

THE ELIZABETH HOSPICE, INC.
Escondido, California

FINANCIAL STATEMENTS
June 30, 2021 and 2020

THE ELIZABETH HOSPICE, INC.
Escondido, California

FINANCIAL STATEMENTS
June 30, 2021 and 2020

CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS

 BALANCE SHEETS..... 3

 STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS..... 4

 STATEMENTS OF CASH FLOWS..... 5

 NOTES TO FINANCIAL STATEMENTS..... 6

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... 21

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... 22

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS..... 23

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE..... 25

SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 28

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Elizabeth Hospice, Inc.
Escondido, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Elizabeth Hospice, Inc., which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of operations and changes 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 preparation and 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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Elizabeth Hospice, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 on our consideration of The Elizabeth Hospice, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Elizabeth Hospice, Inc.'s internal control over financial reporting and compliance.


Crowe LLP

Franklin, Tennessee
November 9, 2021

THE ELIZABETH HOSPICE, INC.
BALANCE SHEETS
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,313,069	\$ 5,017,991
Patient accounts receivable, net	4,958,920	4,789,889
Prepaid expenses and other	<u>1,208,856</u>	<u>1,012,460</u>
Total current assets	14,480,845	10,820,340
Property and equipment, net	2,929,269	2,959,413
Investments	<u>28,389,004</u>	<u>22,774,729</u>
	<u>\$ 45,799,118</u>	<u>\$ 36,554,482</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,168,363	\$ 1,600,707
Accrued expenses	5,288,612	5,079,943
Deferred revenue	<u>13,265</u>	<u>2,249,575</u>
Total current liabilities	6,470,240	8,930,225
Net assets		
Without donor restrictions		
Undesignated	16,040,201	9,015,893
Board designated	<u>14,039,581</u>	<u>11,083,704</u>
Total net assets without donor restrictions	30,079,782	20,099,597
With donor restrictions	<u>9,249,096</u>	<u>7,524,660</u>
Total net assets	<u>39,328,878</u>	<u>27,624,257</u>
	<u>\$ 45,799,118</u>	<u>\$ 36,554,482</u>

See accompanying notes to financial statements.

THE ELIZABETH HOSPICE, INC.
 STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
 Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions		
Operating revenue		
Net patient service revenue	\$ 40,435,175	\$ 36,766,044
Contributions and fundraising	1,149,437	3,160,180
Special events	97,671	146,596
Grants from governmental agencies	2,069,060	170,797
Interest and dividends, net of fees	207,464	208,844
Realized gains (loss) on investments	1,035,248	(93,839)
Unrealized gains on investments	2,660,074	169,636
Other revenue	347,822	526,366
Net assets released from restriction	<u>372,384</u>	<u>370,449</u>
Total operating revenue	48,374,335	41,425,073
Operating expenses		
Direct patient care	21,814,747	21,102,042
Indirect patient care	8,419,059	8,511,227
Community outreach	926,906	848,581
Management and general	6,213,015	6,621,275
Fundraising	<u>1,020,423</u>	<u>852,010</u>
Total operating expenses	<u>38,394,150</u>	<u>37,935,135</u>
Change in net assets without donor restrictions	9,980,185	3,489,938
Net assets with donor restrictions		
Contributions	26,100	6,669
Interest and dividends, net of fees	95,856	128,843
Net realized and unrealized gains on investments	1,974,864	113,053
Net assets released from restriction	<u>(372,384)</u>	<u>(370,449)</u>
Change in net assets with donor restrictions	<u>1,724,436</u>	<u>(121,884)</u>
Change in net assets	11,704,621	3,368,054
Net assets at beginning of year	<u>27,624,257</u>	<u>24,256,203</u>
Net assets at end of year	<u>\$ 39,328,878</u>	<u>\$ 27,624,257</u>

See accompanying notes to financial statements.

THE ELIZABETH HOSPICE, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 11,704,621	\$ 3,368,054
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	363,489	332,894
Loss on disposal of property and equipment	6,913	2,883
Net realized and unrealized gains on investments	(5,670,186)	(188,850)
Changes in assets and liabilities		
Patient accounts receivable	(169,031)	(330,145)
Prepaid expenses and other	(196,396)	(365,569)
Accounts payable	(432,344)	553,697
Accrued expenses	208,669	1,186,726
Deferred revenue	<u>(2,236,310)</u>	<u>2,249,575</u>
Net cash from operating activities	3,579,425	6,809,265
Cash flows from investing activities		
Repayments on advances to Elizabeth Supportive Medical Services	-	15,376
Purchase of property and equipment	(340,258)	(72,079)
Proceeds from sales of investments	9,277,364	8,007,265
Purchases of investments	<u>(9,221,453)</u>	<u>(10,340,208)</u>
Net cash from investing activities	(284,347)	(2,389,646)
Cash flows from financing activities		
Proceeds from borrowings on line of credit	3,604,156	21,886,000
Principal payments on line of credit	<u>(3,604,156)</u>	<u>(21,886,000)</u>
Net cash from financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	3,295,078	4,419,619
Cash and cash equivalents at beginning of year	<u>5,017,991</u>	<u>598,372</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,313,069</u></u>	<u><u>\$ 5,017,991</u></u>
Supplemental disclosures of cash flow information		
Cash paid for interest during the year	\$ -	\$ 30,088

See accompanying notes to financial statements.

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Elizabeth Hospice, Inc. (the "Organization") is organized under the charitable public benefit nonprofit corporate laws of the state of California. The Organization's primary purposes are to provide end-of-life care services to terminally ill patients, contribute to the sense of well-being of terminally ill patients and their families, and to train professionals and volunteers in the hospice concept. California Hospice Network was formed to commit to sustaining local, nonprofit, community-based hospice care throughout California. Effective August 1, 2019, California Hospice Network became the sole corporate member of the Organization. Effective July 1, 2020, the Organization and California Hospice Network signed a disaffiliation agreement making California Hospice Network no longer the sole corporate member of the Organization. As of June 30, 2020, the Organization has amounts due from California Hospice Network in the amount of \$215,707 which are included in prepaid expenses and other on the balance sheets, related to payment made on behalf of California Hospice Network. No such amounts are due from California Hospice Network as of June 30, 2021. The Organization was required to pay membership fees to California Hospice Network through the date of the disaffiliation agreement. During the year ended June 30, 2020, the Organization incurred membership fees of \$330,827. Such amounts are included in management and general expenses in the statements of operations and changes in net assets.

Since August 2017, through a management service agreement (MSA), the Organization partners with Elizabeth Supportive Medical Services ("ESMS"), an aligned physician medical group, that allows for expansion of reimbursable services provided by the Organization. Revenue from this agreement for the years ended June 30, 2021 and 2020 was \$34,848 and \$35,892, respectively, and is included in other revenue in the statements of operations and changes in net assets. As part of the agreement, the Organization provides a line of credit to ESMS with an available principal amount of up to \$750,000, with interest at the current prime rate and secured by the assets of ESMS. The line of credit expires in July 2027. ESMS had no borrowings outstanding on the line of credit at June 30, 2021 and 2020.

Coronavirus Pandemic and CARES Act Funding: In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus ("COVID-19") outbreak, which has led to a global health emergency. The extent to which the COVID-19 pandemic may impact the financial condition or results of the Organization's operations is uncertain and cannot be predicted fully at this time. The nature and extent of the final impact may depend on a number of factors, including: the duration and extent of the pandemic, the nature and duration of the pandemic's impact on the Organization's healthcare services, and the nature and duration of the pandemic's impact on the Organization's business partners, vendors, and patients, all of which are uncertain and cannot be predicted fully. The Organization continues to evaluate the impact of the COVID-19 pandemic on its business and to monitor pandemic-related developments.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") became law on March 27, 2020. This Federal response to the market volatility and instability resulting from the coronavirus pandemic includes provisions to support individuals and businesses in the form of loans, grants, and tax changes, among other types of relief. The CARES Act authorized \$175 billion in payments to be distributed through the Public Health and Social Services Emergency Fund ("Provider Relief Funds" or "PRF"). Payments from the PRF are not loans; however, PRF funds are required to be paid back if not fully utilized by June 30, 2021. During the year ended June 30, 2020, the Organization received payments of \$2,239,857 from the Provider Relief Fund.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization has elected to account for the PRF proceeds received as a conditional contribution in accordance with Subtopic 958-605. Under Subtopic 958-605, the PRF proceeds are initially recorded as a deferred grant liability and subsequently recognized as grant revenue when the Organization has substantially met all terms and conditions of the grant. The Organization's assessment of whether the terms and conditions for amounts received have been substantially met considers, among other things, the terms of the CARES Act and the Consolidation Appropriation Act of 2021 (CAA), and all other interpretive guidance issued by the U.S. Department of Human and Health Services. Such guidance sets forth the allowable methods for quantifying eligible healthcare related expenses and lost revenues. Only healthcare related expenses attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse are eligible to be claimed. Based on the Organization's assessment, the Organization has recognized \$2,069,060 and \$170,797 of grant revenue for the years ended June 30, 2021 and 2020, respectively, recorded within grants from governmental agencies in the statements of operations and changes in net assets. The remaining portion of \$- and \$2,069,060 as of June 30, 2021 and 2020, respectively, has been recorded as deferred revenue in the accompanying balance sheets.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation: The financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as without donor restrictions or with donor restrictions and are detailed as follows:

Net assets without donor restrictions are 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. Net assets without donor restrictions are comprised of Board designated and undesignated amounts. As of June 30, 2021 and 2020, board designated net assets consist of \$14,039,581 and \$11,083,704, respectively, designated for an endowment created during the year ended June 30, 2017.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by the passage of time or the actions of the Organization. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2021 and 2020, purpose or time restricted net assets consisted of donor restricted funds designated for various programs and unspent endowment earnings.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. Additionally, for purposes of the statements of cash flows, the Organization considers all highly liquid investments of operating cash purchased with an original maturity of three months or less to be cash equivalents.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable: The patient accounts receivable balance represents the unpaid amounts billed to patients and third-party payors. Contractual adjustments and discounts are recorded to report receivables for patient care services at their net realizable value. Past due receivables are determined based on contractual terms. The Organization does not accrue interest on any of its accounts receivables.

Investments: All investments are valued at their fair values in the balance sheets. Unrealized gains and losses are included in the change in net assets. See Note 4 for additional information on the nature of the Organization's investments.

Property and Equipment: Property and equipment are stated at cost or, if donated to the Organization, at their fair value on the date of the gift. Additions and improvements over \$2,000 are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is computed over the estimated useful lives of the various classes of assets using the straight-line method.

Gifts of long-lived assets such as land, buildings, and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of June 30, 2021 and 2020, management believes that no assets were impaired.

Net Patient Service Revenue: Net patient service revenues are reported at the amount that reflects the ultimate consideration the Organization expects to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and includes variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. For the years ended June 30, 2021 and 2020, approximately 96% and 95%, respectively, of the Organization's net patient service revenue was derived from the Medicare and Medicaid programs. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

(Continued)

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in fifteen minute increments. This fifteen minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each level of care represents a separate promise under the contract of care and is provided independently for each patient, contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that each patient is subject to the same payor rules and regulations. As a result, the Organization has concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, the Organization has determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. The Organization believes that the performance obligations for each level of care meet criteria to be satisfied over time. The Organization recognizes revenue based on the service output. The Organization believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by the Organization's performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. The Organization's performance obligations relate to contracts with an expected duration of less than one year. Therefore, the Organization has elected to apply the optional exception provided in Accounting Standards Codification (ASC) 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for up to 12 months after death of patient.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. The Organization also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts, or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e. change in credit risk) are recorded as bad debt expense. The Organization has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts the Organization has with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available. Management intends to fully cooperate with any governmental agencies in requests for information. Noncompliance with laws and regulations can make the Organization subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

For the Organization's patients in the nursing home setting in which Medicaid pays the nursing home room and board, the Organization serves as a pass-through between Medicaid and the nursing home. The Organization is responsible for paying the nursing home for that patient's room and board. Medicaid reimburses the Organization for 95% of the amount paid to the nursing home. The Organization has concluded that the 5% difference between the amount paid to the nursing home and the amount received from Medicaid is an adjustment to transaction price and, as a result, the 5% is recognized as a reduction to revenue recognized in the accompanying financial statements.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. The Organization did not exceed the 20% cap related to inpatient days in June 30, 2021 and 2020. The second limit relates to an aggregate Medicare reimbursement cap calculated by the Organization. The Organization did not exceed the Medicare reimbursement cap for the years ended June 30, 2021 and 2020.

Charity Care: The Organization determines each patient's ability to pay during the admission process. When a patient meets certain criteria, part or all of the patient's charges are deemed charity care and are not billed for collection. Because the Organization does not pursue collection of amounts determined to qualify as charity care, those amounts are excluded from net patient service revenue. The cost of charity care provided was approximately \$161,000 and \$301,000 for the years ended June 30, 2021 and 2020, respectively. This cost estimate was based on the Organization-wide cost to charge ratio.

Contributions: Contributions received and unconditional promises to give are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence of donor restrictions and the nature of such restrictions, if they exist.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restriction.

If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as without donor restrictions.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of operations and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

U.S. GAAP requires that a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Organization's Form 990 has not been subject to examination by the Internal Revenue Service or the state of California for the last three years. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at June 30, 2021 and 2020.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended June 30, 2021. Management performed their analysis through November 9, 2021, which is the date the financial statements were available to be issued.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,313,069	\$ 5,017,991
Patient accounts receivable, net	4,958,920	4,789,889
Investments	<u>28,389,004</u>	<u>22,774,729</u>
	41,660,993	32,582,609
Less net assets with donor restrictions	<u>(9,249,096)</u>	<u>(7,524,660)</u>
	<u>\$ 32,411,897</u>	<u>\$ 25,057,949</u>

As part of the Organization's liquidity management plan, management invests cash in excess of daily requirements in short-term investments, treasury sweeps, and money market instruments. In addition to cash on hand, the Organization has two lines of credit available in the amount of \$2,500,000 and \$1,000,000; the latter secured by unrestricted investments.

The Organization also manages a pool of funds invested in the public securities markets. Management of these funds are governed by the Organization's Investment Policy Statement. The Board of Directors has delegated authority to supervise these investments to the Finance Committee. The Organization's primary objective is to preserve and protect its assets by earning a total return for each category of assets (a "Fund"), which is appropriate for each Fund's time horizon, distribution requirements, and risk tolerance. The Organization currently maintains the following funds:

- Intermediate Fund
- Long Term Fund
- Endowment Fund
- Board Directed Endowment
- Anonymous Endowment

The Intermediate and Long Term Fund are unrestricted and have a value of \$5,258,212 and \$4,301,034 as of June 30, 2021 and 2020, respectively. The Endowment Fund, Board Directed Endowment, and Anonymous Endowment are Board designated and donor restricted with a value of \$23,130,792 and \$18,473,695 as of June 30, 2021 and 2020, respectively.

NOTE 3 - PATIENT ACCOUNTS RECEIVABLE

Receivables from patients and third-party payors for the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 3,605,908	\$ 3,766,192
Medicaid	1,180,085	979,060
Commercial and other	<u>460,366</u>	<u>346,682</u>
	5,246,359	5,091,934
Less implicit price concessions	<u>(287,439)</u>	<u>(302,045)</u>
	<u>\$ 4,958,920</u>	<u>\$ 4,789,889</u>

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in an Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date. The fair values of money market funds, common stocks, exchange traded funds, mutual funds, and hedge funds that are readily marketable are determined by obtaining quoted prices from nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The Organization had no investments measured using Level 2 inputs at June 30, 2021 and 2020.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Organization had no investments measured using Level 3 inputs at June 30, 2021 and 2020.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Assets measured at fair value on a recurring basis are summarized below:

	<u>Fair Value Measurements at June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 549,655	\$ -	\$ -	\$ 549,655
Common stocks	3,780,832	-	-	3,780,832
Exchange traded funds	13,022,995	-	-	13,022,995
Equity mutual funds	2,467,641	-	-	2,467,641
Fixed income mutual funds	6,895,403	-	-	6,895,403
Hedge funds	<u>1,672,478</u>	<u>-</u>	<u>-</u>	<u>1,672,478</u>
Total investments	<u>\$ 28,389,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,389,004</u>

	<u>Fair Value Measurements at June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 1,406,365	\$ -	\$ -	\$ 1,406,365
Common stocks	1,952,341	-	-	1,952,341
Exchange traded funds	11,120,392	-	-	11,120,392
Equity mutual funds	1,243,808	-	-	1,243,808
Fixed income mutual funds	6,460,962	-	-	6,460,962
Hedge funds	<u>590,861</u>	<u>-</u>	<u>-</u>	<u>590,861</u>
Total investments	<u>\$ 22,774,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,774,729</u>

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS
(Continued)

The following schedule summarizes return on investments for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends, net of fees	\$ 303,320	\$ 337,687
Realized gains (losses) on investments	<u>1,684,622</u>	<u>(138,402)</u>
	1,987,942	199,285
Unrealized gains on investments	<u>3,985,564</u>	<u>327,252</u>
	<u>\$ 5,973,506</u>	<u>\$ 526,537</u>

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization.

NOTE 5 - PROPERTY AND EQUIPMENT

The Organization's property and equipment and the related accumulated depreciation at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 879,235	\$ 879,235
Buildings	2,960,588	2,933,434
Office equipment	1,565,822	1,416,902
Furniture and fixtures	<u>557,898</u>	<u>557,898</u>
	5,963,543	5,787,469
Less accumulated depreciation	<u>(3,034,274)</u>	<u>(2,828,056)</u>
	<u>\$ 2,929,269</u>	<u>\$ 2,959,413</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$363,489 and \$332,894, respectively.

NOTE 6 - LINES OF CREDIT

The Organization maintains a \$1,000,000 line of credit with a financial institution bearing interest at LIBOR plus 1.75% (3.00% and 1.91% as of June 30, 2021 and 2020, respectively). The line of credit is secured by cash, investments, and other assets of the Organization and has no expiration date. The Organization had no borrowings outstanding on the line of credit at June 30, 2021 or 2020.

In November 2018 the Organization obtained a \$2,500,000 line of credit with a financial institution bearing interest at LIBOR plus 2.50% (3.75% and 2.66% as of June 30, 2021 and 2020, respectively). The line of credit is secured by equipment and fixtures, inventory, and receivables of the Organization and expires in December 2021. The Organization had no borrowings outstanding on the line of credit at June 30, 2021 or 2020.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets that are donor restricted at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Time or purpose		
Unappropriated endowment earnings	\$ 2,062,886	\$ 361,666
Staff education	120,000	120,000
Other	<u>37,885</u>	<u>14,669</u>
	2,220,771	496,335
Perpetually restricted		
Endowments for education	1,700,000	1,700,000
Endowments for charity care	1,804,000	1,804,000
Endowments for hospice and palliative care	2,643,998	2,643,998
Endowments for undesignated purposes	<u>880,327</u>	<u>880,327</u>
	<u>7,028,325</u>	<u>7,028,325</u>
	 <u>\$ 9,249,096</u>	 <u>\$ 7,524,660</u>

Net assets with donor restrictions were released from restriction for the years ended June 30 for the following purposes:

	<u>2021</u>	<u>2020</u>
Unappropriated endowment earnings	\$ 369,500	\$ 370,449
Other	<u>2,884</u>	<u>-</u>
	 <u>\$ 372,384</u>	 <u>\$ 370,449</u>

NOTE 8 - ENDOWMENT ASSETS

Overview: The Organization's endowments consist of various investment securities, most of which are traded on public markets. The endowments are made up of board designated, purpose or time restricted, and perpetually restricted assets. As required by U.S. GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

NOTE 8 - ENDOWMENT ASSETS (Continued)

Interpretation of Relevant Law: The Organization's Board of Directors has determined the requirements of California's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to center around the preservation of the fair value of the original investment as of the date of the asset transfer. The investments resulting from donations directing that they be invested in perpetuity are classified as perpetually restricted. The earnings generated by these investments are classified as purpose or time restricted. The purpose or time restricted earnings are reclassified as without donor restrictions upon their appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by California's version of UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate its endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide funding for operating expenses of programs supported by its endowments, while maintaining the original corpus of the endowments. In order to meet this objective, the endowment asset portfolio is structured to achieve a compound annual return, net of investment management expenses, of 4% to 6% for the Intermediate Fund portfolio and 6% to 8% for the Long-Term, Endowment, and Board Directed funds. Risk parameters are set so that reasonable volatility, including larger potential fluctuations of principal, will be tolerated over the investment horizon, in as much as it is consistent with the volatility of a comparable market index. Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity and assets of the Organization that the Board of Directors has designated for endowment purposes.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a broadly diversified portfolio to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization disburses funds as needed within the guidelines of the endowments. Over the long-term, the Organization expects the current spending policy to allow its endowment to grow at the average annual rate of inflation over ten years. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Fund with Deficiencies: A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than the original gift amount or the amount required to be maintained by the donor or by law. At times, the Organization may have individual donor-restricted endowment funds that are underwater. The Organization has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations. There were no such deficiencies as of June 30, 2021 and 2020.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 8 - ENDOWMENT ASSETS (Continued)

Change in Endowment Net Assets: The Organization's change in endowment assets, by net asset composition, for the years ended June 30 is as follows:

2021:

	<u>Without Donor Restrictions</u> Board <u>Designated</u>	<u>With Donor Restrictions</u> Accumulated <u>Earnings</u>	<u>Original Gift</u>	<u>Total</u>
Beginning balance	\$ 11,083,704	\$ 361,666	\$ 7,028,325	\$ 18,473,695
Interest and dividends, net of fees	140,377	95,856	-	236,233
Net realized and unrealized gains	2,815,500	1,974,864	-	4,790,364
Appropriations for expenditure	<u>-</u>	<u>(369,500)</u>	<u>-</u>	<u>(369,500)</u>
Total endowment	<u>\$ 14,039,581</u>	<u>\$ 2,062,886</u>	<u>\$ 7,028,325</u>	<u>\$ 23,130,792</u>

2020:

	<u>Without Donor Restrictions</u> Board <u>Designated</u>	<u>With Donor Restrictions</u> Accumulated <u>Earnings</u>	<u>Original Gift</u>	<u>Total</u>
Beginning balance	\$ 8,530,559	\$ 490,219	\$ 7,028,325	\$ 16,049,103
Interest and dividends, net of fees	170,334	128,843	-	299,177
Net realized and unrealized gains	40,328	113,053	-	153,381
Additions	2,342,483	-	-	2,342,483
Appropriations for expenditure	<u>-</u>	<u>(370,449)</u>	<u>-</u>	<u>(370,449)</u>
Total endowment	<u>\$ 11,083,704</u>	<u>\$ 361,666</u>	<u>\$ 7,028,325</u>	<u>\$ 18,473,695</u>

NOTE 9 - OPERATING LEASE COMMITMENTS

The Organization has various operating leases for office spaces and vehicles that expire on various dates through October 2023. Total rent expense amounted to \$1,254,222 and \$1,262,292 for the years ended June 30, 2021 and 2020, respectively. Future minimum lease commitments are as follows:

2022	\$ 1,167,833
2023	771,368
2024	<u>59,487</u>
	<u>\$ 1,998,688</u>

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 - FUNCTIONAL EXPENSES

Expenses categorized by their functional classification for the years ended June 30 are as follows:

For the year ended June 30, 2021

	<u>Direct</u> <u>Patient Care</u>	<u>Indirect</u> <u>Patient Care</u>	<u>Community</u> <u>Outreach</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting fees	\$ -	\$ -	\$ -	\$ 66,777	\$ -	\$ 66,777
Advertising and promo	-	11,477	202,372	124,683	18,407	356,939
Benefits	575,763	49,147	11,384	77,621	16,539	730,454
Conferences, meetings	18,274	62,250	17,541	102,422	37,597	238,084
Depreciation	208,855	80,673	17,981	36,148	19,832	363,489
DME	1,432,150	-	-	-	-	1,432,150
Drugs	1,151,525	-	-	-	-	1,151,525
Facility related	983,656	379,946	84,685	170,249	93,402	1,711,938
Fee for service other	608,728	737,347	71,750	639,439	377	2,057,641
Information technology	451,546	52,182	8,445	155,382	41,175	708,730
Inpatient services	34,055	-	-	-	-	34,055
Insurance	965	-	-	228,425	-	229,390
Legal expenses	864	9,612	-	411,605	599	422,680
Medical supplies	939,921	-	-	-	-	939,921
Office expenses	90,340	46,789	16,084	145,609	20,169	318,991
Other employee benefits	2,339,290	1,334,476	91,362	627,586	126,720	4,519,434
Other expenses	-	-	-	112	-	112
Other patient expenses	206,421	-	-	-	4,497	210,918
Other salaries and wages	11,068,177	5,088,677	366,358	3,112,666	574,962	20,210,840
Payroll taxes	761,074	379,504	27,590	216,171	43,753	1,428,092
Pension plan accruals	239,319	119,062	8,642	76,249	16,687	459,959
Transportation	50,034	-	-	-	-	50,034
Travel expenses	<u>653,790</u>	<u>67,917</u>	<u>2,712</u>	<u>21,871</u>	<u>5,707</u>	<u>751,997</u>
	<u>\$21,814,747</u>	<u>\$ 8,419,059</u>	<u>\$ 926,906</u>	<u>\$ 6,213,015</u>	<u>\$1,020,423</u>	<u>\$ 38,394,150</u>

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 10 - FUNCTIONAL EXPENSES (Continued)

For the year ended June 30, 2020

	<u>Direct Patient Care</u>	<u>Indirect Patient Care</u>	<u>Community Outreach</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting fees	\$ -	\$ -	\$ -	\$ 58,370	\$ -	\$ 58,370
Advertising and promo	-	8,739	49,456	82,268	4,993	145,456
Benefits	647,742	117,145	20,673	124,036	20,673	930,269
Conferences, meetings	18,238	62,751	99,971	104,892	79,587	365,439
Depreciation	191,276	73,882	16,467	33,106	18,163	332,894
DME	1,382,395	-	-	-	-	1,382,395
Drugs	1,022,913	-	-	-	-	1,022,913
Facility related	971,855	375,388	83,669	170,994	92,282	1,694,188
Fee for service other	468,535	845,912	65,136	1,195,802	-	2,575,385
Information technology	363,615	84,083	12,612	132,912	36,571	629,793
Inpatient services	44,350	-	-	-	-	44,350
Insurance	925	-	-	287,724	-	288,649
Legal expenses	-	4,657	-	110,895	-	115,552
Medical supplies	847,360	-	-	-	-	847,360
Office expenses	92,378	48,594	10,671	68,723	14,411	234,777
Other employee benefits	1,487,192	649,251	11,126	247,482	31,403	2,426,454
Other patient expenses	144,469	310	-	-	7,401	152,180
Other salaries and wages	11,618,153	5,612,111	429,386	3,600,535	496,980	21,757,165
Payroll processing fees	-	-	-	60,006	-	60,006
Payroll taxes	851,594	399,900	31,419	169,198	34,404	1,486,515
Pension plan accruals	258,562	131,707	9,825	82,329	14,057	496,480
Transportation	57,016	-	-	-	-	57,016
Travel expenses	<u>633,474</u>	<u>96,797</u>	<u>8,170</u>	<u>92,003</u>	<u>1,085</u>	<u>831,529</u>
	<u>\$21,102,042</u>	<u>\$ 8,511,227</u>	<u>\$ 848,581</u>	<u>\$ 6,621,275</u>	<u>\$ 852,010</u>	<u>\$ 37,935,135</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facility related and depreciation which are allocated on a square-footage basis, as well as benefits and information technology which are allocated on a number of employees basis.

(Continued)

THE ELIZABETH HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 11 - RETIREMENT PLAN

The Organization maintains a qualified deferred compensation 401(k) plan for full time employees over age 21 that have completed one month of service. Under the plan, employees may elect to defer up to a percentage of pretax annual compensation, subject to the Internal Revenue Service limits. The Organization matches 50% of the participant's contribution to the Plan, not to exceed six percent of the participant's gross compensation. The Organization contributed \$460,158 and \$496,480 for the years ended June 30, 2021 and 2020, respectively.

The Organization offers a 457(b) deferred compensation plan. A select group of management employees are eligible to participate in the plan. The plan provides for employer contributions at the employers sole discretion. The Organization made no contributions to the plan for the years ended June 30, 2021 and 2020. Plan participants have the option to make personal contributions to the plan. The contributions are held in investment accounts, administered by a third party, pending distribution upon vesting portions and severance of employment of the participants. At June 30, 2021 and 2020 the Organization maintained approximately \$529,000 and \$417,000, respectively, in plan assets included within prepaid expenses and other and approximately \$529,000 and \$417,000, respectively, due to plan participants included within accrued expenses in the balance sheets.

SUPPLEMENTARY INFORMATION

THE ELIZABETH HOSPICE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

<u>Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Grant/Contract Number</u>	<u>Total Federal Expenditures</u>
Direct:			
U.S. Department of Health and Human Services:			
COVID-19 Provider Relief Fund - Period 1 (2021)	93.498	N/A	\$ 2,069,060
COVID-19 Provider Relief Fund - Period 1 (2020)	93.498	N/A	<u>170,797</u>
Total Federal Awards			<u>\$ 2,239,857</u>

THE ELIZABETH HOSPICE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of The Elizabeth Hospice, Inc. under programs of the federal government for the year ended June 30, 2021 including expenditures incurred during the year ended June 30, 2020 relating to the COVID-19 Provider Relief Fund (Period 1) program as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of The Elizabeth Hospice, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Elizabeth Hospice, Inc.

NOTE 2 - BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Board of Directors
The Elizabeth Hospice, Inc.
Escondido, 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 financial statements of The Elizabeth Hospice, Inc. (the "Organization"), which comprise the balance sheet as of June 30, 2021, and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 opinions on the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 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*.

(Continued)

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Franklin, Tennessee
November 9, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
The Elizabeth Hospice, Inc.
Escondido, California

Report on Compliance for the Major Federal Program

We have audited The Elizabeth Hospice, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. the Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2021.

(Continued)

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2021, and have issued our report thereon dated November 9, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


Crowe LLP

Franklin, Tennessee
November 9, 2021

THE ELIZABETH HOSPICE, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2021

Section I—Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ X _____
Yes No
- Significant deficiency(ies) identified? _____ X _____
Yes None reported

Noncompliance material to financial statements noted? _____ X _____
Yes No

Federal Awards:

Internal control over major federal programs:

- Material weakness(es) identified? _____ X _____
Yes No
- Significant deficiency(ies) identified? _____ X _____
Yes None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ X _____
Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.498	Provider Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ X _____
Yes No

(Continued)

THE ELIZABETH HOSPICE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

Section II—Financial Statement Findings

- There were no findings for the year ended June 30, 2021.

Section III—Federal Award Findings and Questioned Costs

- There were no findings for the year ended June 30, 2021.