SINCE 1981 Hinds Hospice

Honoring the Journey

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

HINDS HOSPICE
FRESNO, CALIFORNIA

SEPTEMBER 30, 2022 AND 2021

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PRICE PAIGE & COMPANY
Certified Public Accountants

The Place to Be

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hinds Hospice
Fresno, California

Opinion

We have audited the accompanying consolidated financial statements of Hinds Hospice, a not-for-profit organization, and subsidiary (the Organization), which comprise the consolidated statement of financial position as of September 30, 2022, 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.

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

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards

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and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, 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 July 19, 2023, on our consideration of the Organization'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 solely 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.

Price Paige & Company

Clovis, California
July 19, 2023

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,480,768	$ 7,659,713
Accounts receivable, net	2,939,285	3,214,273
Contingency receivable	54,659	54,659
Property management receivable	34,426	-
Prepaid and other current assets	273,696	306,382
Total current assets	9,782,834	11,235,027
Property and equipment, net	5,071,174	5,197,571
Investment securities	9,761,002	788,488
Beneficial interest in assets held by others	1,172,220	8,245,487
Contribution receivable	470,000	470,000
Other assets	656,328	656,328
Total assets	$ 26,913,558	$ 26,592,901
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,928,457	$ 2,760,544
Prepaid rent	4,692	20,748
Loss contingency payable	-	4,876
Capital lease obligations, current portion	5,703	9,448
Long-term debt, current portion	101,976	97,437
Total current liabilities	3,040,828	2,893,053
Capital lease obligations	4,110	9,884
Deferred revenue	-	120,678
Long-term debt	1,335,158	1,437,125
Total liabilities	4,380,096	4,460,740
Net assets:		
Without donor restriction	19,914,401	19,400,188
With donor restriction	2,619,061	2,731,973
Total net assets	22,533,462	22,132,161
Total liabilities and net assets	$ 26,913,558	$ 26,592,901

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, 2022
(With Summarized Financial Information for 2021)

	Without Donor Restriction	With Donor Restriction	2022 Total	2021 Total
Revenues and support:				
Patient revenues, net	$ 24,675,685	$ -	$ 24,675,685	$ 25,638,609
Contributions, memorials and grants:				
Cash and other financial assets	884,909	278,597	1,163,506	1,454,208
Nonfinancial assets	21,725	-	21,725	7,520
Special events, net of direct expenses of $110,836 and $9,781	220,618	-	220,618	160,251
Thrift stores, net	209,903	-	209,903	27,734
Rental revenue	279,870	-	279,870	282,350
Government grants	120,678	-	120,678	-
Other fee for service revenue	347,114	-	347,114	178,331
Other operating revenue	211,610	-	211,610	203,606
Investment income (loss), net	(912,745)	(152,375)	(1,065,120)	1,623,350
Total revenues and support before net assets released from restrictions	26,059,367	126,222	26,185,589	29,575,959
Net assets released from restrictions	239,134	(239,134)	-	-
Total revenues and support after reclassification of net assets released from restrictions	26,298,501	(112,912)	26,185,589	29,575,959
Costs and expenses:				
Program services	18,741,736	-	18,741,736	19,202,326
General and administrative	6,207,522	-	6,207,522	5,151,956
Fundraising	299,563	-	299,563	586,306
Hospice Charitable Properties, Inc.	535,467	-	535,467	536,004
Total costs and expenses	25,784,288	-	25,784,288	25,476,592
Changes in net assets	514,213	(112,912)	401,301	4,099,367
Net assets, beginning of year	19,400,188	2,731,973	22,132,161	18,032,794
Net assets, end of year	$ 19,914,401	$ 2,619,061	$ 22,533,462	$ 22,132,161

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(With Summarized Financial Information for 2021)

		Supporting Services				
	Program Services	General and Administrative	Fundraising	Hospice Charitable Properties, Inc.	2022 Total	2021 Total
Personnel costs:						
Salaries and wages	$ 10,763,052	$ 3,007,025	$ 149,010	$ -	$ 13,919,087	$ 13,000,408
Employee benefits	2,269,686	640,242	31,727	-	2,941,655	2,925,959
Contract labor	831,183	85,696	2,660	-	919,539	1,330,476
Total personnel costs	13,863,921	3,732,963	183,397	-	17,780,281	17,256,843
Other costs and expenses:						
Advertising and promotion	40,417	866	586	-	41,869	129,340
Bad debts	189,868	-	-	-	189,868	330,572
Bank and payroll fees	1,802	125,366	28,679	-	155,847	146,773
Telephone communications	203,119	107,680	4,915	-	315,714	293,810
Dues and subscriptions	16,846	77,031	1,109	-	94,986	80,230
Education	9,680	67,732	3,131	-	80,543	146,802
Equipment rental	853,900	4,284	123	-	858,307	850,451
Information systems	48,240	604,561	29,445	-	682,246	520,172
Insurance	31,889	117,553	1,567	8,217	159,226	137,800
Interest	86	518	-	67,965	68,569	74,497
Legal and accounting fees	639	107,633	1,350	-	109,622	104,833
Maintenance and repairs	33,663	157	5	154,538	188,363	168,295
Pharmacy	917,931	-	-	-	917,931	1,024,218
Medical supplies	737,121	4,214	59	-	741,394	801,983
Office	57,105	41,112	687	1,653	100,557	87,504
Postage and shipping	15,464	7,153	1,220	-	23,837	24,742
Printing	87,872	28,222	6,135	-	122,229	124,258
Professional services	20,207	809,035	20,863	3,800	853,905	645,385
Purchased clinical services	771,331	47,110	-	-	818,441	955,163
Occupancy expense	131,772	20,099	1,235	125,974	279,080	245,704
Taxes and licenses	13,715	2,811	33	49,918	66,477	59,295
Transportation	577,454	40,338	3,853	-	621,645	588,156
Other	78,657	84,546	7,317	-	170,520	386,539
Total other costs and expenses	4,838,778	2,298,021	112,312	412,065	7,661,176	7,926,522
Subtotal	18,702,699	6,030,984	295,709	412,065	25,441,457	25,183,365
Depreciation and amortization	39,037	176,538	3,854	123,402	342,831	293,227
Total costs and expenses	$ 18,741,736	$ 6,207,522	$ 299,563	$ 535,467	$ 25,784,288	$ 25,476,592

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 401,301	$ 4,099,367
Adjustments to reconcile changes in net assets to		
Net cash provided by (used in) operating activities:		
Depreciation	381,995	324,124
Bad debts (recoveries)	189,868	330,572
Unrealized (gains) losses	1,752,433	(1,316,276)
Changes in operating assets and liabilities:		
Receivables	50,694	(1,088,186)
Prepaid and other current assets	32,686	6,294
Accounts payable and accrued liabilities	167,913	679,274
Loss contingency	(4,876)	(597,878)
Deferred revenue	(120,678)	120,678
Prepaid rent	(16,056)	4,626
Net cash provided by (used in) operating activities	2,835,280	2,562,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(255,598)	(469,737)
Investment sales proceeds	3,056,707	793,121
Investment purchases	(6,708,387)	(1,094,592)
Net cash provided by (used in) investing activities	(3,907,278)	(771,208)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(97,428)	(93,091)
Principal payments on capital lease obligations	(9,519)	(17,827)
Net cash provided by (used in) financing activities	(106,947)	(110,918)
Net increase (decrease) in cash and cash equivalents	(1,178,945)	1,680,469
Cash and cash equivalents, beginning of year	7,659,713	5,979,244
Cash and cash equivalents, end of year	$ 6,480,768	$ 7,659,713
Supplemental disclosures of cash flow information:		
Interest paid	$ 68,569	$ 74,497

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 inpatient hospice facility in Fresno and provides services to hospice certified patients on an outpatient 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 501I(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

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity’s policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standards, as amended, are to be applied retrospectively to annual reporting periods beginning after June 15, 2021. The Organization adopted ASU 2020-07 with a date of initial application of October 1, 2021.

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 (U.S. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 consolidated financial statements for the year ended September 30, 2021, 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, 2022 and 2021, the Organization had uninsured cash balances of $5,961,581 and $7,572,301, respectively.

Investments

Investments are stated at their 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, 2022 and 2021 were $189,868 and $330,572, 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 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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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, 2022 and 2021.

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. For the years ended September 30, 2022 and 2021, the Organization's standard rates for patient services were approximately $8,398,000 and $7,952,000, 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 $37,144 and $45,687, respectively, for the year ended September 30, 2022, and $50,387 and $28,183, respectively, for the year ended September 30, 2021.

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

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, 2022 and 2021. Unconditional promises to give are 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, 2022, and 2021 were $239,134 and $0, 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 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Nonfinancial Assets

The Organization recognizes contributed nonfinancial assets within revenue, including donated materials, assets, land, space, and professional services. A number of volunteers have made significant contributions of their time to the Organization's programs and supporting services. The value of this contributed time is not reflected in these consolidated financial statements since it does not require a specialized skill.

Donated goods were used in various programs within the Organization. The Organization estimates the value based on the fair value that would be paid for similar items in the Central Valley.

Land and assets can be contributed to the Organization. The Organization will determine whether to sell or utilize the contributed land and assets based on the current needs of the Organization. The Organization assigns values based on fair market value of the land or asset.

Contributed services recognized comprise of professional services such as medical services, and landscaping. Contributed services are valued and reported at the estimated fair value based on current rates for similar services.

Advertising and Promotion

The Organization expenses all advertising and promotion costs as incurred. Total advertising and promotion expenses at September 30, 2022 and 2021 were $41,869 and $129,340, respectively.

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:

Expense	Method of Allocation
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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Organization considers its cash and cash equivalents, accounts receivables, 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, 2021.

NOTE 3 – AVAILABILITY AND LIQUIDITY

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

	2022	2021
Cash and cash equivalents	$ 6,480,768	$ 7,659,713
Accounts receivable, net	2,939,285	3,214,273
Contingency receivable	54,659	54,659
Property management receivable	34,426	-
Investments	9,761,002	788,488
Total financial assets	19,270,140	11,717,133
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,619,061	2,731,973
Financial assets available to meet general expenditures over the next twelve months	$ 16,651,079	$ 8,985,160

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, 2022 and 2021 which included significant (in excess of $5,000), non-recurring cash contributions from individual donors or bequests in the amount of $806,562 and $1,151,906, respectively.

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, 2022 and 2021.

Accounts receivable consist of the following at September 30:

	2022	2021
Medicare	$ 1,975,568	$ 2,728,707
Medi-Cal	622,729	569,262
Insurers and private pay	545,691	207,251
Other patient receivables	284,570	100,440
Subtotal	3,428,558	3,605,660
Allowance for doubtful accounts	(489,273)	(391,387)
Total accounts receivable, net	$ 2,939,285	$ 3,214,273

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at September 30:

	2022	2021
Land	$ 1,495,759	$ 1,495,759
Buildings and improvements	4,285,128	4,269,204
Office and medical equipment	1,912,327	1,716,904
Furniture and fixtures	423,103	421,150
Vehicles	191,460	146,166
Construction in progress	19,310	19,310
	8,327,087	8,068,493
Accumulated depreciation and amortization	(3,255,913)	(2,870,922)
Property and equipment, net	$ 5,071,174	$ 5,197,571

Total depreciation expense was $381,995 and $324,124 at September 30, 2022 and 2021, respectively.

NOTE 6 – INVESTMENT SECURITIES AND BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

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

	Fair Value	
	2022	2021
Bond and equity funds	$ 9,761,002	$ 788,488
Beneficial interest in assets held by others	1,172,220	8,245,487
Total investments	$ 10,933,222	$ 9,033,975

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. CVCF manages the investment securities in accordance with the Organization's Investment Policy. CVCF holds no variance power over the funds and the Organization reserves the right to withdraw any or all assets, including supplemental transfers, and all accumulated earnings, less any fees earned, but unpaid, from CVCF upon action by the Organization's Board of Directors. During the year ended September 30, 2022, the Organization transferred approximately $7,000,000 from CVCF to SEI Private Trust Company. The Organization's investment securities, managed by CVCF, were $1,172,220 and $8,245,487, at September 30, 2022 and 2021, respectively.

The Organization holds investment securities 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. 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 $9,761,002 and $788,488 of investment securities, and $46,792 and $15,886 of its cash and cash equivalents held in custodial accounts with Charles Schwab at September 30, 2022 and 2021, 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:

	2022	2021
Interest and dividends	$ 531,940	$ 305,347
Unrealized gains (losses)	(1,752,433)	1,316,276
Realized gains	218,022	82,899
Investment fees	(62,649)	(81,172)
Total investment income (loss), net	$ (1,065,120)	$ 1,623,350

Investments 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 consolidated financial statements.

NOTE 7 – 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, 2022 and 2021, there were no amounts drawn on the line-of-credit. Interest on the line accrues at an index rate (5%) at September 30, 2022 and 2021. At September 30, 2022 and 2021, there were no balances due on the line-of-credit. The line-of-credit is secured by the Organization's commercial building. In November 2022, the line-of-credit limit was increased to $2,800,000 and expires in November 2023.

NOTE 8 – 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 $205,193 in the first quarter of 2023 for the year ended September 30, 2022. The amount has been accrued and included in the consolidated financial statements. A discretionary contribution of $184,704 was made for the year ended September 30, 2021.

NOTE 9 – 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, 2022 and 2021 was $334,014 and $329,414, respectively.

The Organization leases certain office equipment under capital lease obligations, which are secured by such equipment. Capitalized costs and accumulated amortization were $265,038 and $255,225 for September 30, 2022, and $265,038 and $244,745 at September 30, 2021. Amortization expense was $10,480 and $56,226 for the years ended September 30, 2022 and 2021, respectively.

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

	Capital	Operating
2023	$ 5,703	$ 275,470
2024	4,110	80,733
Total payments	9,813	$ 356,203
Less amounts representing interest	-	
Total minimum lease payments	9,813	
Amounts due within one year	(5,703)	
Long-term capital lease obligation	$ 4,110	

NOTE 9 – LEASE COMMITMENTS (Continued)

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

Total rental income for the years ended September 30, 2022 and 2021 was $279,870 and $282,350, respectively.

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

2023	$	190,294
Total	$	190,294

NOTE 10 – LONG-TERM DEBT

The Organization has a mortgage loan held with Wells Fargo Bank 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 $1,437,134 and $1,534,562 at September 30, 2022 and 2021, respectively.

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

2023	$	101,976
2024		106,562
2025		111,692
2026		116,896
2027		122,342
2028 and thereafter		877,666
	$	1,437,134

Total interest expense on long-term debt was $68,569 and $74,497 for the years ended September 30, 2022 and 2021, respectively.

NOTE 11 – PROVIDER RELIEF FUNDS

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 required recipients to submit future reports relating to the recipient's use of Fund money. The Organization filed the required reports timely in September 2021.

The Organization applied for and received a Phase 3 allocation of $120,678 from the Fund to be used for healthcare-related expenses or lost revenue due to COVID-19. The Phase 3 funds are recognized as revenue on the consolidated statement of activities for the year ended September 30, 2022.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to expenditure for specified programs:		
Red and Nancy Arnold County Fund	$ 1,172,220	$ 1,309,120
Facilities and equipment	559,415	336,331
Patient care	48,188	48,187
Community outreach and counseling	262,500	206,982
Total subject to expenditure for specified programs	2,042,323	1,900,620
Subject to the passage of time	470,009	709,148
Perpetual in nature:		
Jane Leffler Clinical Excellence Endowment	106,729	122,205
Total net assets with donor restrictions	$ 2,619,061	$ 2,731,973

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, 2022:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Total Funds as of 9/30/2022
Clinical excellence fund	$ -	$ 80,000	$ 26,729	$ 106,729	$ 106,729
Total endowment funds	$ -	$ 80,000	$ 26,729	$ 106,729	$ 106,729

The Organization's endowment net assets by composition is as follows for the year ended September 30, 2021:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (Losses)	Total	Total Funds as of 9/30/2021
Clinical excellence fund	$ -	$ 80,000	$ 42,205	$ 122,205	$ 122,205
Total endowment funds	$ -	$ 80,000	$ 42,205	$ 122,205	$ 122,205

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The changes in endowment net assets for the years ended September 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2020	$ -	$ 98,016	$ 98,016
Investment return:			
Investment income	-	432	432
Net appreciation (realized and unrealized)	-	23,757	23,757
Total investment return	-	24,189	24,189
Contributions and others	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Other changes and reclassifications	-	-	-
Endowment net assets, September 30, 2021	-	122,205	122,205
Investment return:			
Investment income	-	712	712
Net appreciation (realized and unrealized)	-	(16,188)	(16,188)
Total investment return	-	(15,476)	(15,476)
Contributions and others	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Other changes and reclassifications	-	-	-
Endowment net assets, September 30, 2022	$ -	$ 106,729	$ 106,729

NOTE 13 – CONTRACTS WITH CUSTOMERS

Revenue from performance obligations satisfied at a point in time consists of fees assessed for administering patient care and sales of merchandise from the thrift store. The total amount of revenue recognized from patient care and sales from the thrift store was $26,436,369 and $27,063,043 for the years ended September 30, 2022 and 2021, respectively.

Contract assets include accounts receivable arising from contracts from customers in the amounts of $3,428,558, $3,605,660, and $3,062,179 at September 30, 2022, 2021, and 2020, respectively.

NOTE 14 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities included the following at September 30:

	2022	2021
Goods	$ 15,505	$ 2,000
Professional services	6,220	5,520
Total	$ 21,725	$ 7,520

NOTE 15 – THRIFT STORES, NET

Thrift stores activities consist of the following at September 30:

	2022	2021
Thrift stores revenue	$ 1,413,570	$ 1,246,103
Costs and expenses:		
Salaries and wages	578,830	575,849
Employee benefits	42,868	99,381
Depreciation	39,164	30,897
Education	820	403
Maintenance and repairs	20,980	19,882
Occupancy expense	420,636	391,113
Office	13,983	17,365
Professional services	4,559	4,688
Telephone communications	14,382	15,274
Transportation	37,785	29,559
Other	29,660	33,958
Total costs and expenses	1,203,667	1,218,369
Thrift stores, net	$ 209,903	$ 27,734

NOTE 16 – 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.

NOTE 16 – FAIR VALUE MEASUREMENTS (Continued)

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
2022:				
Bond and equity funds	$ 9,761,002	$ -	$ -	$ 9,761,002
Beneficial interest in assets held by others	-	1,172,220	-	1,172,220
Total investments	$ 9,761,002	$ 1,172,220	$ -	$ 10,933,222
2021:				
Bond and equity funds	$ 788,488	$ -	$ -	$ 788,488
Beneficial interest in assets held by others	-	8,245,487	-	8,245,487
Total investments	$ 788,488	$ 8,245,487	$ -	$ 9,033,975

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

Investments

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, 2022 and 2021, the fair value of the Organization's investments in available-for-sale Level 2 funds was $1,172,220 and $8,245,487, respectively. These investments are managed by the Central Valley Community Foundation and invested in various asset pools.

NOTE 17 – 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.

NOTE 17 – UNCERTAIN TAX POSITION (Continued)

The Organization has approximately $1,329,000 and $1,203,000 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, 2022 and 2021.

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 18 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no other subsequent events that have occurred from September 30, 2022, through the date the consolidated financial statements were available to be issued at July 19, 2023, that would require additional disclosure or adjustment.

OTHER INDEPENDENT AUDITOR'S REPORTS

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PRICE PAIGE & COMPANY
Certified Public Accountants

The Place to Be

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
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) and subsidiary (the Organization), which comprise the consolidated statement of financial position as of September 30, 2022, 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 July 19, 2023.

Report on 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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies may exist that were not identified.

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Report on 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.

Price Paige & Company

Clovis, California
July 19, 2023

FINDINGS AND QUESTIONED COSTS

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Management Override of Controls Over Disbursements (Significant Deficiency)

Condition: The Organization's system of internal controls did not timely detect management override of controls, resulting in unauthorized cash disbursements.

Criteria: A strong system of internal controls require that management design and implement internal control procedures to prevent or detect unauthorized access to cash disbursements. The Organization is responsible for ensuring internal controls are properly designed and implemented.

Cause: The Organization's internal control processes related to cash disbursements were circumvented by management personnel within the Finance and Accounting department. Management personnel overrode existing controls to gain access to the accounting system that allowed for unauthorized disbursements. The Organization's internal controls ultimately detected the unauthorized access.

Effect: Unauthorized disbursements were processed by the Organization as a result of management override of controls.

Recommendation: We recommend that the Organization provide the appropriate training for all staff involved in the cash disbursement cycle to become knowledgeable of the internal controls designed. In addition, we recommend that a user log of the accounting software accessed by the Director of Finance be generated by the IT Department on a monthly basis be reviewed by a designee for potential unauthorized transaction.

Response: Implemented.

HINDS HOSPICE
(A CALIFORNIA NOT-FOR-PROFIT CORPORATION)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(Continued)

FEDERAL AWARDS FINDINGS

Finding 2021-002 – Schedule of Expenditures of Federal Awards (SEFA) (Material Weakness)

Condition: The SEFA as initially prepared was not complete and did not include all the required elements. A revised SEFA was ultimately prepared.

Criteria: 2 CFR 200.508(b) states, "The auditee must prepare appropriate financial statements, including the schedule of expenditures of Federal awards." The Federal Office of Management and Budget issues instructions on how to prepare this schedule.

Questioned Cost: Not applicable.

Cause: Internal controls over preparation of an accurate and complete SEFA were not properly designed and implemented. The Organization does not typically receive funds that requires compliance with the Uniform Guidance

Effect: An incomplete and inaccurate SEFA is not in compliance with Federal regulations. This noncompliance could impact the Organization's future eligibility to receive federal awards.

Recommendation: We recommend that the Organization develop and implement a more robust system for the preparation of the SEFA in accordance with compliance requirements identified in the Uniform Guidance, including ensuring responsible staff have the appropriate training. The process should include a secondary review of the schedule by somebody other than the preparer.

Response: Implemented.

Finding 2021-003 – Internal Control Over Compliance – Reporting (Significant Deficiency)

Condition: The Organization did not submit accurate reports in accordance with the required compliance requirements.

Criteria: 2 CFR 200.303 requires that a non-federal entity must "(a) establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award".

Questioned Cost: Not applicable.

Cause: Internal controls over preparation of complete and accurate reporting were not properly designed to prevent inaccurate reporting.

Effect: The Organization reflected inaccurate information in the report submitted to the Department of Health and Human Services through the Health Resources & Services Administration.

Recommendation: We recommend that the Organization develop and implement a more robust system for the preparation and submission of reporting data. The process should include a secondary review and approval of the report and underlying data by somebody other than the preparer.

Response: Partially implemented.