



**Board of Directors Meeting**  
**501 Comfort Place, Conference Room A, Mishawaka**  
**April 27, 2016**  
**7:30 a.m.**

**FINANCIAL STATEMENTS**  
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**Center for Hospice Care  
2015 Fiscal Review**

**Audited Financial Statements** Ordinarily, the statements presented by the Administration of the Center for Hospice Care (CHC) to the Finance Committee, and then by the Finance Committee to the Board of Directors, look like the financial statements of any other business. However, as a not-for-profit entity, the reporting requirements for our financial statements are quite different. Therefore, even though they contain the same information, our audited financial statements look much different than the monthly statements reviewed by the Board.

In 2009 a separate corporate entity, The Foundation for the Center for Hospice and Palliative Care (Foundation) was formed as a supporting organization for CHC. Based on the type of relationship between these two organizations, audit standards require one set of consolidated audited financial statements. Unless otherwise stated, this report refers to the consolidated statements. Contained in the notes to the financial statements are summaries of each entity's individual 2015 activities.

See the summary of the 2015 Audited Financial Statements.

**Agency Services** CHC is really two agencies in one. We are a licensed, Medicare certified, Hospice provider. We are also a licensed, Medicare certified, Home Health Care agency. This means that we have two separate licenses, two separate certifications, two separate surveys, two separate cost reports, and two separate Medicare provider numbers. This also means there is virtually an unlimited myriad reimbursement and coverage issues.

From an accounting standpoint, the underlying difference between the two is the reimbursement (clinically, there are innumerable differences). Hospice is a per diem program. Home Health Care is reimbursed either episodically or on a per visit basis. Under both Hospice and Home Health Care, there are four programs based on reimbursement source; Medicare, Medicaid, Private Insurance, and Self-Pay.

Under Hospice, we are reimbursed at a set daily rate for each day a patient is under Hospice care. In addition to Nursing, Hospice Aide, Spiritual Care, and Social Work services, CHC is responsible for all medications, DME, supplies, and other necessary items related to the palliation of the symptoms related to the patient's terminal illness. Coverages and responsibilities under private insurance may be negotiated on an individual basis. The daily rate, which is set by Medicare, will vary based on which one of four levels of care (Routine, Respite, Continuous Care, or General Inpatient) the patient is receiving. The level of care a patient receives is based solely on Medicare established clinical criteria, not financial. The daily reimbursement rate will also vary based upon which county (of the eight we serve) the patient resides. Private insurance companies may also have individually negotiated daily rates.

Medicare reimburses Home Health Care on an episodic basis; which means we receive a flat fee to care for a patient for sixty days. Medicaid, Private Insurance Home Health, and Supportive Care (Self-Pay) reimburse each covered / necessary Nursing, Home Health Aide, and/or Social Work Visit. For Home Health Care, we are not financially responsible for DME, medications, medical treatments, or hospitalizations. Rates are established by Medicare and Medicaid. Private insurance companies may also have individually negotiated rates and coverages.

In addition to the services already described, CHC also makes available to all Hospice patients Bereavement Counselors (who are also available to the community at-large), as well as Volunteers. CHC generally receives no form of reimbursement for these services, although we are required to provide them for Hospice patients.

**Patient Census** In 2015, CHC served 2,102 patients, (a 1% decrease from 2014). Our average daily census was 399 (376 Hospice; 23 Home Health). Average daily census in 2014 was 370 (351 Hospice; 19 Home Health). We served 2,123 patients in 2014. We carried forward a census of 388 at 01/01/16.

Average length of stay for hospice (per diem) increased from 61 days in 2014 to 74 days in 2015. Our median was again 14, and our mode remained at two days. While the number of patients served decreased by 1%, the year 2015 saw a 7% increase in the number of Hospice per diem days over 2014.

**Balance Sheet** Over the course of 2015, CHC's combined net assets increased \$3.1 million. Net worth of the organization (assets minus liabilities) increased \$3.4 million. The goal of our investment policy is to maintain at least six months of operating capital in reserves. As of December 2015, CHC has approximately 14 months of operating capital in reserves.

The only short-term liabilities carried by CHC are trade accounts payable and payroll related accruals. In 2012, the Hospice Foundation established a \$6 million line of credit for the construction of new facilities in Mishawaka. As of December 2015, \$5.9M had been borrowed against that line.

**2014 Revenue Sources** In 2015, CHC recognized just over \$24 million in total revenues, deriving the majority of that revenue from third party payors as fees for services provided. The largest source of revenue for the agency is the Hospice Medicare Benefit (HMB). In 2015, HMB revenue accounted for \$19.9 million. Private Insurance Hospice Benefits (PHB) and Medicaid Hospice Benefits (MHB) combined for \$1.6 million in revenues. The Home Health Care programs of Home Health Medicare (HHM), Medicaid Home Health (MCD), and Private Insurance Home Health (PVT) combined for approximately \$277,000 in revenues.

Development income totaled just over \$2 million --- including \$351,000 of memorials; \$76,000 of general unsolicited donations; \$333,000 (net) from the Dinner; \$21,000 from the Walk; and \$157,000 from our mail campaigns. The initial phase of the Crossroads Campaign generated over \$437,000.

There was a net loss of \$32,000 from investments, plus 248,000 of bequests.

**2015 Expenditures** In 2015, CHC had total expenditures of \$20.8 million. CHC provides a wide variety of services to our communities. As a result, far and away the largest expenditure we incur on an annual basis is for salary and wages. Wages and related items (employer payroll taxes, employee benefits, etc) accounted for 62% of overall expenditures in 2015.

The second largest expenditure incurred by CHC is direct care costs. Direct care costs are made up of all the medications, DME, supplies, and other necessary items related to the palliation of the symptoms related to hospice (not home health care) patients' terminal illness. In 2015, this represented approximately 16% of our overall expenditures.

Historically, wages and direct care costs have made up approximately 75% - 80% of CHC's expenditures.

**Summary** From a financial standpoint, 2015 was one of the most successful years in CHC history. 2015 had an overall year to date net gain of \$3.4 million. CHC provided over \$2.1 million in services for which no reimbursement was received. We have been able to undertake projects that will help develop future growth, and we have (in accordance with our investment policy) been able to save for a rainy day.

## **The Center for Hospice and Palliative Care, Inc 2015 Audited Financial Statements**

In 2009 a separate corporate entity, The Foundation for the Center for Hospice and Palliative Care, Inc. (a/k/a Hospice Foundation) was formed as a supporting organization for The Center for Hospice Care (CHC). Based on the type of relationship between these two organizations, audit standards require one set of consolidated audited financial statements. Unless otherwise stated, this report refers to the consolidated statements. Contained in the notes to the financial statements are summaries of each entity's individual 2015 activities.

**Report of Independent Auditors** The accounting firm of David Culp & Company, LLP performed their annual audit of our financial statements for the year ended December 31, 2015. As evidenced on page one of the annual report, they have issued an unqualified opinion regarding our financial statements. This states that, after conducting audit tests in accordance with generally accepted auditing standards, they believe our statements present fairly the financial position of Center for Hospice Care as of December 31, 2015.

Nonprofit organizations have three basic financial statements: the statement of financial position (or balance sheet), the statement of operations, and the statement of cash flows.

**Statement of Financial Position** The Statement of Financial Position, also referred to as the Balance Sheet, is a snapshot of an organization's assets, liabilities, and net assets (capital or net worth) and their relationships to each other at a point in time. The Statement of Financial Position focuses on the nonprofit organization as a whole and, therefore, reports total assets, liabilities, and net assets. As of December 31, 2015 assets totaled nearly \$45.8 million. Assets at December 31, 2014 were nearly \$43.2 million.

**Statement of Operations** The Statement of Operations is divided into three categories; Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets. The statement of operations presents the income and support for the period for each net asset class. In addition, it presents expenses and losses for unrestricted net assets, reclassifications from temporarily restricted to unrestricted net assets, and losses for restricted net assets. The net gain for 2015 was over \$3.4 million. The net gain for 2014 was over \$2.6 million.

**Unrestricted Net Assets** Restrictions may only be placed by donors, therefore, Unrestricted Contributions and Net Assets are those which have no donor restrictions limiting their use by a non-profit organization. All activities under the organization's sole control are unrestricted. In addition, all expenses are unrestricted.

**Temporarily Restricted Net Assets** Temporarily Restricted Net Assets are those resources whose use is limited by donors: 1) to later periods of time, 2) beginning after a specific date, or 3) to specific purposes. Promises to give (pledges) with payments in the future carry implied temporary time restrictions and are classified as temporarily restricted.

**Permanently Restricted Net Assets** Permanently Restricted Net Assets must be maintained by a non-profit organization in perpetuity. Permanently Restricted Net Assets increase when contributions are received which carry donor-imposed restrictions that do not expire with the passage of time and which cannot be fulfilled or removed by actions taken by the non-profit organization.

**The Center for Hospice and Palliative Care, Inc**  
**2015 Audited Financial Statements**

**Statement of Cash Flow** The purpose of the Statement of Cash Flow is to explain the change in cash and cash equivalents (checking/savings accounts, CD's) from one period to the next. This statement reconciles Net Income/Loss to the increase/decrease in the cash accounts.

**Notes to Financial Statements** The notes help to explain in greater detail the activity summarized in the financial statements.

**Nature of Activities and Significant Accounting Policies - Note 1** Note 1 to the financial statements provides a synopsis of the agency's mission and activities as well as definitions and summaries of its various accounting practices.

**Investments – Notes 4 & 14** In the spring of 2002, Center for Hospice Care implemented its current investment policy. According to Statement of Financial Accounting Standards (SFAS) Number 124, the financial statements must reflect the types, amounts, and valuation methods / fair market assumptions of all the organization's investments. In addition, the financial statements must reflect all investment income/loss, all realized gains/losses, and all unrealized gains/losses. Investment income is the interest, dividends, and other income generated by the investment. A realized gain/loss is the gain/loss from the sale or disposal of an investment. An unrealized gain/loss is the increase/decrease in the market value, as of a given date (i.e. December 31), of an investment(s) above/below the initial acquisition value of the investment(s) held by the organization. Notes 4 & 14 to the Financial Statements summarize this activity for the year 2015.

**Debt – Note 7** In 2012, Hospice Foundation executed a promissory note of \$6M with 1st Source Bank to finance Phase 1 of the Mishawaka Campus project. Details and balance of the note are summarized in Note 7.

**Permanent Endowment – Notes 11 & 12** During 1999, Center for Hospice Care adopted Statement of Financial Accounting Standards (SFAS) Number 136. For CHC, this pertains to the accounting treatment of the *Hospice Fund(s)* at the Community Foundations of St Joseph, Marshall, and Elkhart counties. As of December 31, 2015, the total balance of the *Hospice Fund* at the St Joseph County Community Foundation was \$985,165. Of that amount, only \$433,755 can be reflected on the agency's books; per SFAS 136. This amount represents contributions made to the *Hospice Fund* by the agency from unrestricted net assets plus appreciation on those monies. According to SFAS 136, contributions (and pledges receivable) made by donors, directly to the *Hospice Fund*, can not be considered assets of the agency, but are considered assets of the Community Foundation; although we receive an annual distribution from the *Hospice Fund* based on the total value of the fund. Therefore, these donations (and receivables) cannot be reflected in the agency's financial statements.

In the fall of 2003, Hospice initiated funds at both the Marshall County and Elkhart County Community Foundations. The total value of these funds as well as the amounts listed on the Hospice financial statements are also reflected in Notes 11 & 12.

**Center for Hospice Care  
Financial Summary  
March 31, 2016**

The total checking balance of \$5,358,615 is down 323,672 from the prior month. Assets now total nearly \$40.4 million. Our only significant liabilities are our trade accounts payable, accrued payroll, and accrued payroll taxes.

	Center for Hospice Care	Hospice Foundation	Combined
<b>March 2016</b>			
CHC Operating Income	1,769,681		1,769,681
Development Income (Net)		75,184	75,184
Donated Services		0	0
Investment Income (Net)		872,765	872,765
Interest & Other	1,378	29	1,407
Beneficial Interest in Foundation	721,871		
<b>Total Revenue</b>	<b>2,492,930</b>	<b>947,978</b>	<b>2,719,037</b>
<b>Total Expenses</b>	<b>1,642,113</b>	<b>226,107</b>	<b>1,868,220</b>
<b>Net Gain</b>	<b>850,817</b>	<b>721,871</b>	<b>850,817</b>
<i>Net w/o Beneficial Interest</i>	<i>128,946</i>		
<i>Net w/o Investments</i>			<i>(21,948)</i>

	Center for Hospice Care	Hospice Foundation	Combined
<b>Year to Date Summary</b>			
CHC Operating Income	5,218,810		5,218,810
Development Income (Net)		310,876	310,876
Donated Services		0	0
Investment Income (Net)		140,202	140,202
Interest & Other	3,907	586	4,493
Beneficial Interest in Foundation	(109,713)		
<b>Total Revenue</b>	<b>5,113,004</b>	<b>451,664</b>	<b>5,674,381</b>
<b>Total Expenses</b>	<b>4,561,491</b>	<b>561,377</b>	<b>5,122,868</b>
<b>Net Gain</b>	<b>551,513</b>	<b>(109,713)</b>	<b>551,513</b>
<i>Net w/o Beneficial Interest</i>	<i>661,226</i>		
<i>Net w/o Investments</i>			<i>411,311</i>

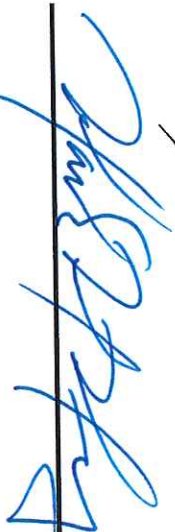
Reviewed

Karl Holderman, CFO



Date: 04-18-16

Mark Murray, President / CEO



Date: 4/18/16

Summary Balance Sheet  
Center for Hospice Care  
March 31, 2016

<u>Assets</u>	<u>January 31, 2016</u>	<u>February 29, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>	<u>Net Change</u>
Cash and Equivalents	4,809,564.34	5,682,286.96	5,358,615.45	2,404,416.91	2,954,198.54
Intermediate Cash	0.00	0.00	0.00	0.00	0.00
Long Term Cash	0.00	0.00	0.00	0.00	0.00
Other Investments	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	6,438,298.23	4,947,197.98	4,398,971.94	6,610,471.75	(2,211,499.81)
Due from Affiliate	5,807,313.19	6,898,702.42	8,009,146.32	4,881,437.76	3,127,708.56
Prepaid Assets	521,168.57	492,235.89	461,289.74	373,909.75	87,379.99
Plant, Property & Equipment	4,002,092.52	4,008,385.64	4,008,385.64	3,814,580.14	193,805.50
Accumulated Depreciation	(2,734,779.08)	(2,762,952.56)	(2,791,126.04)	(2,348,601.49)	(442,524.55)
Other Assets	20,265,825.08	20,187,193.21	20,909,064.64	21,654,283.58	(745,218.94)
<b>Total Assets</b>	<b>39,109,482.85</b>	<b>39,453,049.54</b>	<b>40,354,347.69</b>	<b>37,390,498.40</b>	<b>2,963,849.29</b>
<u>Liabilities</u>					
Accounts Payable	327,111.88	456,939.20	402,096.63	334,923.92	67,172.71
Due to Affiliate	0.00	0.00	0.00	0.00	0.00
Accrued Payroll	743,894.09	774,255.43	880,058.32	789,422.98	90,635.34
Payroll Taxes	0.00	0.00	0.00	0.00	0.00
Payroll Deductions	(89.17)	480.10	0.00	(2,634.73)	2,634.73
Other Liabilities	0.00	0.00	0.00	0.00	0.00
Long Term Liabilities	0.00	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>1,070,916.80</b>	<b>1,231,674.73</b>	<b>1,282,154.95</b>	<b>1,121,712.17</b>	<b>160,442.78</b>
<u>Fund Balance</u>					
Unrestricted Funds	38,520,680.33	38,520,680.33	38,520,680.33	35,084,073.51	3,436,606.82
Temporarily Restricted Funds	0.00	0.00	0.00	0.00	0.00
Permanantly Restricted Funds	0.00	0.00	0.00	0.00	0.00
Retained Earnings					
Year to Date Net Income	(482,114.28)	(299,305.52)	551,512.41	1,184,712.72	(633,200.31)
<b>Total Fund Balance</b>	<b>38,038,566.05</b>	<b>38,221,374.81</b>	<b>39,072,192.74</b>	<b>36,268,786.23</b>	<b>2,803,406.51</b>
<b>Total Liabilities and Fund Balance</b>	<b>39,109,482.85</b>	<b>39,453,049.54</b>	<b>40,354,347.69</b>	<b>37,390,498.40</b>	<b>2,963,849.29</b>

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**Center For Hospice Care  
Summary Income Statement**

	January	February	March	YTD Actual	YTD Budget	YTD Variance
<b>Operating Revenue</b>						
Hospice Medicare Benefit	1,620,240	1,468,289	1,534,439	4,622,967	4,930,222	(307,255)
Medicaid Hospice Benefit	14,739	22,886	17,062	54,688	138,904	(84,216)
Private Ins Hospice Benefit	130,091	144,591	200,406	475,088	186,499	288,589
Self-Pay Hospice Benefit	17,913	897	6,331	25,141	11,052	14,089
Hospice House R&B	488	(3,975)	270	(3,218)	1,456	(4,674)
Medicare Home Health	7,152	16,914	16,108	40,174	53,256	(13,082)
Medicaid Home Health				40,174	245	(245)
Private Ins Home Health		2,277	(4,935)	3,970	20,720	(16,750)
Self-Pay Home Health				3,970	2,459	(2,459)
<b>Total Operating Revenue</b>	<b>1,797,251</b>	<b>1,651,879</b>	<b>1,769,681</b>	<b>5,218,810</b>	<b>5,344,813</b>	<b>(126,003)</b>
<b>Development Income</b>						
<b>Other Income</b>						
Interest & Other Income	(751,813)	(77,242)	723,249	(105,806)	(91,934)	(13,872)
<b>Total Other Income</b>	<b>(751,813)</b>	<b>(77,242)</b>	<b>723,249</b>	<b>(105,806)</b>	<b>(91,934)</b>	<b>(13,872)</b>
<b>Total Revenue</b>	<b>1,045,438</b>	<b>1,574,637</b>	<b>2,492,930</b>	<b>5,113,004</b>	<b>5,252,879</b>	<b>(139,875)</b>
<b>Operating Expenses</b>						
Salary & Wages	864,572	775,011	872,895	2,512,478	2,508,996	(3,482)
Temporary Staff	1,066	1,725	7,018	9,809	6,200	(3,609)
Employment Expenses	170,264	165,155	220,885	556,304	672,391	(116,087)
Education	7,766	14,616	4,373	26,755	32,350	(5,595)
Travel	31,019	31,302	32,586	94,907	104,549	(9,642)
Supplies Inventory	14,756	23,275	19,869	57,901	72,499	(14,598)
HMB Direct Care	203,787	203,389	198,154	626,330	756,249	(129,919)
MHB Direct Care	1,715	5,882	7,056	14,654	20,589	(5,935)
PHB Direct Care	23,141	23,008	53,271	99,420	36,838	(62,582)
SHB Direct Care	10,006	2,426	6,322	18,753	11,921	(6,832)
Hospice House Expenses	667	1,839	1,386	3,892	5,625	(1,733)
Hospice Outreach	5,036	3,745	6,963	15,744	12,250	(3,494)
Office Costs	15,597	14,673	18,925	49,195	64,894	(15,699)
Dues	4,982	4,132	4,875	13,990	20,187	(6,197)
Insurance	10,306	10,306	10,736	31,347	53,127	(21,780)
Public Awareness	20,178	5,585	29,073	54,836	79,500	(24,664)
Professional Fees	16,373	3,761	38,770	58,903	34,748	(24,155)
Software Maintenance	16,891	11,833	13,160	41,884	46,566	(4,682)
Volunteer Awards & Expenses	109	290	1,224	1,624	99,980	(1,624)
Building & Grounds	29,790	19,751	20,324	69,865	84,762	(14,897)
Telephone	29,046	30,163	30,282	89,491	84,762	(4,729)
Depreciation	23,947	23,947	23,947	71,842	106,251	(34,409)
Bad Debt	2,451	7,345	12,654	22,650	106,897	(84,247)
Miscellaneous	3,084	8,668	7,165	18,917	25,002	(6,085)
<b>Total Operating Expenses</b>	<b>1,527,549</b>	<b>1,391,827</b>	<b>1,642,113</b>	<b>4,561,491</b>	<b>4,962,371</b>	<b>400,879</b>
<b>Total Expenses</b>	<b>1,527,549</b>	<b>1,391,827</b>	<b>1,642,113</b>	<b>4,561,491</b>	<b>4,962,371</b>	<b>400,879</b>
<b>Net Gain</b>	<b>(482,111)</b>	<b>182,810</b>	<b>850,817</b>	<b>551,513</b>	<b>290,508</b>	<b>261,004</b>
<b>Beneficial Int in Foundation</b>	<b>(752,952)</b>	<b>(78,632)</b>	<b>721,871</b>	<b>(109,713)</b>	<b>(98,933)</b>	<b>(10,780)</b>
<b>Net w/o Beneficial Interest</b>	<b>270,841</b>	<b>261,442</b>	<b>128,946</b>	<b>661,226</b>	<b>389,441</b>	<b>271,784</b>