

**HOSPICE OF  
SAN LUIS OBISPO COUNTY, INC.**

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT  
AND  
FINANCIAL STATEMENTS

For the Year Ended  
June 30, 2021

**HOSPICE OF SAN LUIS OBISPO COUNTY, INC.**  
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT AND FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT .....	2
FINANCIAL STATEMENTS	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Changes in Net Assets .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
NOTES TO THE FINANCIAL STATEMENTS .....	8 - 15



CINDRICH & COMPANY  
AN ACCOUNTANCY CORPORATION

1368 MARSH STREET  
SAN LUIS OBISPO, CA 93401  
PHONE: (805)543-5800  
FAX: (805)543-2575

## Independent Accountants' Compilation Report

Executive Board  
Hospice of San Luis Obispo County, Inc.  
San Luis Obispo, California

Management is responsible for the accompanying financial statements of Hospice of San Luis Obispo County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

**CINDRICH & COMPANY**  
An Accountancy Corporation

San Luis Obispo, California  
October 6, 2021

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## STATEMENT OF FINANCIAL POSITION

June 30, 2021

### ASSETS

#### Totals

#### Current assets:

Cash and cash equivalents	\$ 108,653
Accounts receivable	22,584
Prepaid expense	4,563
Investments (Note 4)	354,590
Investments - Community Foundation SLO County (Notes 4 and 7)	<u>23,466</u>

Total current assets 513,856

#### Fixed assets:

Property and equipment, net of accumulated depreciation (Note 5)	<u>1,078,567</u>
---	------------------

Total assets \$ 1,592,423

### LIABILITIES AND NET ASSETS

#### Current liabilities:

Accounts payable	\$ 4,554
Accrued expenses (Note 6)	26,524
Deferred revenue	<u>1,853</u>

Total current liabilities 32,931

#### Net assets:

Without donor restrictions: (Note 2)	
Undesignated	1,300,777
Board designated (Note 8)	195,284
With donor restrictions (Notes 2 and 7)	<u>63,431</u>

Total net assets 1,559,492

Total liabilities and net assets \$ 1,592,423

See accompanying notes and accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b><i>Income and support:</i></b>			
Contributions and memorials	\$ 239,430	\$ -	\$ 239,430
Fundraising and special event income net of \$23,794 expense , of which \$673 is in kind	73,186		73,186
United Way	2,483		2,483
Program income	8,405		8,405
Grant income	30,054	85,000	115,054
Grant income - Covid (Note 12)	5,357		5,357
Investment return, net (Note 4)	55,829	3,693	59,522
Net assets released from restriction	82,174	(82,174)	-
	<hr/>	<hr/>	<hr/>
Total income and support	496,918	6,519	503,437
<b><i>Functional expenses:</i></b>			
Program services	442,455		442,455
Management and general	63,754		63,754
Fundraising	29,644		29,644
	<hr/>	<hr/>	<hr/>
Total functional expenses	535,853	-	535,853
	<hr/>	<hr/>	<hr/>
<b><i>Change in net assets:</i></b>	\$ (38,935)	\$ 6,519	\$ (32,416)

See accompanying notes and accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended June 30, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
<b><i>Net assets - June 30, 2020</i></b>	\$ 1,534,996	\$ 56,912	\$ 1,591,908
Change in net assets	<u>(38,935)</u>	<u>6,519</u>	<u>(32,416)</u>
<b><i>Net assets - June 30, 2021</i></b>	<u>\$ 1,496,061</u>	<u>\$ 63,431</u>	<u>\$ 1,559,492</u>

See accompanying notes and accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund- Raising</u>	<u>Totals</u>
<b>Expenses:</b>				
Salaries	\$ 276,090	\$ 32,481	\$ 16,241	\$ 324,812
Payroll taxes	18,868	2,220	1,110	22,198
Employee benefits	14,140	1,664	832	16,636
Bookkeeping	9,208	1,011	1,011	11,230
Telephone and internet	5,861	690	345	6,896
Postage	1,041	123	61	1,225
Professional fees	-	12,804	-	12,804
Office supplies	4,975	553	-	5,528
Repairs and maintenance	7,780	864	-	8,644
Contract services	29,955	3,288	3,288	36,531
Utilities	6,434	715	-	7,149
Travel	291	25	6	322
Insurance	13,226	1,803	6,138	21,167
Advertising and public relations	9,915	1,102	-	11,017
Training and education	332	-	-	332
Dues and memberships	1,741	112	-	1,853
Miscellaneous	1,997	235	117	2,349
Volunteer services	3,927	431	431	4,789
Program expenses	4,041	-	-	4,041
Care management	1,082	127	64	1,273
Depreciation	31,551	3,506	-	35,057
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	442,455	63,754	29,644	535,853
	<hr/>	<hr/>	<hr/>	<hr/>
Fundraising event costs reported separately	-	-	23,794	23,794
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses reported by function	\$ 442,455	\$ 63,754	\$ 53,438	\$ 559,647
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes and accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2021

	<u>Totals</u>
<b><i>Cash flows from operating activities:</i></b>	
Change in net assets	\$ (32,416)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	35,057
Realized/unrealized gain on investments	(44,234)
Increase in accounts receivable	(8,513)
Decrease in prepaid expenses	6,330
Increase in accounts payable	222
Increase in accrued expenses	18,334
Increase in deferred revenue	1,853
	<hr/>
Net cash used by operating activities	(23,367)
<b><i>Cash flows from investing activities:</i></b>	
Proceeds from sale of investments	112,450
Acquisition of investments	(156,651)
	<hr/>
Net cash used by investing activities	(44,201)
<b><i>Cash flows from financing activities:</i></b>	
Repayments on long term debt	(5,357)
	<hr/>
Net cash used by financing activities	(5,357)
<b><i>Net change in cash:</i></b>	(72,925)
<b><i>Cash and cash equivalents at beginning of period:</i></b>	181,578
	<hr/>
<b><i>Cash and cash equivalents at end of period:</i></b>	<u>\$ 108,653</u>

## ***Supplemental information:***

There was no cash paid for interest or income taxes for the year ended June 30, 2021.

See accompanying notes and accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 1: HISTORY AND ORGANIZATION

Hospice of San Luis Obispo County, Inc. (Hospice) is a non-profit, non-stock corporation, organized under the laws of the State of California in 1977, for the purpose of providing volunteer support, education and counseling to those living with a life threatening or terminal illness, their families, and the bereaved. As a volunteer hospice all services rendered are provided at no cost to the individuals and families receiving them and insurance is never billed.

Hospice programs include 1) in home care by trained volunteers for emotional and practical assistance, 2) grief support to individuals and families of all ages, 3) quarterly in-home volunteer trainings for respite care, pet peace of mind or end of life doula services; annual bereavement/grief training and ongoing community education about issues related to dying and death, and 4) community response services provided to businesses, schools, churches, government and community agencies.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Accounting*

The financial statements are presented on the accrual basis of accounting which recognizes revenue as gross income when earned and operating expenses as deductions from gross income when incurred. The financial resources are maintained in accordance with the principles of fund accounting.

*Net assets without donor restrictions* is utilized to record contributions, fund raising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fund raising efforts of the organization.

*Net assets with donor restrictions* is utilized to record resources received by the Organization that are restricted as to use by the donor or grantor. When the restriction expires, the net assets of this fund are reclassified to net assets without donor restrictions.

#### *Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as net assets with donor restrictions. When the donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as net assets without donor restrictions.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Income Tax*

Hospice is recognized by the Internal Revenue Service as a qualified section 501(c)(3), non-profit organization, and as such, is not liable for Federal income or State franchise tax. The Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

#### *Cash and Cash Equivalents*

Cash and cash equivalents includes all liquid investments including money market accounts and certificates of deposits with a maturity of three months or less when purchased.

#### *Accounts Receivable*

Management has determined that an allowance for doubtful accounts would be zero based on the Organization's credit policies, prior collection experience and the type of customers associated with the Organization.

#### *Property and Equipment*

The Organization follows the practice of capitalizing all expenditures in excess of \$1,500 for property and equipment at cost. Repairs and maintenance are charged to expense when incurred. Depreciation expense is calculated on the straight-line method over the useful life of the related asset.

#### *Advertising*

Advertising costs are expensed during the period in which they are incurred.

#### *In-kind Donations*

Hospice receives donations of time and services from members of the community and volunteers. The value of these donations is not reflected in the accompanying financial statements since no objective basis is available to measure the value of these services. In-kind donations of fixed assets, supplies and vendor services used directly by the organization are valued at their appraised values at the time of the receipt.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Fair Value Measurements*

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

The Organization is required to measure two types of assets and the related revenues at fair value: non-cash contributions and certain investments. The techniques used to measure fair value are described in the notes below that relate to each asset/revenue.

#### *Functional Allocation of Expenses*

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Expenses that are directly relatable to a functional category are allocated 100% to that category. These operating expenses are directly allocated based on historical time studies.

#### *Subsequent Events*

Management has evaluated subsequent events through October 6, 2021, which is the date the financial statements were available to be issued.

#### *New Accounting Standards*

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). The Organization adopted ASC Topic 606 on July 1, 2020, using the modified retrospective method. Due to a lack of contracts with customers, the adoption of ASC Topic 606 had no impact on either the prior year net assets or the current year financial statements.

### NOTE 3: DONATED MATERIALS AND SERVICES

Donated services	\$	8,056
Donated services - fundraisers		673
Donated supplies		<u>320</u>
Total in kind revenue and expense	\$	<u>9,049</u>

See accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 4: INVESTMENTS

Investments are presented in the aggregate at fair market value on quoted prices in active markets, and are summarized in the following table.

Securities are generally held in custodial investment accounts administered by certain financial institutions. The fair values of investments in securities traded on the national security exchanges are valued at the closing price on the last business day of the fiscal year. Market rise or decrease could occur and is dependent on the future changes in market prices of the various investments held.

Investments at June 30, 2021, are comprised of the following:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds - Bonds	\$ 163,974	\$ 162,885
Mutual Funds - Equities	119,270	180,041
Mutual Funds - Other	8,968	11,664
Investment - Community Foundation SLO County	<u>18,384</u>	<u>23,466</u>
Total investments	<u>\$ 310,596</u>	<u>\$ 378,056</u>

Realized gains and losses on the sale of investments are calculated using the specific identification method. Unrealized gains and losses represent the change in the fair market value of the individual investments for the year, or since the acquisition during the year, and are included in the change in net assets.

Return on investments consists of the following:

Dividends and interest	\$ 12,213
Capital gains distributions	6,783
Net realized and unrealized gains	44,234
External investment expenses	<u>(3,708)</u>
Investment return, net	<u>\$ 59,522</u>

### NOTE 5: PROPERTY AND EQUIPMENT

Summaries of fixed assets by major classifications at June 30, 2021, are as follows:

Furniture and equipment	\$ 50,368
Buildings and improvements	1,128,511
Land	<u>503,334</u>
	1,682,213
Less: accumulated depreciation	<u>603,646</u>
Total property and equipment	<u>\$ 1,078,567</u>

Total depreciation for the year ended June 30, 2021, was \$35,057.

See accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 6: ACCRUED EXPENSES

Accrued expenses at June 30, 2021 consist of the following:

Accrued wages and payroll taxes	\$	17,244
Accrued vacation		<u>9,280</u>
	\$	<u>26,524</u>

Hospice has accrued a liability for vacation leave earned but not taken by staff employees. This accrual was calculated on actual vacation days earned and applied to the individuals' hourly rate.

### NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions were composed of:

Community Foundation San Luis Obispo Endowment Fund	\$	23,466
Rupe Care Management Grant		34,965
Children's Counseling Services		<u>5,000</u>
Total net assets with donor restrictions	\$	<u>63,431</u>

#### *Community Foundation San Luis Obispo County Endowment Fund*

Net assets with donor restrictions at June 30, 2021, consist of an endowment fund established in fiscal year 2002/2003. The purpose of the fund is to provide Hospice ongoing support through investment income from the fund. Annual earnings from the fund, net of fees and expenses, may be distributed to Hospice; neither fund principal nor the net appreciation of fund principal, realized or unrealized, may be distributed. The fund shall continue as long as assets are available in the fund and the purposes of the fund can be served by its continuation.

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Organization has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS (continued)

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-imposed endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

At June 30, 2021, the Community Fund is composed of:

Amounts required to be invested in perpetuity	\$	10,250
Restricted realized and unrealized gains		3,605
Amounts available for appropriation		13,791
Amounts appropriated for expenditure		<u>(4,180)</u>
Total Community Fund net assets	\$	<u>23,466</u>

#### *Rupe Care Management Grant*

The Organization received a grant in the amount of \$60,000 for the year ended June 30, 2021. The grant funds use is restricted for the care and management of those with dementia.

At June 30, 2021, the Rupe Grant balance in net assets with donor restrictions are as follows:

Balance at June 30, 2020	\$	27,959
Contributions		60,000
Amounts appropriated for expenditure		<u>(52,994)</u>
Balance at June 30, 2021	\$	<u>34,965</u>

#### *Children's Counseling Services Donation*

The Organization received a donations in the amount of \$5,000 for the year ended June 30, 2020. The donation is restricted for the use of developing a children's program. As of June 30, 2021, none of the funds had been utilized.

### NOTE 8: BOARD DESIGNATED

#### *Quasi- Endowment*

Quasi-endowments are those purpose-restricted gifts that are intended to be maintained in perpetuity or to be spent over a specific time period, usually several years; however, under specific circumstances defined by the donor, the principal may be invaded fully to meet the defined purposes. Board-designated endowments are net assets without donor restrictions designated by the Board of Directors to function as endowments.

See accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 8: BOARD DESIGNATED (continued)

Board designated net assets at June 30, 2021, consist of a second endowment fund established in fiscal year 2000/2001. As required by the Arthur N. Rupe Foundation grant, \$100,000 was set aside to begin The Rupe Endowment Fund. Since the inception of the fund Hospice has received additional contributions. The income earned by this endowment will be used exclusively for operating and maintenance costs associated with the facility on Pacific Street in San Luis Obispo, where Hospice is located.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2021, are as follows:

	<u>Board Designated</u>
Quasi-Endowment net assets, June 30, 2020	\$ 183,039
Investment income	9,025
Net appreciation	24,597
Amounts appropriated for expenditure	<u>(21,377)</u>
Quasi-Endowment net assets, June 30, 2021	<u>\$ 195,284</u>

### NOTE 9: CONCENTRATIONS

The Organization maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation up to \$250,000.

The Organization's largest grant consisted of 11.9% of revenue for the year ended June 30, 2021.

The Organization's largest fundraiser consisted of 16.5% of revenue for the year ended June 30, 2021.

### NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets (cash and cash equivalents) as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents, at year end	\$ 108,653
Investments, at year end	378,056
Accounts receivable, at year end	<u>22,584</u>
Total financial assets, at year end	<u>509,293</u>

See accountants' report.

# HOSPICE OF SAN LUIS OBISPO COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Less amounts unavailable for general expenditure due to imposed purpose restrictions:

Board designated quasi-endowment	195,284
Donor restricted	<u>63,431</u>

Total amount unavailable for general expenditure	<u>258,715</u>
--	----------------

Financial assets available to meet cash needs for general expenditure within one year	\$ <u>250,578</u>
---	-------------------

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition cash in excess of daily requirements is invested in various mutual funds.

### NOTE 11: EMPLOYEE RETIREMENT PLAN

In October 2020, the Organization adopted a 403(b) retirement plan pursuant to the Internal Revenue Code, whereby participants of the plan may contribute a percentage of compensation, but not in excess of the maximum allowed under the code. The Organization may contribute annually to the plan by making discretionary matching contributions. All employees of 21 years of age and older, with at least 1,000 hours of service in a twelve month period, are eligible to participate in the plan. There were no matching contributions for the year ending June 30, 2021.

### NOTE 12: COVID-19

The Coronavirus disease (COVID-19) has affected global markets, supply chains, employees of companies, and our communities. COVID-19 may impact various parts of the Organization's 2020/2021 operations and financial results including potential reduced revenue caused by public health mandates including the Governor of the State of California's stay at home order issued on March 19, 2020. Management believes the Organization is taking appropriate actions to mitigate the negative results, however, the full financial impact to the Organization resulting from COVID-19 cannot be reasonably estimated at this time.

#### Paycheck Protection Program:

On April 27, 2020, the Organization received \$96,900 through the Federal Paycheck Protection Program (PPP) enacted under the CARES (Coronavirus Aid, Relief, and Economic Securities) Act passed on March 27, 2020. The funds received under PPP must be used towards payroll, rent, utilities, and interest on existing debt. The loan proceeds may be forgiven subject to compliance and approval by the Small Business Administration based on the timing and use of the funds under the program. The Organization has used the loan proceeds in accordance with terms of the CARES Act and received full forgiveness of the loan funds on January 7, 2021.

See accountants' report.