

Willamette Valley Hospice, Inc. dba Willamette Vital Health

Financial Statements

Year Ended December 31, 2022



WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Financial Statements

Year Ended December 31, 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 statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Willamette Valley Hospice, Inc. dba Willamette Vital Health of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 16 to the financial statements, errors related to patient service revenue recognized in a prior period resulting in an overstatement of net assets without donor restrictions as of December 31, 2019, were discovered during the current year. Also, errors related to Provider Relief Fund revenue resulting in an overstatement of net assets without donor restrictions as of December 31, 2021, were discovered during the current year. Accordingly, the amount reported for net assets without donor restrictions has been restated as of December 31, 2021, 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
October 10, 2023

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH**Statement of Financial Position**December 31, 2022

ASSETS

Current Assets:

Cash	\$	2,267,650
Accounts receivable, net		3,215,520
Employee Retention Credits receivable		1,706,126
Investments		4,730,738
Prepaid expenses and other current assets		150,215
Cash - donor restricted		<u>481,579</u>

Total Current Assets 12,551,828

Assets Limited to Use:

Beneficial Interest in Assets Held by Community Foundation		35,475
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Property and Equipment, net of accumulated depreciation 2,275,585

Total Assets \$ 14,862,888

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	454,170
Accrued expenses		643,395
Refundable grant		<u>36,539</u>

Total Current Liabilities 1,134,104

Net Assets:

Net Assets Without Donor Restrictions:

Undesignated		11,931,214
Designated by the Board of Directors		<u>1,315,991</u>

Total Net Assets Without Donor Restrictions 13,247,205

Net Assets With Donor Restrictions 481,579

Total Net Assets 13,728,784

\$ 14,862,888

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	1,706,126	-	1,706,126
Contributions and Bequests	237,432	189,174	426,606
Net assets released from restrictions	171,540	(171,540)	-
Other Revenue, Net	221,051	-	221,051
Total Revenue and Support	<u>16,951,084</u>	<u>17,634</u>	<u>16,968,718</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 Gains (Loss)	(1,153,149)	-	(1,153,149)
Interest and Dividends	62,922	-	62,922
Total Other Income (Loss)	<u>(1,090,227)</u>	<u>-</u>	<u>(1,090,227)</u>
Change in Net Assets	1,500,551	17,634	1,518,185
Net Assets, beginning as previously stated	12,423,482	463,945	12,887,427
Restatements (Note 16)	(676,828)	-	(676,828)
Net Assets, beginning as restated	<u>11,746,654</u>	<u>463,945</u>	<u>12,210,599</u>
Net Assets, ending	<u>\$ 13,247,205</u>	<u>\$ 481,579</u>	<u>\$ 13,728,784</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, 2022

	Program Services			Total Program	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	\$ 7,270,136	\$ 1,481,980	\$ 196,455	\$ 8,948,571
Employee Benefits and Payroll Taxes	1,307,193	137,088	93,074	1,537,355	242,560	49,493	1,829,408
Patient Costs	1,523,013	32,600	16,718	1,572,331	-	-	1,572,331
Professional Services	3,147	-	-	3,147	418,648	5,519	427,314
Nonpatient Related	91,731	1,600	7,359	100,690	318,542	5,470	424,702
Mileage	252,892	10,874	379	264,145	3,134	1,249	268,528
Contract Labor	168,775	1,256	-	170,031	-	-	170,031
Advertising	-	-	-	-	148,098	-	148,098
Recruitment	806	-	-	806	131,536	-	132,342
Depreciation	-	-	16,997	16,997	104,410	-	121,407
Supplies	34,550	807	15,703	51,060	42,973	24,568	118,601
Insurance	-	-	-	-	65,201	-	65,201
Maintenance	-	-	-	-	50,084	-	50,084
Leases	299	-	-	299	32,412	-	32,711
Travel and Conferences/Meetings	3,727	399	2,720	6,846	14,173	1,296	22,315
Staff Recognition	289	-	96	385	10,633	8,749	19,767
Professional Development	-	-	-	-	-	8,895	8,895
Total Functional Expenses	\$ 9,740,660	\$ 702,148	\$ 551,420	\$ 10,994,228	\$ 3,064,384	\$ 301,694	\$ 14,360,306

See accompanying notes to financial statements.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH**Statement of Cash Flows**Year Ended December 31, 2022

Cash Flows from Operating Activities:

Change in net assets	\$ 1,518,185
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	121,407
Employee Retention Credits receivable	(1,706,126)
Net realized and unrealized loss on investments	1,112,412
Changes in operating assets and liabilities:	
Accounts receivable, net	(577,038)
Prepaid expenses and other current assets	3,522
Accounts payable	202,087
Accrued expenses	(124,663)
Refundable grant	<u>(105,166)</u>

Net Cash Provided by Operating Activities 444,620

Cash Flows Used by Investing Activities:

Purchase of property and equipment	<u>(142,816)</u>
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Net Change in Cash and Restricted Cash 301,804

Cash and Restricted Cash, beginning 2,482,900

Cash and Restricted Cash, ending \$ 2,784,704

Supplemental Disclosure of Cash Flow Information:

Cash	\$ 2,267,650
Cash - donor restricted	481,579
Beneficial Interest in Assets Held by Community Foundation	<u>35,475</u>

Total Cash and Restricted Cash \$ 2,784,704

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 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," Willamette Valley Hospice, Inc. 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

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 (GAAP). 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 payers on accounts receivable. In estimating these allowances, management reviews the individual accounts receivable, payor type, and their collection status.

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 statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

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

Accounts Receivable

The Hospice extends credit to its patients, insurance carriers, Medicare, and Medicaid. Accounts receivable are reduced for explicit and implicit price concessions. In evaluating the collectability of accounts receivable, the Hospice analyzes its 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. The allowance for uncollectible receivables is the Hospice's best estimate of the amount of probable losses in existing accounts receivables. The Hospice determines the allowance based on historical write-off experience and current information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The beginning balance of the accounts receivable as of January 1, 2022, was \$3,181,903, net of allowance of \$44,317.

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 Software	3 to 5 Years
Software	3 Years

Revenue Recognition

Patient Services Revenue - 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.

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 statement of financial position. 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 13).

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

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

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

Adoption of New Policy

Effective January 1, 2022, the Hospice adopted Accounting Standards Update (ASU) 2016-02 *Leases*, which hereinafter will be referred to as "ASC Topic 842". The standard provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard supersedes GAAP guidance on leases and requires substantially all leases greater than 12 months in duration to be reported on the statement of financial position as right-of-use assets and lease liabilities. Management has analyzed all lease agreements and determined no right-of-use assets exist as of December 31, 2022.

Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees. Short-term lease expense charged to contract costs for the year ended December 31, 2022, were \$32,711.

Subsequent Events

The Hospice has evaluated subsequent events through October 10, 2023, which is the date the financial statements were available to be issued.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

Note 2 - Liquidity and Availability

As of December 31, 2022, the Hospice has a working capital of \$11,470,743 and average days (based on normal expenditures) of cash on hand at 59. 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:

Cash	\$	2,267,650
Accounts Receivable, net		3,215,520
Employee Retention Credits receivable		1,706,126
Investments		4,730,738
Total Financial Assets	\$	<u>11,920,034</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 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 year ended December 31, 2022, 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	\$	<u>35,475</u>

Note 4 - Investments

Investments consisted of the following at December 31, 2022:

Common Stocks	\$	2,516,369
Mutual Funds		<u>2,214,369</u>
Total	\$	<u>4,730,738</u>

Investment expense for the year ended December 31, 2022, was \$31,403.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

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. 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 fair value hierarchy for the balances of the assets of the Hospice measured at fair value on a recurring basis as of December 31, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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. OCF's investments are composed approximately of 53% equities, 45% bonds, and 2% 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.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

Note 5 - Fair Value of Financial Instruments, continued

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:

Balance - December 31, 2021	\$	41,336
Investment Returns Reinvested		210
Expenses		(327)
Realized Loss		(256)
Unrealized Loss		(4,087)
Distributions		(1,401)
Balance - December 31, 2022	\$	<u>35,475</u>

Note 6 - Accounts Receivables

Receivables are as follows at December 31, 2022:

Medicare	\$	2,069,803
Commercial, Self Pay, and Other		957,237
Medicaid		371,440
Allowance for bad debt		(182,960)
Total Receivables	\$	<u>3,215,520</u>

Note 7 - Property and Equipment, net

Property and equipment consists of the following at December 31:

Building	\$	3,429,052
Furniture and Equipment		848,030
Software		179,465
Land		611,726
Construction in Progress		27,746
Total Property and Equipment		<u>5,096,019</u>
Less: Accumulated Depreciation		(2,820,434)
Property and Equipment, net	\$	<u>2,275,585</u>

Depreciation expense charged to operations for the year ended December 31, 2022, was \$121,407.

Note 8 - Line of Credit

The Hospice has a \$1,000,000 line of credit with a maturity date of April 28, 2023. The effective interest was 3.5% at December 31, 2022. The credit line is secured by assets of the Hospice. There was no outstanding balance for the year ended December 31, 2022.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

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 \$245,059 of matching contribution for the year ended December 31, 2022.

Note 10 - Net Assets with Donor Restrictions

Net Assets Donor Restricted by Purpose:

Pet Peace of Mind	\$ 104,435
Children's Bereavement Program	67,859
Music Therapist	31,881
Pet Therapy	13,615
Creating Legacy	46,773
Patient Special Needs	6,687
In-Home Respite Care	18,910
PPOM Pal Expansion	19,600
Other Purposes	171,819
Total Net Assets With Donor Restrictions	<u>\$ 481,579</u>

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

Note 11 - Board Designated Net Assets without Donor Restrictions

Board Designated Net Assets without Donor Restrictions are as follows:

Uncompensated Care	\$ 1,265,656
Endowment	50,335
Total	<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.

WILLAMETTE VALLEY HOSPICE, INC. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

Note 12 - Patient Service Revenue, continued

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.

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, 2022. 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. DBA WILLAMETTE VITAL HEALTH

Notes to Financial Statements

Year Ended December 31, 2022

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. At December 31, 2022, the Hospice recognized grant revenue of \$177,801 and it is included in other revenue, net on the statement of activities. The remaining funds of \$36,539 are included in refundable grant balance at year-end. Management believes the grant revenue has been recognized appropriately as of December 31, 2022.

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 \$11,553,108 during 2022.

Note 15 - Employee Retention Tax Credit

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. These credits are subject to IRS audit for a period of 5 years. No provision has been made for any liabilities that may arise from such audit since the amounts, if any, cannot be determined. Management believes that any liability which may result from this audit would not be material.

Note 16 - Prior Period Adjustments

Patient Service Revenue

During the year ended December 31, 2022, it was determined that the accounts receivable and patient service revenue as of December 31, 2019, were overstated by \$543,421. This was caused by an error when the Hospice upgraded its billing software. This was corrected by recognizing actual revenue earned in the prior period which resulted in reducing beginning net assets without donor restrictions by \$543,421.

PRF Revenue

At December 31, 2021, the Hospice recognized PRF revenue of \$343,377. During the course of the audit, it was determined that \$133,407 of the amount was not eligible in 2021, as the Hospice had not yet utilized the funds for eligible expenses. This was corrected by recognizing actual revenue earned in the prior period which resulted in reducing beginning net assets without donor restrictions by \$133,407.

The net effect of these adjustments was to decrease net assets as of January 1, 2022 without donor restrictions by \$676,828. If the errors had not been made, the change in net assets would have been \$1,719,639 for the year ended December 31, 2021.