# UNITED HOSPICE, INC.

## FINANCIAL STATEMENTS

## DECEMBER 31, 2020 and 2019

**UNITED HOSPICE, INC.**
**FINANCIAL STATEMENTS**
**DECEMBER 31, 2020 and 2019**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Hospice, Inc.
New City, NY

I have audited the accompanying statements of financial position of United Hospice, Inc. (a nonprofit organization) as of December 31, 2020 and 2019, and the related statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the fair presentation of these 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 of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. Accordingly, I express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a reasonable basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects the financial position of United Hospice, Inc. as of December 31, 2020 and 2019, the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mark A. C.
Certified Public Accountant
May 21, 2021

United Hospice, Inc.
Statements of Financial Position
As of December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 1,739,770 | $ 2,482,503 |
| Investments | 12,026,878 | 11,696,238 |
| Accounts receivable, net | 810,254 | 773,195 |
| Contributions receivable | 9,380 | 25,677 |
| Grants receivable | 22,571 | 1,022,571 |
| Contributions receivable from Charitable Lead Annuity Trust | 25,833 | 25,833 |
| Prepaid expenses | 131,359 | 109,422 |
| Total Current Assets | 14,766,045 | 16,135,439 |
| Property and equipment, net of accumulated depreciation of $2,068,659 and $1,867,472 | 6,972,545 | 6,333,655 |
| Long-term and other assets: | | |
| Contributions receivable from Charitable Lead Annuity Trust | 16,525 | 39,070 |
| Personal property | 36,047 | 36,047 |
| Total Other Assets | 52,572 | 75,117 |
| Total Assets | $ 21,791,162 | $ 22,544,211 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | $ 212,623 | $ 145,223 |
| Accrued expenses | 586,645 | 544,414 |
| Contract liability | 16,195 | 12,245 |
| Deferred revenue | 0 | 666,667 |
| Reserve for vacation pay | 389,492 | 307,315 |
| Total Current Liabilities | 1,204,955 | 1,675,864 |
| Total Liabilities | 1,204,955 | 1,675,864 |
| Net Assets | | |
| Without donor restrictions | 20,133,594 | 19,676,036 |
| With donor restrictions | 452,613 | 1,192,311 |
| Total Net Assets | 20,586,207 | 20,868,347 |
| Total Liabilities and Net Assets | $ 21,791,162 | $ 22,544,211 |

See accompanying notes to financial statements

United Hospice, Inc.
Statement of Activities
For the Years Ended December 31, 2020 and 2019

| | Without Donor Restrictions | With Donor Restrictions | Total 2020 | Without Donor Restrictions | With Donor Restrictions | Total 2019 |
|---|---|---|---|---|---|---|
| Revenues, support and gains: | | | | | | |
| Net patient service revenue | $ 7,408,261 | | $ 7,408,261 | $ 8,056,432 | | $ 8,056,432 |
| Fund raising: | | | | | | |
| Revenue | 280,448 | | 280,448 | 486,509 | | 486,509 |
| Less: costs of direct benefits to donors and other expenses | (114,485) | | (114,485) | (166,340) | | (166,340) |
| Net fund raising revenue | 165,963 | | 165,963 | 320,169 | | 320,169 |
| Contributions | 379,996 | $ 7,159 | 387,155 | 283,404 | $ 76,103 | 359,507 |
| Grants, including CARES Act PPP Loan forgiven | 1,006,785 | 125,000 | 1,131,785 | 90,285 | 1,000,000 | 1,090,285 |
| CARES Act Provider Relief Funds | 432,057 | | 432,057 | | | |
| Net assets released from restrictions | 875,204 | (875,204) | 0 | 76,789 | (76,789) | 0 |
| Total Revenues and Other Support | 10,268,266 | (743,045) | 9,525,221 | 8,827,079 | 999,314 | 9,826,393 |
| Interest and dividends | 289,999 | 56 | 290,055 | 361,369 | 58 | 361,427 |
| Investment return, net | 502,784 | | 502,784 | 1,641,489 | | 1,641,489 |
| Other income | 11,949 | | 11,949 | 3,356 | | 3,356 |
| Total Other Revenues and Gains | 804,732 | 56 | 804,788 | 2,006,214 | 58 | 2,006,272 |
| Total Revenues, Support and Gains | 11,072,998 | (742,989) | 10,330,009 | 10,833,293 | 999,372 | 11,832,665 |
| Expenses: | | | | | | |
| Program services | 8,153,589 | | 8,153,589 | 7,569,576 | | 7,569,576 |
| Support services: | | | | | | |
| Management and general | 2,241,152 | | 2,241,152 | 1,583,706 | | 1,583,706 |
| Fund raising | 220,699 | | 220,699 | 202,102 | | 202,102 |
| Total support services | 2,461,851 | 0 | 2,461,851 | 1,785,808 | 0 | 1,785,808 |
| Total Program and Support Services Expenses | 10,615,440 | 0 | 10,615,440 | 9,355,384 | 0 | 9,355,384 |
| Change in value of split interest agreement | | 3,291 | 3,291 | | 3,291 | 3,291 |
| Change in net assets | $ 457,558 | $ (739,698) | $ (282,140) | $ 1,477,909 | $ 1,002,663 | $ 2,480,572 |
| Net assets at beginning of year | 19,676,036 | 1,192,311 | 20,868,347 | 18,198,127 | 189,648 | 18,387,775 |
| Net assets at end of year | $ 20,133,594 | $ 452,613 | $ 20,586,207 | $ 19,676,036 | $ 1,192,311 | $ 20,868,347 |

See accompanying notes to financial statements

United Hospice, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

Program Services Expenses

| | 2020 | 2019 |
|---|---|---|
| Routine nursing salaries | $ 2,100,454 | $ 1,896,846 |
| Social worker and counselors salaries | 744,610 | 730,552 |
| Home health aides salaries | 391,326 | 372,109 |
| On call nursing salaries | 278,857 | 203,331 |
| Medical director and Nurse practitioner salaries | 363,885 | 349,874 |
| Per diem nursing salaries | 343,865 | 398,890 |
| Director of residential care | 59,435 | 57,024 |
| Clinical supervision | 222,597 | 197,395 |
| Clinical support staff salaries | 174,955 | 153,746 |
| Complementary therapy program salaries | 25,809 | 59,863 |
| Chef salaries | 50,457 | 40,679 |
| Administrator and Quality management salaries | 257,030 | 187,130 |
| Payroll taxes | 428,496 | 360,906 |
| Employee benefits and insurance | 595,171 | 718,465 |
| Total Salaries, payroll taxes and benefits | 6,036,946 | 5,726,810 |
| Nursing home room and board | 38,899 | 121,364 |
| Home health aides-contract | 7,132 | 5,435 |
| Prescriptions | 177,214 | 298,119 |
| Medical supplies and equipment | 570,481 | 392,742 |
| Hospital in-patient services | 0 | 3,182 |
| Transportation costs | 80,067 | 91,384 |
| Ambulance | 51,533 | 59,332 |
| Outpatient services | 1,216 | 4,537 |
| Patient and bereavement support | 4,018 | 9,949 |
| Patient services | 46,095 | 48,786 |
| Housekeeping | 67,288 | 69,474 |
| Therapy | 960 | 1,440 |
| Information technology service | 374,967 | 129,596 |
| Occupancy | 75,902 | 63,455 |
| Building and grounds maintenance | 97,498 | 112,999 |
| General insurance | 54,550 | 51,971 |
| Depreciation and amortization | 188,649 | 196,147 |
| Telephone and answering service | 93,775 | 61,511 |
| Office supplies, postage and copier lease | 57,531 | 39,854 |
| Staff support and training | 63,911 | 36,336 |
| Dues, fees and subscriptions | 17,349 | 13,521 |
| Administrative fees | 21,088 | 8,929 |
| Brochures, pamphlets and printing | 26,522 | 13,864 |
| Classified advertising and recruitment | 0 | 0 |
| Bad debt | 0 | 8,838 |
| Total Program Services Expenses | $ 8,153,589 | $ 7,569,576 |

See accompanying notes to financial statements

United Hospice, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

Support Services Expenses

| | Management and General | Fund Raising | Total 2020 | Management and General | Fund Raising | Total 2019 |
|---|---|---|---|---|---|---|
| Salaries | $ 1,261,742 | $ 163,093 | $ 1,424,835 | $ 993,853 | $ 151,773 | $ 1,145,626 |
| Payroll taxes | 102,379 | 13,031 | 115,410 | 79,409 | 12,127 | 91,536 |
| Employee benefits and insurance | 240,720 | 28,063 | 268,783 | 138,455 | 15,526 | 153,981 |
| Total Salaries, payroll taxes and benefits | 1,604,840 | 204,187 | 1,809,028 | 1,211,717 | 179,426 | 1,391,143 |
| Public relations and advertising | 123,481 | | 123,481 | 86,540 | | 86,540 |
| Information technology service | 120,910 | | 120,910 | 40,263 | | 40,263 |
| Building and grounds maintenance | 13,958 | | 13,958 | 29,483 | | 29,483 |
| Professional fees | 137,052 | | 137,052 | 71,551 | | 71,551 |
| Occupancy | 7,331 | | 7,331 | 6,745 | | 6,745 |
| Office supplies, postage and copier lease | 8,774 | 6,540 | 15,314 | 6,083 | 4,529 | 10,612 |
| General insurance | 6,905 | | 6,905 | 7,377 | | 7,377 |
| Depreciation and amortization | 26,796 | | 26,796 | 22,590 | | 22,590 |
| Accounting and audit fees | 22,400 | | 22,400 | 20,400 | | 20,400 |
| Staff support and training | 14,417 | | 14,417 | 7,007 | 38 | 7,045 |
| Telephone and answering service | 652 | 652 | 1,304 | 424 | 424 | 848 |
| Dues, fees and subscriptions | 2,402 | 1,560 | 3,961 | 1,924 | 1,035 | 2,960 |
| Administrative fees | 5,987 | 625 | 6,612 | 1,902 | 645 | 2,547 |
| Transportation costs | 5,242 | 809 | 6,051 | 5,765 | 712 | 6,477 |
| Merchant fees and other | 13,240 | 5,326 | 18,566 | 14,334 | 7,518 | 21,852 |
| Brochures, pamphlets and printing | 11,366 | | 11,366 | 5,732 | | 5,732 |
| Classified advertising and recruitment | 115,298 | | 115,298 | 42,306 | | 42,306 |
| Donations | 100 | | 100 | 1,563 | | 1,563 |
| Bad debt | 0 | 1,000 | 1,000 | 0 | 7,775 | 7,775 |
| Total Support Services Expenses | $ 2,241,152 | $ 220,699 | $ 2,461,851 | $ 1,583,706 | $ 202,102 | $ 1,785,808 |

See accompanying notes to financial statements

United Hospice, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| (Decrease) increase in net assets | $ (282,140) | $ 2,480,572 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash | | |
| Provided by Operating Activities: | | |
| Depreciation and amortization | 215,445 | 218,737 |
| Net Realized and Unrealized (gain)/loss on investments | (565,439) | (1,725,750) |
| Bad debt expense | 1,000 | 19,927 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (37,059) | (76,748) |
| Contributions receivable | 16,297 | (5,177) |
| Grants receivable | 1,000,000 | (1,022,571) |
| Prepaid expenses | (21,937) | 13,865 |
| Accounts payable | 67,400 | 26,700 |
| Accrued expenses | 42,231 | 85,226 |
| Contract liability | 3,950 | 12,245 |
| Deferred revenue | (666,667) | 666,667 |
| Reserve for vacation pay | 82,177 | 9,401 |
| Amortization of discount on split-interest trust contribution receivable | (3,291) | (3,291) |
| Contributions and investment income restricted for long-term purposes | (7,215) | (76,161) |
| Net Cash (Used in) Provided by Operating Activities | (155,248) | 623,642 |
| Cash Flows from Investing Activities: | | |
| Purchases of property and equipment | (864,335) | (107,915) |
| Proceeds from the sale of investments | 9,482,658 | 3,303,682 |
| Purchases of investments | (9,213,023) | (3,317,913) |
| Net Cash (Used in) Investing Activities | (594,700) | (122,146) |
| Cash Flows from Financing Activities: | | |
| Collection of contributions restricted for long-term purposes | 7,159 | 76,789 |
| Investment income | 56 | 58 |
| Net Cash Provided by Financing Activities | 7,215 | 76,847 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (742,733) | 578,343 |
| Cash and Cash Equivalents at Beginning of Year | 2,482,503 | 1,904,160 |
| Cash and Cash Equivalents at End of Year | $ 1,739,770 | $ 2,482,503 |
| Supplemental Disclosures: | | |
| Donated in-kind revenue and expenses | $ 66,964 | $ 19,215 |

See accompanying notes to financial statements

## Note 1 – Description of the Organization and Significant Accounting Policies

### Description of Organization

United Hospice, Inc., (United Hospice) formerly known as United Hospice of Rockland, Inc., is a not-for-profit corporation, which was incorporated in June of 1987. The primary purpose of the corporation is to serve any person that is seriously ill at that time in the course of the illness when no further treatment offers hope of cure, and to provide such individuals and their families with comprehensive care and support. Primary sources of funds to pay for program and support services include patient fees billed to insurance carriers, government grants, and contributions.

### Financial Statement Presentation

The financial statements of United Hospice have been prepared in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities which requires 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 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 donations are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without restrictions in the statement of activities.

### Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing hospice services. Nonoperating activities are limited to resources that generate income and return from investments and other activities considered to be of a more unusual or nonrecurring nature.

### Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid instruments available for current use with an initial maturity of three months or less.

## Note 1 – Description of the Organization and Significant Accounting Policies

### Investments

Investments in marketable securities are reported at their fair values in the accompanying statements of financial position. Realized and unrealized gains and losses are included in change in net assets in the accompanying statements of activities. Dividend and interest income are recognized when earned. Investment expenses are netted against investment return in the accompanying statements of activities. Users of the financial statements should be aware that financial markets' volatility may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be utilized in a current market exchange.

### Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment subject to depreciation and amortization, are evaluated for recoverability whenever events or changes in circumstances indicate that the asset may have been impaired. In evaluating an asset for recoverability, the Organization estimates the future cash flows expected to result from the use of the asset and eventual disposition. If the sum of the expected discounted cash flows is less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying amount over the fair value of the asset, is recognized. The Organization's management determined that no events or changes in circumstances have occurred that indicated the asset carrying values were no longer recoverable and that no impairment charge was necessary for the years ended December 31, 2020 and 2019.

### Contributions receivable

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contributions revenue. Conditional promises to give are not included as support until the conditions are met.

### Contribution Receivable-Charitable Lead Trust

United Hospice is the irrevocable beneficiary of a perpetual Charitable Lead Annuity Trust held by a bank trustee. The beneficial interest in the trust was recorded at fair value, and distributions from the trust are restricted to use for the hospice residence. The value of the beneficial interest in the trust is adjusted annually for the change in its estimated fair value, accretion of the discount, and other changes in the estimates of future benefits.

**United Hospice, Inc.**
**Notes to Financial Statements**
**December 31, 2020 and 2019**

## Note 1 – Description of the Organization and Significant Accounting Policies

### Property and Equipment

United Hospice capitalizes property and equipment over $5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose in which case they are reported as restricted. Equipment and furniture are being depreciated over estimated useful lives of three to seven years using the straight-line method. Building and improvements are being amortized over estimated useful lives of forty and fifteen years respectively using the straight-line method. Fully depreciated assets are removed from the books.

### In-Kind Donations

The Organization receives contributions in a form other than cash or investments. Most are donated supplies which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service. If the Organization receives a contribution of property, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations and fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance a nonfinancial asset or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated services with an estimated fair value of $21,900 for 2020 and $9,325 for 2019 met those criteria and are included in in-kind contributions in the statement of activities. The total of donated goods and services in 2020 and 2019 were valued at $66,964 and $19,215 respectively. Volunteers provided in excess of 7,100 hours in 2020.

### Income Taxes

United Hospice is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes and classified by the Internal Revenue Service as other than a private foundation. Contributions are tax deductible to donors under IRC Section 170. The Organization adopted the provisions of FIN 48 (ASC 740) in 2009. Under FIN 48, an Organization must recognize the tax benefit associated with tax provisions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The implementation of FIN 48 had no impact on United Hospice. The Organization does not believe it has taken any material uncertain tax positions and, accordingly they have not recorded any liability for unrecognized tax benefits. The Organization has filed for and received tax exemptions in the jurisdictions where required to do so. Additionally, it has filed Internal Revenue Service Form 990 informational returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended December 31, 2020 and 2019, there were no interest or penalties recorded or included in the statement of activities. The income tax returns of United Hospice for December 31, 2019, 2018 and 2017 are subject to examination by the IRS and other taxing authorities, generally for three years after they were filed.

## Note 1 – Description of the Organization and Significant Accounting Policies

Revenue and Revenue Recognition

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers* (Topic 606) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others, and include variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the month following the previous months dates of service after the services are performed. Revenue is recognized as performance obligations are satisfied.

Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients on hospice receiving services. The Organization measures the performance obligation from admission to the program to the point when it is no longer required to provide services to that patient, which is generally at the time of death or discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional services to the patient. Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(A) and, therefore, is not required to disclose the aggregate amount of the transaction prices allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's policy and/or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on historical collection experience with this class of patients. Agreements with third-party payers provide for payments at amounts less than established charges.

**Note 1 – Description of the Organization and Significant Accounting Policies**

A summary of the payment arrangements with major third-party payers follows:

Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic or other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits. Physical services are paid based upon established fee schedules.

Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of services, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, review or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Organization's historic settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations

The Organization provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2020 and 2019 was not significant.

**Note 1 – Description of the Organization and Significant Accounting Policies**

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to quality as charity care are not reported as revenue.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Government Grants and Government Assistance

The Organization was granted a $900,500 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer exists. The Organization maintained its payroll levels and used the loan proceeds for eligible purposes, including payroll, benefits, and utilities. The PPP loan was forgiven on May 5, 2021.

The Organization received a CARES Act Provider Relief Fund General Distribution payment of $432,057. Recipients of payments are required to submit documentation to the Department of Health and Human Services (HHS) demonstrating that these payments were used for health-care related expenses or lost revenue attributable to COVID-19 and the funds are not to be used to reimburse expenses or losses that have been reimbursed from other sources. The Organization recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the relief funds no longer exists. The Organization maintains all terms and conditions have been met and none of the funds are to be repaid.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Actual results could differ from those estimates.

## Note 1 – Description of the Organization and Significant Accounting Policies

Expense Recognition and Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied as follows:

> Salaries, benefits, and payroll taxes are allocated based on a reasonable estimate of time spent in each function.
>
> Occupancy, maintenance, depreciation, and amortization are allocated based on square footage.
>
> Telephone and internet services, fees, supplies and other expenses that cannot be directly identified are allocated on the basis of cost to cost ratios.

The bases on which costs are allocated are evaluated annually.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. Under ASU No. 2016-02, an entity will be required to recognize right-of-use assets and liabilities on its balance sheet and disclose key information about leasing arrangements. ASU No. 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for fiscal years beginning after December 15, 2020. With early adoption permitted. The Organization is currently evaluating the impact of this ASU on its financial statements and related disclosures.

In September 2020, the FASB issued ASU No. 2020-07, Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Under ASU No. 2020-07, Not-for-Profits will be required to present contributed nonfinancial assets disaggregated by category that depicts the type of nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category recognized, the standard requires additional disclosures including qualitative information about whether the contributed assets were either monetized or utilized during the reporting period and valuation techniques. The standard is applied retrospectively for annual reporting periods beginning after June 15, 2021.

## Note 2 - Description of Programs

United Hospice offers a variety of programs and services to patients, families and the community.

Hospice Program offers a comprehensive array of direct care and support services to individuals and families facing advanced illness. The Organization served 875 patients in 2020 including services provided at home, in nursing homes, assisted living facilities, group homes, hospitals and the Joe Raso Hospice Residence (JRHR) which opened on March 16, 2012. Care is provided regardless of ability to pay. Philanthropic support makes it possible for United Hospice to provide services to those without insurance or with inadequate insurance. Philanthropic support also enables the Organization to provide services not mandated by regulation such as massage and music therapies as well as in-home respite care.

Bereavement Support Program offers individual and group counseling services to the family members of those served by the Hospice Program as well as any individual in the community who has experienced a loss. Crisis intervention services are provided to individuals, schools, work sites or any other venue where a tragedy has occurred. Healing Hearts provides bereavement services to children and the adults responsible for them who have experienced a loss. Philanthropic support makes it possible for the Organization to offer the breadth of bereavement services provided.

United Hospice's operating license has included two counties, Rockland and Orange for the past 35 years. The New York State Department of Health determines the operating territory of each hospice operating in New York. To better serve Orange County, United Hospice has established as office in Goshen, New York that will support the expansion of services.

## Note 3 - Liquidity and Availability

Financial assets for general expenditures, that is without donor restrictions or other restrictions limiting their use, within one year of December 31, 2020 are:

| | |
|---|---|
| Financial assets: | |
| Cash and cash equivalents | $ 1,739,770 |
| Investments | 12,026,878 |
| Accounts receivable, net | 810,254 |
| Contributions receivable, net | 35,213 |
| Grants receivable | 22,571 |
| Total financial assets | $14,634,686 |
| Less financial assets held to meet donor-imposed restrictions: | |
| Purpose-restricted net assets | ( 1,204,955) |
| Charitable lead annuity trust | ( 42,358) |
| Donor restricted endowment funds | ( 410,254) |
| Less board designated quasi-endowment funds (see below) | ( 9,000,757) |
| Amount available for general expenditures within one year | $ 3,976,362 |

In the case of need, the Board of Directors could appropriate resources from the designated quasi-endowment funds. As part of the Organization's liquidity plan, cash in excess of daily requirements is invested in short-term investments.

## Note 3 - Liquidity and Availability (continued)

Board designated quasi-endowment funds:

| | |
|---|---|
| For Hospice Development Fund | $2,951,153 |
| For investment in land, buildings and equipment | 2,102,331 |
| For Hospice Residence maintenance and improvement | 1,500,000 |
| For Charitable Endowment Fund | 1,300,000 |
| For administrative office maintenance and improvement | 1,147,273 |
| Total | $9,000,757 |

## Note 4 - Charitable Lead Annuity Trust

During 2001, donors established a trust with an investment company naming United Hospice as a beneficiary of a charitable lead annuity trust. Under the terms of the split-interest trust agreement, United Hospice was to receive $25,833 annually until the remaining donor's death. At the time of the donor's death, the trust is to terminate, and the remaining trust assets are to be distributed to others. Based on the donors' life expectancies and a 4.8% discount rate, the present value of future benefits expected to be received by the Organization estimated to be $278,790, which was recorded in December 2001 as a temporarily restricted contribution and as contribution receivable-charitable lead trust. The trust was revalued in December 2014 based on the life expectancy of the surviving donor; the present value of future benefits expected to be received was estimated to be $134,020. United Hospice also records amortization of the discount on the estimated present value of future distributions. The donors of the charitable lead annuity trust have elected to have the funds restricted for the residence for hospice patients.

## Note 5 - Investments

The FASB's *Fair Value Measurements and Disclosures* provides the framework for measuring fair value. The framework defines fair value as the price that would be received to sell as asset or paid to transfer a liability (i.e, the "exit price"), in an orderly transaction between market participants.
In determining fair value, the Organization uses various valuation approaches, including market, income and/cost. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The valuation methodology used for assets measured at fair value are quoted market prices and net asset value of shares at year end. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 5 – Investments** (continued)

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Financial assets subject to fair-value measurements as of December 31, 2020 and 2019 are as follows:

| | Fair Value Measurements as of December 31, 2020 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Common and Preferred Stocks | $ 7,543,126 | $ 7,543,126 | | |
| Corporate Bonds | 2,159,514 | | $ 2,159,514 | |
| Mutual Funds | 356,187 | 356,187 | | |
| Government Bonds | 1,261,047 | | 1,261,047 | |
| Foreign Bonds | 11,752 | | 11,752 | |
| Corp Mtg Backed Securities | 106,854 | | 106,854 | |
| Real Estate Investment Trusts | 106,648 | | 106,648 | |
| Real Estate Funds | 481,750 | | 481,750 | |
| Totals | $ 12,026,878 | $ 7,899,313 | $ 4,127,565 | |

| | Fair Value Measurements as of December 31, 2019 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Common and Preferred Stocks | $ 7,379,273 | $ 7,379,273 | | |
| Corporate Bonds | 3,381,577 | | $ 3,381,577 | |
| Certificates of Deposit | 401,109 | 401,109 | | |
| Government Bonds | 236,658 | | 236,658 | |
| Foreign Bonds | 296,127 | | 296,127 | |
| Corp Mtg Backed Securities | 1,494 | | 1,494 | |
| Totals | $11,696,238 | $ 7,780,382 | $ 3,915,856 | |

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

### Note 6 - Property and Equipment

Property and equipment at December 31, 2020 and 2019 consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 1,144,040 | $ 748,640 |
| Building and improvements | 7,746,288 | 7,308,090 |
| Office equipment | 142,251 | 133,219 |
| Furniture | 8,625 | 11,178 |
| Less: accumulated depreciation | (2,068,659) | (1,867,472) |
| Totals | $ 6,972,545 | $ 6,333,655 |

### Note 7 – Net Assets with Donor Restrictions

Assets with donor restrictions at December 31, 2020 consist of endowment funds established to provide charity care for qualified patients admitted to the Hospice Residence, and an education fund. The education fund has two purposes: (1) to enable staff members to attend educational programs that reflect the values Bonnie Walsh held so deeply, and (2) to increase community awareness of hospice care by bringing a speaker of note to present at the Bonnie Walsh Memorial Lecture. In an effort to increase fundraising capability several specific funds were created for the Joe Raso Residence. This provides major donors with the potential for naming a fund if they contribute at a designated level. The Organization applied for and received approval for a Hispanic/Latino and Underserved Clinical Community Outreach grant from the Mother Cabrini Health Foundation.

At December 31, 2020, net assets with donor restrictions are available for the following purposes:

| | Beginning Balance | Additions | Net Assets Released | Ending Balance |
|---|---|---|---|---|
| Mother Cabrini Health Foundation | $1,000,000 | | $(723,671) | $276,329 |
| Joe Raso Residence for Hospice Patients | 64,903 | $3,291 | ( 25,833) | 42,361 |
| Bonnie Walsh Education Fund | 52,377 | 960 | | 53,337 |
| Joe Raso Residence Endowment Fund | 20,029 | 5 | | 20,034 |
| Harvey Pachter Staff Recognition Award | 4,600 | 3,450 | ( 700) | 7,350 |
| Veterans Fund | 4,745 | | | 4,745 |
| Robin Herbst Therapy Fund | 45,657 | 400 | | 46,057 |
| Amy Stern Education Fund | | 2,400 | | 2,400 |
| Totals | $1,192,311 | $10,506 | $ (750,204) | $452,613 |

## Note 8 - Retirement Plan

United Hospice has a noncontributory, trusted, defined contribution pension plan with an effective date of January 1, 1991 that covers substantially all employees. The plan was amended with an effective date of December 23, 2019 to allow eligible participation on the first day of the month following the date of hire. It is the Organization's policy to fund the pension cost accrued, net of any forfeitures available. Expense determined in accordance with the plan formula was $250,639 (6 percent of eligible covered compensation) and $280,784 (6 percent of eligible covered compensation) for years ended December 31, 2020 and 2019 respectively.

## Note 9 - Commitments

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The Organization leases a copier for five years under a non-cancellable lease expiring in February 2026 and a copier for five years under a non-cancellable lease expiring May 2022. The following is a schedule of minimum rental payments under the leases as of December 31, 2020:

| Year Ending December 31 | Amount |
|---|---|
| 2021 | $10,190 |
| 2022 | 6,635 |
| 2023 | 3,660 |
| 2024 | 3,660 |
| 2025 | 3,660 |
| 2026 | 610 |

Leasing expense for years ended December 31, 2020 and 2019 was $10,117 and $10,160 respectively.

## Note 10 – Advertising Costs

Advertising and public relations costs are expensed as incurred, $123,481 and $86,540 during the years ended December 31, 2020 and 2019 respectively.

## Note 11 – Concentration of Risk

United Hospice has interest bearing and non-interest-bearing deposits in three local banks. At December 31, 2020, deposits exceeded depository coverage by approximately $833,000. Management does not believe that the Organization is subject to a significant risk of loss due to the failure of this financial institution.

**Note 11 – Concentration of Risk** (continued)

Revenues and accounts receivable are concentrated as of December 31, 2020 and 2019 as follows:

| | Revenue | | Accounts Receivable | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Medicare/Medicaid | 92% | 90% | 97% | 97% |

United Hospice derives its revenue from reimbursements by third-party payers, particularly Medicare and Medicaid, typically invoicing and collecting payments directly from the third-party payers. Such reimbursements can be influenced by the financial instability of private third-party payers, budget pressures and cost shifting by governmental payers. A reduction in coverage or reimbursement rates by third-party payers could have a material adverse effect on the results of operations of the Organization. United Hospice is subject to audits of its Medicare and Medicaid reimbursement claims. In the opinion of management, adjustments resulting from such audits would not be material to the financial position or results of operations of the Organization. As a provider of services under the Medicare and Medicaid programs, United Hospice is also subject to the Medicare and Medicaid fraud and abuse laws.

**Note 12 – Related Party Transactions**

United Hospice has business relationships with several board members and a relative of the former Chief Executive Officer. The relationships are authorized by the board of directors and all transactions are at arms-length. The total amounts of all transactions in 2020 and 2019 were less than $55,000 and $42,000 respectively.

**Note 13 – Subsequent Events**

Subsequent events have been evaluated through May 21, 2021, the date which these financial statements were available for issuance. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

The Organization has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity and capital resources and is working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.