

HOSPICE MAUI, INC.
(A Hawai'i Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEARS ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hospice of Maui, Inc.
Wailuku, Hawaii 96793

We have audited the accompanying financial statements of Hospice Maui, Inc. (a Hawai'i nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 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.

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Hospice Maui, Inc.'s 2020 financial statements, and our report dated September 30, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carlman CPAs & Mgmt Group

Wailuku, Hawaii
September 13, 2021

HOSPICE MAUI, INC.

Statements of Financial Position
As of June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 4,169,090	\$ 3,872,833
Accounts Receivable (Note 2)	740,558	740,928
Prepaid Expenses	9,484	-
Investments (Note 10)	<u>112,281</u>	<u>101,936</u>
Total Current Assets	5,031,413	4,715,697
PROPERTY AND EQUIPMENT (Note 2)		
Buildings and Leasehold Improvements	3,208,634	3,208,634
Land	200,000	200,000
Furniture & Equipment	142,899	130,566
Land Improvements	101,451	54,040
Accumulated Depreciation	<u>(779,189)</u>	<u>(678,164)</u>
Net Property and Equipment	2,873,795	2,915,076
TOTAL ASSETS	<u><u>\$ 7,905,208</u></u>	<u><u>\$ 7,630,773</u></u>

LIABILITIES & NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 440,970	\$ 540,465
Accrued Payroll and Related Expenses	630,533	470,200
Refundable Advances (Note 2)	<u>-</u>	<u>299,443</u>
Total Current Liabilities	1,071,503	1,310,108
NET ASSETS (Note 3)		
Without Donor Restrictions	6,759,985	6,209,482
With Donor Restrictions	<u>73,720</u>	<u>111,183</u>
Total Net Assets	<u>6,833,705</u>	<u>6,320,665</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 7,905,208</u></u>	<u><u>\$ 7,630,773</u></u>

HOSPICE MAUI, INC.

Statement of Activities and Changes in Net Assets
 For the Year Ended June 30, 2021
 (With Comparative Totals for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
PUBLIC SUPPORT AND REVENUE				
Program Service Revenue	\$ 6,942,271	\$ -	\$ 6,942,271	\$ 6,507,457
Grants and Contributions	729,541	113,944	843,485	1,374,051
Other Revenue	7,360	-	7,360	4,255
Fundraising Revenue	287	-	287	11,767
Investment Revenue	7,153	-	7,153	21,639
Net Assets Released From Restrictions	151,407	(151,407)	-	-
Total Public Support and Revenue	7,838,019	(37,463)	7,800,556	7,919,169
EXPENSES				
Program Services	5,656,769	-	5,656,769	5,017,572
Management and General	1,597,000	-	1,597,000	1,516,969
Fundraising	33,747	-	33,747	143,385
Total Expenses	7,287,516	-	7,287,516	6,677,926
CHANGE IN NET ASSETS	550,503	(37,463)	513,040	1,241,243
NET ASSETS, BEGINNING OF YEAR	6,209,482	111,183	6,320,665	5,079,422
NET ASSETS, END OF YEAR	\$ 6,759,985	\$ 73,720	\$ 6,833,705	\$ 6,320,665

HOSPICE MAUI, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

(With Comparative Totals for the Year Ended June 30, 2020)

EXPENSES	2021			2020	
	Program Services	Management and General	Fundraising	Total	Total
Human Resource Costs	\$ 4,588,590	\$ 834,889	\$ 16,927	\$ 5,440,406	\$ 5,021,413
Pharmacy	376,452	-	-	376,452	342,393
Durable Medical Equipment	296,122	-	-	296,122	266,612
Occupancy	14,253	181,931	-	196,184	200,333
Bad Debt Expense	167,814	-	-	167,814	109,491
Information Technology	-	150,041	-	150,041	119,811
Depreciation Expense	-	101,025	-	101,025	98,078
Telecommunications	-	78,951	-	78,951	84,867
Mileage	67,767	752	-	68,519	67,043
Patients Special Needs	59,738	-	-	59,738	72,030
Ancillary Services	59,376	-	-	59,376	34,150
Insurance	-	58,843	-	58,843	51,305
Accounting, Banking and Legal	-	30,391	-	30,391	32,988
Dues, Licenses, and Subscriptions	-	25,591	-	25,591	18,914
Informational Materials	-	8,418	16,820	25,238	18,675
Continuing Education	-	24,678	-	24,678	33,482
Minor Equipment and Maintenance	-	24,286	-	24,286	9,446
Other Expense	-	22,295	-	22,295	7,171
Office Supplies	19,929	-	-	19,929	31,128
Staff Computer Expense	-	17,056	-	17,056	6,117
Public Education	-	12,667	-	12,667	22,153
Bereavement and Volunteers	-	12,176	-	12,176	8,611
Postage	-	11,635	-	11,635	9,465
Outside Consulting	6,728	-	-	6,728	8,280
Meeting Expenses	-	1,375	-	1,375	3,970
Total Expenses	\$ 5,656,769	\$ 1,597,000	\$ 33,747	\$ 7,287,516	\$ 6,677,926

The accompanying notes are an integral part of these financial statements

HOSPICE MAUI, INC.

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Program Services	\$ 6,774,827	\$ 7,809,333
Cash Received from Grants and Contributions	544,042	1,673,494
Cash Received from Other Revenues	7,360	81,110
Cash Received from Fundraising	287	11,767
Cash Received from Interest Revenue	7,153	21,639
Cash Paid to Employees and Vendors	<u>(6,967,323)</u>	<u>(6,522,630)</u>
Net Cash Provided by Operating Activities (Note 5)	366,346	3,074,713
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment and Construction in Progress	(59,744)	(13,695)
Net Sales of Investments	<u>(10,345)</u>	<u>(14,291)</u>
Net Cash Used by Investing Activities	(70,089)	(27,986)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase in Cash for the Year	296,257	3,046,727
CASH BALANCE, BEGINNING OF YEAR	<u>3,872,833</u>	<u>826,106</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 4,169,090</u></u>	<u><u>\$ 3,872,833</u></u>

The accompanying notes are an integral part of these financial statements

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2021

Note 1. ORGANIZATION

Hospice Maui, Inc. (the Organization) is a nonprofit organization incorporated under the laws of the State of Hawai'i in November 1981. The Organization was formed to provide for the physical, social, emotional and spiritual needs of terminally ill patients and their families on Maui so that their final days together can be meaningfully spent in comfort and with dignity. The Organization also runs training programs for volunteers and professionals in the health care fields.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Organization uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, contract revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

In accordance with FASB's ASC Topic 606, *Revenue from Contracts with Customers* and FASB's ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, performance obligation related to program services and grant revenue are recognized as the expenses occurred or the services have been provided throughout the year. Grant revenue is recognized as the expenses occurred or the services have been provided throughout the fiscal year. Other revenues and donations do not have a specific performance obligation and are generally earned when received.

Property and Equipment: The Organization capitalizes all furniture and equipment with a useful life greater than one year and a value of over \$1,500. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash is defined as money market, demand deposits, certificates of deposit and savings accounts. These balances, from time to time, exceed Federally Insured levels, see Note 7.

Accounts Receivable: Management reviews receivables on a periodic basis to determine if an allowance for doubtful accounts is necessary based on past collection history and the current composition of the accounts receivable balance. Management has determined an allowance for doubtful accounts is not necessary at June 30, 2021 and 2020. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction to bad debt expense when received.

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

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2021

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and also from State of Hawaii income taxes under Section 237-23 (b) of the Hawaii Revised Statutes, except on net income derived from unrelated business activities. The organization does not have any unrelated business income. The organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal tax returns for 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Refundable Advances: Conditional contribution revenue is recognized when earned, which is as conditions are fulfilled. However, funds received that are not earned as of year-end are recorded as a liability under refundable advances. The Organization had \$-0- and \$299,443 in refundable advances for the year ended June 30, 2021 and 2020, respectively. All of the balance at June 30, 2020 was from unspent CARES Act funding. These funds were spent and recognized as revenue during fiscal year 2021.

Functional Expenses: Functional expenses are allocated to program related and administrative functions. Expense allocations are generally computed based on the number of employees performing program or administrative functions.

Note 3. NET ASSETS

In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, Hospice Maui, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment.

Net assets with donor restrictions include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2021

Note 3. NET ASSETS (Continued)

Net assets with donor restrictions as of June 30 consist of the following:

	2021	2020
Kokua Fund	\$ 34,565	\$ 39,946
Care Coordination Center	23,101	11,719
Complimentary Medicine	6,856	17,756
Staff Computers	5,059	22,115
Other	2,550	1,000
Parking Lot Lights	1,114	1,115
Website Design	475	475
COVID-19 Purposes	-	8,557
Hale Construction	-	8,500
	<u>\$ 73,720</u>	<u>\$ 111,183</u>

Note 4. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 13, 2021, the date the financial statements were available for use.

Subsequent to the year end, the COVID-19 pandemic was still ongoing. At the time these financial statements were available to be issued the situation remained very volatile and the full effect of the pandemic on the operations of the Organization could not be determined.

Note 5. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	2021	2020
Change in Net Assets	\$ 513,040	\$ 1,241,243
Adjustments to Reconcile:		
Add back Bad Debt	167,814	109,491
Add back Depreciation Expense	101,025	98,078
Change in Accounts Receivable	(167,444)	1,301,876
Change in Accounts Payable	(99,495)	(150,064)
Change in Prepaids	(9,484)	8,315
Change in Accrued Payroll and Related Expenses	160,333	166,331
Change in Refundable Advances	(299,443)	299,443
Net Cash Provided by Operating Activities	<u>\$ 366,346</u>	<u>\$ 3,074,713</u>

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2021

Note 6. CONCENTRATIONS

During fiscal year 2021, the Organization received approximately 89% of its revenue from program services and 11% from donations and grants.

Note 7. BANK BALANCES INSURED

The Organization maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2021 and 2020, the uninsured and uncollateralized portion of this balance was \$3,915,052 and \$3,621,829, respectively.

Note 8. RETIREMENT PLAN

On July 1, 2016, the Organization adopted a Safe-Harbor 401(k) Profit Sharing Plan for all eligible employees of the Organization. The new plan replaced Simplified Employee Pension plan and Section 403 (b) retirement plan that the Organization had in previous years. The Organization contributes 3% of the participant's regular salary (as defined) to the plan. Contributions to the plan were \$114,942 and \$82,937 for years ended June 30, 2021 and 2020, respectively.

Note 9. LEASE OF LAND

The Organization has a lease with the County of Maui for the 3.956 parcel of land located in Wailuku, Hawaii where the office and the new inpatient facility owned by the Organization are located. The lease expires on December 15th, 2044 and calls for annual rent of \$1. The estimated value of forgone rent on the lease of the land parcel is difficult to estimate. Therefore, management believes that in-kind rent revenue cannot be accurately recorded for the years ended June 30, 2021 and 2020.

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2021

Note 10. FAIR VALUE MEASUREMENTS

The Organization implemented ASC 820-10-50-1 which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of assets measured on a recurring basis are as follows, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis.

Assets	Total June 30, 2021	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Non- Observable Inputs Level 3
Mutual Funds	\$ 50,554	\$ 50,554	\$ -	\$ -
Investments held in unemployment trust	61,727	-	-	61,727
Total	<u>\$ 112,281</u>	<u>\$ 50,554</u>	<u>\$ -</u>	<u>\$ 61,727</u>

Assets	Total June 30, 2020	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Non- Observable Inputs Level 3
Mutual Funds	\$ 50,677	\$ 50,677	\$ -	\$ -
Investments held in unemployment trust	51,259	-	-	51,259
Total	<u>\$ 101,936</u>	<u>\$ 50,677</u>	<u>\$ -</u>	<u>\$ 51,259</u>

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2021

Note 10. FAIR VALUE MEASUREMENTS (Continued)

The fair value of the investments held for unemployment claims is determined by reference to statements received from the unemployment trust company.

The table below presents information about the changes in the investments held for unemployment claims, which is measured at fair value on a recurring basis using significant unobservable inputs:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 51,259	\$ 38,802
Deposits	21,862	28,590
Claims paid	(7,646)	(13,890)
Allocated income (loss)	4,797	5,032
Allocated expenses	(8,545)	(7,275)
Balance, end of year	<u>\$ 61,727</u>	<u>\$ 51,259</u>

Note 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The table below presents information on financial assets available to meet cash needs for general expenditures within one year:

Financial Assets at June 30, 2021	\$ 4,169,090
Less those unavailable for general expenditures within one year due to:	
Net Assets With Donor Restriction	(73,720)
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 4,095,370</u>

Note 12. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases, which supersedes FASB Accounting Standards Codification (ASC) Topic 840, Leases, and makes other conforming amendments to U.S. GAAP. ASU 2016-02, requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for the Organization's fiscal year ending June 30, 2023. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements.