

Willamette Valley Hospice, Inc. dba Willamette Vital Health

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022



WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Financial Statements

Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Willamette Valley Hospice, Inc.
dba Willamette Vital Health
Salem, Oregon

Opinion

We have audited the accompanying financial statements of Willamette Valley Hospice, Inc. dba Willamette Vital Health (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Willamette Valley Hospice, Inc. dba Willamette Vital Health as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Willamette Valley Hospice, Inc. dba Willamette Vital Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 15 to the financial statements, errors related to Employee Retention Tax Credit recognized in a prior period resulting in an overstatement of net assets without donor restrictions as of December 31, 2022, were discovered during the year ended December 31, 2023. Accordingly, the amount reported for net assets without donor restrictions has been restated as of December 31, 2022, to correct the errors. Our opinion is not modified with respect to that matter.

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 Willamette Valley Hospice, Inc. dba Willamette Vital Health's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's 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 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 Willamette Valley Hospice, Inc. dba Willamette Vital Health'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 Willamette Valley Hospice, Inc. dba Willamette Vital Health'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.

Aldrich CPAs + Advisors LLP

Lake Oswego, Oregon
August 15, 2024

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH**Statements of Financial Position**

December 31, 2023 and 2022

	2023	(Restated) 2022
ASSETS		
Current Assets:		
Cash	\$ 2,899,627	\$ 2,267,650
Accounts receivable, net	2,660,077	3,215,520
Employee Retention Credits receivable	-	457,174
Investments	5,387,487	4,730,738
Prepaid expenses and other current assets	209,016	150,215
Cash - donor restricted	498,988	481,579
Total Current Assets	<u>11,655,195</u>	<u>11,302,876</u>
Assets Limited to Use:		
Beneficial interest in assets held by community foundation	37,404	35,475
Property and Equipment, net of accumulated depreciation	<u>2,323,705</u>	<u>2,275,585</u>
Total Assets	<u>\$ 14,016,304</u>	<u>\$ 13,613,936</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 369,732	\$ 454,170
Accrued expenses	802,956	643,395
Employee Retention Credits payable	1,248,952	-
Refundable grant	-	36,539
Total Current Liabilities	2,421,640	1,134,104
Net Assets:		
Net Assets Without Donor Restrictions:		
Undesignated	9,595,917	10,682,262
Designated by the Board of Directors	1,499,759	1,315,991
Total Net Assets Without Donor Restrictions	11,095,676	11,998,253
Net Assets With Donor Restrictions	<u>498,988</u>	<u>481,579</u>
Total Net Assets	<u>11,594,664</u>	<u>12,479,832</u>
	<u>\$ 14,016,304</u>	<u>\$ 13,613,936</u>

See accompanying notes to financial statements.

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WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH**Statement of Activities**

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Patient services	\$ 12,818,512	\$ -	\$ 12,818,512
Contributions and bequests	317,757	221,756	539,513
Other revenue, net	82,244	-	82,244
Net assets released from restrictions	204,347	(204,347)	-
Total Revenue and Support	<u>13,422,860</u>	<u>17,409</u>	<u>13,440,269</u>
Expenses:			
Program services:	11,230,797	-	11,230,797
Supporting services:			
General and administrative	3,260,989	-	3,260,989
Fundraising	654,371	-	654,371
Total Operating Expenses	<u>15,146,157</u>	<u>-</u>	<u>15,146,157</u>
Other Income:			
Realized and Unrealized Investment Gains	639,711	-	639,711
Interest and Dividends	181,009	-	181,009
Total Other Income	<u>820,720</u>	<u>-</u>	<u>820,720</u>
Change in Net Assets	(902,577)	17,409	(885,168)
Net Assets, beginning	<u>11,998,253</u>	<u>481,579</u>	<u>12,479,832</u>
Net Assets, ending	<u>\$ 11,095,676</u>	<u>\$ 498,988</u>	<u>\$ 11,594,664</u>

See accompanying notes to financial statements.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH**Statement of Activities**

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Patient services	\$ 14,614,935	\$ -	\$ 14,614,935
Employee Retention Credit (Restated)	457,174	-	457,174
Contributions and bequests	237,432	189,174	426,606
Other revenue, net	221,051	-	221,051
Net assets released from restrictions	171,540	(171,540)	-
Total Revenue and Support	<u>15,702,132</u>	<u>17,634</u>	<u>15,719,766</u>
Expenses:			
Program services:	10,994,228	-	10,994,228
Supporting services:			
General and administrative	3,064,384	-	3,064,384
Fundraising	301,694	-	301,694
Total Operating Expenses	<u>14,360,306</u>	<u>-</u>	<u>14,360,306</u>
Other Income (Loss):			
Realized and unrealized investment loss	(1,153,149)	-	(1,153,149)
Interest and dividends	62,922	-	62,922
Total Other Loss	<u>(1,090,227)</u>	<u>-</u>	<u>(1,090,227)</u>
Change in Net Assets (Restated)	251,599	17,634	269,233
Net Assets, beginning	<u>11,746,654</u>	<u>463,945</u>	<u>12,210,599</u>
Net Assets, ending as restated	<u>\$ 11,998,253</u>	<u>\$ 481,579</u>	<u>\$ 12,479,832</u>

See accompanying notes to financial statements.

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WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services			Support Services			Total
	Hospice Care Expenses	Palliative Care	Adult Foster Home	General and Administrative	Fundraising	Total	
Salaries and Wages	\$ 6,499,843	\$ 422,465	\$ 455,916	\$ 1,606,592	\$ 167,969	\$ 9,152,785	
Employee Benefits and Payroll Taxes	1,328,862	86,907	100,863	443,855	46,662	2,007,149	
Patient Costs	1,651,366	6,062	325	-	13,561	1,671,314	
Non Patient Related	1,887	2,987	-	187,268	327,745	519,887	
Professional Services	2,548	1,559	1,331	400,568	26,877	432,883	
Contract Labor	285,865	36,122	-	25,226	-	347,213	
Mileage	273,216	8,250	121	3,175	1,077	285,839	
Supplies	16,147	809	13,371	68,506	50,635	149,468	
Depreciation	-	-	16,997	109,523	-	126,520	
Recruitment	2,304	-	-	100,838	255	103,397	
Advertising	-	-	-	94,210	8,362	102,572	
Maintenance	-	-	7,914	67,758	6,330	82,002	
Insurance	-	-	-	78,960	-	78,960	
Rent/Leases Expense	96	-	-	32,216	2,619	34,931	
Travel	3,606	2,433	-	21,839	1,455	29,333	
Staff Recognition	625	-	-	20,455	824	21,904	
Total Functional Expenses	\$ 10,066,365	\$ 567,594	\$ 596,838	\$ 3,260,989	\$ 654,371	\$ 15,146,157	

See accompanying notes to financial statements.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services			Support Services		Total
	Hospice Care Expenses	Palliative Care	Adult Foster Home	General and Administrative	Fundraising	
Salaries and Wages	\$ 6,354,238	\$ 517,524	\$ 398,374	\$ 1,481,980	\$ 196,455	\$ 8,948,571
Employee Benefits and Payroll Taxes	1,307,193	137,088	93,074	242,560	49,493	1,829,408
Patient Costs	1,523,013	32,600	16,718	-	-	1,572,331
Professional Services	3,147	-	-	418,648	5,519	427,314
Nonpatient Related	91,731	1,600	7,359	318,542	5,470	424,702
Mileage	252,892	10,874	379	3,134	1,249	268,528
Contract Labor	168,775	1,256	-	-	-	170,031
Advertising	-	-	-	148,098	-	148,098
Recruitment	806	-	-	131,536	-	132,342
Depreciation	-	-	16,997	104,410	-	121,407
Supplies	34,550	807	15,703	42,973	24,568	118,601
Insurance	-	-	-	65,201	-	65,201
Maintenance	-	-	-	50,084	-	50,084
Leases	299	-	-	32,412	-	32,711
Travel and Conferences/Meetings	3,727	399	2,720	14,173	1,296	22,315
Staff Recognition	289	-	96	10,633	8,749	19,767
Professional Development	-	-	-	-	8,895	8,895
Total Functional Expenses	\$ 9,740,660	\$ 702,148	\$ 551,420	\$ 3,064,384	\$ 301,694	\$ 14,360,306

See accompanying notes to financial statements.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH**Statements of Cash Flows**

Years Ended December 31, 2023 and 2022

	2023	(Restated) 2022
Cash Flows from Operating Activities:		
Change in net assets	\$ (885,168)	\$ 269,233
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	126,520	121,407
Employee Retention Credits receivable	457,174	(457,174)
Net realized and unrealized (gain) loss on investments	(660,157)	1,116,872
Loss on disposal of property and equipment	25,000	-
Changes in operating assets and liabilities:		
Accounts receivable, net	555,443	(577,038)
Prepaid expenses and other current assets	(58,801)	3,522
Accounts payable	(84,438)	202,087
Accrued expenses	159,561	(124,663)
Refundable grant	(36,539)	(105,166)
Employee Retention Credits payable	1,248,952	-
Net Cash Provided by Operating Activities	847,547	449,080
Cash Flows from Investing Activities:		
Purchase of property and equipment	(199,640)	(142,816)
Proceeds from sale of investments	1,479	1,401
Net Cash Used by Investing Activities	(198,161)	(141,415)
Net Change in Cash and Restricted Cash	649,386	307,665
Cash and Restricted Cash, beginning	2,749,229	2,441,564
Cash and Restricted Cash, ending	\$ 3,398,615	\$ 2,749,229
Supplemental Disclosure of Cash Flow Information:		
Cash	\$ 2,899,627	\$ 2,267,650
Cash - donor restricted	498,988	481,579
Total Cash and Restricted Cash	\$ 3,398,615	\$ 2,749,229

See accompanying notes to financial statements.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

Willamette Valley Hospice, Inc. (the Hospice) was founded in 1978 in Salem, Oregon to provide comprehensive hospice care services, pain management, grief services, and support for those patients and families facing serious or life-limiting illness. Through its mission of "providing innovative, personalized, and compassionate care to patients and families facing serious illness," the Hospice supports adults and children living with a serious or life-limiting illness throughout Marion and Polk counties and beyond.

The Hospice rebranded its name in 2022 and is currently known as Willamette Vital Health.

Basis of Presentation

Assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to externally imposed restrictions. Amounts designated by the board are included in this classification.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time or restrictions that stipulate the resources be maintained permanently, but permit the organization to use, or expend, part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of net assets with donor restrictions are reported as transfers between the applicable classes of net assets. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash

The Hospice maintains its cash in bank deposit accounts that, at times, may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

Investments

The Hospice records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Accounts Receivable

Effective January 1, 2023, the Hospice adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This update requires the use of a forward-looking expected credit loss model for instruments within its scope, including accounts receivable, and replaces the previous incurred loss impairment model. The expected credit loss model requires management to estimate current expected credit losses over the lifetime of the assets by considering all reasonable and supportable information, including historical experience, current conditions, and reasonable and supportable forecasts affecting collectability. Management has analyzed the provisions contained in Topic 326 and determined that there is no impact on net assets as of January 1, 2023, due to the adoption of the new policy. Management analyzes history and identifies trends for each of the major payor sources of revenue to estimate the appropriate implicit and explicit price concession. If amounts are deemed uncollectible, they are written off in the period the determination is made. Based on these factors, the Hospice has determined that an allowance for credit losses of approximately \$204,981 and \$182,960 was necessary at December 31, 2023 and 2022, respectively. The beginning balance of accounts receivable on January 1, 2022 was \$2,638,482, net of an allowance of approximately \$43,000.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized. The cost of assets retired or otherwise disposed of, and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Estimated useful lives are as follows:

Building	15 to 30 Years
Furniture and Equipment Software	3 to 10 Years
Software	3 Years

Revenue Recognition

Patient Services - The Hospice recognizes patient service revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Hospice expects to be entitled in exchange for those goods or services. Patient services revenue is reported at the estimated transaction price from patients, third-party payors, and other services rendered, including estimated adjustments under reimbursement agreements with third-party payors. Adjustments are accrued on an estimated basis in the period and related services are tendered and adjusted in future periods as final settlements are determined (see Note 12).

Contribution and Bequests - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Grants - Grants are conditioned upon performance requirements and/or the incurrence of allowable qualifying expenses. Expenses are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized from grants for which billings have not been presented to or collected from the awarding agency is included in receivable in the accompanying statements of financial position. The refundable grant represents funds received for lost revenue and expenses (allowable costs) related to the COVID-19 pandemic. As allowable costs are incurred, amounts are recorded as revenue. Any grants received that are not used within the specified timeframe or under appropriate circumstances may be repayable (see Note 13).

Donated Materials and Services

The fair market value of contributed materials and services is reported as contributed nonfinancial assets support and categorical expense in the period in which the materials are provided or services are performed. Contributions of nonfinancial assets are recorded at their fair values in the period received.

A substantial number of volunteers have donated significant amounts of time to assist in the Hospice's programs. However, the values of these services do not meet the criteria for recognition as a contribution and are not reflected in the accompanying financial statements.

Advertising

The Hospice follows the policy of charging the costs of advertising to expense as incurred.

Functional Expense Allocation

The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and other occupancy costs, are allocated to a function based on a square-footage or units-of service basis. Salaries and wages, employee benefits and payroll taxes are charged directly to the program or administrative service based on where the employee is assigned. Allocated healthcare service costs not allocated on a units-of-service basis are otherwise allocated based on revenue.

Income Taxes

The Hospice is tax exempt under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. The Internal Revenue Service does not classify the Hospice as a private foundation. Management has evaluated tax positions taken and has determined that any uncertainty in those positions would not have a material effect on the financial statements.

Leases

Leases with an initial term of 12 months or less are not recorded on the statements of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Management has analyzed all lease agreements and determined no right-of-use assets or lease liabilities exist as of December 31, 2023 and 2022. The lease agreements do not contain any material residual value guarantees. Short-term lease expense charged to contract costs for the years ended December 31, 2023 and 2022 were \$34,931 and \$32,711, respectively.

Subsequent Events

The Hospice has evaluated subsequent events through August 14, 2024 which is the date the financial statements were available to be issued.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 2 - Liquidity and Availability

As of December 31, 2023, the Hospice has a working capital of \$9,447,432 (\$8,897,917 as of December 31, 2022) and average days (based on normal expenditures) of cash on hand at 70 days (58 days as of December 31, 2022). As part of the Hospice's liquidity plan the Hospice maintains a \$1,000,000 line of credit, as discussed in more detail in Note 8.

Financial assets available for general expenditure within one year of the statements of financial position date consisted of the following for the years ended December 31:

	2023	(Restated) 2022
Cash	\$ 2,899,627	\$ 2,267,650
Accounts Receivable, net	2,660,077	3,215,520
Investments	5,387,487	4,730,738
Net Assets Without Donor Restrictions (Designated by the Board of Directors)	<u>(1,499,759)</u>	<u>(1,315,991)</u>
Total Financial Assets	<u>\$ 9,447,432</u>	<u>\$ 8,897,917</u>

Note 3 - Beneficial Interest in Assets Held by Community Foundation

The Hospice has transferred assets to the Oregon Community Foundation (OCF) which is holding them as an agency endowment fund (Fund) for the benefit of the Hospice. The Hospice has granted OCF limited variance power which gives OCF's board of trustees the power to use the Fund for other purposes in certain circumstances such as a dissolution of the Hospice. The Fund is subject to the OCF's investment and spending policies which currently result in a distribution to the Hospice twice yearly in June and December. The distribution amounts will represent an appropriate percentage of the fair market value of the Fund as determined by OCF board of trustees. Extraordinary distributions from the Fund, in addition to the twice-annual distributions, require three-quarters of all the directors of the Hospice and sole judgment of the board of directors of OCF that the requested distribution is consistent with the objects and purposes of the charitable organization and the charitable, educational, and scientific needs of the state of Oregon. The Hospice reports the fair value of the Beneficial Interest in Assets Held at the Oregon Community Foundation in the statements of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statements of activities. Changes in the Fund for the years ended December 31, are as follows:

Balance - December 31, 2021	\$ 41,336
Share of the Depreciation of Fund	(4,460)
Distributions Received	<u>(1,401)</u>
Balance - December 31, 2022	35,475
Return on Investments	3,408
Distributions Received	<u>(1,479)</u>
Balance - December 31, 2023	<u>\$ 37,404</u>

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 4 - Investments

Investments consisted of the following at December 31:

	2023	2022
Common Stocks	\$ 3,125,858	\$ 2,516,369
Mutual Funds	2,261,629	2,214,369
Total	<u>\$ 5,387,487</u>	<u>\$ 4,730,738</u>

Investment expense was \$32,032 and \$31,403 for the years ended December 31, 2023 and 2022 respectively.

Note 5 - Fair Value of Financial Instruments

In accordance with professional standards, fair value is defined as the price that the Hospice would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. The guidance established a three-tier hierarchy to maximize the use of observable measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions.

Common Stocks and Mutual Bond Funds: valued at the daily closing price in active markets, which approximates fair value.

The following tables present the balances of the assets of the Hospice measured at fair value within the fair value hierarchy:

Description	Financial Instruments at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 3,125,858	\$ -	\$ -	\$ 3,125,858
Mutual Bond Funds	2,261,629	-	-	2,261,629
Oregon Community Foundation	-	-	37,404	37,404
Total	<u>\$ 5,387,487</u>	<u>\$ -</u>	<u>\$ 37,404</u>	<u>\$ 5,424,891</u>

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 5 - Fair Value of Financial Instruments, continued

Description	Financial Instruments at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 2,516,369	\$ -	\$ -	\$ 2,516,369
Mutual Bond Funds	2,214,369	-	-	2,214,369
Oregon Community Foundation	-	-	35,475	35,475
Total	\$ 4,730,738	\$ -	\$ 35,475	\$ 4,766,213

The interest in assets held by Oregon Community Foundation (OCF) has been valued as a practical expedient, at the fair value of the Hospice's share of the OCF's investment pool as of the measurement date. OCF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of OCF, which includes private placements and other securities for which prices are not readily available, are determined by the management of OCF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at OCF is redeemable by a request for extraordinary distributions as described in Note 3.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Hospice's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

	2023	2022
Beginning balance	\$ 35,475	\$ 41,336
Investment Returns Reinvested	280	210
Expenses	(337)	(327)
Realized Gain (Loss)	213	(256)
Unrealized Gain (Loss)	3,252	(4,087)
Distributions	(1,479)	(1,401)
Ending balance	\$ 37,404	\$ 35,475

Note 6 - Accounts Receivables

Receivables are as follows at December 31:

	2023	2022
Medicare	\$ 2,170,966	\$ 2,069,803
Commercial, Self Pay, and Other	477,377	957,237
Medicaid	216,715	371,440
Allowance for credit losses	(204,981)	(182,960)
Total Receivables	\$ 2,660,077	\$ 3,215,520

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 7 - Property and Equipment, net

Property and equipment consists of the following at December 31:

	2023	2022
Building	\$ 3,610,893	\$ 3,429,052
Furniture and Equipment	851,744	848,030
Software	179,465	179,465
Land	611,726	611,726
Construction in Progress	16,831	27,746
Total Property and Equipment	<u>5,270,659</u>	<u>5,096,019</u>
Less: Accumulated Depreciation	<u>(2,946,954)</u>	<u>(2,820,434)</u>
Property and Equipment, net	<u>\$ 2,323,705</u>	<u>\$ 2,275,585</u>

Depreciation expense charged to operations is \$126,520 and \$121,407 for the years ended December 31, 2023 and 2022, respectively.

Note 8 - Line of Credit

The Hospice has a \$1,000,000 line of credit with a maturity date of April 28, 2024. The effective interest was 9.50% at December 31, 2023. The credit line is secured by assets of the Hospice. There was no outstanding balance for the year ended December 31, 2023.

Note 9 - Retirement Plan

The Hospice sponsors a 401(k) retirement plan for all eligible employees. The Hospice may contribute, on behalf of each participant, a matching contribution up to 100% of each participant's elective deferral, but elective deferrals that exceed 4% of a participant's compensation will not be considered. The Hospice may also elect, at the discretion of the board of directors, to contribute additional amounts to the profit sharing plan. The Hospice contributed \$239,718 and \$245,059 of matching contribution for the years ended December 31, 2023 and 2022 respectively.

Note 10 - Net Assets with Donor Restrictions

	2023	2022
Net Assets Donor Restricted by Purpose:		
Pet Peace of Mind	\$ 108,466	\$ 104,435
Creating Legacy	58,031	46,773
Children's Bereavement Program	47,132	67,859
In-Home Respite Care	27,053	18,910
PPOM Pal Expansion	18,196	19,600
Music Therapist	13,637	31,881
Pet Therapy	10,058	13,615
Patient Special Needs	8,534	6,687
Other Purposes	<u>207,881</u>	<u>171,819</u>
Total Net Assets With Donor Restrictions	<u>\$ 498,988</u>	<u>\$ 481,579</u>

Net assets restricted by donors are maintained in the cash accounts of the Hospice.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 11 - Board Designated Net Assets without Donor Restrictions

Board Designated Net Assets without Donor Restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Uncompensated Care	\$ 1,439,705	\$ 1,265,656
Endowment	<u>60,054</u>	<u>50,335</u>
Total	<u>\$ 1,499,759</u>	<u>\$ 1,315,991</u>

Note 12 - Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Hospice expects to be entitled in exchange for providing patient care. These amounts are due 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, the Hospice bills the patients and third-party after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as the performance obligations are satisfied.

The Hospice measures the performance obligation as hospice services are provided to patients in their home, an inpatient hospice facility or an acute care setting.

The Hospice determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors or the established rates of the government entities. The Hospice determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy(ies), and historical experience. The Hospice determines its estimate of implicit price concessions based on its historical collection experience with patients.

Agreements with third-party payors provide for payments that may differ from established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Outpatient facility services are paid using prospectively determined rates.

Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care companies have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in companies entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospice's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospice. In addition, the contracts the Hospice has with commercial payors also provide for retroactive audit and review of claims.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 12 - Patient Service Revenue, continued

Settlements with third-party payors for retroactive revenue 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 services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospice'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 audits, reviews, and investigations.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospice estimates the transaction price for patients with deductibles and coinsurance 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. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the year ended December 31, 2023. 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.

The Hospice 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/payment methodologies
- Length of the patient's service of care
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service

Note 13 - Refundable Grant

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. The Hospice recognized grant revenue of \$36,539 and \$177,801 at December 31, 2023 and 2022 respectively, and it is included in other revenue, net on the statements of activities. Management believes the grant revenue has been recognized appropriately as of December 31, 2023.

Note 14 - Concentration

The Hospice has agreements with third-party payors that provide for payments at differing per diem rates, depending upon the level of care provided. The primary third-party payor is Medicare. Revenue received through Medicare was \$10,842,306 and \$11,553,108 during 2023 and 2022, respectively.

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Notes to Financial Statements

Years Ended December 31, 2023 and 2022

Note 15 - Prior Period Adjustments

The employee retention tax credits are fully refundable tax credits for employers provided by the Internal Revenue Service under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In 2022, the Hospice applied for \$1,706,126 of Employee Retention Credits. In 2023, the Hospice received \$1,706,126 of Employee Retention Credits.

During the year ended December 31, 2023, after management's reassessment of the eligibility for Employee Retention Credit, it was determined that the Employee Retention Credits receivable and revenue as of December 31, 2022, were overstated by \$1,248,952. This was corrected by reducing beginning net assets without donor restrictions by \$1,248,952. The overstated amount of Employee Retention Credits was recorded as current liability as of December 31, 2023. The amount of \$1,248,952 of Employee Retention Credits was returned to Internal Revenue Service in March 2024.