Center for Hospice Care

choices to make the most of life™

ANNUAL REPORT
December 31, 2019

KRUGGEL LAWTON CPA
Elkhart, Indiana

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

ANNUAL REPORT
December 31, 2019

C O N T E N T S

KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Center for Hospice and Palliative Care, Inc. and Affiliates
d/b/a Center for Hospice Care and Hospice Foundation
Mishawaka, Indiana

We have audited the accompanying consolidated financial statements of The Center for Hospice and Palliative Care, Inc. and Affiliates d/b/a Center for Hospice Care and Hospice Foundation (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Center for Hospice and Palliative Care, Inc. and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

Elkhart, Indiana
May 15, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7,356,809	6,286,915
Patient receivables, net	4,193,765	4,772,830
Other receivables	186,345	80,205
Grants receivable	1,000,000	371,919
Pledges receivable	513,862	395,107
Prepaid expenses	669,036	505,298
Total Current Assets	13,919,817	12,412,274
PROPERTY AND EQUIPMENT		
Land and land improvements	4,494,508	3,590,076
Buildings	15,655,979	11,051,975
Leasehold improvements	7,355	7,355
Furniture and equipment	5,567,546	4,371,383
Construction in progress	8,075,550	4,989,089
Total	33,800,938	24,009,878
Accumulated depreciation	(7,245,478)	(6,516,439)
Net Property and Equipment	26,555,460	17,493,439
OTHER ASSETS		
Investments	27,134,738	23,035,430
Pledges receivable, net	244,392	585,960
Perpetual easement	97,123	97,123
Beneficial interest in assets held by community foundations	697,088	618,643
Assets held for sale	0	227,569
Total Other Assets	28,173,341	24,564,725
TOTAL ASSETS	**68,648,618**	**54,470,438**

The Notes to Consolidated Financial Statements are an integral part of this statement.

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	965,379	1,989,873
Accrued payroll and benefits	977,993	811,757
Total Current Liabilities	1,943,372	2,801,630
LONG-TERM LIABILITIES		
Multiple advance term note payable	11,987,266	2,975,230
Total Long-Term Liabilities	11,987,266	2,975,230
TOTAL LIABILITIES	**13,930,638**	**5,776,860**
NET ASSETS		
Without Donor Restrictions		
Board designated for endowment	697,088	618,643
Undesignated	47,677,777	42,532,950
Total Without Donor Restrictions	48,374,865	43,151,593
With Donor Restrictions	6,343,115	5,541,985
TOTAL NET ASSETS	**54,717,980**	**48,693,578**
TOTAL LIABILITIES AND NET ASSETS	**68,648,618**	**54,470,438**

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Net patient service revenue	23,013,920	0	23,013,920
Adult day services (MADS)	356,770	0	356,770
Bequests, contributions, and grants	1,126,627	1,940,384	3,067,011
Investment income, net of fees	836,349	0	836,349
Interest and other income	38,875	0	38,875
Special event revenue	596,815	0	596,815
Less: costs of direct benefits to donors	(34,429)	0	(34,429)
Net revenues from special events	562,386	0	562,386
Total Public Support and Revenue	25,934,927	1,940,384	27,875,311
Net assets released from restrictions:			
Satisfaction of restrictions	1,372,788	(1,372,788)	0
Net assets reclassified as a result of donor imposed restrictions	(177,048)	177,048	0
FUNCTIONAL EXPENSES			
Program services	20,975,787	0	20,975,787
Management and general	3,602,275	0	3,602,275
Fundraising	605,880	0	605,880
Total Functional Expenses	25,183,942	0	25,183,942
CHANGE IN NET ASSETS FROM OPERATIONS	**1,946,725**	**744,644**	**2,691,369**
NON-OPERATING REVENUES AND LOSSES			
Net unrealized gains on investments	3,206,473	56,486	3,262,959
Change in beneficial interest in assets held by community foundations	78,445	0	78,445
Loss on sale of assets held for sale	(8,371)	0	(8,371)
Total Non-Operating Revenues	3,276,547	56,486	3,333,033
CHANGE IN NET ASSETS	**5,223,272**	**801,130**	**6,024,402**
NET ASSETS, BEGINNING OF YEAR	**43,151,593**	**5,541,985**	**48,693,578**
NET ASSETS, END OF YEAR	**48,374,865**	**6,343,115**	**54,717,980**

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Net patient service revenue	22,191,454	0	22,191,454
Adult day services (MADS)	439,230	0	439,230
Bequests, contributions, and grants	841,412	916,595	1,758,007
Investment income, net of fees	1,089,729	0	1,089,729
Interest and other income	46,901	0	46,901
Special event revenue	395,264	0	395,264
Less: costs of direct benefits to donors	(29,152)	0	(29,152)
Net revenues from special events	366,112	0	366,112
Total Public Support and Revenue	24,974,838	916,595	25,891,433
Net assets released from restrictions:			
Satisfaction of restrictions	166,934	(166,934)	0
FUNCTIONAL EXPENSES			
Program services	19,456,145	0	19,456,145
Management and general	3,205,884	0	3,205,884
Fundraising	551,206	0	551,206
Total Functional Expenses	23,213,235	0	23,213,235
CHANGE IN NET ASSETS FROM OPERATIONS	**1,928,537**	**749,661**	**2,678,198**
NON-OPERATING REVENUES			
Net unrealized losses on investments	(2,173,248)	(15,707)	(2,188,955)
Change in beneficial interest in assets held by community foundations	(54,861)	0	(54,861)
Total Non-Operating Revenues	(2,228,109)	(15,707)	(2,243,816)
CHANGE IN NET ASSETS	**(299,572)**	**733,954**	**434,382**
NET ASSETS, BEGINNING OF YEAR	**43,451,165**	**4,808,031**	**48,259,196**
NET ASSETS, END OF YEAR	**43,151,593**	**5,541,985**	**48,693,578**

The Notes to Consolidated Financial Statements are an integral part of this statement.

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Total Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total Support Services	Total
Salaries and wages	10,288,458	2,104,650	186,397	2,291,047	12,579,505
Temporary staff	225,535	40,893	434	41,327	266,862
Employment expense	2,598,542	530,096	46,050	576,146	3,174,688
Education	84,298	24,127	6,321	30,448	114,746
Travel	327,744	46,236	0	46,236	373,980
Supplies inventory	280,206	0	0	0	280,206
HMB direct care	2,614,689	0	0	0	2,614,689
MHB direct care	31,121	0	0	0	31,121
PHB direct care	312,330	0	0	0	312,330
SHB direct care	89,588	0	0	0	89,588
Hospice House expense	30,907	0	0	0	30,907
Hospice outreach	780,004	0	0	0	780,004
Office expense	506,895	118,253	19,330	137,583	644,478
Dues	68,016	15,603	2,410	18,013	86,029
Insurance	219,171	48,923	6,818	55,741	274,912
Public awareness	416,103	0	0	0	416,103
Professional fees	53,217	72,552	29,262	101,814	155,031
Software maintenance	205,922	49,991	9,210	59,201	265,123
Volunteer awards and expense	15,916	0	0	0	15,916
Buildings and grounds	384,501	83,835	10,571	94,406	478,907
Telephone	412,860	84,459	7,482	91,941	504,801
Depreciation	459,550	192,533	76,956	269,489	729,039
Bad debt expense	121,286	24,879	2,245	27,124	148,410
Miscellaneous expense	99,188	27,625	682	28,307	127,495
CADS expense	210,540	37,593	0	37,593	248,133
Interest	139,200	100,027	52,364	152,391	291,591
Event expense	0	0	183,777	183,777	183,777
Total Expenses	20,975,787	3,602,275	640,309	4,242,584	25,218,371
Less direct donor benefits netted in revenues	0	0	(34,429)	(34,429)	(34,429)
TOTAL FUNCTIONAL EXPENSES	**20,975,787**	**3,602,275**	**605,880**	**4,208,155**	**25,183,942**

The Notes to Consolidated Financial Statements are an integral part of this statement.

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

		Supporting Services			
	Total Program Services	Management and General	Fund Raising	Total Support Services	Total
Salaries and wages	9,559,325	1,940,444	184,603	2,125,047	11,684,372
Temporary staff	108,279	21,387	1,604	22,991	131,270
Employment expense	2,322,014	459,256	34,918	494,174	2,816,188
Education	66,275	15,492	2,954	18,446	84,721
Travel	329,231	56,293	0	56,293	385,524
Supplies inventory	335,348	0	0	0	335,348
HMB direct care	2,584,668	0	0	0	2,584,668
MHB direct care	42,461	0	0	0	42,461
PHB direct care	232,211	0	0	0	232,211
SHB direct care	77,064	0	0	0	77,064
Hospice House expense	24,191	0	0	0	24,191
Hospice outreach	768,234	0	0	0	768,234
Office expense	250,938	73,539	23,399	96,938	347,876
Dues	72,595	16,986	3,249	20,235	92,830
Insurance	206,205	45,189	6,717	51,906	258,111
Public awareness	397,923	0	0	0	397,923
Professional fees	59,591	74,689	6,173	80,862	140,453
Software maintenance	269,217	68,812	16,826	85,638	354,855
Volunteer awards and expense	16,395	0	0	0	16,395
Buildings and grounds	336,755	72,395	9,817	82,212	418,967
Telephone	293,229	60,260	6,268	66,528	359,757
Depreciation	445,577	167,691	72,014	239,705	685,282
Bad debt expense	329,114	59,065	0	59,065	388,179
Miscellaneous expense	79,166	21,092	1,181	22,273	101,439
CADS expense	230,742	41,410	0	41,410	272,152
Interest	19,397	11,884	6,898	18,782	38,179
Event expense	0	0	203,737	203,737	203,737
Total Expenses	19,456,145	3,205,884	580,358	3,786,242	23,242,387
Less direct donor benefits netted in revenues	0	0	(29,152)	(29,152)	(29,152)
TOTAL FUNCTIONAL EXPENSES	**19,456,145**	**3,205,884**	**551,206**	**3,757,090**	**23,213,235**

The Notes to Consolidated Financial Statements are an integral part of this statement.

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	6,024,402	434,382
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	729,039	685,282
Loss on sale of assets held for sale	8,371	0
Provision for doubtful accounts	(25,000)	100,000
Net realized (gain) loss on investments	110	(244,085)
Net unrealized (gain) loss on investments	(3,262,959)	2,188,955
Change in beneficial interest in assets held by community foundations	(78,445)	54,861
Donations for capital acquisitions	(2,089,125)	(304,470)
Adjustments for changes in operating assets and liabilities:		
Patient receivables	604,065	(2,078,695)
Other receivables	(106,140)	(22,039)
Grants receivable	(628,081)	(371,919)
Pledges receivable	222,813	286,713
Prepaid expenses	(163,738)	23,558
Accounts payable	(1,024,494)	1,240,135
Accrued payroll and benefits	166,236	(53,091)
Net Cash Flows Provided By Operating Activities	377,054	1,939,587
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	(779,024)	(1,789,173)
Proceeds from sale of investments	30,879	628,495
Purchase of investments	(867,338)	(1,474,138)
Purchase of property held for sale	(119,484)	(227,569)
Proceeds from sale of property held for sale	338,682	0
Net Cash Flows Used In Investing Activities	(1,396,285)	(2,862,385)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Donations for capital acquisitions	2,089,125	304,470
Net Cash Flows Provided By Financing Activities	2,089,125	304,470
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,069,894	(618,328)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	6,286,915	6,905,243
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	**7,356,809**	**6,286,915**
SUPPLEMENTARY DISCLOSURE OF CASH FLOWS		
Interest paid	291,591	38,179
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment with financing		
Cost of property and equipment	9,012,036	2,975,230
Loan	(9,012,036)	(2,975,230)

The Notes to Consolidated Financial Statements are an integral part of this statement.

NATURE OF BUSINESS

The Center for Hospice and Palliative Care, Inc. d/b/a Center for Hospice Care ("Hospice"), is an independent, community-based, not-for-profit corporation that achieves its mission of "improving the quality of living" by providing comprehensive hospice and home health care services to eligible patients and their families; as well as grief counseling and community education to any interested parties within its service area. Hospice provides services to the following counties within northern Indiana: St. Joseph, Marshall, Starke, Fulton, Kosciusko, LaPorte, Elkhart, LaGrange, and Porter. No person is ever turned away due to a lack of insurance or ability to pay.

Hospice is the sole member of Center for Adult Day Services, LLC, which provides adult day services. The operating activity is reflected within Hospice's Consolidated Statement of Activities as adult day services. The related expenses are a component of the program services expense within the Consolidated Statements of Activities.

The Foundation for the Center for Hospice and Palliative Care, Inc., d/b/a Hospice Foundation and d/b/a Honoring Choices Indiana-North Central (the "Foundation") is a not-for-profit corporation organized for educational and general charitable purposes to support the operational needs of Hospice.

Hospice and the Foundation have a related purpose and also share a common Executive Committee of their board of directors. In addition, there is an economic interest relationship between them.

Global Partners in Care ("GPIC") is a 501(c)(3) not-for-profit organization dedicated to "support compassionate care where the need is great, and the resources are few". GPIC began in 1999 to facilitate partnerships between U.S. based Hospice Programs and those in South Africa and Zimbabwe. These partnerships were designed to provide financial and programmatic support to these countries. In 2004, GPIC became an affiliated organization of the National Hospice and Palliative Care Organization ("NHPCO"), the national organization of hospice programs in the United States of America. Over the years, the partnerships have expanded to include hospice programs in other developing countries outside of South Africa and Zimbabwe. The Foundation assumed GPIC's operating activities from NHPCO during 2017 with the transfer of GPIC's net assets in the amount of $124,338. GPIC's financial activities are reflected within the consolidated financial statements pursuant to current accounting standards surrounding business combinations for not-for-profit organizations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Hospice, the Foundation and GPIC (collectively referred to as the "Organization"). All significant inter-organizational accounts and transactions have been eliminated in consolidation.

BASIS OF PRESENTATION

The consolidated financial statements of the Organization have been prepared on the accrual basis.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of nonprofit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Consolidated Statements of Financial Position, the Organization considers all highly liquid investments without donor restrictions with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Organization's cash balance to exceed the insured limit.

The Organization had $161,063 and $191,367 of restricted cash at December 31, 2019 and 2018 which is classified as a current asset and is restricted for use in the programs described in Note 8.

GRANTS RECEIVABLE

Grants receivable represent amounts earned and due from a 1:1 matching grant that was awarded to the Organization, and are considered fully collectible by management. The Organization uses the allowance method to determine uncollectible grants receivable. Management has determined no allowance for doubtful accounts is necessary for grants receivable at December 31, 2019 or 2018. Under the terms of the grant agreement, the Organization must comply with certain terms and conditions, including matching the grant funds with an equivalent amount of qualifying contributions for the purpose of establishing an endowment held in perpetuity as outlined in the grant agreement. As a result of the matching grant, $166,371 of net assets without donor restrictions have been reclassified to with donor restrictions at December 31, 2019. Grants receivable at December 31, 2019 and 2018 of $1,000,000 and $371,919, respectively, represent the matching amount due from the donor in accordance with the terms of the matching grant.

PLEDGES RECEIVABLE

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific promises made. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until the conditions are substantially met.

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization did not receive any donor-restricted assets during the years ended December 31, 2019 or 2018.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was $729,039 and $685,282 for the years ended December 31, 2019 and 2018, respectively. The Organization had $8,075,550 and $4,989,089 of construction in progress which was not depreciated as of December 31, 2019 and 2018, respectively.

A summary of the range of lives by asset category follows:

Land and land improvements	7 - 25 years
Buildings	5 - 40 years
Leasehold improvements	20 years
Furniture and equipment	3 - 20 years

FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the Fair Value Measurements and Disclosures Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

REVENUE AND PATIENT RECEIVABLES

Net Patient Service Fees Revenue

In January 2016, the Center for Medicare and Medicaid Services (CMS) implemented reforms to the hospice payment system that represented the first changes to the payment structure since its inception in 1983. Formerly, the Routine Home Care (RHC) level of care - nationally representing 94% of all Medicare hospice days - was paid at a single, uniform daily rate. As a result of the reforms, Medicare now pays two per diem rates for RHC. A higher reimbursement rate is paid for the first sixty days of a hospice episode, which nationally is $195 and $193 per day at December 31, 2019 and 2018, respectively. For days beyond the sixtieth day, the per diem drops to a lower rate, which nationally is $154 and $151 per day at December 31, 2019 and 2018, respectively. A service intensity add-on is available at an hourly rate, which nationally is $58 and $40 per hour at December 31, 2019 and 2018, respectively, for any visit by a registered nurse or social worker during the last seven days of life. The maximum billing for the service intensity add-on is four hours per day, and these payment rates are adjusted for geographic variation across markets and Hospice's various RHC rates are up to 11% lower than the national rates.

Hospice organizations are subject to two specific payment limit caps under the Medicare hospice benefit. One limit relates to the Medicare inpatient care days that exceed 20% of the total Medicare days of hospice care provided for the year. The Organization did not exceed the 20% cap related to inpatient days in 2019 or 2018. The second limit relates to an aggregate Medicare reimbursement cap calculated by the Medicare fiscal intermediary. The Organization did not exceed the Medicare cap for the years ended December 31, 2019 and 2018.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. The Organization recognizes revenue based on the day when services are performed, episodically, or on a per visit basis for patients in an amount that reflects the consideration the Organization expects to be entitled to receive in exchange for those services. Approximately 93% and 92% of the Organization's net patient service revenue came from Medicare reimbursement for the years ended December 31, 2019 and 2018, respectively. A significant reduction in this level of support may have a material effect on the Organization's programs and activities.

Patient Receivables

Patient receivables consist primarily of unpaid amounts billed to patients and third-party payers and are stated at the amount management expects to collect from outstanding balances. Contractual adjustments, discounts, and an allowance for doubtful accounts are recorded to report receivables for health care services at net realizable value. Patient receivables are presented net of an allowance for doubtful accounts, which is estimated to be $250,000 and $275,000 at December 31, 2019 and 2018, respectively. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, and management's experience and knowledge of the industry and its clientele. Past due receivables are determined based on contractual terms. The Organization does not accrue interest on any patient receivables. Gross patient receivables were $4,393,853 and $5,003,279 at December 31, 2019 and 2018, respectively.

Adult Day Services (MADS)

Hospice operates an adult day care program. The service revenue is recorded at established reimbursement rates at the time of service. Payments are received through third party payers or privately. Any difference between third party payments and billed services is estimated and recorded as a contractual adjustment. Patient receivables from Adult day services are $49,912 and $44,551 at December 31, 2019 and 2018, respectively.

Charity Care
The Organization determines each patient's ability to pay during the admission process. When a patient meets certain criteria, part or all of the patient's charges are deemed charity care and are not collected. Because the Organization does not pursue collection of amounts determined to qualify as charity care, those amounts are excluded from net patient service revenue. Charity care charges, at rates similar to those charged to patients and third parties, write-offs and other unreimbursed services approximated $2,576,900 and $2,051,500 for the years ended December 31, 2019 and 2018, respectively (unaudited).

CONTRIBUTIONS

The Organization records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the consolidated financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are received.

CONTRIBUTED MATERIALS AND SERVICES

In order to recognize donated services as contributions in an Organization's consolidated financial statements the services must require special skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. The Organization has a number of unpaid volunteers that have made significant contributions of their time to the Organization's various programs. The value of the contributed time is not reflected in the accompanying consolidated financial statements since the volunteers' time does not meet the requirements for recognition under ASC 958. The value of volunteer hours not recognized approximated $418,000 and $407,000 for the years ended December 31, 2019 and 2018, respectively (unaudited).

The Organization also received in-kind contributions of $34,751 and $34,184 of donated television and radio advertising for the years ended December 31, 2019 and 2018, respectively. These amounts are included in Bequests, contributions, and grants on the Consolidated Statements of Activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Consolidated Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services benefited.

Expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages; Temporary staff; Employment expense; Education; Office expenses; Dues; Insurance; Professional fees; Software maintenance; Building & grounds; Telephone; Depreciation; Bad debt; Miscellaneous; CADS expenses	Time and effort

The remainder of expenses are assigned to the respective functional category by method of direct assignment or estimated actual usage.

INCOME TAXES

Hospice, the Foundation and GPIC are all not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the organizations are not private foundations within the meaning of Section 509(a).

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. ASC 740 requires an organization to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The organization recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, all three organizations have concluded that there are no uncertain tax positions requiring recognition in these consolidated financial statements. The evaluation was performed for all federal and state tax periods still subject to examination. Each organization's 2016 through 2018 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

CONCENTRATION OF CREDIT RISK

Financial instruments with potential credit risk consists of cash and cash equivalents and accounts receivable. Concentration of credit risk with respect to cash generally relates to deposits held at the bank which may exceed the amount of insurance provided on the deposits and the potential inability to access liquidity in the financial institutions where the cash is concentrated. The risk is managed as the cash may be redeemed upon demand and is maintained in a financial institution with reputable credit, and, therefore, bears minimal credit risk.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

On November 17, 2016, the FASB issued Accounting Standards Update 2016-18, *Restricted Cash* (*Topic 230*) ("ASU 2016-18"), which addresses classification and presentation of changes in restricted cash on the Consolidated Statements of Cash Flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for public business entities for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. It is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 for all other entities. The Organization adopted ASU 2016-18 for the fiscal year ended December 31, 2019 using a retrospective transition method for each period presented.

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (*Topic 606*) and later, various subsequent amendments (collectively "ASC 606"). This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition, including industry-specific guidance. ASC 606 requires that revenue is recognized when a customer obtains control of a good or service, which is when a customer has the ability to direct the use of and obtain benefits of the good or service. ASC 606 is effective for annual periods beginning after December 15, 2018. The Organization adopted ASC 606 for the fiscal year ended December 31, 2019 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a material change in the accounting for any revenue streams. As such, no cumulative effect adjustment was recorded.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (*Topic 958*): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard was intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. ASU 2018-08 is effective for resource recipients for annual periods beginning after December 15, 2018. The Organization adopted ASU 2018-08 for the fiscal year ended December 31, 2019. The adoption of this ASU did not result in any material changes in the accounting for contributions received.

RECENT ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted the ASU and adjusted the presentation of these consolidated statements to comply with this ASU in the year ended December 31, 2018.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization has working capital of $11,976,445 and $9,610,644 and average days cash on hand of 107 and 99 as of December 31, 2019 and 2018, respectively.

The table below represents financial assets available for general expenditures within one year at December 31:

Financial assets at year end:	2019	2018
Cash and cash equivalents	7,195,746	6,095,548
Patient receivables, net	4,193,765	4,772,830
Other receivables	186,345	80,205
Pledges receivable, net	20,095	39,117
Investments	22,690,845	18,998,681
Assets limited to use:		
Board designated	697,088	618,643
Donor restricted	6,343,115	5,541,985
Total financial assets:	41,326,999	36,147,009
Less amounts not available to be used within one year:		
Grants receivable	(1,000,000)	(371,919)
Pledges receivable, net	(244,392)	(585,960)
Board designated with liquidity horizons greater than one year	(697,088)	(618,643)
Long term investment pool (including donor restricted endowments invested in perpetuity of $472,550 for both years)	(22,338,464)	(18,477,065)
Financial assets available to meet general expenditures within one year:	17,047,055	16,093,422

The Organization has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations (Note 8). Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

Additionally, the Organization maintains a $2,000,000 line of credit as described in Note 9. There were no borrowings on the line of credit at December 31, 2019 or 2018. The Organization also has a multiple advance term loan described in Note 9, which is used to finance construction costs. The multiple advance term loan is secured by an investment account included in the Long term investment pool amounts above with a fair value of $11,963,965 and $14,464,237 at December 31, 2019 and 2018, respectively.

The Organization operates under the premises of three pools of financial assets. Pool One represents cash on hand of approximately 90 days of operations. Pool Two represents intermediate investments of approximately 90 days of operations. Pool Three represents long term investments.

NOTE 3 - PLEDGES RECEIVABLE

The Organization has received pledges for a capital campaign that encompasses numerous projects throughout the Organization's campus in Mishawaka, including the construction of a new inpatient care facility. Pledges due in periods greater than one year have been discounted using the five-year Treasury Bill rate based on the initial year of pledge, which has deemed commensurate with the credit risk of the donors. Additionally, management does not believe an allowance for uncollectible pledges is necessary for the years ended December 31, 2019 or 2018. Also included in pledges receivable are various pledges for other purposes beyond the scope of the capital campaign.

Pledges receivable are due to be collected as follows for the years ending December 31:

2020	513,862
2021	232,147
2022	13,005
2023	3,553
2024	1,160
Pledges receivable before discount	763,727
Less present value discounted based on treasury rates	(5,473)
Pledges receivable, net	758,254

The pledges receivable are shown on the Consolidated Statements of Financial Position net of allowance and present value discount, and are due as follows:

	2019	2018
Current	513,862	395,107
Non-current	244,392	585,960
Total	758,254	981,067

NOTE 4 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under ASC 820 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

The Organization utilized the market approach to approximate its value of Level 3 investments held by Community Foundations. Given a pool of assets whose total is known, the Organization can approximate its share of the total pooled investment using rates of return applied to known contribution amounts. The Organization used fund statements provided by the Community Foundations that include detail of contributions and withdrawals to adjust the fair value of its assets. The Organization is familiar with the Community Foundations and their investment bases which include a variety of investments including domestic (small and large cap) and global equities, fixed income securities, hedge funds, and other investments. The investments are classified as Level 3 since the fund agreements provide for the irrevocable transfer of assets to the Community Foundations.

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2019:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Observable Units (Level 2)	Unobservable Inputs (Level 3)
Bond funds	6,811,739	6,811,739	0	0
Fixed income mutual funds	4,570,881	4,570,881	0	0
Equity mutual funds	15,752,118	15,752,118	0	0
Beneficial interest in assets held by Community Foundations	697,088	0	0	697,088
Total	27,831,826	27,134,738	0	697,088

The following table presents the Organization's fair value hierarchy for the Organization's investment assets at fair value, as of December 31, 2018:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Observable Units (Level 2)	Unobservable Inputs (Level 3)
Bond funds	6,361,392	6,361,392	0	0
Fixed income mutual funds	4,294,917	4,294,917	0	0
Equity mutual funds	12,379,121	12,379,121	0	0
Beneficial interest in assets held by Community Foundations	618,643	0	0	618,643
Total	23,654,073	23,035,430	0	618,643

Investment return for the the years ended December 31:

	2019	2018
Interest and dividends	867,338	876,117
Realized gains (losses)	(110)	244,085
Unrealized gains (losses)	3,262,959	(2,188,955)
Investment management fees	(30,879)	(30,473)
Change in beneficial interest in assets held by Community Foundations	78,445	(54,861)
Investment return	4,177,753	(1,154,087)

The following summarizes the two primary investment pools of funds which reflect the Organization's investment policy at December 31:

	2019	2018
Intermediate pool	4,796,274	4,558,365
Long term pool	22,338,464	18,477,065
Total	27,134,738	23,035,430

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS

The Organization has entered into agreements with the Community Foundation of St. Joseph County, Inc., Marshall County Community Foundations, Inc., Community Foundation of Elkhart County, Inc. and the Unity Foundation of La Porte County (the "Community Foundations") in which the Organization has established funds for the purpose of providing support to the Organization. The Organization expects to receive the income earned on the assets held in perpetuity, but will never receive the assets held in the fund. Distributions from the fund are currently based upon each Community Foundation's individual spending policy. Annual distributions from the fund are reported in Bequests, contributions, and grants on the Consolidated Statements of Activities. Net realized and unrealized gains (losses) are reported as Change in beneficial interest in assets held by community foundations.

The agreements provide the Community Foundations the power to modify any restrictions or conditions on the distribution of funds to any specified charitable organizations if such restrictions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable need of the area served by the Community Foundations.

The Organization has made contributions to the Community Foundations and designated itself as the beneficiary. These contributions along with appreciation (depreciation) on the monies are presented as Beneficial interest in assets held by community foundations on the Consolidated Statements of Activities. Additionally, donors will contribute directly to the funds. These contributions are not considered to be assets of the Organization, but the Organization receives its annual distribution, as described above, based on the total value of the fund.

The following is a summary by Community Foundation at December 31, 2019:

	Contributed by Organization	Contributed by Others	Total Fair Value
St. Joseph County	510,658	933,162	1,443,820
Marshall County	169,924	1,218	171,142
Elkhart County	10,988	46,482	57,470
La Porte County	5,518	0	5,518
Total	697,088	980,862	1,677,950

The following is a summary by Community Foundation at December 31, 2018:

	Contributed by Organization	Contributed by Others	Total Fair Value
St. Joseph County	443,843	810,197	1,254,040
Marshall County	160,441	1,079	161,520
Elkhart County	9,459	39,540	48,999
La Porte County	4,900	0	4,900
Total	618,643	850,816	1,469,459

The Organization received distributions totaling $74,325 and $55,249, respectively, during the years ended December 31, 2019 and 2018.

NOTE 6 - ENDOWMENTS

The Organization's endowment funds were established to provide financial support for the Organization in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the board of directors appropriates amounts for expenditure and any purpose restrictions have been met unless the amounts are earned and expended in the same period, in which case amounts are included in net assets without donor restrictions.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policy of the Organization

RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES FOR ACHIEVING OBJECTIVES

The Organization has adopted investment and spending policies, approved by the board of directors. Fund assets are to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Organization. Fund assets will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of fund equity investments will be to maximize the long-term real growth of portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of portfolio equity investments. Cash investments will, under normal circumstances, only be considered as temporary portfolio holdings, and will be used for fund liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both of the equity and fixed income asset classes.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

For the purpose of making distributions, the Organization makes use of a total-return-based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments. The distribution of fund assets will be permitted to the extent that such distributions do not exceed a level that would erode the fund’s real assets over time. The Organization's Investment Committee will seek to reduce the variability of annual Fund distributions by factoring past spending and portfolio asset values into its current spending decisions. The Investment Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the fund’s spending policy, its target asset allocation, or both.

The Organization's board designated endowment consists of pooled funds invested and managed by four area county community foundations. Because the investments were initiated by action of the board of directors, the net assets associated with the endowment valuations, both principal and subsequent accumulations, are classified as net assets without donor restrictions. Because the Organization's endowments are maintained by the Community Foundations, the spending policies of those foundations are followed. The spending policies for the Community Foundations are a maximum of 5% of a moving average of each fund's historical market value.

The following is a summary of endowment net asset composition by type of fund at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Totals
Beneficial interests in Community Foundations	697,088	0	697,088
Donor restricted endowments funds	0	2,556,476	2,556,476
Endowment net assets, end of year	697,088	2,556,476	3,253,564

The following is a summary of the changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, beginning of year	618,643	1,243,829	1,862,472
Contributions	0	1,181,791	1,181,791
Investment return	112,347	56,485	168,832
Reclassifications	0	74,371	74,371
Appropriations and expenditures	(33,902)	0	(33,902)
Endowment net assets, end of year	697,088	2,556,476	3,253,564

The following is a summary of endowment net asset composition by type of fund at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Totals
Beneficial interests in Community Foundations	618,643	0	618,643
Donor restricted endowment funds	0	1,243,829	1,243,829
Endowment net assets, end of year	618,643	1,243,829	1,862,472

The following is a summary of the changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, beginning of year	673,504	515,698	1,189,202
Contributions	0	611,978	611,978
Investment return	(34,275)	(15,707)	(49,982)
Reclassifications	0	131,860	131,860
Appropriations and expenditures	(20,586)	0	(20,586)
Endowment net assets, end of year	618,643	1,243,829	1,862,472

Of the funds in the "With Donor Restrictions" category, $2,472,550 and $1,216,388 at December 31, 2019 and 2018, respectively, are to be retained in perpetuity in accordance with donor agreements. The remainder of endowments with donor restrictions results from investment return on those assets.

NOTE 7 - PERPETUAL EASEMENT

During 2017, the Organization collaborated with the City of Mishawaka in acquiring property for the purposes of improving the aesthetics of the Organization's campus and the completion of the eastern extension of the City of Mishawaka's river walk project. The ensuing transactions resulted in the Organization's purchase of the property, and subsequent sale of the property to the city of Mishawaka. In addition to cash proceeds, the City of Mishawaka granted the Organization an exclusive, perpetual easement on the land that will be used for parking in connection with the Organization's Palliative Care Center. The easement has been valued at $97,123, the difference between the purchase price paid by the Organization, and the cash consideration made by the City of Mishawaka.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2019	2018
Subject to expenditure for specified purposes:		
Capital Campaign	3,170,581	3,546,834
Camp Evergreen	88,921	46,119
We Believe	13,472	25,184
Road to Hope	41,323	55,918
Fellowships	200,000	300,000
Education Outreach	250,000	250,000
GPIC	46,558	49,523
Honoring Choices	49,033	52,019
MADS scholarships	10,677	0
	3,870,565	4,325,597
Donor-restricted endowments subject to spending policy and appropriation:		
Endowments invested in perpetuity	472,550	472,550
Fellowship match to be invested in perpetuity	2,000,000	743,838
	2,472,550	1,216,388
Total net assets with donor restrictions	6,343,115	5,541,985

NOTE 9 - LINE OF CREDIT AND NOTE PAYABLE

During 2018, the Organization renewed its $2,000,000 revolving line of credit agreement with a local financial institution. The agreement continues to require monthly payments at an interest rate defined as 1% below the prime rate reported in the Wall Street Journal's *Money Rates* column, which resulted in a rate of 3.75% and 4.50% at December 31, 2019 and 2018, respectively. The new agreement is unsecured, and matures on June 30, 2020. There were no outstanding borrowings at December 31, 2019 or 2018.

During 2018, the Organization executed a $12,000,000 multiple term advance promissory note payable with a local financial institution payable in full on the loan due date of March 31, 2023. The outstanding borrowings were $11,987,266 and $2,975,230 at December 31, 2019 and 2018, respectively. The interest rate is defined as 1.40% below the prime rate reported in the Wall Street Journal's *Money Rates* column, which resulted in a rate of 3.35% at December 31, 2019. Interest only payments are made monthly by the Organization until the time at which the note converts to a term note payable which is scheduled to occur in 2023. Terms of repayment will be determined at the time of conversion. The promissory note is secured by a certain brokerage account.

NOTE 10 - LEASE COMMITMENTS

Hospice has a lease with an unrelated third party for office space that expires annually on January 31. The lease automatically renews unless prior notice of the intent to not renew is given 90-days in advance of the termination date. The monthly rent payments are set at $1,730, the rate that has been in effect since 2006.

Hospice also signed a month-to-month lease with an unrelated third party for an office suite. Lease payments of $2,061 were due monthly and ended upon completion of a new office suite, which was completed in July 2019. At that point, a five-year lease commenced with monthly payments of $4,664.

Hospice has also signed two lease agreements for copiers with three-year terms requiring monthly payments of $745 and $227, respectively. The agreements terminate in April 2022 and May 2022, respectively.

Future minimum rental payments under the leases are as follows at December 31:

2020	69,360
2021	67,630
2022	59,109
2023	55,965
2024	27,983
Total future minimum rental payments	280,047

Total rental expense was $69,630 and $45,492 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 - EMPLOYEE BENEFITS

The Organization provides a tax sheltered annuity for its eligible employees. For 2019 and 2018, the board of directors has elected to match up to 25% of the eligible employee's contribution, not to exceed $4,000 annually. The Organization contributed $114,028 and $114,675 to the plan for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 - SELF-FUNDED HEALTH INSURANCE

The Organization maintains a self-funded medical insurance plan for all full-time employees and their eligible dependents. The amounts funded by the Organization are based on medical claims processed and submitted for payment on a weekly basis by a third-party plan administrator. The Organization purchased a stop-loss liability insurance policy (reinsurance) that reimburses the Organization for individual participant claims incurred in excess of $100,000 with a maximum limit of liability of $1,928,602 and $1,714,923 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Organization's self-funded health insurance plan was funded in the amount of $299,468 as a result of plan contributions in excess of medical claims incurred but not paid. This amount has been reported as a component of Prepaid expenses within the Consolidated Statements of Financial Position. As of December 31, 2018, the Organization's self-funded health insurance plan was unfunded in the amount of $63,590 as a result of medical claims incurred but not paid. This amount has been reported as a component of Accounts payable within the Consolidated Statements of Financial Position. The expense under this plan for the years ended December 31, 2019 and 2018 was $2,030,318 and $1,744,227, respectively.

NOTE 13 - CONTINGENCIES

The Organization is subject to oversight from CMS and reviews of past claims that arise in the ordinary course of business. In accordance with generally accepted accounting principles, a liability is recorded when it is probable that a loss has been incurred and the amount can be reasonably estimated. There is significant judgment required in both the probability determinations and as to whether an exposure can be reasonably estimated. In management's opinion, there are no potential liabilities related to any ongoing reviews, legal proceedings or claims that would individually or in aggregate materially adversely affect financial conditions or operating results at December 31, 2019 or 2018. However, the outcomes from the CMS review of past claims brought against the Organization are subject to significant uncertainty, and the operating results of a particular reporting period could be materially adversely affected.

NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 15, 2020, the date the consolidated financial statements were available to be issued. On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and the impact on its financial condition, liquidity, tenants, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Organization's results of future operations, financial position, and liquidity in fiscal year 2020. As a result of the COVID-19 outbreak, the Organization has temporarily closed its Adult day services operations. Additionally, as part of the CARES Act, the Organization received approximately $1,400,000 in relief funds from the pool of funds distributed to Medicare providers. No other events or transactions occurred during this period which require recognition or disclosure in the consolidated financial statements.

KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
The Center for Hospice and Palliative Care, Inc. and Affiliates
Mishawaka, Indiana

We have audited the consolidated financial statements of The Center for Hospice and Palliative Care, Inc. and Affiliates d/b/a Center for Hospice Care and Hospice Foundation as of and for the years ended December 31, 2019 and 2018, and our report thereon dated May 15, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The following Consolidating Statements of Financial Position and Consolidating Statements of Activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Respectfully submitted,

Kruggel, Lawton & Company LLC
Certified Public Accountants

Elkhart, Indiana
May 15, 2020

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2019

(See Independent Auditor's Report on Supplementary Information)

	Hospice	Foundation	GPIC	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4,736,590	2,352,760	267,459	0	7,356,809
Patient receivables, net	4,193,765	0	0	0	4,193,765
Other receivables	0	246,345	0	(60,000)	186,345
Grants receivable	0	1,000,000	0	0	1,000,000
Pledges receivable	0	513,862	0	0	513,862
Prepaid expenses	641,575	27,461	0	0	669,036
Due from affiliate	17,064,826	0	0	(17,064,826)	0
Total Current Assets	26,636,756	4,140,428	267,459	(17,124,826)	13,919,817
PROPERTY AND EQUIPMENT					
Land and land improvements	0	4,494,508	0	0	4,494,508
Buildings	0	15,655,979	0	0	15,655,979
Leasehold improvements	0	7,355	0	0	7,355
Furniture and equipment	5,567,546	0	0	0	5,567,546
Construction in progress	0	8,075,550	0	0	8,075,550
Total	5,567,546	28,233,392	0	0	33,800,938
Accumulated depreciation	3,860,109	3,385,369	0	0	7,245,478
Net Property and Equipment	1,707,437	24,848,023	0	0	26,555,460
OTHER ASSETS					
Investments	0	27,134,738	0	0	27,134,738
Pledges receivable, net	0	244,392	0	0	244,392
Perpetual easement	0	97,123	0	0	97,123
Beneficial interest in assets held by community foundations	0	697,088	0	0	697,088
Beneficial interest in assets of Foundation	28,216,987	0	0	(28,216,987)	0
Beneficial interest in assets of GPIC	0	180,530	0	(180,530)	0
Total Other Assets	28,216,987	28,353,871	0	(28,397,517)	28,173,341
TOTAL ASSETS	**56,561,180**	**57,342,322**	**267,459**	**(45,522,343)**	**68,648,618**

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2019

(See Independent Auditor's Report on Supplementary Information)

LIABILITIES AND NET ASSETS	Hospice	Foundation	GPIC	Eliminations	Total
CURRENT LIABILITIES					
Accounts payable	865,207	73,243	86,929	(60,000)	965,379
Accrued payroll and benefits	977,993	0	0	0	977,993
Due to affiliate	0	17,064,826	0	(17,064,826)	0
Total Current Liabilities	1,843,200	17,138,069	86,929	(17,124,826)	1,943,372
LONG-TERM LIABILITIES					
Multiple advance term note payable	0	11,987,266	0	0	11,987,266
Total Long-Term Liabilities	0	11,987,266	0	0	11,987,266
TOTAL LIABILITIES	1,843,200	29,125,335	86,929	(17,124,826)	13,930,638
NET ASSETS					
Without Donor Restrictions					
Board designated for endowment	697,088	697,088	0	(697,088)	697,088
Undesignated	47,677,777	21,176,784	135,321	(21,312,105)	47,677,777
Total Without Donor Restrictions	48,374,865	21,873,872	135,321	(22,009,193)	48,374,865
With Donor Restrictions	6,343,115	6,343,115	45,209	(6,388,324)	6,343,115
Total Net Assets	54,717,980	28,216,987	180,530	(28,397,517)	54,717,980
TOTAL LIABILITIES AND NET ASSETS	**56,561,180**	**57,342,322**	**267,459**	**(45,522,343)**	**68,648,618**

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

(See Independent Auditor's Report on Supplementary Information)

	Hospice	Foundation	GPIC	Eliminations	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	3,791,915	2,296,982	198,018	0	6,286,915
Patient receivables	4,772,830	0	0	0	4,772,830
Other receivables	0	133,401	6,804	(60,000)	80,205
Grants receivable	0	371,919	0	0	371,919
Pledges receivable	0	395,107	0	0	395,107
Prepaid expenses	460,197	45,101	0	0	505,298
Due from affiliate	16,339,322	0	0	(16,339,322)	0
Total Current Assets	25,364,264	3,242,510	204,822	(16,399,322)	12,412,274
PROPERTY AND EQUIPMENT					
Land and land improvements	0	3,590,076	0	0	3,590,076
Buildings	0	11,051,975	0	0	11,051,975
Leasehold improvements	0	7,355	0	0	7,355
Furniture and equipment	4,371,383	0	0	0	4,371,383
Construction in progress	0	4,989,089	0	0	4,989,089
Total	4,371,383	19,638,495	0	0	24,009,878
Accumulated depreciation	3,520,551	2,995,888	0	0	6,516,439
Net Property and Equipment	850,832	16,642,607	0	0	17,493,439
OTHER ASSETS					
Investments	0	23,035,430	0	0	23,035,430
Pledges receivable, net	0	585,960	0	0	585,960
Perpetual easement	0	97,123	0	0	97,123
Beneficial interest in assets held by community foundations	0	618,643	0	0	618,643
Assets held for sale	0	227,569	0	0	227,569
Beneficial interest in assets of Foundation	23,894,381	0	0	(23,894,381)	0
Beneficial interest in assets of GPIC	0	128,561	0	(128,561)	0
Total Other Assets	23,894,381	24,693,286	0	(24,022,942)	24,564,725
TOTAL ASSETS	**50,109,477**	**44,578,403**	**204,822**	**(40,422,264)**	**54,470,438**

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

(See Independent Auditor's Report on Supplementary Information)

LIABILITIES AND NET ASSETS	Hospice	Foundation	GPIC	Eliminations	Total
CURRENT LIABILITIES					
Accounts payable	604,142	1,369,470	76,261	(60,000)	1,989,873
Accrued payroll and benefits	811,757	0	0	0	811,757
Due to affiliate	0	16,339,322	0	(16,339,322)	0
Total Current Liabilities	1,415,899	17,708,792	76,261	(16,399,322)	2,801,630
LONG-TERM LIABILITIES					
Multiple advance term note payable	0	2,975,230	0	0	2,975,230
Total Long-Term Liabilities	0	2,975,230	0	0	2,975,230
TOTAL LIABILITIES	1,415,899	20,684,022	76,261	(16,399,322)	5,776,860
NET ASSETS					
Without Donor Restrictions					
Board designated for endowment	618,643	618,643	0	(618,643)	618,643
Undesignated	42,532,950	17,733,753	85,764	(17,819,517)	42,532,950
Total Without Donor Restrictions	43,151,593	18,352,396	85,764	(18,438,160)	43,151,593
With Donor Restrictions	5,541,985	5,541,985	42,797	(5,584,782)	5,541,985
Total Net Assets	48,693,578	23,894,381	128,561	(24,022,942)	48,693,578
TOTAL LIABILITIES AND NET ASSETS	**50,109,477**	**44,578,403**	**204,822**	**(40,422,264)**	**54,470,438**

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

(See Independent Auditor's Report on Supplementary Information)

Net assets without donor restrictions:	Hospice	Foundation	GPIC	Eliminations	Total
Public Support and Revenue:					
Net patient service revenue	23,013,920	0	0	0	23,013,920
Adult day services (MADS)	356,770	0	0	0	356,770
Bequests, contributions, and grants	34,751	678,539	542,194	(128,857)	1,126,627
Investment income, net of fees	0	836,349	0	0	836,349
Interest and other income	30,144	8,731	60,000	(60,000)	38,875
Special events, net	0	562,386	0	0	562,386
Total Public Support and Revenue	23,435,585	2,086,005	602,194	(188,857)	25,934,927
Net assets released from restriction	0	1,372,788	0	0	1,372,788
Net assets reclassified as a result of donor imposed restrictions	0	(177,048)	0	0	(177,048)
Expenses:					
Program Services	18,972,829	1,648,117	483,698	(128,857)	20,975,787
Management and general	2,760,960	832,376	68,939	(60,000)	3,602,275
Fundraising	0	605,880	0	0	605,880
Total Expenses	21,733,789	3,086,373	552,637	(188,857)	25,183,942
Change in net assets without donor restrictions from operations	**1,701,796**	**195,372**	**49,557**	**0**	**1,946,725**
Non-operating revenues:					
Net unrealized gain on investments	0	3,206,473	0	0	3,206,473
Change in beneficial interest in assets held by community foundations	0	78,445	0	0	78,445
Loss on sale of assets held for sale	0	(8,371)	0	0	(8,371)
Change in beneficial interest in Foundation	3,521,476	0	0	(3,521,476)	0
Change in beneficial interest in GPIC	0	49,557	0	(49,557)	0
Total non-operating revenues	3,521,476	3,326,104	0	(3,571,033)	3,276,547
Change in net assets without donor restrictions	**5,223,272**	**3,521,476**	**49,557**	**(3,571,033)**	**5,223,272**
Net assets with donor restrictions					
Bequests, contributions, and grants	0	1,937,972	2,412	0	1,940,384
Net unrealized gain on investments	0	56,486	0	0	56,486
Net assets released from restriction	0	(1,372,788)	0	0	(1,372,788)
Net assets reclassified as a result of donor imposed restrictions	0	177,048	0	0	177,048
Change in beneficial interest in Foundation	801,130	0	0	(801,130)	0
Change in beneficial interest in GPIC	0	2,412	0	(2,412)	0
Change in net assets with donor restrictions	**801,130**	**801,130**	**2,412**	**(803,542)**	**801,130**
CHANGE IN NET ASSETS	**6,024,402**	**4,322,606**	**51,969**	**(4,374,575)**	**6,024,402**
NET ASSETS, BEGINNING OF YEAR	**48,693,578**	**23,894,381**	**128,561**	**(24,022,942)**	**48,693,578**
NET ASSETS, END OF YEAR	**54,717,980**	**28,216,987**	**180,530**	**(28,397,517)**	**54,717,980**

CENTER FOR HOSPICE AND PALLIATIVE CARE, INC. AND AFFILIATES

Mishawaka, Indiana

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

(See Independent Auditor's Report on Supplementary Information)

	Hospice	Foundation	GPIC	Eliminations	Total
Net assets without donor restrictions:					
Public Support and Revenue:					
Net patient service revenue	22,191,454	0	0	0	22,191,454
Adult day services (MADS)	439,230	0	0	0	439,230
Bequests, contributions, and grants	34,184	401,888	491,601	(86,261)	841,412
Investment income, net of fees	0	1,089,729	0	0	1,089,729
Interest and other income	32,278	50,623	24,000	(60,000)	46,901
Special events, net	0	366,112	0	0	366,112
Total Public Support and Revenue	22,697,146	1,908,352	515,601	(146,261)	24,974,838
Net assets released from restriction	0	159,275	7,659	0	166,934
Expenses:					
Program Services	17,565,231	1,528,131	449,044	(86,261)	19,456,145
Management and general	2,540,601	659,892	65,391	(60,000)	3,205,884
Fundraising	0	551,206	0	0	551,206
Total Expenses	20,105,832	2,739,229	514,435	(146,261)	23,213,235
Change in net assets without donor restrictions from operations	**2,591,314**	**(671,602)**	**8,825**	**0**	**1,928,537**
Non-operating revenues:					
Net unrealized loss on investments	0	(2,173,248)	0	0	(2,173,248)
Change in beneficial interest in assets held by community foundations	0	(54,861)	0	0	(54,861)
Change in beneficial interest in Foundation	(2,890,886)	0	0	2,890,886	0
Change in beneficial interest in GPIC	0	8,825	0	(8,825)	0
Total non-operating revenues	(2,890,886)	(2,219,284)	0	2,882,061	(2,228,109)
Change in net assets without donor restrictions	**(299,572)**	**(2,890,886)**	**8,825**	**2,882,061**	**(299,572)**
Net assets with donor restrictions:					
Bequests, contributions, and grants	0	916,595	0	0	916,595
Net unrealized loss on investments	0	(15,707)	0	0	(15,707)
Net assets released from restriction	0	(159,275)	(7,659)	0	(166,934)
Change in beneficial interest in Foundation	733,954	0	0	(733,954)	0
Change in beneficial interest in GPIC	0	(7,659)	0	7,659	0
Change in net assets with donor restrictions	**733,954**	**733,954**	**(7,659)**	**(726,295)**	**733,954**
CHANGE IN NET ASSETS	**434,382**	**(2,156,932)**	**1,166**	**2,155,766**	**434,382**
NET ASSETS, BEGINNING OF YEAR	**48,259,196**	**26,051,313**	**127,395**	**(26,178,708)**	**48,259,196**
NET ASSETS, END OF YEAR	**48,693,578**	**23,894,381**	**128,561**	**(24,022,942)**	**48,693,578**