FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**

HINDS HOSPICE
FRESNO, CALIFORNIA

SEPTEMBER 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hinds Hospice
Fresno, California

We have audited the accompanying consolidated financial statements of Hinds Hospice (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hinds Hospice as of September 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, and our report dated January 26, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Price Paige & Company

Clovis, California
February 8, 2016

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,007,363	$ 1,154,934
Accounts receivable, net	1,952,918	1,535,014
Grants and other receivable	49,411	37,408
Unconditional promises to give	92,287	52,376
Medical supplies inventory	37,076	51,825
Prepaid and other current assets	68,811	53,533
Total current assets	3,207,866	2,885,090
Property and equipment, net	4,469,289	4,238,728
Investment securities	3,062,655	2,863,728
Other assets	84,754	82,242
Total assets	$ 10,824,564	$ 10,069,788
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 534,573	$ 507,084
Accrued expenses	1,012,348	1,038,334
Deposits	16,367	16,367
Capital lease obligations, currrent portion	12,676	18,064
Mortgages payable, current portion	177,500	177,500
Total current liabilities	1,753,464	1,757,349
Capital lease obligations	3,634	13,913
Mortgages payable	2,114,673	2,292,173
Total liabilities	3,871,771	4,063,435
Net assets:		
Unrestricted	5,798,257	4,936,327
Temporarily restricted	1,154,536	1,070,026
Total net assets	6,952,793	6,006,353
Total liabilities and net assets	$ 10,824,564	$ 10,069,788

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With Summarized Financial Information for 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
Revenues and support:				
Patient revenues, net	$ 13,469,350	$ -	$ 13,469,350	$ 11,753,346
Donations, memorials and grants	736,353	102,051	838,404	1,801,444
Special events and activities	1,175,210	-	1,175,210	1,662,093
Thrift stores, net	157,567	-	157,567	193,071
Rental income	358,052	-	358,052	361,004
Investment income (loss), net	(67,808)	-	(67,808)	154,175
Total revenues and support before net assets released from restrictions	15,828,724	102,051	15,930,775	15,925,133
Net assets released from restrictions	17,541	(17,541)	-	-
Total revenues and support after reclassification of net assets released from restrictions	15,846,265	84,510	15,930,775	15,925,133
Costs and expenses:				
Program services	13,290,310	-	13,290,310	12,996,947
General and administrative	523,850	-	523,850	483,753
Fundraising	692,508	-	692,508	732,506
Hospice Charitable Properties, Inc.	477,667	-	477,667	468,436
Total costs and expenses	14,984,335	-	14,984,335	14,681,642
Changes in net assets	861,930	84,510	946,440	1,243,491
Net assets, beginning of year	4,936,327	1,070,026	6,006,353	4,762,862
Net assets, end of year	$ 5,798,257	$ 1,154,536	$ 6,952,793	$ 6,006,353

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With Summarized Financial Information for 2014)

		Supporting Services			2015	2014
	Program Services	General and Administrative	Fundraising	HCPI Expenses	Total Expenses	Total Expenses
Personnel costs:						
Salaries	$ 7,888,542	$ 361,065	$ 390,395	$ -	$ 8,640,002	$ 8,568,072
Payroll taxes	613,794	22,573	24,407	-	660,774	654,057
Employee benefits	1,178,264	43,332	46,853	-	1,268,449	1,265,446
Total personnel costs	9,680,600	426,970	461,655	-	10,569,225	10,487,575
Other costs and expenses:						
Advertising and promotion	17,446	-	5,816	-	23,262	40,426
Bad debts	93,681	-	-	-	93,681	57,985
Bank and payroll fees	17,300	9,054	5,335	35	31,724	31,016
Communication / telephone	127,742	5,634	6,092	-	139,468	156,712
Dues and subscriptions	31,190	1,376	1,487	-	34,053	36,474
Education	40,372	1,781	1,925	-	44,078	49,697
Equipment rental	563,638	90	-	-	563,728	479,313
Food	14,686	-	-	-	14,686	15,294
Information systems	77,294	3,409	3,686	-	84,389	56,448
Insurance	104,451	4,607	4,981	67,091	181,130	179,414
Interest	2,806	124	134	119,309	122,373	114,717
Legal and accounting fees	62,211	19,806	3,847	2,228	88,092	67,600
Loss on disposition of assets	-	-	-	-	-	1,161
Maintenance and repairs	4,091	181	195	80,025	84,492	102,960
Medical supplies / pharmacy	788,104	-	-	-	788,104	710,799
Office supplies	57,149	2,521	2,725	193	62,588	56,930
Other fundraising and gala event	-	-	143,797	-	143,797	185,611
Postage and shipping	21,487	1,187	6,697	-	29,371	42,649
Printing	73,044	3,977	21,423	-	98,444	94,218
Professional services	511,830	10,711	7,720	-	530,261	476,246
Purchased services, clinical	223,244	-	-	-	223,244	181,596
Rent and occupancy	51,695	2,280	2,465	-	56,440	156,682
Taxes and licenses	7,178	317	342	-	7,837	10,833
Travel and transportation	505,922	899	2,021	-	508,842	458,538
Utilities and janitorial	16,326	720	779	126,838	144,663	134,604
Other	61,009	22,216	2,909	376	86,510	129,400
Total other costs and expenses	3,473,896	90,890	224,376	396,095	4,185,257	4,027,323
Subtotal	13,154,496	517,860	686,031	396,095	14,754,482	14,514,898
Depreciation and amortization	135,814	5,990	6,477	81,572	229,853	166,744
Total costs and expenses	$ 13,290,310	$ 523,850	$ 692,508	$ 477,667	$ 14,984,335	$ 14,681,642

See Independent Auditor’s Report and Notes to the Financial Statements.

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Changes in net assets	$ 946,440	$ 1,243,491
Adjustments to reconcile changes in net assets to		
Net cash provided by (used in) operating activities:		
Depreciation	232,699	171,265
Bad debts	93,681	57,985
Donated securities	(1,000)	(254,365)
Unrealized gains (losses)	193,506	(61,316)
Gain (loss) on sale of assets	-	1,161
Changes in operating assets and liabilities:		
Accounts and grants receivable	(523,588)	(206,465)
Unconditional promises to give	(39,911)	283,497
Medical supplies inventory	14,749	3,451
Prepaid and other current assets	(15,278)	9,417
Other assets	(2,512)	1,244
Accounts payable	27,489	87,223
Accrued expenses	(25,986)	48,254
Net cash provided by (used in) operating activities	900,289	1,384,842
Cash flows from investing activities:		
Purchase of building and equipment	(463,260)	(878,082)
Investment sales proceeds	50,594	489,465
Investment purchases	(442,027)	(1,534,915)
Net cash provided by (used in) investing activities	(854,693)	(1,923,532)
Cash flows from financing activities:		
Principal payments on long-term debt	(177,500)	(87,667)
Advances on the line-of-credit	814,464	565,196
Principal payments on line-of-credit	(814,464)	(565,196)
Principal payments on capital lease obligations	(15,667)	(6,034)
Net cash provided by (used in) financing activities	(193,167)	(93,701)
Increase (decrease) in cash and cash equivalents	(147,571)	(632,391)
Cash and cash equivalents, beginning of year	1,154,934	1,787,325
Cash and cash equivalents, end of year	$ 1,007,363	$ 1,154,934
Supplemental disclosures of cash flow information:		
Interest paid	$ 122,373	$ 114,717
Noncash investing and financing activities:		
Capitalized lease equipment	$ -	$ 7,646
Acquistion of building and related	$ -	$ 584,840

NOTE 1 – ORGANIZATION AND OPERATIONS

Hinds Hospice (the "Organization") is a California not-for-profit corporation formed in June 1985 for the purpose of providing care and comfort to the terminally ill and their families.

The Organization presently operates an in-patient hospice facility in Fresno and provides services to hospice certified patients on an out-patient basis in Fresno, Madera and Merced counties. The Organization also currently operates four thrift stores located in Chowchilla, Clovis, Madera, and Sanger. The thrift stores receive merchandise donations from the community and are staffed by paid managers and volunteers. All proceeds from the thrift stores are used to support the Organization's hospice services.

The Organization owns its Fresno in-patient facility and administrative and clinical offices. The Organization previously leased its administrative and out-patient offices which expired February 2014 and was not renewed. Thrift store facilities utilize leased premises.

In December 2012, the Organization formed Hospice Charitable Properties, Inc., an affiliate of the Organization (the "Affiliate") pursuant to Internal Revenue Code Section 501(c)(2), a title holding corporation, for the purpose of holding title to a building. The Affiliate was established to hold title to the commercial building and manage the rental activities of the existing tenants.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At September 30, 2015 and 2014, the Organization had no permanently restricted net assets.

The Consolidated Statements of Activities and Functional Expenses include certain prior-year summarized comparative information in total. 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 year ended September 30, 2014, from which the summarized information was derived.

Cash and Cash Equivalents

Cash consists of various demand and interest-bearing accounts on deposit with insured financial and brokerage institutions. The Organization considers cash equivalents to include all investments available for current use with an original maturity of three months or less. All cash and cash equivalents are deemed available for operations and classified as current assets.

The Organization maintains cash balances in bank accounts with various financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). At September 30, 2015 and 2014, the Organization had uninsured cash balances of $715,497 and $602,972, respectively.

Investments

Investments are stated at their estimated fair value based on quoted closing prices. Investments that are managed on a long-term basis or which are not expected to be used in the Organization's operations within the year following the balance sheet date are classified as non-current.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts based upon management's review and analysis of specific patient receivables and considers the age of past due accounts. Accounts Receivable are written-off when deemed uncollectible. Recoveries of Accounts Receivable previously written-off are recorded as income when received. Total Bad Debts, net of recoveries, for uncollectible accounts during the years ended September 30, 2015 and 2014 were $93,681 and $57,985, respectively.

Medical Supplies Inventory

Inventory consists of routine patient care supplies used in the Organization's daily operations and is stated at the lower of cost (determined on the first-in, first-out basis) or market.

Property and Equipment

Property and equipment are stated at cost or, if donated and placed into service, at their estimated fair value at the date donated. All assets acquired by the Organization whose initial value or cost exceeds $1,000 are capitalized and depreciated. Routine repairs and maintenance, including planned major maintenance activities are expensed when incurred. Depreciation is computed using straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 39 Years
Office and medical equipment	5 Years
Furniture, fixtures and office equipment	2 to 5 Years
Vehicles	3 years

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recovered. When required, impairment losses on such assets are recognized based on the fair value of the asset, and long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No impairment losses were recognized during the years ended September 30, 2015 and 2014.

Revenue Recognition

The Organization recognizes revenue from patient services as it is earned based on the number of days care is provided. All patients are billed monthly. The Organization receives substantially all of its patient revenues from a combination of Medicare, Medi-Cal, or private insurance programs. Annually, the Organization establishes standard rates for its various patient services. However, payments by third party payers are generally less than the Organization's standard rates. In the years ended September 30, 2015 and 2014, the Organization's standard rates for patient services were approximately $1,301,000 and $1,478,000, respectively, greater than the amounts paid by third party payers. Such amounts have not been included in the Organization's net revenues in the accompanying Consolidated Statement of Activities.

The Organization provides charity care to patients who are unable to pay for the care provided. The Organization maintains direct and indirect costs related to providing care to patients. The total amount of direct and indirect costs of providing charity care to patients were approximately $61,300 and $22,700, respectively, for the year ended September 30, 2015, and approximately $13,600 and $42,300, respectively, for the year ended September 30, 2014.

Revenue from grants is recognized in the year in which the Grantor is contractually obligated to fund the grant or when received, as applicable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are generally recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional Promises to Give in future periods, principally bequests, are recorded as they are made, at their estimated net realizable value and reported as temporarily restricted funds. Unconditional Promises to Give at September 30, 2015 and 2014 were $92,287 and $52,376, respectively, which represent contributions and the estimated net realizable value of decedents' testamentary bequests to the Organization payable after year-end. Unconditional Promises to Give is classified as a current asset, as it is expected to be collected within one year. Conditional Promises to Give are recognized when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a pledge is collected or a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as Net Assets Released from Restrictions. Net Assets Released from Restrictions during the years ended September 30, 2015 and 2014 were $17,541 and $301,289, respectively.

Thrift Stores

Contributions of clothing, household goods and other items to the Organization's thrift stores are recognized as thrift store revenues when, and if, sold. Inventories of such items in the thrift stores are not included as Organization assets in the Consolidated Statement of Financial Position.

Thrift store revenues are reported net of related operating expenses in the Consolidated Statement of Activities. Thrift store expenses, including depreciation, have been excluded from the Consolidated Statement of Functional Expenses and included with Thrift Store revenues (Note 12).

Functional Allocation of Expenses

The costs of providing the Organization's non-thrift store programs and supporting services have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Certain overhead and indirect costs have been allocated to program services and fundraising based on management's estimate of the actual personnel and facilities utilized in such activities.

Donated In-Kind Gifts and Services

Donated in-kind gifts are recognized as contributions if they have ascertainable fair values and are able to be realized in cash or other liquid assets. During the years ended September 30, 2015 and 2014, the Organization received and recognized approximately $59,700 and $68,800, respectively, of merchandise contributions that were later sold, raffled or auctioned during its Gala and other fundraising events.

Donated services are recognized as contributions if they 1) significantly enhance non-financial assets or 2) involve a professional service that would otherwise have been purchased and whose values can be objectively measured. For the years ended September 30, 2015 and 2014, the Organization received approximately $23,300 and $18,100, respectively, in donated services related to its fundraising events.

Advertising and Promotion

The Organization expenses all advertising and promotion costs as incurred. Total advertising and promotion expenses at September 30, 2015 and 2014 were $28,008 and $46,821, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications were made to the 2014 financial statements in order to conform to the presentation shown. These reclassifications had no effect on the Organization's net assets as of September 30, 2014.

Taxes

The Organization has qualified as a not-for-profit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provides accounting and disclosures guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Use of Estimates

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

Fair Value of Financial Instruments

The Organization considers its cash and cash equivalents, accounts and grants receivables, unconditional promises to give, prepaid and other current assets, accounts payable and accrued expenses to be short-term in nature, and therefore their fair values approximate their carrying values.

NOTE 3 – ACCOUNTS RECEIVABLE, NET AND CONTRACTUAL ALLOWANCES

Accounts receivable are non-interest bearing and consist of billed amounts due approximately as follows:

	2015	2014
Medicare	$ 1,116,440	$ 859,558
Medi-Cal	620,139	451,996
Insurers and private pay	248,339	255,460
Subtotal	1,984,918	1,567,014
Allowance for doubtful accounts	(32,000)	(32,000)
Total accounts receivable, net	$ 1,952,918	$ 1,535,014

Amounts billed to Medicare and Medi-Cal ("Payers") for hospice in-patient services are subject to an overall limitation. Total patient days charged to such payers at the General In-Patient Rate for hospice services may not exceed 20% of the total patient days for both in-patient and out-patient hospice services rendered during years ended October 31 (the "Cap Year"). Patient days billed for in-patient hospice services in excess of the 20% limitation are payable at a rate lower than the General In-Patient Rate.

NOTE 3 – ACCOUNTS RECEIVABLE, NET AND CONTRACTUAL ALLOWANCES (Continued)

Amounts estimated to be refundable due to the 20% limitation for any Cap Year are deemed to be excess payments and are recorded as Contractual Allowance liabilities by the Organization. Management estimates there is no Contractual Allowance liability due to the Payers on account of patient days incurred during the years ended September 30, 2015 and 2014.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at September 30:

	2015	2014
Land	$ 805,759	$ 805,759
Buildings and improvements	3,664,137	3,236,128
Office and medical equipment	821,792	768,799
Furniture and fixtures	323,812	316,136
Vehicles	6,750	6,750
Construction in progress	3,500	27,924
	5,625,750	5,161,496
Accumulated depreciation and amortization	(1,156,461)	(922,768)
Property and equipment, net	$ 4,469,289	$ 4,238,728

Total depreciation and amortization expenses were $232,699 and $171,265 at September 30, 2015 and 2014, respectively.

NOTE 5 – INVESTMENT SECURITIES

Investment securities consist of the following at September 30:

	Fair Value	
	2015	2014
Equity mutual funds	$ 319,686	$ 219,975
Bond mutual funds	930,104	788,162
Central Valley Community Foundation investment pool	1,812,865	1,855,591
Total investments	$ 3,062,655	$ 2,863,728

The Organization holds certain of its investment funds with the Central Valley Community Foundation ("CVCF") in order to utilize the professional investment advisory services administered by CVCF's Investment Committee. The Organization's investment securities are held in custodial accounts at SEI Private Trust Company. These custodial accounts are managed by SEI Investments, an independent investment management and advisory firm. The Organization's investment securities are primarily invested in bond funds and equity funds. CVCF manages the investment securities in accordance with the Organization's Investment Policy.

NOTE 5 – INVESTMENT SECURITIES (Continued)

At September 30, 2015 and 2014, approximately $2,759,000 and $2,551,000, respectively, of the Organization's investment securities was managed by CVCF. SEI provides insurance to protect the Organization's custodial account balances from SEI's 1) errors and omissions, an aggregate of $75,000,000 applicable to all accounts, including CVCF or 2) employees' dishonesty, a total of $60,000,000 per occurrence. These custodial accounts are not insured by the Securities Investor Protection Corporation ("SIPC") or the Federal Deposit Insurance Corporation ("FDIC").

The Organization had approximately $314,000 and $310,000 of investment securities and approximately $10,400 and $8,200 of its cash and cash equivalents held in custodial accounts with Charles Schwab at September 30, 2015 and 2014, respectively. These custodial accounts are managed by Portfolio Advisors, an independent investment management and advisory firm. Investment securities are primarily held in equity and fixed income funds. Charles Schwab provides insurance to protect the Organization's accounts per SIPC insurance limitations.

At September 30, 2014, approximately $250,000 of the Organization's cash and cash equivalents were held in custodial accounts at RBC Wealth Management ("RBC"). No amounts were with RBC at September 30, 2015. These custodial accounts are managed by RBC, an independent investment management and advisory firm. The cash and cash equivalents are primarily invested in money market and certificate of deposits. RBC provides insurance to protect the Organization's custodial account balances of up to $99.5 million for SIPC qualified accounts, subject to a total maximum aggregate of $400 million.

The Organization's investment activities consist of the following at September 30:

	2015	2014
Interest and dividends	$ 152,972	$ 80,386
Unrealized gains	(198,531)	58,785
Realized gains	10,427	38,729
Investment fees	(32,676)	(23,725)
Total investment income (loss), net	$ (67,808)	$ 154,175

Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the Organization's account balances and amounts reported in its financial statements.

NOTE 6 – LINE-OF-CREDIT

The Organization has a $250,000 working capital line-of-credit with Wells Fargo Bank. During the years ended September 30, 2015 and 2014, the maximum amounts drawn on the line-of-credit were $213,863 and $214,692, respectively. Interest on the line accrues at the bank's reference rate (3.75% at September 30, 2015 and 2014). At September 30, 2015 and 2014, there were no balances due on the line-of-credit. Total interest expenses for the years ended September 30, 2015 and 2014 on balances outstanding under the line-of-credit were $663 and $118, respectively. The line-of-credit is secured by the Organization's commercial building. The line-of-credit agreement has been renewed through June 2016 with substantially similar terms.

NOTE 7 – PROFIT SHARING PLAN

The Organization provides for a Safe Harbor 401(k) plan (the "Plan") covering eligible employees who meet certain minimum service requirements. The Plan is administered through John Hancock Life Insurance Company. The Plan provides for the Organization to make discretionary and/or matching contributions to deferring employees, an amount which varies and is dependent on Board approval. The Organization made a discretionary matching contribution of approximately $96,600 in January 2016 for the year ended September 30, 2015. The payment has been accrued and included in the financial statements. A discretionary contribution of $94,500 was made for the year ended September 30, 2014.

NOTE 8 – CONTINGENCIES

Liquidity and Financial Resources

Payments received for hospice services from third party payers are not sufficient to support the Organization's present level of operations. The Organization's operating expenses are also funded, in part, by a combination of thrift store earnings, community donations, grants, loans, and income earned on cash balances and investments. The Organization received donations during the years ended September 30, 2015 and 2014 which included significant (in excess of $5,000), non-recurring contributions from individual donors or bequests in the amount of approximately $1,099,000 and $2,512,000, respectively.

The ability of the Organization to maintain its present level of operations is dependent upon the continuity of sufficient annual financial support from the Fresno, Madera and Merced communities.

NOTE 9 – LEASE COMMITMENTS

The Organization leases certain of its thrift stores, administrative and clinical offices. The leases are accounted for as operating leases and provide for the payment of monthly rents plus executory costs.

The Organization previously leased its Fresno administrative office space for $17,443 per month beginning December 2013. The lease expired February 2014 and was not renewed.

The Organization has a thrift store in Clovis and signed a new lease commitment which commenced December 2011 and expires November 2016. Monthly rent expense is $5,605 beginning October 2012. The Chowchilla thrift store's rent expense is $1,500 per month and the lease expired December 2015.

The Organization rents on a month-to-month basis for its other thrift store facilities in Madera, Sanger, and Chowchilla. The Madera thrift store's rent per month is $1,000 of which $500 is deemed a contribution from the landlord. The Sanger thrift store's rent expense is $1,500 per month. The Chowchilla thrift store's rent expense is $1,500 per month.

Total rent and occupancy costs for the years ended September 30, 2015 and 2014 were $182,017 and $277,830, respectively.

The Organization leases certain office equipment under capital lease obligations, which are secured by such equipment. Capitalized costs and accumulated amortization were $160,715 and $131,019 for September 30, 2015, and $170,957 and $141,260 at September 30, 2014.

NOTE 9 – LEASE COMMITMENTS (Continued)

The following table shows the Organization's future lease commitments for each of the years ended September 30:

	Capital	Operating
2016	$ 12,676	$ 67,254
2017	3,186	11,209
2018	1,724	-
2019	-	-
2020	-	-
Total payments	17,586	$ 78,463
Less amounts representing interest	(1,276)	
Total minimum lease payments	16,310	
Amounts due within one year	(12,676)	
Long-term capital lease obligation	$ 3,634	

NOTE 10 – MORTGAGE PAYABLE

The Organization obtained a mortgage with Wells Fargo Bank in December 2012 for the purchase of a commercial building in the amount of $2,630,000. The principal amount of the mortgage was $1,972,500 with an annual percentage rate of 4.75%. Interest-only payments were made monthly through January 2014. Monthly principal payments of $10,958 plus interest commenced in February 2014 through January 2029. The mortgage payable is secured by the building.

In connection with the purchase of the commercial building, the Organization obtained a construction loan with Wells Fargo for building improvements, furniture and fixtures and other costs during the year ended September 30, 2014. The loan has a principal balance of $538,840 and $584,840 at September 30, 2015 and 2014, respectively, with an annual percentage rate of 5.50%. Monthly principal payments of $3,833 plus interest commenced in October 2014 through June 2027. The construction loan is also secured by the building.

Principal payments consist of the following for years ending September 30:

2016	$ 177,500
2017	177,500
2018	177,500
2019	177,500
2020	177,500
2021 and thereafter	1,404,673
	$ 2,292,173

Total interest expense on the mortgage and construction loan was $119,309 and $111,319 for the years ended September 30, 2015 and 2014, respectively.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30:

	2015	2014
Unconditional Promises to Give	$ 92,487	$ 52,376
Arnold and Nancy Red Foundation	1,020,049	1,000,000
Bennett Family Foundation	42,000	-
Grants:		
Susan G. Komen Foundation	-	17,500
Various matching grants	-	150
Total temporarily restricted net assets	$ 1,154,536	$ 1,070,026

NOTE 12 – THRIFT STORES, NET

Thrift stores activities consist of the following at September 30:

	2015	2014
Thift stores revenue:	$ 768,967	$ 816,374
Costs and expenses:		
Advertising and promotion	4,746	6,395
Bank and payroll fees	7,274	6,859
Communication / telephone	10,596	8,623
Depreciation	2,846	4,521
Education	70	-
Employee benefits	57,659	58,185
Office supplies	4,358	5,412
Payroll taxes	22,881	21,320
Recycle expense	503	13,653
Rent and occcupancy	125,577	123,110
Salaries	273,542	262,976
Security and alarm services	13,669	13,430
Storage rental	-	1,962
Travel and transportation	20,593	22,081
Utilities and janitorial	48,478	59,252
Other	18,608	15,524
Total costs and expenses	611,400	623,303
Thrift store, net	$ 157,567	$ 193,071

NOTE 13 – FAIR VALUE MEASUREMENTS

In accordance with generally accepted accounting principles, fair value is defined as the price that the Organization would receive upon selling an asset or pay to transfer a liability at the reporting date. Generally accepted accounting principles established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the asset or liability, developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and fair value is determined through the use of other valuation methodologies.

Level 3 – Valuations based on inputs that are not observable and significant to the overall fair value measurement, including the Organization's own assumptions in determining the fair value of assets or liabilities.

The following is a summary of the inputs used as of September 30 in valuing the Organization's assets carried at fair value:

Asset Description	Level 1	Level 2	Level 3	Total
2015 Investment securities:				
Equity securities	$ 319,686	$ -	$ -	$ 319,686
Bond mutual funds	930,104	-	-	930,104
Central Valley Community Foundation investment pool	-	1,812,865	-	1,812,865
Total investment securities	$ 1,249,790	$ 1,812,865	$ -	$ 3,062,655
2014 Investment securities:				
Equity securities	$ 219,975	$ -	$ -	$ 219,975
Bond mutual funds	788,162	-	-	788,162
Central Valley Community Foundation investment pool	-	1,855,591	-	1,855,591
Total investment securities	$ 1,008,137	$ 1,855,591	$ -	$ 2,863,728

The following methods and assumptions were used by the Organization in estimating the fair value of other financial instruments:

Certificates of Deposit and Investment Securities – All of the Organization's Certificates of Deposit and Investment Securities are available-for-sale, and are stated at their fair value based on quoted closing prices.

As of September 30, 2015 and 2014, the fair value of the Organization's investments in available-for-sale Level 2 funds was $1,812,865 and $1,855,591, respectively. These investments are managed by the Central Valley Community Foundation and invested in various asset pools.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no other subsequent events that have occurred from September 30, 2015 through the date the financial statements were available to be issued at February 8, 2016 that would require additional disclosure or adjustment.