

Hospice of
Amador &
Calaveras

2022

For the Fiscal Year Ended June 30, 2022
with Comparative Totals for the Fiscal
Year Ended June 30, 2021

**Annual
Financial
Report**

HOSPICE OF AMADOR & CALAVERAS

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HOSPICE OF AMADOR & CALAVERAS

BOARD OF DIRECTORS

Julie Eckhardt - President

Denise Langley- Vice President

Dan Fields- Secretary

Rod W Burton- Director

Jim Guidi- Director

Ann Platt- Director

Neil Starr- Director

Denise Sammons- Director

**CATHY CASTILLO
CERTIFIED PUBLIC ACCOUNTANT**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hospice of Amador & Calaveras
Jackson, California

Report on the Financial Statements

Opinion

I have audited the accompanying financial statements of Hospice of Amador & Calaveras (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospice of Amador & Calaveras as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Hospice of Amador & Calaveras and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities for 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; 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Hospice of Amador & Calaveras' 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 Hospice of Amador & Calaveras' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

I have previously audited the Hospice of Amador & Calaveras' 2021 financial statements, and I expressed an unmodified opinion on those audited financial statements in my report dated December 5, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 7, 2022, on my consideration of Hospice of Amador & Calaveras' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hospice of Amador & Calaveras' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospice of Amador & Calaveras' internal control over financial reporting and compliance.



Cathy Castillo
Certified Public Accountant
Sutter Creek, California
November 07, 2022

HOSPICE OF AMADOR and CALAVERAS
STATEMENT OF FINANCIAL POSITION
June 30, 2022 with comparative totals as of June 30, 2021

ASSETS

	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 2,331,658	\$ 1,919,070
Accounts receivable- patient billings	179,542	259,378
Inventories	102,386	100,829
Prepaid expenses	38,361	24,139
Rent receivable	-	700
Unconditional promise to give	25,000	-
Total current assets	2,676,947	2,304,116
Noncurrent Assets:		
Buildings and improvements	2,422,555	2,628,653
Equipment	257,531	213,556
Land	543,620	543,620
Land improvements	70,459	46,447
Fixed assets held for disposal	195,399	-
	3,489,564	3,432,276
Less: accumulated depreciation	(1,027,794)	(940,447)
Total fixed assets	2,461,770	2,491,829
Investments	3,712	25,641
Loan receivable	-	108,135
	-	-
TOTAL ASSETS	\$ 5,142,429	\$ 4,929,721

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities:		
Accounts payable	\$ 24,128	\$ 45,388
Accrued expenses	91,616	87,981
Sales tax payable	8,051	9,190
Security deposits	2,395	2,395
Vacation accrual	58,787	85,821
Current portion of debt	4,691	44,580
Total current liabilities	189,668	275,355
Noncurrent Liabilities:		
Finance lease liability	26,910	-
Pace loan	-	122,095
William D. Cruit loan	-	123,270
	26,910	245,365
Less: current portion of debt	(4,691)	(44,580)
Total noncurrent liabilities	22,219	200,785
TOTAL LIABILITES	211,887	476,140
Net Assets:		
Net Assets with donor restrictions	46,987	8,828
Net Assets without donor restrictions	4,883,555	4,444,753
TOTAL NET ASSETS	4,930,542	4,453,581
TOTAL LIABILITIES AND NET ASSETS	\$ 5,142,429	\$ 4,929,721

The accompanying notes are an integral part of these financial statements

HOSPICE OF AMADOR and CALAVERAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ending June 30, 2022
with comparative totals for the year ending June 30, 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS without donor restrictions		
Support and Revenue		
Patient service revenue- gross billings	\$ 3,016,569	\$ 3,757,245
Less: contractual allowance	(1,010,612)	(1,264,424)
Patient service revenue- net billings	<u>2,005,957</u>	<u>2,492,821</u>
Thrift store revenue		
Contributions of merchandise	1,360,882	1,242,856
Sales of donated merchandise	1,357,896	1,232,728
Less: Value of merchandise sold	(1,357,896)	(1,232,728)
Net revenue from thrift stores	<u>1,360,882</u>	<u>1,242,856</u>
Contributions, special events and donations	697,010	423,177
Net assets released from restrictions	1,376	1,780
Net investment income	629	3,639
Refunds and reimbursements	293	1,290
Rental and related income	<u>34,864</u>	<u>43,430</u>
Total Support and Revenue without donor restrictions	<u>4,101,011</u>	<u>4,208,993</u>
Expenses		
Programs:		
Patient care	2,075,440	2,315,179
Supporting services:		
Thrift stores	920,228	847,841
Administrative	594,298	528,626
Fundraising	72,243	29,948
Total Expenses	<u>3,662,209</u>	<u>3,721,594</u>
INCREASE IN NET ASSETS without donor restrictions	<u>438,801</u>	<u>487,399</u>
NET ASSETS with donor restrictions		
Contributions- donor restricted	39,536	1,255
Net assets released from restrictions	(1,376)	(1,780)
CHANGE IN NET ASSETS with donor restrictions	<u>38,160</u>	<u>(525)</u>
INCREASE (DECREASE) IN NET ASSETS	476,961	486,874
NET ASSETS, beginning of year	4,453,581	3,966,707
NET ASSETS, end of year	<u>\$ 4,930,542</u>	<u>\$ 4,453,581</u>

The accompanying notes are an integral part of these financial statements

HOSPICE OF AMADOR and CALAVERAS
STATEMENT OF FUNCTIONAL EXPENSES

For the fiscal year ending June 30, 2022
with comparative totals for the year ending June 30, 2021

	PROGRAM SERVICES				TOTAL SUPPORTING SERVICES	TOTAL EXPENSES 6/30/22	TOTAL EXPENSES 6/30/21
	Patient Care	Thrift Stores	Admin	Fundraising			
Salaries and wages	\$ 1,196,176	\$ 491,107	\$ 372,261	\$ 50,653	\$ 914,021	\$ 2,110,197	\$ 2,136,504
Payroll taxes	88,710	39,650	38,118	-	77,768	166,478	187,442
Employee benefits	77,657	49,918	48,234	-	98,152	175,809	164,546
Workers' compensation	40,179	14,291	1,636	-	15,927	56,106	65,315
Total personnel	<u>1,402,722</u>	<u>594,966</u>	<u>460,249</u>	<u>50,653</u>	<u>1,105,868</u>	<u>2,508,590</u>	<u>2,553,807</u>
Advertising	23,119	2,073	27	-	2,100	25,219	37,423
Bank and merchant fees	-	22,889	61	-	22,950	22,950	20,424
Cleaning and janitorial	5,905	-	5,905	-	5,905	11,810	10,400
Community outreach	12,325	-	-	-	-	12,325	8,328
Consulting	8,396	2,000	10,018	-	12,018	20,414	27,639
Covid-19 supplies	38,393	140	819	-	959	39,352	17,292
Contract services	17,406	-	-	-	-	17,406	22,052
Dues and subscriptions	1,698	2,856	3,369	-	6,225	7,923	7,893
Education and training	5,419	440	604	-	1,044	6,463	3,036
Employee recognition	4,358	1,665	981	-	2,646	7,004	7,045
Equipment lease payments	4,456	-	2,780	-	2,780	7,236	9,004
Furniture and fixtures	605	616	-	-	616	1,221	10,342
Information technology	89,947	-	4,537	-	4,537	94,484	98,262
Interest	-	8,768	4,160	-	12,928	12,928	7,391
Insurance	15,028	19,699	6,444	-	26,143	41,171	39,563
Licenses, permits and fees	4,886	606	5,446	-	6,052	10,938	8,102
Marketing	4,223	-	145	-	145	4,368	3,651
Meetings	595	618	435	-	1,053	1,648	1,142
Miscellaneous	1,434	863	464	-	1,327	2,761	92
Newsletter and publications	3,539	325	3,069	-	3,394	6,933	12,800
Patient medical and supplies	282,969	-	-	-	-	282,969	339,622
Postage	1,750	962	1,006	36	2,004	3,754	3,415
Pre-employment expense	1,785	1,035	272	-	1,307	3,092	3,639
Professional fees	23,199	3,858	13,035	-	16,893	40,092	22,071
Repair and maintenance	13	30,053	15,853	-	45,906	45,919	43,466
Small tools and equipment	2,135	3,738	934	-	4,672	6,807	12,930
Special event supplies	-	-	-	19,603	19,603	19,603	7,070
Supplies	3,518	2,990	3,730	-	6,720	10,238	7,411
Tax-property	-	21,989	8,034	-	30,023	30,023	29,550
Telephone	32,721	17,852	4,894	-	22,746	55,467	71,340
Utilities	11,680	94,509	21,258	-	115,767	127,447	124,017
Vehicle and mileage exp	48,456	5,200	2,879	1,951	10,030	58,486	64,683
Volunteer expenses	3,862	1,560	498	-	2,058	5,920	3,093
Total expenses before depreciation and amortization	<u>2,056,542</u>	<u>842,270</u>	<u>581,906</u>	<u>72,243</u>	<u>1,496,419</u>	<u>3,552,961</u>	<u>3,637,995</u>
Depreciation	18,898	56,057	12,392	-	68,449	87,347	83,037
Amortization	-	21,901	-	-	21,901	21,901	562
Total expenses	<u>\$ 2,075,440</u>	<u>\$ 920,228</u>	<u>\$ 594,298</u>	<u>\$ 72,243</u>	<u>\$ 1,586,769</u>	<u>\$ 3,662,209</u>	<u>\$ 3,721,594</u>

The accompanying notes are an integral part of these financial statements

HOSPICE OF AMADOR and CALAVERAS
STATEMENT OF CASH FLOWS

For the fiscal year ending June 30, 2022
with comparative totals for the fiscal year ending June 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 476,960	\$ 486,874
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Amortization	21,900	562
Depreciation	87,347	83,037
Realized (gain) loss	357	-
Unrealized (gain) loss	(392)	(729)
Donation of securities	(98,500)	-
Change in operating assets and liabilities:		
Accounts receivable	79,836	(61,601)
Inventories	(1,557)	(18,416)
Prepaid expenses	(14,222)	1,906
Promise to give	(25,000)	-
Rent receivable	700	500
Accounts payable	(21,260)	2,515
Accrued expenses	3,635	6,459
Sales tax payable	(1,139)	2,540
Security deposit	-	(588)
Vacation accrual	(27,034)	22,917
Net Cash Provided by Operating Activities	<u>481,631</u>	<u>525,976</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(29,447)	(11,810)
Interest and dividends, net of fees	-	639
Advance on loan receivable	-	(2,811)
Payments received on loan receivable	108,135	1,810
Cash received from sale of securities	120,466	-
Net Cash Provided (Used) in Investing Activities	<u>199,154</u>	<u>(12,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long term debt	(268,197)	(40,558)
Net Cash Used in Financing Activities	<u>(268,197)</u>	<u>(40,558)</u>
NET INCREASE (DECREASE) IN CASH	412,588	473,246
CASH - BEGINNING OF YEAR	1,919,070	1,445,824
CASH - END OF YEAR	<u>\$ 2,331,658</u>	<u>\$ 1,919,070</u>
SUPPLEMENTAL DISCLOSURES		
Cash payments for interest	<u>\$ 12,928</u>	<u>\$ 7,391</u>
Capital expenditures financed through loans	<u>27,842</u>	<u>121,532</u>

The accompanying notes are an integral part of these financial statements

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 - ORGANIZATION AND PURPOSE

Hospice of Amador & Calaveras (*HOA&C*) was established in 1982 as a non-profit Organization to serve terminally ill patients in Amador County. Hospice services, which include in-home health care and counseling services, are currently provided to patients in both Amador and Calaveras Counties. The average daily patient census was 26 for the fiscal year ended June 30, 2022. The Organization operates a thrift store in Jackson, California and Angels Camp, California to help supplement Medicare patient billings. The Organization is governed by a nine (9) member board. The term of a Board Member is three years, and no Board Member can hold more than three consecutive terms. As of June 30, 2022 there is one vacancy on the board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting -

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. This method reflects revenues and expenses in the accounts in the period in which they are considered to have been earned and incurred, respectively.

B. Basis of Presentation -

HOA&C reports its information regarding financial position and activities using classes which are based on donor- imposed restrictions. Accordingly, net assets and changes are classified as follows:

- With Donor Restrictions: Net assets that are subject to donor- imposed stipulations that may or will be made, either by the actions of the Organization and/or the passage of time. When a restriction expires, restricted net assets are reclassified to net assets without donor restriction.
- Without Donor Restrictions: Net assets that are not subject to donor- imposed stipulations.

Net assets may be designated for special purposes by the Board of Directors.

C. Advertising-

Advertising costs are charged to operations when incurred. Advertising costs for the fiscal year ended June 30th totaled \$25,219.

D. Cash and Cash Equivalents -

Cash and cash equivalents include cash held in checking, savings and money market accounts, certificates of deposit and other highly liquid investments with original maturities of three months or less.

E. Comparative Financial Information-

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 the Organization's financial statements for the fiscal year ended June 30, 2021 from which the summarized information was derived. Certain amounts have been restated to conform to current year's presentation.

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F. Contributions-

HOA&C has followed the guidance of ASU 2018-08 which clarifies contributions received. All contributions are recognized as revenue when they are unconditionally communicated. Contributions are recorded at fair value as support without donor restrictions, or support with donor restrictions. When a restriction expires, either when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and is reported in the statement of activities as net assets released from restriction. If the donor's restrictions are satisfied in the same period the contribution is received, the contribution is reported as without donor restriction.

G. Donated Services-

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. During the fiscal year ended June 30th, the Organization had approximately 95 volunteers. The time that these volunteers contribute neither requires specialized skills nor creates or enhances a nonfinancial asset; therefore, this time is not valued in the financial statements.

H. Fair Value Measurement-

Investments are reported at fair market value as of the measurement date. The realized gain or loss on investments is reported in the statement of activities. Generally accepted accounting principles defines fair value and establishes a framework for measuring a fair value hierarchy that prioritizes the inputs to value techniques. Fair value is the price that would be received upon the sale of an asset or payment upon transfer of a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 - inputs are quoted priced in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 - inputs include: quoted prices for similar assets or liabilities in active markets quoted prices for identical or similar assets or liabilities in inactive markets inputs other than quoted prices that are observable for the asset or liability inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3 - inputs are unobservable inputs for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

Valuation techniques used in measuring fair market value need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of the net realizable value or reflect future fair values of the investments. The use of different methodologies and/ or assumptions may result in different fair value measurements.

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

I. *Fixed Assets -*

Fixed assets are recorded at cost. Major renewals and improvements are capitalized, while replacements, maintenance and repairs, which do not materially extend the useful lives of the assets, are expensed. It is the Organization's current policy to capitalize expenditures for these items in excess of \$5,000. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recorded. The Organization does not have a policy for implying restrictions on the contribution of fixed assets.

Depreciation on all assets is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 50 years. Depreciation expense for fiscal year ended June 30th was \$87,347.

J. *Functional Expenses-*

All program and support service expenses have been summarized on a functional basis in these financial statements and are based on actual cost when available. Indirect expenses including cleaning, dues and subscriptions, newsletter, professional fees, telephone and utilities are allocated between programs and services using salaries, number of clients served, time, usage, or benefit, whichever is appropriate, by line item.

K. *Inventories-*

HOA&C receives significant amounts of donated used merchandise to be sold at the thrift stores. This merchandise is reflected as inventories in the financial statements at their estimated fair values at the dates of donation.

L. *Income Taxes -*

Hospice of Amador & Calaveras is a not-for-profit tax-exempt Organization under the Internal Revenue code Section 501 (c) (3), and is not considered a private foundation. The Organization is also exempt under Section 23701(d) of the California Revenue and Taxation Code. The Organization is exempt from income tax, except for amounts representing unrelated business income. Unrelated business income (primarily from renting office space) amounted to \$27,741 for the fiscal year ended June 30, 2022, and is included on the statement of activities. There is no federal or state tax expense for the fiscal year ended June 30, 2022.

The Organization has followed the guidance of ASC 740, Accounting for Income Taxes which prescribes the threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The most significant tax position of the Organization is its assertion that it is exempt from income taxes and its determination of amounts subject to unrelated business tax. The tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed. Management believes that all positions taken by the Organization on its federal and state tax returns are more likely than not to be sustained upon examination. Based on this evaluation, management has determined there are no positions which would necessitate any tax adjustments.

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

M. New Accounting Pronouncements-

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840 Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10 Codification Improvements to Topic 842 Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective July 1, 2021 and utilized all of the available practical expedients. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of July 1, 2021. As the Organization had no impacted leases on the adoption date, there was no financial impact to net assets.

In July 1, 2021, the Organization adopted ASU 2020-07 Presentation and disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. Management believes the adoption provides better presentation and disclosures of contributed nonfinancial assets such as contributions, donations, gifts, or grants. Nonfinancial assets include land, buildings, use of facilities, materials and supplies, intangible assets and services.

The Organization applied the change on a retrospective basis. There was no financial impact on the financial statements.

N. Prepaid Items-

Prepaid balances are for payments made by Hospice of Amador & Calaveras in the current fiscal year to provide services occurring in the subsequent fiscal year.

O. Revenues -

HOA&C follows the guidance of *Topic 606 Revenue from contracts with customers*, which provides guidance to recognize revenue based on the transfer of goods or services, as well as the consideration received in exchange for the transfer. HOA&C receives client fees and Medicare income for billable patient services and recognizes these fees and income when earned. Revenue is recognized when there is persuasive evidence that an arrangement exists, services are rendered, the price is determinable, and collection is reasonably assured. Gross billings represent the customary billing rate, while the contractual allowance reduces the gross billing to the amount allowed by the third-party insurance provider.

HOA&C leases a separate building and office space to tenants with varying terms. Rental income for the fiscal year ended June 30, 2022 was \$34,864.

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

HOA&C holds special fundraising events throughout the year, and also receives significant amounts of cash donations, for which no costs are incurred. Below is detail of the fundraising activities for the fiscal year ending June 30th:

	<u>Special Events</u>	<u>Thrift Store</u>	<u>Total</u>
Income	\$ 225,424	\$ 1,360,569	\$ 1,585,993
Direct Expenses	(19,603)	(920,228)	(939,831)
	205,821	440,341	646,162
Indirect Expenses			(72,243)
Net Amount			\$ 573,919
Ratio of Expenses to Income	8.70%	67.64%	

P. Sales Tax-

The Organization collects sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to record all sales tax collected as a current liability, and records all payments to the State of California as a reduction of that liability. The State of California imposed a sales tax on sales to non-exempt customers at the following rates:

- 7.75% for the Jackson thrift store
- 7.25% for the Angels Camp thrift store

Q. Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3- CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at several high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2022, the Organization's uninsured cash balances totaled \$1,758,558. Management mitigates the risk of loss by following the policy to only hold funds in highly respected financial institutions.

NOTE 4- ACCOUNTS RECEIVABLE- PATIENT BILLINGS

Accounts receivable for program service fees are reported at the amount the Organization expects to be reimbursed from Medicare and private pay insurance companies based on approved reimbursement rates in place at the time the service is provided. All patient billings are reimbursed by third-party providers, as the Organization does not require any self-pay from patients. No interest is accrued on any outstanding accounts receivable. The Organization considers program receivables as of June 30, 2022, to be fully collectible due to the preapproval of services with third party providers prior to the service being provided; accordingly, no allowance for doubtful accounts has been set up.

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 - INVESTMENTS

Investments consisting of corporate stocks are stated at fair value based on quoted prices in active markets (all Level 1 measurements) as described in Note 2H. Unrealized gains and losses are included in the net investment gain (loss). Investments are summarized as follows at June 30, 2022:

	Cost Basis	Fair Market Value	Net Unrealized Gain (Loss)
Corporate stocks	\$ 253	\$ 3,712	\$ 3,459
Current year unrealized gain (loss)			392
Realized gain (loss)			(357)
Interest income			594
Net Investment Income			\$ 629

NOTE 6 - LOAN RECEIVABLE

On October 24, 2017, HOA&C entered into an installment note for the sale of the principal residence located at 438 Higdon Spink Cutoff, West Point, California. This note was secured by the property. The loan was for six years with a monthly payment of \$735.85 at a fixed interest rate of 5.0%. During the fiscal year, HOA&C received the full amount of the receivable.

NOTE 7 - NOTES AND MORTGAGE PAYABLE

On March 2014, HOA&C borrowed \$375,000 to purchase the office building in Jackson, California. The mortgage is secured by the building. This note is for 10 years and matures in March 2024 with a monthly payment of \$3,995.81 at a fixed rate of 5.1%. In fiscal year 2022, a donor restricted contribution was received to pay off the mortgage in full.

In July 2021, HOA&C used a PACE loan to finance solar equipment for the Jackson thrift store. The PACE loan program allows property owners to finance the up-front costs of energy improvements to property and then pay the costs back through assessments secured by the property. The PACE loan has a fixed interest rate of 5.49% and is payable over 30 years with an annual payment of \$9,959 due with the property taxes. As of June 30, 2022 HOA&C has paid off the PACE loan in full.

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

Respite program	\$	3,099
COVID funding		32,439
Essential oils program		1,200
Private donors		4,790
Top Cop grant		2,273
Veteran's program		3,186
Total Donor Restricted Net Assets	\$	<u>46,987</u>

Net assets are released from restrictions during the year by incurring expenses satisfying the restricted purpose.

NOTE 9 - LEASES

Finance Leases

In April 2022, HOA&C entered into two capital copier leases for equipment. Both leases have 60-month terms with monthly payments totaling \$478 and effective interest rates of 4.4%. Present value of future minimum lease payments as of June 30, 2022 are \$26,910.

The following summarizes the line items in the statement of financial position which includes amounts for finance leases as of June 30th:

Equipment		27,842
Accumulated Depreciation		<u>(928)</u>
Net Equipment	\$	<u>26,914</u>

The following summarizes the weighted average remaining lease term and discount rate:

Weighted Average Remaining Lease Term	4.75	years
Weighted Average Discount Rate	4.40%	

The following summarizes cash flow information related to leases for the fiscal year ended June 30th:

Interest on lease liabilities included in Admin Supporting Services	\$	100
Cash paid for amounts included in the measurement of lease liabilities	\$	1,032

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 - LEASES (Continued)

Future minimum lease payments for finance leases that have remaining terms in excess of one year as of June 30, 2022, are as follows:

<u>Year Ending June 30:</u>	
2023	\$ 4,691
2024	5,338
2025	5,578
2026	5,829
2027	5,474
	<u>\$ 26,910</u>

Lease Income

The Organization leases a separate building, a land easement, and multiple office spaces in the administration building. The determination of whether an arrangement is a lease is made at the leases' inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. As, all current rental leases are month to month, no future minimum lease payments are presented.

NOTE 10 - LIQUIDITY AND RESERVES

The Organization has a policy to manage its liquidity and reserves using the following principles: management of cash flows, reserves, and risk to optimize investment returns within Board approved parameters which is consistent with the objectives, strategic goals, and mission of HOA&C, while also protecting the principal of the investment. The following table reflects the Organization's liquid financial assets as of June 30, 2022, reduced by amounts not available for general expenditures within one year:

Financial Assets available within one year:	
Cash and cash equivalents	\$ 2,331,658
Accounts Receivable	179,542
Prepaid expenses	38,349
Less:	
Current portion of long term debt	(4,691)
Donor restricted funds	(46,987)
	<u>\$ 2,497,871</u>

**HOSPICE OF AMADOR
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 - COMPENSATED ABSENCES

Hospice of Amador & Calaveras provides eligible staff with paid time off ("PTO") which is a combination of vacation and sick leave. PTO is recorded as a liability and an expense of HOA&C. Benefitted employees are entitled to PTO based upon their years of active service. PTO can accrue to a maximum cap. Accrued vacation time is paid to eligible employees upon termination of employment.

NOTE 12- RETIREMENT PLAN

The Organization has a 403(b)-profit sharing plan that covers all eligible employees. Each participant may elect to contribute the maximum limit by federal law. The Organization makes a 3% matching contribution. Employer contributions totaled \$25,511 for the fiscal year ended June 30, 2022.

NOTE 13- RELATED PARTY TRANSACTIONS

The local radio station, which is operated by a Director of the Board, contracts with the Organization for advertising. The amount paid for advertising annual to KVGC for the fiscal year ending June 30th was \$12,000.

NOTE 14- RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There were no significant reductions in insurance coverage from prior periods.

NOTE 15 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

During the fiscal year ending June 30, 2022, patient billings for Medicare and Medicaid services account for 94% of all patient billings.

NOTE 16- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 7, 2022 the date the financial statements were available to be issued, and determined the following to be significant:

In September of 2022, HOA&C began work on the initial phase to expand the Jackson thrift store intake facility, which included the demolition of a commercial building previously used for rental activities. The estimated expense relating to the disposal of the property is approximately \$223,000 including the cost of the demolition and loss on the disposition of the building.

CATHY CASTILLO

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hospice of Amador & Calaveras

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospice of Amador & Calaveras (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated November 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Hospice of Amador & Calaveras' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hospice of Amador & Calaveras' internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-01 and 2022-02 that we consider to be significant deficiencies. Given these limitations, during our audit I did not identify any deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hospice of Amador & Calaveras' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospice of Amador & Calaveras' Response to Findings

Hospice of Amador and Calaveras' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The organization's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cathy Castillo

Certified Public Accountant

Sutter Creek, California

November 7, 2022

Hospice of Amador and Calaveras
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

2022-01 SIGNIFICANT DEFICIENCY

CRITERIA

All significant general ledger accounts which rely on outside reporting data should be reconciled monthly.

CONDITION

The organization uses third party reporting systems for banking, patient billing, thrift store sales, and payroll, but only reconciles the banking and patient billing.

CAUSE

Thrift store sales are recorded from bank deposits. Payroll is recorded from cash requirements.

CONTEXT and EFFECT

One individual in the organization records all the financial activity for the organization. When thrift store sales are recorded with daily deposits, errors in the thrift store sales reporting system and missing deposits cannot be detected if sales reports are not reconciled to daily deposits.

When payroll is recorded from cash requirements, there may be errors and misclassifications of payroll expenses not detected, as they do not impact the cash payments.

RECOMMENDATION

Management should implement a system that reconciles all outside reporting to the financial records within the organization. All reconciliations should be reviewed by a second independent individual with adequate skills and knowledge to detect errors.

RESPONSE-

The Business Office Manager will reconcile payroll and thrift store sales monthly. The Executive Director will review the reconciliations monthly.

Hospice of Amador and Calaveras
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

2022-02 SIGNIFICANT DEFICIENCY

CRITERIA

Management is responsible to implement a review and monitoring system that can detect material misstatements in the financial reporting of the organization.

CONDITION

The individual reviewing the financial reports does not perform a comprehensive review using supporting schedules and reports.

CAUSE

The financial review within the organization does not fully utilize the third-party source reports and documents as a part of the review. There is an over-reliance on one single individual to perform all accounting functions.

CONTEXT and EFFECT

One individual in the organization is responsible for recording all the financial activity for the organization. An employee cannot offer meaningful and independent review of their own work. In order to have an effective review, the financial reports need to include the third party reports the records are derived from and the reconciliation to the reports. The individual who reviews the work needs to have sufficient skills, knowledge, and expertise to understand the reporting and detect errors during the review process.

RECOMMENDATION

The organization needs a designated fiscal officer with sufficient skills, knowledge, and expertise to provide regular review and oversight of on the financial activity within the organization.

RESPONSE-

Following the Business Officer Manager's monthly reconciliations of payroll, thrift store sales, patient billings, the Executive Director will review the reconciliations monthly.

Hospice of Amador and Calaveras
SCHEDULE OF PRIOR YEAR FINDINGS
June 30, 2022

June 30, 2021

2021-01 Material Weakness

FINDING

During our June 30, 2021 audit, it came to our attention that Hospice contracted to have solar equipment installed at the Jackson Thrift store and used a PACE loan to finance the project.

The asset and the related loan were not reported on the statement of financial position. The Board had approved monthly financial reports since the contract was perfected, which did not reflect the new asset or the related loan.

CORRECTIVE ACTION TAKEN

Management has implemented a system review process that requires a regular review of the financial activity prior to board meetings. This includes presentation to the reviewing body any current month activity of contracts and lease agreements, as well as all noncash significant transactions, to ensure that they have been reflected in the financial statements.