

WILLAMETTE VALLEY HOSPICE, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

WVHCHA000320

**WILLAMETTE VALLEY HOSPICE, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Willamette Valley Hospice, Inc.
Salem, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Willamette Valley Hospice, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, 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. as of December 31, 2021 and 2020, and the results of its operations, change in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 Willamette Valley Hospice, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Willamette Valley Hospice, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Portland, Oregon
March 3, 2023

**WILLAMETTE VALLEY HOSPICE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,977,619	\$ 4,791,273
Receivables	3,181,903	2,055,616
Investments	5,843,150	3,959,569
Prepaid Expenses and Other Current Assets	153,737	177,047
Donor-Restricted Assets	463,945	332,340
Total Current Assets	11,620,354	11,315,845
ASSETS LIMITED TO USE		
Beneficial Interest in Assets Held by Community Foundation	41,336	31,249
PROPERTY AND EQUIPMENT, NET		
	2,254,176	2,316,733
Total Assets	\$ 13,915,866	\$ 13,663,827
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 252,083	\$ 275,050
Accrued Payroll and Related Expenses	768,058	744,426
Refundable Grant	8,298	209,970
Paycheck Protection Program Loan	-	1,400,000
Total Current Liabilities	1,028,439	2,629,446
NET ASSETS		
Net Assets Without Donor Restrictions		
Undesignated	10,750,289	9,225,901
Designated by the Board of Directors	1,673,193	1,475,462
Total Net Assets Without Donor Restrictions	12,423,482	10,701,363
Net Assets With Donor Restrictions	463,945	333,018
Total Net Assets	12,887,427	11,034,381
Total Liabilities and Net Assets	\$ 13,915,866	\$ 13,663,827

See accompanying Notes to Financial Statements.

WILLAMETTE VALLEY HOSPICE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Support:		
Patient Services	\$ 13,548,004	\$ 16,157,495
Contributions and Bequests	36,349	298,247
Net Assets Released from Restrictions	147,646	66,123
Other Revenue, Net	1,743,377	527,226
Total Revenues and Support	15,475,376	17,049,091
Expenses:		
Program Services	9,076,705	9,838,619
Support Services	5,117,609	5,134,367
Total Expenses	14,194,314	14,972,986
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE OTHER INCOME	1,281,062	2,076,105
OTHER INCOME		
Realized and Unrealized Investment Gains	389,675	343,406
Interest and Dividends	51,382	37,081
Total Other Income	441,057	380,487
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,722,119	2,456,592
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and Bequests	278,573	143,751
Net Assets Released from Restrictions	(147,646)	(66,123)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	130,927	77,628
CHANGE IN NET ASSETS	1,853,046	2,534,220
Net Assets – Beginning of Year	11,034,381	8,500,161
NET ASSETS – END OF YEAR	\$ 12,887,427	\$ 11,034,381

See accompanying Notes to Financial Statements.

**WILLAMETTE VALLEY HOSPICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services			Support Services			
	Hospice Care	Palliative Care	Adult Foster Home	Total Program	Management and General	Fundraising	Total
EXPENSES							
Salaries	\$ 5,041,243	\$ 489,864	\$ 379,249	\$ 5,910,356	\$ 2,963,749	\$ 100,555	\$ 8,974,660
Employee Benefits and Payroll Taxes	1,097,886	98,963	87,546	1,284,395	667,143	31,008	1,982,546
Staff Recognition	-	-	-	-	8,485	-	8,485
Recruitment	-	-	-	-	108,430	-	108,430
Contract Labor	216,381	-	-	216,381	132,799	-	349,180
Leases	2,304	-	-	2,304	31,168	-	33,472
Patient Costs	1,352,035	35,548	-	1,387,583	-	-	1,387,583
Mileage	249,046	8,286	33	257,365	10,823	-	268,188
Maintenance	-	-	-	-	64,581	-	64,581
Insurance	-	-	-	-	54,704	-	54,704
Travel, Meetings, and Conferences	-	-	-	-	9,647	-	9,647
Supplies	-	-	-	-	57,470	-	57,470
Professional Services	-	1,324	-	1,324	434,980	-	436,304
Marketing	-	-	-	-	107,629	-	107,629
Nonpatient Related	-	-	-	-	190,986	-	190,986
Depreciation	-	-	16,997	16,997	112,870	-	129,867
Development	-	-	-	-	-	30,582	30,582
Total Expenses	\$ 7,958,895	\$ 633,985	\$ 483,825	\$ 9,076,705	\$ 4,955,464	\$ 162,145	\$ 14,194,314

See accompanying Notes to Financial Statements.

**WILLAMETTE VALLEY HOSPICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services			Support Services			
	Hospice Care	Palliative Care	Adult Foster Home	Total Program	Management and General	Fundraising	Total
EXPENSES							
Salaries	\$ 5,470,734	\$ 467,821	\$ 371,678	\$ 6,310,233	\$ 2,732,762	\$ 148,589	\$ 9,191,584
Employee Benefits and Payroll Taxes	1,025,418	87,050	81,150	1,193,618	699,638	30,454	1,923,710
Staff Recognition	-	-	-	-	5,646	-	5,646
Recruitment	-	-	13	13	55,813	-	55,826
Contract Labor	172,619	-	-	172,619	81,928	-	254,547
Leases	1,482	-	-	1,482	42,289	-	43,771
Patient Costs	1,806,832	42,047	-	1,848,879	-	-	1,848,879
Mileage	286,150	8,586	42	294,778	7,245	-	302,023
Maintenance	-	-	-	-	58,679	-	58,679
Insurance	-	-	-	-	48,242	-	48,242
Travel, Meetings, and Conferences	-	-	-	-	5,143	-	5,143
Supplies	-	-	-	-	53,959	-	53,959
Professional Services	-	-	-	-	427,344	-	427,344
Marketing	-	-	-	-	103,087	-	103,087
Nonpatient Related	-	-	-	-	486,239	-	486,239
Depreciation	-	-	16,997	16,997	116,528	-	133,525
Development	-	-	-	-	-	30,782	30,782
Total Expenses	\$ 8,763,235	\$ 605,504	\$ 469,880	\$ 9,838,619	\$ 4,924,542	\$ 209,825	\$ 14,972,986

See accompanying Notes to Financial Statements.

WILLAMETTE VALLEY HOSPICE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,853,046	\$ 2,534,220
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	129,867	133,525
Unrealized and Realized Gain on Investments	(389,675)	(343,406)
Forgiveness of Paycheck Protection Program Loan	(1,400,000)	-
(Increase) Decrease in Current Assets:		
Receivables	(1,126,287)	(23,487)
Prepaid Expenses and Other Current Assets	23,310	(81,055)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	(22,967)	77,533
Accrued Payroll and Related Expenses	23,632	(130,390)
Refundable Grant	(201,672)	209,970
Net Cash Provided (Used) by Operating Activities	(1,110,746)	2,376,910
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Purchased	(1,493,906)	(231,071)
Purchases of Property and Equipment	(67,310)	(101,004)
Net Cash Used by Investing Activities	(1,561,216)	(332,075)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	1,400,000
Net Cash Provided (Used) by Financing Activities	-	1,400,000
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(2,671,962)	3,444,835
Cash and Restricted – Beginning of Year	5,154,862	1,710,027
CASH AND RESTRICTED CASH – END OF YEAR	\$ 2,482,900	\$ 5,154,862
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash	\$ 1,977,619	\$ 4,791,273
Donor-Restricted Assets	463,945	332,340
Beneficial Interest in Assets Held by Community Foundation	41,336	31,249
Total Cash and Restricted Cash	\$ 2,482,900	\$ 5,154,862

See accompanying Notes to Financial Statements.

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 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 “changing the end of life experience,” Willamette Valley Hospice supports adults and children living with a serious or life-limiting illness throughout Marion and Polk counties and beyond.

Basis of Presentation

Net 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

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

The organization uses the allowance method of accounting for uncollectible accounts and contractual adjustments from third-party payors on accounts receivable. In estimating these allowances, management reviews the individual accounts receivable, payor type, and their collection status.

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Restrictions

The Hospice reports information about its financial position and activities without donor restriction or with donor restriction. Contributions are recognized as with or without donor restriction when received, depending on the existence and nature of donor restrictions. When restrictions are satisfied, revenues are reclassified and reported as net assets released from restrictions. If the restriction is satisfied in the same period the contribution is received, the contribution is reported as without donor restriction.

Patient Services Revenue

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.

Cash and Cash Equivalents

For purposes of these financial statements, all short-term, highly liquid investments with maturities of three months or less are considered to be cash equivalents.

FDIC Coverage

The Hospice's deposits at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Hospice maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Hospice has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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.

Receivables

The Hospice extends credit to its patients, insurance carriers, Medicare and Medicaid. Receivables are reduced for explicit and implicit price concessions. In evaluating the collectability of accounts receivable, the Hospice analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate implicit and explicit price concession. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the price concessions.

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

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	20 to 30 Years
Furniture and Equipment	3 to 5 Years
Software	3 Years

Refundable Grant

Unearned revenue 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 15).

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, amortization, interest, and other occupancy costs, are allocated to a function based on a square-footage or units-of service basis. Allocated healthcare services costs not allocated on a units-of-service basis are otherwise allocated based on revenue.

Volunteers

A substantial number of volunteers have donated significant amounts of time to assist in the Hospice's programs. However, the values of these services are not reflected in the accompanying financial statements.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Upcoming Accounting Pronouncement – ASU 2016-02

FASB issued ASU 2016-02 *Leases* in February of 2016 requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. The standard will not be effective for the Hospice until the year ending December 31, 2022. Management is in the process of evaluating the impact on the Hospice.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2021 and 2020, the Hospice has a working capital of \$10,591,915 and \$8,686,399, respectively, and average days (based on normal expenditures) of cash on hand of 51. 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 statement of financial position date consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,977,619	\$ 4,791,273
Accounts Receivable, Net	3,181,903	2,055,616
Investments	5,843,150	3,959,569
Total Financial Assets	<u>\$ 11,002,672</u>	<u>\$ 10,806,458</u>

**WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 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 statement 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 statement of activities. Changes in the Fund for the years ended December 31, are as follows:

	2021	2020
Balance – January 1	\$ 31,249	\$ 32,757
Share of the Appreciation of Fund	11,751	109
Distributions Received	(1,664)	(1,617)
Balance – December 31	\$ 41,336	\$ 31,249

NOTE 4 INVESTMENTS

Investments consisted of the following at December 31:

	2021	2020
Common Stock	\$ 3,712,046	\$ 2,339,862
Mutual Funds	2,131,104	1,619,707
Total	\$ 5,843,150	\$ 3,959,569

Investment expense for the years ended December 31, 2021 and 2020 was \$27,435 and \$22,611, respectively.

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 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. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. 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.

The following tables present the fair value hierarchy for the balances of the assets of the Hospice measured at fair value on a recurring basis as of December 31:

<u>Description</u>	2021			Total
	Level 1	Level 2	Level 3	
Common Stock	\$ 3,712,046	\$ -	\$ -	\$ 3,712,046
Mutual Bond Funds	2,131,104	-	-	2,131,104
Foundation	-	-	41,336	41,336
Total	<u>\$ 5,843,150</u>	<u>\$ -</u>	<u>\$ 41,336</u>	<u>\$ 5,884,486</u>

<u>Description</u>	2020			Total
	Level 1	Level 2	Level 3	
Common Stock	\$ 2,339,863	\$ -	\$ -	\$ 2,339,863
Mutual Bond Funds	1,619,707	-	-	1,619,707
Foundation	-	-	31,249	31,249
Total	<u>\$ 3,959,570</u>	<u>\$ -</u>	<u>\$ 31,249</u>	<u>\$ 3,990,819</u>

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investment income for Level 1 and Level 2 investments consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Realized Gains	\$ 140,580	\$ 106,040
Unrealized Gains	249,095	237,366
Interest and Dividends	<u>51,382</u>	<u>37,081</u>
Total	<u>\$ 441,057</u>	<u>\$ 380,487</u>

The interest in assets held by Oregon Community Foundation 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. OCF's investments are composed approximately of 35% domestic equities, 30% foreign stock, 25% bonds, and 10% alternative investments including hedge funds, real estate, and private equity funds. 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:

	<u>Amount</u>
Balance – January 1, 2020	\$ 32,757
Investment Returns Reinvested	176
Expenses	(301)
Realized Gain	451
Unrealized Gain	(518)
Distributions	<u>(1,316)</u>
Balance – December 31, 2020	31,249
Investment Returns Reinvested	258
Expenses	(339)
Realized Gain	2,076
Unrealized Loss	9,416
Distributions	<u>(1,324)</u>
Balance – December 31, 2021	<u>\$ 41,336</u>

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 RECEIVABLES

Receivables are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 1,917,252	\$ 1,541,293
Commercial, Self Pay, and Other	922,648	437,711
Medicaid	342,003	76,612
Total Receivables	<u>\$ 3,181,903</u>	<u>\$ 2,055,616</u>

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building	\$ 3,509,558	\$ 3,441,197
Furniture and Equipment	1,054,418	1,054,418
Software	531,417	531,417
Land	416,150	416,150
Construction in Progress	-	1,051
Total Property and Equipment	<u>5,511,543</u>	<u>5,444,233</u>
Less: Accumulated Depreciation	<u>3,257,367</u>	<u>3,127,500</u>
Property and Equipment, Net	<u>\$ 2,254,176</u>	<u>\$ 2,316,733</u>

Depreciation expense charged to operations for the years ended December 31, 2021 and 2020 was \$129,867 and \$133,525, respectively.

NOTE 8 LINE OF CREDIT

The Hospice had a \$500,000 line of credit as of December 31, 2018. During 2019, the line was increased to \$750,000 with a maturity date of November 10, 2019. Prior to maturity, the maturity date was extended through February 28, 2020. On March 5, 2020, the line was increased to \$1,000,000 with a maturity date of February 28, 2021. On April 7, 2021, the maturity date was extended to April 22, 2022. Interest and principal payments are due monthly with interest at 3.5%. The credit line is secured by assets of the Hospice. The balance was \$-0- for the years ended December 31, 2021 and 2020.

NOTE 9 PAYCHECK PROTECTION PROGRAM LOAN

On May 18, 2020, the Hospice received a loan from U.S. Bank National Association in the amount of \$1,400,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). On April 23, 2021 the Loan was forgiven in full by the Small Business Administration and the \$1,400,000 has been recorded in other operating revenue. Included in the PPP Loan terms and conditions is the potential repayment of the funds if they are not fully used in line with the terms and conditions.

**WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 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 50% of each participant's elective deferral, but elective deferrals that exceed 6% 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 \$164,983 and \$157,299 of matching contribution for the years ended December 31, 2021 and 2020, respectively.

NOTE 11 COMMITMENTS – OPERATING LEASES

The Hospice has two operating leases for copy machines, consisting of five machines.

Copier services, in excess of the basic services covered by the minimum payments, are assessed as additional fees. Lease expense was \$31,168 and \$39,557 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease commitments:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 28,090
2023	28,090
2024	26,677
2025	11,136
2026	8,352

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

	2021	2020
Net Assets Donor Restricted by Purpose:		
Children's Bereavement Program	\$ 80,317	\$ 86,858
In-Home Respite Care	118,324	96,171
Patient Special Needs	18,740	20,656
Pet Peace of Mind	61,403	11,647
Music Therapist	12,754	32,900
Pet Therapy	10,270	10,270
Other Purposes	162,137	74,516
Total Net Assets With Donor Restrictions	\$ 463,945	\$ 333,018

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

**WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 13 BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board designations of net assets without donor restrictions are as follows:

	2021	2020
Building Replacement and Repairs	\$ 151,416	\$ 151,416
Uncompensated Care	1,480,441	1,292,797
Endowment	41,336	31,249
Total	\$ 1,673,193	\$ 1,475,462

NOTE 14 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, on a per day basis, 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.

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 PATIENT SERVICE REVENUE (CONTINUED)

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.

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 years ended December 31, 2021 and 2020. 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

WILLAMETTE VALLEY HOSPICE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 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). Total grant funds attested to and received by the Hospice was \$878,901. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2021 and 2020, the Hospice recognized revenue of \$343,377 and \$527,226, respectively, and it is included in other revenue, on the statement of activities. The remaining funds of \$8,298 are included in refundable grant balance at year-end. Management believes the grant revenue has been recognized appropriately as of December 31, 2021 and 2020.

NOTE 16 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 \$11,422,729 and \$13,672,680 during 2021 and 2020, respectively.

NOTE 17 SUBSEQUENT EVENTS

The Hospice has evaluated subsequent events through March 3, 2023, which is the date the financial statements were available to be issued.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.