

**HOSPICE HAWAII, INC.,**  
***dba Navian Hawaii***

**FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**  
**With Prior Year Comparative Information**  
**And Independent Auditor's Report**



**CW Associates**

*A Hawaii Certified Public Accounting Corporation*

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hospice Hawaii, Inc., *dba Navian Hawaii*:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Hospice Hawaii, Inc., *dba Navian Hawaii* (Navian Hawaii), a nonprofit Hawaii corporation, which comprise the statement of financial position as of December 31, 2021, and the related statements of revenue, expenses, and other 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 accompanying financial statements present fairly, in all material respects, the financial position of Navian Hawaii as of December 31, 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 (U.S. GAAP).

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Navian Hawaii 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 U.S. GAAP, 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 Navian Hawaii's ability to continue as a going concern for one year after the date the financial statements are issued.

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

In performing an audit in accordance with U.S. GAAS, 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 Navian Hawaii'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 Navian Hawaii'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 Prior Year Comparative Information

We have previously audited Navian Hawaii's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CW ASSOCIATES, CPAs*

Honolulu, Hawaii  
June 21, 2022

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2021  
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and interest bearing cash	\$ 3,760,427	\$3,171,858
Certificate of deposit	750,000	-
Investments in marketable securities	4,495,485	4,062,298
Accounts receivable from third party payors and patients – net	751,382	1,031,254
Contributions and pledges receivable – net	88,283	170,918
Endowment interest receivable	813	16,660
Bequests receivable	15,432	19,432
Prepaid expenses and other assets	89,800	86,568
Total current assets	<u>9,951,622</u>	<u>8,558,988</u>
NONCURRENT ASSETS		
Certificate of deposit	-	750,000
Property and equipment – net	277,856	319,937
Deposits	13,922	13,922
Total noncurrent assets	<u>291,778</u>	<u>1,083,859</u>
TOTAL ASSETS	<u>\$ 10,243,400</u>	<u>\$ 9,642,847</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 355,876	\$ 483,026
Accrued liabilities	619,912	704,019
Refundable advances	-	236,346
SBA PPP loan – current	-	969,700
Total current liabilities	<u>975,788</u>	<u>2,393,091</u>
NONCURRENT LIABILITIES		
Charitable gift liability	32,500	34,403
SBA PPP loan – noncurrent	-	279,300
Total noncurrent liabilities	<u>32,500</u>	<u>313,703</u>
TOTAL LIABILITIES	<u>1,008,288</u>	<u>2,706,794</u>
NET ASSETS		
Net assets without donor restrictions	9,200,303	6,029,160
Net assets with donor restrictions	34,809	906,893
Total net assets	<u>9,235,112</u>	<u>6,936,053</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,243,400</u>	<u>\$ 9,642,847</u>

See accompanying notes to the financial statements.



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**STATEMENT OF REVENUE, EXPENSES, AND  
OTHER CHANGES IN NET ASSETS**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support		
Patient service revenue – net of contractual allowances and discounts	\$ 11,670,886	\$ 12,593,943
Provision for bad debts	(73,395)	(93,311)
Patient service revenue – net	11,597,491	12,500,632
Contributions without donor restrictions	978,140	705,228
Net assets released from donor restrictions	923,316	171,347
Investment income – net	196,436	187,660
CARES Act provider relief funds	117,204	242,486
Special events – net	98,424	66,652
Federated campaigns	41,416	37,513
Change in value of charitable gift annuity liability	(3,527)	(3,413)
Other operating revenue	6,669	(995)
Total revenue and support	<u>13,955,569</u>	<u>13,907,110</u>
Expenses		
Program services	10,393,995	11,372,335
Management and general	1,326,984	1,146,361
Fundraising	544,451	508,451
Total expenses	<u>12,265,430</u>	<u>13,027,147</u>
Revenue and support less expenses	1,690,139	879,963
Gain on forgiveness of SBA PPP loan	1,249,000	-
Unrealized gains on investments	232,004	248,690
Increase in net assets without donor restrictions	<u>3,171,143</u>	<u>1,128,653</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions with donor restrictions	46,776	197,702
Donor restricted investment income	4,456	20,258
Net assets released from donor restrictions	(923,316)	(171,347)
Increase (decrease) in net assets with donor restrictions	<u>(872,084)</u>	<u>46,613</u>
INCREASE IN NET ASSETS	2,299,059	1,175,266
NET ASSETS – Beginning of year	<u>6,936,053</u>	<u>5,760,787</u>
NET ASSETS – End of year	<u>\$ 9,235,112</u>	<u>\$ 6,936,053</u>

See accompanying notes to the financial statements.

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>2021 Total</u>	<u>2020 Total</u>
Salaries, wages, and benefits	\$ 6,604,528	\$ 904,160	\$363,512	\$ 7,872,200	\$ 8,102,759
Patient services and supplies	2,238,173	-	-	2,238,173	2,841,684
Professional services	243,923	217,021	24,035	484,979	323,251
Office	340,495	46,359	79,740	466,594	460,275
Occupancy	337,129	26,937	12,244	376,310	377,612
Contracted workers	195,689	58,480	-	254,169	384,525
Insurance	133,251	17,450	7,932	158,633	164,778
Travel	103,757	222	-	103,979	86,279
Advertising and promotion	58,445	42,669	-	101,114	136,597
Depreciation and amortization	84,805	10,293	4,679	99,777	90,604
Conferences, conventions and meetings	53,800	3,323	2,555	59,678	58,706
Bad debt expense	-	-	49,754	49,754	-
Direct cost of special events	-	-	31,987	31,987	32,872
Interest	-	70	-	70	77
Total	10,393,995	1,326,984	576,438	12,297,417	13,060,019
Direct cost of special events net in special events revenue	-	-	(31,987)	(31,987)	(32,872)
Total expenses	<u>\$ 10,393,995</u>	<u>\$ 1,326,984</u>	<u>\$ 544,451</u>	<u>\$ 12,265,430</u>	<u>\$ 13,027,147</u>

See accompanying notes to the financial statements.

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 2,299,059	\$ 1,175,266
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Gain on forgiveness of SBA PPP loan	(1,249,000)	-
Depreciation and amortization	99,777	90,604
Loss on disposal of property and equipment	-	2,800
Realized and unrealized gain on investments	(279,662)	(357,774)
Endowment investment receipts	(4,456)	(20,258)
(Increase) decrease in		
Accounts receivable from third party payors and patients – net	279,872	150,048
Contributions and pledges receivable – net	82,635	27,560
Endowment interest receivable	15,847	(10)
Bequests receivable	4,000	(2,432)
Prepaid expenses and other assets	(3,232)	2,726
Increase (decrease) in		
Accounts payable	(127,150)	(215,527)
Accrued liabilities	(84,107)	128,798
Refundable advances	(236,346)	230,346
Charity gift annuity liability	(1,903)	(2,016)
Net cash provided by operating activities	<u>795,334</u>	<u>1,210,131</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments in marketable securities	(442,384)	(1,262,139)
Sales of investments in marketable securities	288,859	1,037,435
Additions to property and equipment	(57,696)	(79,220)
Net cash used by investing activities	<u>(211,221)</u>	<u>(303,924)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions to SBA PPP loan	-	1,249,000
Endowment investment receipts	4,456	20,258
Payments on capital lease obligation	-	(477)
Net cash provided by financing activities	<u>4,456</u>	<u>1,268,781</u>
<b>NET INCREASE IN CASH AND INTEREST BEARING CASH</b>	588,569	2,174,988
<b>CASH AND INTEREST BEARING CASH – Beginning of year</b>	<u>3,171,858</u>	<u>996,870</u>
<b>CASH AND INTEREST BEARING CASH – End of year</b>	<u>\$ 3,760,427</u>	<u>\$ 3,171,858</u>

See accompanying notes to the financial statements.



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Activity

Hospice Hawaii, Inc., which does business as Navian Hawaii, is a private, nonprofit Hawaii corporation established in 1979, to provide supportive services, including medical, psycho-social, emotional, practical, and spiritual care to persons facing life-limiting illnesses and to their families in Hawaii, through its direct hospice service, palliative care, and community education programs.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require Navian Hawaii to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets without Donor Restrictions* consist of net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Navian Hawaii. These net assets may be used at the discretion of Navian Hawaii's management and board of directors.

*Net Assets with Donor Restrictions* consist of net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Navian Hawaii or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The accompanying financial statements include prior year comparative information that does not constitute a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with Navian Hawaii's financial statements as of and for the year ended December 31, 2020, from which the information was derived.

Certain amounts in the prior year comparative financial information have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates, it is reasonably possible that such estimates may change within the near term, and such differences could be material to the financial statements.



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Certificates of Deposit

Certificates of deposit, that are not debt securities, with original maturities greater than three months and remaining maturities less than one year are classified as current assets. Certificates of deposit with remaining maturities greater than one year are classified as noncurrent assets.

Concentrations of Credit Risk

Financial instruments that potentially subject Navian Hawaii to credit risk include cash, investments in marketable securities, unsecured accounts receivable due primarily from insurers and patients, contributions and pledges receivable, and bequests receivable. Cash on deposit with financial institutions exceeded the related federal deposit insurance by approximately \$3,883,000 and \$2,776,000 at December 31, 2021 and 2020, respectively. Management evaluates the credit standings of these financial institutions to ensure that all such deposits are adequately safeguarded. Accounts receivable, which have been reduced by estimated allowances for doubtful accounts of \$82,168 and \$139,600 at December 31, 2021 and 2020, respectively, are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to the individual accounts, including historical experience, an assessment of economic conditions, and a review of subsequent collections.

Navian Hawaii's investments are exposed to various risks, including interest rate, market, and credit risk. Investments are fully insured by federal and private insurance as represented by the custodian. Future changes in market prices may make such investments less valuable.

Investments in Marketable Securities

Investments in marketable securities are stated at fair value. Net realized and unrealized gains on investments in marketable securities, included in other revenue and support, are determined by using the specific identification method. Investment income includes realized gains, interest, and dividends. Income on investments of donor restricted funds is recorded as an increase in net assets without donor restrictions, unless restricted by the donor or law.

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurements

U.S. GAAP provides a hierarchy that prioritizes the inputs to valuation methodologies used to measure fair value. There are three levels of the fair value hierarchy. Level 1 inputs to the valuation methodologies consist of unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs are unobservable and significant to the fair value measurement. The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the shorter of the lease term or estimated useful lives of one to seven years for leasehold improvements, and the shorter of the lease term or five to 10 years for furniture and equipment. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Repairs and maintenance are expensed as incurred. It is Navian Hawaii's policy to capitalize property and equipment over \$500.

Revenue and Expense Recognition

Revenue is recognized when the services are provided to the patient or customer and the related performance obligations are satisfied. For the years ended December 31, 2021 and 2020, revenue from performance obligations satisfied at a point in time consisted of special events revenue. For the years ended December 31, 2021 and 2020, revenue from performance obligations satisfied over time consists of patient service revenue. For the years ended December 31, 2021 and 2020, revenue from sources other than performance obligations consisted of gain on forgiveness of SBA PPP loan, CARES Act provider relief funds, investment income, unrealized gains on investments, change in value of charitable gift annuity liability, and other operating revenue.

Navian Hawaii records special events revenue equal to fair value of the direct benefits received by the donors, and contribution revenue for the excess received when the event takes place. Amounts received prior to the provision of goods or services are reported as deferred revenue.



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue and Expense Recognition (continued)

Expenses, including advertising expenses of \$101,114 and \$136,596 for the years ended December 31, 2021 and 2020, respectively, are recorded when the related liability is incurred. Navian Hawaii allocates its expense on a functional basis among its various programs and supporting services. Expenses that can be identified with a program or supporting service are charged directly to the program or supporting service using natural expense classifications. Other expenses are allocated on a functional basis among the various programs and supporting services. Expenses such as depreciation, interest, office, and occupancy are allocated based on square footage. Other expenses are allocated based on management's estimate of time and effort spent by personnel.

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors (including health insurers and government payors), and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, Navian Hawaii bills the patients and third-party payors monthly after the services are performed. Revenue is recognized when the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Navian Hawaii. Revenue for performance obligations satisfied over time is recognized based on the actual charge incurred in relation to the total expected (or actual) charges. Navian Hawaii believes that this method provides a reasonable estimate of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Navian Hawaii uses a portfolio approach to estimate the transaction price per service that reflects the amount of consideration Navian Hawaii expects to collect in exchange for satisfying its service performance obligations. Based on historical collection trends and other analyses, Navian Hawaii believes that the portfolio approach approximates revenue appropriately.

Transaction prices, which involve significant estimates, are determined based on Navian Hawaii's established charges, with reductions for contracted price concessions. Navian Hawaii estimates the transaction price associated with services provided to patients who have third-party payor coverage based on the reimbursement terms outlined in contractual agreements and historical experience and includes estimated retroactive revenue adjustments under the agreements with the third party payors. Actual revenue adjustments are recorded when claims are paid by third party payors and estimated revenue adjustments are accrued at the end of the period for revenue transactions with outstanding balances. For self-pay patients, Navian Hawaii determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on Navian Hawaii's historical collection experience, changes in collection patterns, composition of patient accounts by patient types, and general economic conditions. Management regularly reviews payment data for each major payor in evaluating the sufficiency of the estimated allowance for price concessions.



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Patient Service Revenue and Accounts Receivable (continued)

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

- Medicare – Navian Hawaii received a substantial portion of its revenue in 2021 and 2020 as a participant in the Medicare Program under Title XVIII of the Social Security Act. Inpatient and home care services rendered to Medicare hospice program beneficiaries are paid at prospectively determined per diem rates by hospice level of care. These rates are revised by the Medicare Program at least annually and may be revised retroactively. Some physician visits are also paid at prospectively determined rates on a per visit basis. Effective for services rendered on or after April 1, 2013, the Budget Control Act of 2011 has mandated a 2% reduction in Medicare reimbursements, known as sequestration. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, included relief from sequestration cuts as it applies to Medicare payments. Section 3709 of the CARES Act exempted Medicare from the effects of sequestration from May 1, 2020, through Dec. 31, 2020. Subsequent amendments extended the suspension period through December 31, 2021. This reduction in reimbursement is reflected in net patient service revenue from Medicare through May 1, 2020.
- Commercial – Navian Hawaii also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations that offer hospice benefits to its members. The basis for payment to Navian Hawaii is prospectively determined per diem rates by hospice level of care and for room and board, revised at least annually.
- Medicaid – Inpatient and home care services rendered to Medicaid program beneficiaries are paid at prospectively determined per diem rates by hospice level of care and for room and board. The level of care rates as determined by the Medicaid program are revised at least annually. The room and board rates are currently revised bi-annually per audited acuity rates in Medicaid facilities on a facility-by-facility basis and reimbursements are reduced by the patients' predetermined monthly cost of share amount.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates will change by a material amount in the near term. Navian Hawaii believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing that would have a material impact on the financial statements. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Patient Service Revenue and Accounts Receivable (continued)

Settlements 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. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Navian Hawaii's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audit, review, and investigation. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2021 and 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Navian Hawaii estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Navian Hawaii has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Method of reimbursement
- Level of care

Revenue from Medicare, Medicaid, and commercial insurers represented approximately 65%, 9%, and 26%, respectively, of total gross patient revenue, for the years ended December 31, 2021 and 2020.

Navian Hawaii provides care without charge to patients who meet certain criteria under its endowment agreement with a donor that provided funding restricted for that purpose. The cost of charity care is estimated based on the average direct and indirect costs per patient day for routine home and for inpatient residential levels of care. The estimated total cost of such care including both direct and indirect costs amounted to \$0 for the years ended December 31, 2021 and 2020. Endowment income appropriated for charity care amounted to \$4,456 and \$20,258 for the years ended December 31, 2021 and 2020, respectively.



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grants and Contracts

Navian Hawaii recognizes grants and contracts as either contributions or exchange transactions depending on whether the transaction is reciprocal or nonreciprocal. Amounts received are recognized as revenue when Navian Hawaii has incurred expenditures in compliance with the grant provisions. Amounts received prior to incurring the qualifying expenditures are reported as refundable advances in the statement of financial position. Qualifying expenditures that have been incurred, but for which reimbursement has not yet been received, are reported in the statement of financial position as grants and contracts receivable. Amounts received from such grants and contracts for which the conditions and any restrictions are met in the same reporting period are reported as revenue in net assets without donor restrictions.

Donor Contributions

Navian Hawaii recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support is considered to be available for unrestricted use unless restricted by the donor. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are released to net assets without donor restrictions.

Donated Goods and Services

In-kind contributions of goods and services that meet the criteria for recognition are recognized as contributions at the estimated fair market value at the date of donation, and are recorded as expenses or assets in the same amount. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills that are performed by people with those skills and would otherwise be purchased by Navian Hawaii. A number of unpaid volunteers have also made contributions of their time to Navian Hawaii. The value of their time is not reflected in these financial statements because it does not meet the criteria for recognition.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on the gross receipts of Navian Hawaii from special events within Hawaii, plus an additional 0.5% on such gross receipts with the City and County of Honolulu. Hawaii general excise tax amounted to \$615 and \$17 for the years ended December 31, 2021 and 2020, respectively.



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

Navian Hawaii is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is not a private foundation. Accordingly, qualifying contributions to Navian Hawaii are tax deductible.

U.S. GAAP requires uncertain tax positions to be recognized in the financial statements if they are more likely than not to fail upon regulatory examination. Management has evaluated Navian Hawaii's tax positions as of December 31, 2021 and 2020 and for the years then ended, and determined that there were no uncertain tax positions required to be reported in accordance with U.S. GAAP. Navian Hawaii is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

**NOTE B – LIQUIDITY**

Navian Hawaii's policy is to maintain cash balances to provide for its general expenditures, liabilities, and other obligations as they come due. Navian Hawaii prepares an annual budget and monitors actual financial results each month to ensure it controls costs and remains liquid. Navian Hawaii anticipates collecting sufficient funds to provide for its operating cash needs.

The following reflects Navian Hawaii's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for use within one year of the statement of financial position date for general operations because of contractual or donor-imposed restrictions:

	<u>2021</u>	<u>2020</u>
Cash and interest bearing cash	\$3,760,427	\$3,171,858
Certificate of deposit	750,000	750,000
Investments in marketable securities	4,495,485	4,062,298
Accounts receivable from third party payors and patients – net	751,382	1,031,254
Contributions and pledges receivable – net	88,283	170,918
Endowment interest receivable	813	16,660
Bequests receivable	<u>15,432</u>	<u>19,432</u>
Total financial assets	9,861,822	9,222,420
Net assets with donor restrictions	<u>(34,809)</u>	<u>(906,893)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$9,827,013</u>	<u>\$8,315,527</u>

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE C – ACCOUNTS RECEIVABLE FROM THIRD PARTY PAYORS AND PATIENTS**

At December 31, 2021 and 2020, accounts receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
Accounts receivable from third party payors and patients	\$833,550	\$1,170,854
Estimated allowances for doubtful accounts	<u>(82,168)</u>	<u>(139,600)</u>
Accounts receivable from third party payors and patients – net	<u>\$751,382</u>	<u>\$1,031,254</u>

**NOTE D – INVESTMENTS IN MARKETABLE SECURITIES**

At December 31, 2021 and 2020, investments in marketable securities consisted of mutual funds with a cost and fair value as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$3,616,403</u>	<u>\$4,495,485</u>	<u>\$3,415,221</u>	<u>\$4,062,298</u>

At December 31, 2021 and 2020, fair value exceeded cost by \$879,082 and \$647,077, respectively.

For the years ended December 31, 2021 and 2020, investment income – net consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$181,060	\$105,047
Realized gains from sales of investments in marketable securities	47,658	109,084
Investment fees	<u>(32,282)</u>	<u>(26,471)</u>
Total investment income – net	<u>\$196,436</u>	<u>\$187,660</u>

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE E – FAIR VALUE MEASUREMENTS**

At December 31, 2021 and 2020, the fair value measurements reportable by Navian Hawaii consisted of investments in mutual funds valued using quoted market prices (Level 1 inputs) and bequests receivable valued by estimating the present value of the future cash flows, using published risk-free interest rates, inherent risk, and the expected terms of cash flows (Level 3 inputs). There were no investments requiring Level 2 inputs. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2021, the fair value of Navian Hawaii's financial assets were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity funds	\$2,844,937	\$ -	\$ -	\$2,844,937
Fixed income	1,650,548	-	-	1,650,548
Total mutual funds	4,495,485	-	-	4,495,485
Bequests receivable	-	-	15,432	15,432
Total investments at fair value	<u>\$4,495,485</u>	<u>\$ -</u>	<u>\$ 15,432</u>	<u>\$4,510,917</u>

At December 31, 2020, the fair value of Navian Hawaii's financial assets were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$1,798,037	\$ -	\$ -	\$1,798,037
Equity funds	2,264,261	-	-	2,264,261
Total mutual funds	4,062,298	-	-	4,062,298
Bequests receivable	-	-	19,432	19,432
Total investments at fair value	<u>\$4,062,298</u>	<u>\$ -</u>	<u>\$ 19,432</u>	<u>\$4,081,730</u>



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE E – FAIR VALUE MEASUREMENTS (Continued)**

Changes in the fair value of bequests receivable for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 19,432	\$ 17,000
Increase in bequests receivable	-	6,432
Receipts from bequests	<u>(4,000)</u>	<u>(4,000)</u>
Balance, end of year	<u>\$ 15,432</u>	<u>\$ 19,432</u>

**NOTE F – PROPERTY AND EQUIPMENT**

At December 31, 2021 and 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 1,338,906	\$ 1,310,380
Leasehold improvements	<u>350,201</u>	<u>321,031</u>
Total	1,689,107	1,631,411
Accumulated depreciation and amortization	<u>(1,411,251)</u>	<u>(1,311,474)</u>
Property and equipment – net	<u>\$ 277,856</u>	<u>\$ 319,937</u>

**NOTE G – SBA PPP LOAN AND CARES ACT PROVIDER RELIEF FUNDS**

In April 2020, Navian Hawaii applied for and received a \$1,249,000 Paycheck Protection Program (PPP) loan. The U.S. Small Business Administration (SBA) established the PPP loan program in response to the COVID-19 pandemic to fund an entity's payroll and other applicable costs. All or a portion of the loan, which matures two years from the date of funding and bears interest at 1%, may be forgiven if Navian Hawaii meets the compliance requirements established by the SBA and other federal agencies. In February 2021, the SBA approved forgiveness of the full loan amount and, accordingly, Navian Hawaii recognized a gain on forgiveness of the SBA PPP loan in the accompanying statement of revenue, expenses, and other changes in net assets for the year ended December 31, 2021.

During the year ended December 31, 2020, Navian Hawaii also received approximately \$479,000 from the Provider Relief Fund. The Provider Relief Fund was established under the CARES Act to provide qualified providers of healthcare services with funds to cover healthcare-related expenses or lost revenue due to COVID-19 pandemic. Navian Hawaii incurred qualifying healthcare-related expenses of approximately \$118,000 and \$242,000 during the years ended December 31, 2021 and 2020, respectively. The remaining funds, of approximately, \$119,000, were returned to the Health Resources and Services Administration in October 2021.

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
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**NOTE H – NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions		
Endowment fund to be held in perpetuity	\$ -	\$ 750,000
Patient services	16,321	134,404
Subsequent periods	15,432	19,433
Professional development and renewal	<u>3,056</u>	<u>3,056</u>
Total net assets with donor restrictions	<u>\$34,809</u>	<u>\$906,893</u>

**NOTE I – SPECIAL EVENTS**

The special events for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Contributions	\$ 130,411	\$ 99,524
Direct expenses	<u>(31,987)</u>	<u>(32,872)</u>
Special events – net	<u>\$ 98,424</u>	<u>\$ 66,652</u>

For the years ended December 31, 2021 and 2020, there were no direct benefits received by donors for special events.

**NOTE J – LEASES**

Navian Hawaii leased equipment under a capital lease that expired in October 2020. The cost of the related equipment was \$12,255 and the related accumulated amortization was \$12,255 at December 31, 2021 and 2020. Navian Hawaii leases office space and a hospice care facility under operating leases that expire through December 2026. Lease expense amounted to \$319,506 and \$320,979 for the years ended December 31, 2021 and 2020, respectively, and included minimum rentals under operating leases and rentals with lease agreement for less than one year.

**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**For the Year Ended December 31, 2021  
(With Prior Year Comparative Information)**

**NOTE J – LEASES (Continued)**

At December 31, 2021, future minimum operating lease payments approximated the following:

Years ending December 31	
2022	\$211,589
2023	191,196
2024	192,156
2025	193,116
2026	<u>194,076</u>
Future minimum lease payments	<u>\$982,133</u>

**NOTE K – ENDOWMENT**

The endowment recognized as net assets with donor restrictions consisted of the Harry and Jeanette Weinberg Endowment Fund. This endowment stipulated that the principal be held in perpetuity and that interest may be used for charity care. The related agreement required the endowment to be deposited in a federally insured institution in Hawaii. Balances in excess of federal insurance at December 31, 2021 and 2020 were \$0 and \$500,000, respectively.

U.S. GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). An enacted version of UPMIFA was effective in the State of Hawaii on July 1, 2009. It is the policy of Navian Hawaii to preserve the original gift of donor-restricted endowment funds as net assets with donor restrictions, absent explicit donor stipulations to the contrary. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Navian Hawaii to retain as a fund of perpetual duration.

In June 2021, the Harry and Jeanette Weinberg Foundation, in a supplemental agreement, granted Navian Hawaii immediate release from reporting requirements, and the restrictions on investment and use, set forth in the original agreement of the \$750,000 endowment.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$750,000	\$750,000
Investment return	4,456	20,258
Amounts appropriated for expenditure	<u>(754,456)</u>	<u>(20,258)</u>
Balance, end of year	<u>\$ -</u>	<u>\$750,000</u>



**HOSPICE HAWAII, INC., dba Navian Hawaii**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**NOTE L – EMPLOYEE BENEFIT PLAN**

Navian Hawaii sponsors a defined contribution, salary reduction retirement plan under Internal Revenue Code Section 403(b) covering substantially all of its employees. Navian Hawaii may, in its sole discretion, elect on a year-to-year basis to make discretionary contributions up to 3% of each eligible employee's statutory compensation. Employer contributions to the plan amounted to \$74,766 and \$75,774 for the years ended December 31, 2021 and 2020, respectively.

**NOTE M – MEDICAL MALPRACTICE INSURANCE**

Navian Hawaii carries professional liability insurance with limits of liability of \$1,000,000 for each incident and \$3,000,000 in aggregate.

**NOTE N – COMMITMENTS AND CONTINGENCIES**

Navian Hawaii is subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it seeks the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, will not be material to financial statements. However, it is reasonably possible that such estimates may change within the near term.

Navian Hawaii operates in the State of Hawaii. Local, national and international events (such as the COVID-19 pandemic) can have severe, adverse effects on economic conditions in Hawaii. These financial statements do not include the adjustments that would result if Navian Hawaii were to account for future losses, so the effects on the financial statements of Navian Hawaii from such changes in economic conditions are not presently determinable.

**NOTE O – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 21, 2022, which is the date the financial statements were available to be issued, and determined that Navian Hawaii did not have any subsequent events requiring adjustment to the financial statements or disclosure in the notes to the financial statements, except as noted below.

In April 2022 Navian Hawaii applied for and received a \$975,000 loan from a bank to purchase a residential property, that Navian Hawaii utilizes for providing patient care, located in Kailua, Honolulu County. The 10-year loan bears a 2.75% fixed interest rate.