

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

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hospice Maui, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

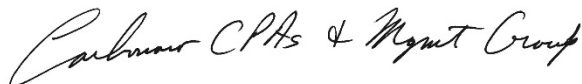
In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Report on Summarized Comparative Information

We have previously audited Hospice Maui, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wailuku, Hawaii
November 10, 2022

HOSPICE MAUI, INC.

Statements of Financial Position

As of June 30, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 4,539,103	\$ 4,169,090
Accounts Receivable (Note 2)	823,788	740,558
Prepaid Expenses	10,146	9,484
Investments (Note 10)	134,026	112,281
Total Current Assets	<u>5,507,063</u>	<u>5,031,413</u>
PROPERTY AND EQUIPMENT (Note 2)		
Buildings and Leasehold Improvements	3,264,123	3,208,634
Land	200,000	200,000
Furniture and Equipment	163,899	142,899
Land Improvements	104,817	101,451
Accumulated Depreciation	<u>(882,563)</u>	<u>(779,189)</u>
Net Property and Equipment	2,850,276	2,873,795
TOTAL ASSETS	<u><u>\$ 8,357,339</u></u>	<u><u>\$ 7,905,208</u></u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 590,061	\$ 440,970
Accrued Payroll and Related Expenses	415,184	630,533
Total Current Liabilities	<u>1,005,245</u>	<u>1,071,503</u>
NET ASSETS (Note 3)		
Without Donor Restrictions	7,293,225	6,759,985
With Donor Restrictions	<u>58,869</u>	<u>73,720</u>
Total Net Assets	<u>7,352,094</u>	<u>6,833,705</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 8,357,339</u></u>	<u><u>\$ 7,905,208</u></u>

HOSPICE MAUI, INC.

Statement of Activities and Changes in Net Assets
 For the Year Ended June 30, 2022
 (With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
PUBLIC SUPPORT AND REVENUE				
Program Service Revenue	\$ 7,139,180	\$ -	\$ 7,139,180	\$ 6,942,271
Grants and Contributions	693,500	182,255	875,755	843,485
Other Revenue	3,577	-	3,577	7,647
Investment Revenue	16,500	-	16,500	7,153
Net Assets Released From Restrictions	197,106	(197,106)	-	-
Total Public Support and Revenue	8,049,863	(14,851)	8,035,012	7,800,556
EXPENSES				
Program Services	5,950,504	-	5,950,504	5,656,769
Management and General	1,539,696	-	1,539,696	1,597,000
Fundraising	26,423	-	26,423	33,747
Total Expenses	7,516,623	-	7,516,623	7,287,516
CHANGE IN NET ASSETS	533,240	(14,851)	518,389	513,040
NET ASSETS, BEGINNING OF YEAR	6,759,985	73,720	6,833,705	6,320,665
NET ASSETS, END OF YEAR	\$ 7,293,225	\$ 58,869	\$ 7,352,094	\$ 6,833,705

The accompanying notes are an integral part of these financial statements

HOSPICE MAUI, INC.

Statement of Functional Expenses
 For the Year Ended June 30, 2022
 (With Comparative Totals for the Year Ended June 30, 2021)

EXPENSES	2022			2021	
	Program Services	Management and General	Fundraising	Total	Total
Human Resource Costs	\$ 4,778,144	\$ 787,850	\$ 14,897	\$ 5,580,891	\$ 5,440,406
Pharmacy	421,298	-	-	421,298	376,452
Durable Medical Equipment	301,496	-	-	301,496	296,122
Bad Debt Expense	262,387	-	-	262,387	167,814
Occupancy	19,383	172,836	-	192,219	196,184
Information Technology	-	137,538	-	137,538	150,041
Depreciation Expense	-	103,374	-	103,374	101,025
Telecommunications	-	85,612	-	85,612	78,951
Mileage	70,882	428	-	71,310	68,519
Insurance	-	64,387	-	64,387	58,843
Ancillary Services	61,474	-	-	61,474	59,376
Other Expense	-	41,709	-	41,709	22,295
Accounting, Banking and Legal	-	31,908	-	31,908	30,391
Office Supplies	30,602	-	-	30,602	19,929
Minor Equipment and Maintenance	-	29,922	-	29,922	24,286
Dues, Licenses, and Subscriptions	-	23,539	-	23,539	25,591
Informational Materials	-	10,010	11,526	21,536	25,238
Bereavement and Volunteers	-	14,458	-	14,458	12,176
Postage	-	13,146	-	13,146	11,635
Continuing Education	-	11,661	-	11,661	24,678
Public Education	-	9,653	-	9,653	12,667
Patients Special Needs	4,838	-	-	4,838	59,738
Meeting Expenses	-	1,665	-	1,665	1,375
Staff Computer Expense	-	-	-	-	17,056
Outside Consulting	-	-	-	-	6,728
Total Expenses	\$ 5,950,504	\$ 1,539,696	\$ 26,423	\$ 7,516,623	\$ 7,287,516

HOSPICE MAUI, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Program Services	\$ 6,793,563	\$ 6,774,827
Cash Received from Grants and Contributions	875,755	544,042
Cash Received from Other Revenues	3,577	7,647
Cash Received from Interest Revenue	16,500	7,153
Cash Paid to Employees and Vendors	<u>(7,217,782)</u>	<u>(6,967,323)</u>
Net Cash Provided by Operating Activities (Note 5)	471,613	366,346
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment and Construction in Progress	(79,855)	(59,744)
Net Investment Activities	<u>(21,745)</u>	<u>(10,345)</u>
Net Cash Used by Investing Activities	(101,600)	(70,089)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase in Cash for the Year	370,013	296,257
CASH BALANCE, BEGINNING OF YEAR	<u>4,169,090</u>	<u>3,872,833</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 4,539,103</u></u>	<u><u>\$ 4,169,090</u></u>

The accompanying notes are an integral part of these financial statements

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2022

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, 2022 and 2021. 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, 2022

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 2019, 2020, and 2021 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 has no refundable advances for the years ended June 30, 2022 and 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, 2022

Note 3. NET ASSETS (Continued)

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

	<u>2022</u>	<u>2021</u>
Care Coordination Center	\$ 25,601	\$ 23,101
Greg Lagoy Memorial Fund	14,290	-
Complimentary Medicine	10,456	6,856
Memorial Garden	3,633	-
Other	2,550	2,550
Parking Lot Lights	1,114	1,114
Professional Development	500	-
Website Design	475	475
Lanai Donations	200	-
Kokua Fund	50	34,565
Staff Computers	-	5,059
	<u>\$ 58,869</u>	<u>\$ 73,720</u>

Note 4. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 10, 2022, the date the financial statements were available for use. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

Subsequent to the year end, the United States economy was still negatively affected by the effects of the COVID-19 pandemic as a result financial markets have experienced fluctuations. At the time these financial statements were available to be issued, the situations remained 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

	<u>2022</u>	<u>2021</u>
Change in Net Assets	\$ 518,389	\$ 513,040
Adjustments to Reconcile:		
Add back Bad Debt	262,387	167,814
Add back Depreciation Expense	103,374	101,025
Change in Accounts Receivable	(345,617)	(167,444)
Change in Accounts Payable	149,091	(99,495)
Change in Prepaids	(662)	(9,484)
Change in Accrued Payroll and Related Expenses	(215,349)	160,333
Change in Refundable Advances	-	(299,443)
Net Cash Provided by Operating Activities	<u>\$ 471,613</u>	<u>\$ 366,346</u>

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2022

Note 6. RECLASSIFICATIONS

Certain reclassifications have been made to the 2021 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 7. BANK BALANCES INSURED

The Organization maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC).

	<u>2022</u>	<u>2021</u>
Fully Insured Deposits	\$ 500,100	\$ 500,000
Uninsured	<u>4,039,003</u>	<u>3,669,090</u>
	<u>\$ 4,539,103</u>	<u>\$ 4,169,090</u>

Note 8. RETIREMENT PLAN

The Organization has a Safe-Harbor 401(k) Profit Sharing Plan for all eligible employees of the Organization. The Organization contributes 3% of the participant's regular salary (as defined) to the plan. Contributions to the plan were \$88,094 and \$114,942 for years ended June 30, 2022 and 2021, 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 15, 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, 2022 and 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.

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2022

Note 10. FAIR VALUE MEASUREMENTS (Continued)

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, 2022	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Non- Observable Inputs Level 3
Mutual Funds	\$ 59,942	\$ 59,942	\$ -	\$ -
Investments held in unemployment trust	74,084	-	-	74,084
Total	\$ 134,026	\$ 59,942	\$ -	\$ 74,084

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	\$ 112,281	\$ 50,554	\$ -	\$ 61,727

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:

	2022	2021
Balance, beginning of year	\$ 61,727	\$ 51,259
Deposits	24,087	21,862
Claims paid	(5,534)	(7,646)
Allocated income	2,530	4,797
Allocated expenses	(8,726)	(8,545)
Balance, end of year	<u>\$ 74,084</u>	<u>\$ 61,727</u>

HOSPICE MAUI, INC.

Notes to the Financial Statements

June 30, 2022

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:

	<u>2022</u>	<u>2021</u>
Financial Assets at June 30, 2022 and 2021	\$ 4,539,103	\$ 4,169,090
Less those unavailable for general expenditures within one year due to:		
Net Assets With Donor Restriction	(58,869)	(73,720)
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 4,480,234</u>	<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.

Note 13. NON-FINANCIAL ASSETS

The Organization has adopted FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 985): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 had no impact on financial statement presentation when applied retrospectively to all periods presented as ASC has been presenting in a manner consistent with FASB ASU 2020-07 for all those years, when applicable. The Organization had no non-financial assets as of June 30, 2022 and 2021.