate of square footage occupied by each function. IT-related expenses, which include primarily IT-related salaries and wages and employee benefits, are allocated based on the number of computers used by each function. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care is determined based on established policies, using patient income and assets to determine payment ability. The amount reflects the cost of free or discounted health services, net of contributions and other revenue received, as direct assistance for the provision of charity care. The estimated cost of providing charity services is based on a calculation that applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The Organization estimates that it provided approximately $366,000 and $307,000 of services to patients and members of the community during 2025 and 2024, respectively.

Income Taxes

The Internal Revenue Service has ruled that the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and, accordingly, no tax provision is reflected in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Increase in Net Assets without Donor Restrictions

The statement of operations includes increase in net assets without donor restrictions, which is considered the performance indicator. Consistent with industry practice, net assets released from restrictions for capital purposes are excluded from increase in net assets without donor restrictions.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 6, 2025, which is the date the financial statements were available to be issued.

Note 3 - Patient Accounts Receivable and Net Service Revenue

The details of patient accounts receivable are set forth below:

	2025	2024
Patient accounts receivable	$ 2,899,962	$ 2,341,807
Less allowance for credit losses	292,526	201,289
Net patient accounts receivable	$ 2,607,436	$ 2,140,518

The following table presents the changes in the allowance for credit losses for the years ended June 30, 2025 and 2024:

	2025	2024
Beginning of period balance	$ 201,289	$ 195,804
Additions charged to credit loss expense	147,000	72,000
Write-offs	(55,763)	(66,515)
End of period balance	$ 292,526	$ 201,289

Net patient accounts receivable at July 1, 2023 totaled $1,901,219.

The Organization grants credit without collateral to patients, most of whom are insured under third-party payor agreements. The composition of receivables from patients and third-party payors was as follows:

	2025	2024
Medicare	63 %	71 %
Medicaid	1	4
Insurance and other	31	22
Private pay	5	3
Total	100 %	100 %

The Organization disaggregates revenue from contracts with customers by payor types. The Organization has determined that the disaggregation into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Note 3 - Patient Accounts Receivable and Net Service Revenue (Continued)

The composition of net service revenue by primary payor for the years ended June 30 is as follows:

	2025	2024
Medicare	$ 17,836,801	$ 16,978,365
Medicaid	1,786,306	856,647
Insurance and other	3,288,031	3,924,744
Private pay	1,554,582	1,329,891
Total	$ 24,465,720	$ 23,089,647

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2025	2024	Depreciable Life - Years
Land	$ 2,944,500	$ 2,944,500	-
Buildings	17,449,889	17,449,889	15-40
Building improvements	2,538,020	2,461,755	5-40
Furniture and fixtures	1,239,723	2,104,669	3-15
Computer equipment and software	556,180	1,058,794	3-7
Total cost	24,728,312	26,019,607	
Accumulated depreciation	10,824,626	11,645,281	
Net property and equipment	$ 13,903,686	$ 14,374,326	

Note 5 - Investments and Assets Limited as to Use

Investments and assets limited as to use consist of the following at June 30, 2025:

	Investments	Assets Limited as to Use
Cash and cash equivalents	$ 52,807	$ -
Mutual funds - Equity	8,438,489	2,668,404
Mutual funds - Fixed income	5,424,574	813,555
Total	$ 13,915,870	$ 3,481,959

Investments and assets limited as to use consist of the following at June 30, 2024:

	Investments	Assets Limited as to Use
Cash and cash equivalents	$ 676,913	$ -
Mutual funds - Equity	7,176,466	2,722,265
Mutual funds - Fixed income	4,304,224	759,694
Total	$ 12,157,603	$ 3,481,959

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Note 5 - Investments and Assets Limited as to Use (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

All investments and assets limited as to use held in mutual funds are classified as Level 1.

Note 6 - Bank Line of Credit

The Organization has executed a master revolving note agreement with a financial institution, which provides for a line of credit with a maximum borrowing capacity of $500,000. There were no outstanding balances on the line of credit at June 30, 2025 or 2024. Under the terms of the new master revolving note agreement, the line of credit accrues interest on outstanding balances at a variable rate of interest equal to the prime rate plus 0.5 percent (an effective rate of 8.0 and 9.0 percent as of June 30, 2025 and 2024, respectively). The line of credit expires on December 1, 2025. The master revolving note is collateralized by all personal property held by the Organization, including accounts receivable, inventory, investments, equipment, and fixtures.

Note 7 - Note Payable - Related Party

Long-term debt at June 30 is as follows:

	2025	2024
Note payable to Felician Sisters of North America Endowment Trust, a party related to the Organization's sponsor through common governance, for construction of the expanded facility. The note bears interest at a fixed rate of 3 percent, with monthly principal and interest totaling $21,891 through the date of maturity in June 2025. The note was unsecured and was paid off in full as of June 30, 2025	$ -	$ 258,441
Less current portion	-	258,441
Long-term portion	$ -	$ -

Note 8 - Net Assets

Net assets with donor restrictions as of June 30 consisted of the following:

	2025	2024
Subject to expenditures for a specified purpose:		
M. George Education Donation	$ 19,281	$ 20,886
Greenhouse Fund	280,693	-
Total subject to expenditures for a specified purpose	299,974	20,886
Restricted in perpetuity:		
Endowment fund - Program	1,481,959	1,481,959
Endowment - Telehospice	2,000,000	2,000,000
Total restricted in perpetuity	3,481,959	3,481,959
Subject to the Organization's spending policy and appropriation - Accumulated gains - Endowment	497,507	274,522
Total	$ 4,279,440	$ 3,777,367

Note 9 - Donor-restricted and Board-designated Endowments

The Organization's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 3,481,959	$ 3,481,959
Accumulated investment gains	-	497,507	497,507
Total	$ -	$ 3,979,466	$ 3,979,466

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ -	$ 3,756,481	$ 3,756,481
Investment return:			
Investment income	-	199,174	199,174
Net appreciation (realized and unrealized)	-	457,806	457,806
Total investment return	-	656,980	656,980
Appropriation of endowment assets for expenditure	-	(433,995)	(433,995)
Endowment net assets - End of year	$ -	$ 3,979,466	$ 3,979,466

	Endowment Net Asset Composition by Type of Fund as of June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ -	$ 3,481,959	$ 3,481,959
Accumulated investment gains	-	274,522	274,522
Total	$ -	$ 3,756,481	$ 3,756,481

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ -	$ 3,323,717	$ 3,323,717
Investment return:			
Investment income	-	158,216	158,216
Net appreciation (realized and unrealized)	-	495,891	495,891
Total investment return	-	654,107	654,107
Appropriation of endowment assets for expenditure	-	(221,343)	(221,343)
Endowment net assets - End of year	$ -	$ 3,756,481	$ 3,756,481

Note 9 - Donor-restricted and Board-designated Endowments (Continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2025 and 2024.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent, net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating 3 to 5 percent for distribution each year. The amount of the spending rate will be determined annually at budget time. The board of directors must authorize the use of any additional draw from the portfolio above the established 3 to 5 percent spending rate. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 10 - Functional Expenses

The Organization provides inpatient and home hospice services primarily to patients in southeastern Michigan. Expenses related to providing these services for the year ended June 30, 2025 are as follows:

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 12,354,223	$ 2,602,843	$ 225,612	$ 15,182,678
Employee benefit and payroll taxes	3,665,726	1,080,731	91,908	4,838,365
Direct patient care	5,315,897	-	-	5,315,897
Plant operations and equipment rental	1,189,664	180,458	15,442	1,385,564
Depreciation	725,230	24,596	8,744	758,570
Credit loss expense	147,000	-	-	147,000
Interest expense	4,222	-	-	4,222
Legal and accounting	-	168,437	-	168,437
Miscellaneous	-	246,784	108,369	355,153
Postage and printing	-	-	32,622	32,622
Supplies	11,647	74,618	74,573	160,838
Advertising	-	159,912	13,296	173,208
Total	$ 23,413,609	$ 4,538,379	$ 570,566	$ 28,522,554

Expenses related to providing these services for the year ended June 30, 2024 are as follows:

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 10,651,144	$ 2,236,576	$ 290,831	$ 13,178,551
Employee benefit and payroll taxes	3,156,890	972,040	149,691	4,278,621
Direct patient care	5,206,608	-	-	5,206,608
Plant operations and equipment rental	746,624	242,006	15,818	1,004,448
Depreciation	675,226	21,661	9,666	706,553
Credit loss expense	72,000	-	-	72,000
Interest expense	11,848	-	-	11,848
Legal and accounting	-	144,938	15	144,953
Miscellaneous	996	252,681	90,986	344,663
Postage and printing	-	-	1,019	1,019
Supplies	9,164	50,746	22,228	82,138
Advertising	-	125,314	415	125,729
Total	$ 20,530,500	$ 4,045,962	$ 580,669	$ 25,157,131

Note 11 - Liquidity and Availability of Resources

The Organization has $19,038,619 and $18,073,391 of financial assets available within one year of June 30, 2025 and 2024 to meet cash needs for general expenditure consisting of cash of $2,471,357 and $3,721,145, short-term investments of $13,915,870 and $12,157,603, patient accounts receivable of $2,607,436 and $2,140,518, and contributions and grants receivable of $43,956 and $54,125, respectively. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The patient accounts receivable and contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization also has additional borrowing capacity with the line of credit described in Note 6.

Note 11 - Liquidity and Availability of Resources (Continued)

The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately $4,540,000 and $4,010,000 for the years ended June 30, 2025 and 2024, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various liquid and short-term investments.

Note 12 - Leases

The Organization is obligated under operating leases primarily for office equipment, office space, and hospice care facility space, expiring at various dates through February 2036. The lease agreement for the hospice care facility space includes an initial three-year term with options for the Organization to extend the term for up to nine additional years. The extension options are recognized as part of the calculated right-of-use assets and lease liabilities. The right-of-use assets and related lease liabilities have been calculated using discount rates ranging from 3.93 percent to 4.72 percent. Total expense under these leases was $437,876 and $167,408 for 2025 and 2024, respectively, which is included within plant operations and equipment rental on the statement of operations.

Future minimum annual commitments under these operating leases are as follows:

Years Ending June 30	Amount
2026	$ 404,944
2027	412,147
2028	414,782
2029	387,689
2030	383,723
Thereafter	2,706,752
Total	4,710,037
Less amount representing interest	1,258,822
Present value of net minimum lease payments	3,451,215
Less current obligations	260,202
Long-term obligations under leases	$ 3,191,013

Other information related to the Organization's operating leases is included below:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	$ 397,887	$ 153,822
Right-of-use assets obtained in exchange for new operating lease liabilities	$ -	$ 3,774,247
Weighted-average remaining lease term (years) - Operating leases	9.7	10.6
Weighted-average discount rate - Operating leases	4.3 %	4.4 %