



**CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2020 AND 2019**

HINDS HOSPICE  
FRESNO, CALIFORNIA

SEPTEMBER 30, 2020 AND 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hinds Hospice  
Fresno, California

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Hinds Hospice and subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 consolidated 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 and subsidiary as of September 30, 2020, and the changes in their net assets and their 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 2019 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, on our consideration of Hinds Hospice's internal control over financial reporting and on our 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 our 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 the Organization's 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 the Organization's internal control over financial reporting and compliance.



Clovis, California  
April 28, 2021

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 5,979,244	\$ 3,787,809
Accounts receivable, net	2,981,318	2,288,048
Prepaid and other current assets	312,676	209,183
Total current assets	9,273,238	6,285,040
Property and equipment, net	5,051,958	5,180,687
Investment securities	7,416,228	4,529,574
Other assets	656,328	670,328
Total assets	\$ 22,397,752	\$ 16,665,629
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,081,270	\$ 1,784,947
Prepaid rent	16,122	-
Loss contingency payable	602,754	-
Capital lease obligations, current portion	16,635	16,239
Long-term debt, current portion	93,099	88,749
Total current liabilities	2,809,880	1,889,935
Capital lease obligations	20,524	37,196
Long-term debt	1,534,554	1,627,056
Total liabilities	4,364,958	3,554,187
Net assets:		
Without donor restriction	16,119,570	11,700,498
With donor restriction	1,913,224	1,410,944
Total net assets	18,032,794	13,111,442
Total liabilities and net assets	\$ 22,397,752	\$ 16,665,629

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

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
(With Summarized Financial Information for 2019)

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues and support:				
Patient revenues, net	\$ 23,883,811	\$ -	\$ 23,883,811	\$ 19,599,318
Contributions, memorials and grants	764,211	631,157	1,395,368	1,843,686
Governmental grants				
Provider relief funds	1,055,955	-	1,055,955	-
Paycheck protection program	235,000	-	235,000	-
Special events, net	88,149	-	88,149	311,690
Thrift stores, net	(120,738)	-	(120,738)	195,022
Rental income	261,652	-	261,652	281,343
Other operating revenue	388,462	-	388,462	250,438
Investment income (loss), net	<u>275,146</u>	<u>7,336</u>	<u>282,482</u>	<u>(16,417)</u>
Total revenues and support before net assets released from restrictions	26,831,648	638,493	27,470,141	22,465,080
Net assets released from restrictions	<u>136,213</u>	<u>(136,213)</u>	<u>-</u>	<u>-</u>
Total revenues and support after reclassification of net assets released from restrictions	<u>26,967,861</u>	<u>502,280</u>	<u>27,470,141</u>	<u>22,465,080</u>
Costs and expenses:				
Program services	16,921,305	-	16,921,305	17,457,950
General and administrative	4,579,460	-	4,579,460	1,242,588
Fundraising	566,203	-	566,203	357,751
Hospice Charitable Properties, Inc.	<u>481,821</u>	<u>-</u>	<u>481,821</u>	<u>462,057</u>
Total costs and expenses	<u>22,548,789</u>	<u>-</u>	<u>22,548,789</u>	<u>19,520,346</u>
Changes in net assets	4,419,072	502,280	4,921,352	2,944,734
Net assets, beginning of year	<u>11,700,498</u>	<u>1,410,944</u>	<u>13,111,442</u>	<u>10,166,708</u>
Net assets, end of year	<u>\$ 16,119,570</u>	<u>\$ 1,913,224</u>	<u>\$ 18,032,794</u>	<u>\$ 13,111,442</u>

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

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
(With Summarized Financial Information for 2019)

	Supporting Services			HCPI Expenses	2020 Total Expenses	2019 Total Expenses
	Program Services	General and Administrative	Fundraising			
Personnel Costs:						
Salaries and wages	\$ 9,527,674	\$ 2,579,149	\$ 316,602	\$ -	\$ 12,423,425	\$ 10,831,456
Employee benefits	1,995,416	540,160	66,307	-	2,601,883	2,328,722
Contract labor	570,317	65,068	14,233	-	649,618	667,983
Total personnel costs	12,093,407	3,184,377	397,142	-	15,674,926	13,828,161
Other Costs and Expenses:						
Bad debts	(51,113)	-	-	-	(51,113)	100,732
Loss contingency	602,754	-	-	-	602,754	-
Telephone communications	177,069	47,363	9,256	-	233,688	203,720
Dues and subscriptions	6,291	37,379	9,138	-	52,808	63,731
Education	17,912	96,336	9,335	-	123,583	105,252
Equipment rental	806,466	6,728	180	-	813,374	706,945
Information systems	34,844	288,087	27,003	-	349,934	277,453
Insurance	23,130	87,842	2,885	5,218	119,075	113,424
Interest	-	-	-	77,241	77,241	75,535
Maintenance and repairs	9,260	1,500	15	100,305	111,080	127,177
Pharmacy	991,736	-	-	-	991,736	857,444
Medical supplies	452,179	-	-	-	452,179	373,717
Office	206,812	61,596	26,039	301	294,748	243,254
Professional services	15,879	534,402	36,706	-	586,987	454,601
Purchased clinical services	767,786	-	-	-	767,786	647,127
Occupancy expense	92,064	15,873	1,119	132,529	241,585	213,865
Transportation	562,234	38,468	2,343	-	603,045	664,718
Other	60,871	83,672	32,515	40,894	217,952	177,277
Total other costs and expenses	4,776,174	1,299,246	156,534	356,488	6,588,442	5,405,972
Subtotal	16,869,581	4,483,623	553,676	356,488	22,263,368	19,234,133
Depreciation	51,724	95,837	12,527	125,333	285,421	286,213
Total costs and expenses	\$ 16,921,305	\$ 4,579,460	\$ 566,203	\$ 481,821	\$ 22,548,789	\$ 19,520,346

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

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 4,921,352	\$ 2,944,734
Adjustments to reconcile changes in net assets to		
Net cash provided by (used in) operating activities:		
Depreciation	313,846	308,845
Bad debts (recoveries)	(51,113)	100,732
Donated land	-	(690,000)
Unrealized (gains) losses	(120,904)	189,434
Changes in operating assets and liabilities:		
Accounts receivable	(642,157)	523,387
Prepaid and other current assets	(103,493)	18,868
Other assets	14,000	38,138
Accounts payable and accrued liabilities	296,323	58,059
Loss contingency	602,754	-
Prepaid rent	16,122	-
	<u>5,246,730</u>	<u>3,492,197</u>
Net cash provided by (used in) operating activities		
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(185,117)	(211,302)
Investment sales proceeds	987,442	32,088
Investment purchases	<u>(3,753,192)</u>	<u>(214,929)</u>
Net cash provided by (used in) investing activities	<u>(2,950,867)</u>	<u>(394,143)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on long-term debt	(88,152)	(74,195)
Principal payments on line of credit	-	(1,077,502)
Advances on line of credit	-	1,077,502
Principal payments on capital lease obligations	<u>(16,276)</u>	<u>(13,962)</u>
Net cash provided by (used in) financing activities	<u>(104,428)</u>	<u>(88,157)</u>
Increase (decrease) in cash and cash equivalents	2,191,435	3,009,897
Cash and cash equivalents, beginning of year	<u>3,787,809</u>	<u>777,912</u>
Cash and cash equivalents, end of year	<u>\$ 5,979,244</u>	<u>\$ 3,787,809</u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	<u>\$ 77,241</u>	<u>\$ 75,535</u>
Noncash investing and financing activities:		
Capitalized lease equipment	<u>\$ -</u>	<u>\$ 25,852</u>

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



**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

Hinds Hospice 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.

Hinds Hospice 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. Hinds Hospice also currently operates three thrift stores located in Chowchilla, Clovis, and Madera.

Hospice Charitable Properties, Inc., (“HCPI”) is a wholly owned subsidiary of Hinds Hospice. It is a title holding corporation pursuant to Internal Revenue Code Section 501(c)(2). HCPI was established to hold title to commercial property and manage the rental activities.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation

The consolidated financial statements include the accounts of Hinds Hospice and HCPI (collectively referred to as the “Organization”). All significant intercompany accounts and transactions have been eliminated in consolidation.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The Organization adopted the provisions of FASB Accounting Standards Update 2018-08, Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The provisions of this pronouncement help resolve longstanding diversity in practice in the accounting for grants and similar arrangements. The amendments of this provision better clarify the accounting treatment for exchange and non-exchange transactions and address the classification of certain grants. As the provisions of this pronouncement are applied on a modified prospective basis, there were no prior-period adjustments.

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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, 2019, 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, 2020 and 2019, the Organization had uninsured cash balances of \$5,685,428 and \$3,402,720, 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 noncurrent.

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, 2020 and 2019 were \$(51,113) and \$100,732, respectively.

**HINDS HOSPICE  
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

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

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 individual initial value or cost exceeds \$2,500 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 and fixtures	2 to 5 Years
Vehicles	3 to 10 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, 2020 and 2019.

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, 2020 and 2019, the Organization's standard rates for patient services were approximately \$8,135,000 and \$11,252,000, respectively, greater than the amounts paid by third party payers. Such amounts are offset by contractual allowances to arrive at the Organization's net revenues reflected 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 amounts of direct and indirect costs of providing charity care to patients were \$35,869 and \$26,304, respectively, for the year ended September 30, 2020, and \$48,375 and \$44,001, respectively, for the year ended September 30, 2019.

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

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**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 support with donor restriction. There were no unconditional promises to give at September 30, 2020 and 2019. 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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2020, and 2019 were \$136,213 and \$72,866, 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.

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, 2020 and 2019, the Organization received and recognized \$0 and \$12,295, 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 significantly enhance non-financial assets or involve a professional service that would otherwise have been purchased and whose values can be objectively measured. For the years ended September 30, 2020 and 2019, the Organization received \$0 and \$12,301, respectively, in donated services related to its fundraising events.

During the year ended September 30, 2019, the Organization received a 4.21 acre business campus land donation in Clovis, California, appraised at \$690,000, which has been recognized as a contribution in the Consolidated Statement of Activities.

Advertising and Promotion

The Organization expenses all advertising and promotion costs as incurred. Total advertising and promotion expenses at September 30, 2020 and 2019 were \$46,221 and \$43,933, respectively.

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

Functional Allocation of Expenses

The costs of providing the Organization's hospice 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.

The expenses allocated consist of the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Employee benefits	Time and effort
Contract labor	Time and effort
Dues and subscriptions	Time and effort
Education	Time and effort
Information systems	Time and effort
Insurance	Time and effort
Maintenance and repairs	Time and effort
Office	Time and effort
Professional services	Time and effort
Occupancy expense	Square footage
Other	Time and effort

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on the Organization's net assets at September 30, 2019.

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 – AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets as of September 30:

	2020	2019
Cash and cash equivalents	\$ 5,979,244	\$ 3,787,809
Accounts receivable	2,981,318	2,288,048
Investments	7,416,228	4,529,574
Total financial assets	16,376,790	10,605,431
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,913,224	1,410,944
Financial assets available to meet general expenditures over the next twelve months	\$ 14,463,566	\$ 9,194,487

The Organization’s goal is to maintain enough cash and cash equivalents and marketable securities to cover 180 days of operational expenses.

**Financial Resources**

Payments received for hospice services from third party payers may not be 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, 2020 and 2019 which included significant (in excess of \$5,000), non-recurring cash contributions from individual donors or bequests in the amount of \$956,027 and \$896,912, respectively.

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 4 – ACCOUNTS RECEIVABLE, NET AND CONTRACTUAL ALLOWANCES**

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.

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 that there are no contractual allowance liabilities due to the Payers on account of patient days incurred during the years ended September 30, 2020 and 2019.

Accounts receivable consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 1,799,745	\$ 1,438,984
Medi-Cal	825,239	668,963
Insurers and private pay	376,559	299,736
Other patient receivables	<u>60,636</u>	<u>60,365</u>
Subtotal	3,062,179	2,468,048
Allowance for doubtful accounts	<u>(80,861)</u>	<u>(180,000)</u>
Total accounts receivable, net	<u>\$ 2,981,318</u>	<u>\$ 2,288,048</u>

**NOTE 5 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,495,759	\$ 1,495,759
Buildings and improvements	4,210,090	4,117,574
Office and medical equipment	1,336,116	1,265,951
Furniture and fixtures	421,150	412,689
Vehicles	124,004	62,616
Construction in progress	<u>11,810</u>	<u>59,225</u>
	7,598,929	7,413,814
Accumulated depreciation and amortization	<u>(2,546,971)</u>	<u>(2,233,127)</u>
Property and equipment, net	<u>\$ 5,051,958</u>	<u>\$ 5,180,687</u>

Total depreciation expense was \$313,846 and \$308,845 at September 30, 2020 and 2019, respectively.

**HINDS HOSPICE**  
**(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 – INVESTMENT SECURITIES**

Investment securities consist of the following at September 30:

	Fair Value	
	2020	2019
Bond and equity funds	\$ 629,024	\$ 505,440
Central Valley Community Foundation investment pool	6,787,204	4,024,134
Total investment securities	\$ 7,416,228	\$ 4,529,574

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.

The Organization’s investment securities, managed by CVCF, were \$6,787,204 and \$4,024,134, at September 30, 2020 and 2019, respectively. 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 \$629,024 and \$505,440 of investment securities, and \$12,344 and \$16,066 of its cash and cash equivalents held in custodial accounts with Charles Schwab at September 30, 2020 and 2019, 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.

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

	2020	2019
Interest and dividends	\$ 179,258	\$ 206,744
Unrealized gains (losses)	120,904	(189,434)
Realized gains	42,175	8,185
Investment fees	(59,855)	(41,912)
Total investment income, net	\$ 282,482	\$ (16,417)

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.



**HINDS HOSPICE  
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**NOTE 7 – LOSS CONTINGENCY**

Noridian Healthcare Solutions, LLC, the Supplemental Medical Review Contractor for the Centers for Medicare & Medicaid Services, performs medical reviews to review the accuracy and justification of all services reimbursed by the program. Hinds Hospice was subject to a review to determine if the claims and submitted documentation met Medicare requirements. Noridian Healthcare Solutions, LLC found that Hinds Hospice had an error rate of 59.12% in the claims reviewed, resulting in an estimated overpayment of \$602,754. This overpayment has been recorded as a liability on the consolidated statement of net position for the year ended September 30, 2020.

**NOTE 8 – LINE-OF-CREDIT**

The Organization has a \$1,800,000 working capital line-of-credit with Wells Fargo Bank. During the years ended September 30, 2020 and 2019, the maximum amounts drawn on the line-of-credit were \$0 and \$600,000, respectively. Interest on the line accrues at an index rate (5% at September 30, 2020 and 2019, respectively). At September 30, 2020 and 2019, there were no balances due on the line-of-credit. Total interest expenses for the years ended September 30, 2020 and 2019 on balances outstanding under the line-of-credit were \$0 and \$1,005, respectively. The line-of-credit is secured by the Organization's commercial building. The line-of-credit agreement has been renewed through April 2021.

**NOTE 9 – 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 matching contributions to deferring employees, an amount which varies and is dependent on Board approval. The Organization plans on making a discretionary matching contribution of \$146,203 in the first quarter of 2021 for the year ended September 30, 2020. The amount has been accrued and included in the financial statements. A discretionary contribution of \$131,104 was made for the year ended September 30, 2019.

**NOTE 10 – LEASE COMMITMENTS**

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

Total rental expense for the years ended September 30, 2020 and 2019 was \$322,985 and \$315,673, respectively.

The Organization leases certain office equipment under capital lease obligations, which are secured by such equipment. Capitalized costs and accumulated depreciation were \$265,038 and \$188,519 for September 30, 2020, and \$247,517 and \$196,912 at September 30, 2019.

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**NOTE 10 – LEASE COMMITMENTS (Continued)**

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

	<u>Capital</u>	<u>Operating</u>
2021	\$ 18,103	\$ 265,038
2022	12,371	223,326
2023	7,411	226,270
2024	4,602	31,533
2025 and thereafter	<u>-</u>	<u>-</u>
Total payments	42,487	<u>\$ 746,167</u>
Less amounts representing interest	<u>(5,328)</u>	
Total minimum lease payments	37,159	
Amounts due within one year	<u>(16,635)</u>	
Long-term capital lease obligation	<u>\$ 20,524</u>	

The Organization has lease agreements with multiple tenants with monthly rent due to the Organization.

Total rental income for the years ended September 30, 2020 and 2019 was \$261,652 and \$281,343, respectively.

The following table shows the Organizations future lease revenue for each of the years ending September 30:

2021	\$ 229,602
2022	187,864
2023	<u>120,305</u>
Total	<u>\$ 537,771</u>

**NOTE 11 – LONG-TERM DEBT**

During the fiscal year 2018, the Organization refinanced its long-term debt. The original mortgage and a building improvement loan were consolidated into one debt instrument which lowered the interest rate and extended the term. The new mortgage loan is held with Wells Fargo Bank and is secured by a commercial building. The annual percentage rate is 4.50%. Monthly principal payments of \$13,783 plus interest are scheduled through October 2033. The total principal balance on long-term debt was \$1,627,653 and \$1,715,805 at September 30, 2020 and 2019, respectively.

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**NOTE 11 – LONG-TERM DEBT (Continued)**

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

2021	\$ 93,099
2022	97,437
2023	101,976
2024	106,562
2025	111,692
2026 and thereafter	<u>1,116,887</u>
	<u>\$ 1,627,653</u>

Total interest expense on long-term debt was \$77,241 and \$74,547 for the years ended September 30, 2020 and 2019, respectively.

**NOTE 12 – PAYCHECK PROTECTION PROGRAM AND PROVIDER RELIEF FUNDS**

On July 27, 2020, the Organization received a Small Business Administration Paycheck Protection Program (SBA PPP) loan in the amount of \$235,000. Principal and interest at 1.00% are payable monthly beginning after forgiveness is granted. Interest accrues between the date of disbursement and forgiveness on the amount of the loan that is not forgiven.

The SBA PPP is a federal loan program designed to assist entities in sustaining their operations during the COVID-19 pandemic, described below in Note 16. The loan is forgivable if used for eligible costs, including payroll costs, rent payments and others. Specific criteria must be met under the program guidelines for the loan to be forgiven. The Organization believes the full amount will be forgiven under this program. As such, the entire amount has been recognized as revenue on the statement of activities for the year ended September 30, 2020.

On May 14, 2020, the Organization received funds from the Provider Relief Fund (“the Fund”). The Fund supports healthcare providers in the battle against the COVID-19 pandemic. Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the federal government allocated \$178 billion in payments to be distributed through the Fund. All recipients of Fund payments are required to comply with the reporting requirements described in the Terms and Conditions and specified in future directions issued by the Health and Human Services (HHS) Secretary. HHS will require recipients to submit future reports relating to the recipient's use of Fund money.

The Organization received an automatic allocation of \$1,055,955 from the Fund to be used for healthcare-related expenses or lost revenue due to COVID-19. The full amount was recognized as revenue on the consolidated statement of activities for the year ended September 30, 2020.

**HINDS HOSPICE  
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**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified programs		
Red and Nancy Arnold County Fund	\$ 1,117,748	\$ 1,153,641
Facilities and equipment	336,331	161,768
Community outreach and counseling	<u>121,982</u>	<u>95,527</u>
Total subject to expenditure for specified programs	1,576,061	1,410,936
Subject to the passage of time	239,147	8
Perpetual in nature		
Jane Leffler Clinical Excellence Endowment	<u>98,016</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 1,913,224</u>	<u>\$ 1,410,944</u>

**Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the Organization to classify as endowments (included with Net Assets with Donor Restrictions), the fair value of the original gift as of the gift date and the original value of subsequent gifts, including any accumulations to the donor-restricted endowments made in accordance with the applicable gift instruments. Accumulated earnings above or deficits below the original gift values in each endowment fund are reported as an increase or decrease to each fund within Net Assets with Donor Restrictions.

The Organization classifies as endowments (included with Net Assets with Donor Restrictions) funds that have explicit restrictions by donors in their agreements prohibiting the spending of principal.

The Organization’s endowment net assets by composition is as follows for the year ended September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>	<u>Total Funds as of 9/30/2020</u>
		<u>Original Gift</u>	<u>Accumulated Gains (Losses)</u>		
Clinical excellence fund	\$ -	\$ 80,000	\$ 18,016	\$ 98,016	\$ 98,016
Total endowment funds	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 18,016</u>	<u>\$ 98,016</u>	<u>\$ 98,016</u>

The Organization’s endowment net assets by composition is as follows for the year ended September 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>	<u>Total Funds as of 9/30/2019</u>
		<u>Original Gift</u>	<u>Accumulated Gains (Losses)</u>		
Clinical excellence fund	\$ -	\$ -	\$ -	\$ -	\$ -
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor’s Report.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS** (Continued)

The changes in endowment net assets for the years ended September 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2019	\$ -	\$ -	\$ -
Investment return:			
Investment income	-	570	570
Net appreciation (realized and unrealized)	-	17,446	17,446
Total investment return	-	18,016	18,016
Contributions and others	-	55,000	55,000
Appropriation of endowment assets for expenditure	-	-	-
Other changes and reclassifications	-	25,000	25,000
Endowment net assets, September 30, 2020	<u>\$ -</u>	<u>\$ 98,016</u>	<u>\$ 98,016</u>

**NOTE 14 – THRIFT STORES, NET**

Thrift stores activities consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Thrift stores revenue	\$ 894,542	\$ 1,218,282
Costs and expenses:		
Salaries and wages	433,213	404,949
Employee benefits	89,512	88,928
Depreciation	28,425	22,632
Maintenance and repairs	12,580	18,867
Occupancy expense	358,415	361,267
Office	11,906	12,134
Professional services	4,639	32,726
Telephone communications	13,528	13,374
Transportation	27,111	25,616
Other	35,951	42,767
Total costs and expenses	<u>1,015,280</u>	<u>1,023,260</u>
Thrift stores, net	<u>\$ (120,738)</u>	<u>\$ 195,022</u>

See Independent Auditor's Report.

**HINDS HOSPICE**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 15 – 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:

<u>Asset Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2020:</b>				
Bond and equity funds	\$ 629,024	\$ -	\$ -	\$ 629,024
Central Valley Community Foundation investment pool	-	6,787,204	-	6,787,204
Total investment securities	<u>\$ 629,024</u>	<u>\$ 6,787,204</u>	<u>\$ -</u>	<u>\$ 7,416,228</u>
<b>2019:</b>				
Bond and equity funds	\$ 505,440	\$ -	\$ -	\$ 505,440
Central Valley Community Foundation investment pool	-	4,024,134	-	4,024,134
Total investment securities	<u>\$ 505,440</u>	<u>\$ 4,024,134</u>	<u>\$ -</u>	<u>\$ 4,529,574</u>

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

Investment Securities

All of the Organization’s bond and equity funds are available-for-sale and are stated at their fair value based on quoted closing prices.

As of September 30, 2020 and 2019, the fair value of the Organization’s investments in available-for-sale Level 2 funds was \$6,787,204 and \$4,024,134, respectively. These investments are managed by the Central Valley Community Foundation and invested in various asset pools.

**HINDS HOSPICE  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 16 – UNCERTAIN TAX POSITION**

Hinds Hospice 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.

Hospice Charitable Properties, Inc. (HCPI) is a title holding not-for-profit organization and has been granted tax exempt status pursuant to Internal Revenue Code Section 501(c)2 and is exempt from Federal and State of California income taxes.

The Organization has approximately \$823,000 and \$757,000 of net operating loss carryovers for Federal and State of California, respectively, that can be utilized to offset future tax obligations. The Organization does not expect to utilize these benefits and therefore, no benefit has been recorded as of September 30, 2020 and 2019.

Generally accepted accounting principles provide 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.

**NOTE 17 – UNCERTAINTY**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 outbreak in the United States of America a national emergency. Further, on March 19, 2020, the governor of the State of California issued a statewide Stay at Home Order to slow the spread of COVID-19. The Order required all individuals living in California to stay at home, except as needed to maintain continuity of the federal critical infrastructure sectors. The ultimate financial impact on the Organization that could occur as a result of the pandemic is unknown at this time.

**NOTE 18 – SUBSEQUENT EVENTS**

Management has evaluated and concluded that there are no other subsequent events that have occurred from September 30, 2020 through the date the financial statements were available to be issued at April 28, 2021, that would require additional disclosure or adjustment.



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  
Hinds Hospice  
Fresno, California

We 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 consolidated financial statements of Hinds Hospice, a not-for-profit organization, which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 28, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's 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 our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we 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 Organization'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.

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.



Clovis, California  
April 28, 2021

**HINDS HOSPICE  
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued	Unmodified	
Internal control over financial reporting: Material weaknesses identified?	<u>          </u> Yes	<u>  X  </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u>          </u> Yes	<u>  X  </u> None reported
Noncompliance material to financial statement noted?	<u>          </u> Yes	<u>  X  </u> No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reportable.

**HINDS HOSPICE  
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FINANCIAL STATEMENT FINDINGS**

None reportable.