HOSPICE OF THE NORTH COAST

FINANCIAL STATEMENTS

Years Ended September 30, 2018 and 2017

YSR CPA GROUP, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AUDIT + TAX + ADVISORY

HOSPICE OF THE NORTH COAST
FINANCIAL STATEMENTS
Years Ended September 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Board of Directors
of the Hospice of the North Coast

We have audited the accompanying financial statements of the Hospice of the North Coast (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Hospice of the North Coast as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Hospice of the North Coast's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 21, 2018. In our opinion, the summarized comparative information presented on the statement of functional expenses for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

YSR CPA Group, P.C.

Encinitas, California
January 30, 2019

HOSPICE OF THE NORTH COAST

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 and 2017

		2018		2017
ASSETS				
CURRENT ASSETS				
Cash	$	2,942,859	$	3,178,016
Investments, short term		1,000,630		-
Accounts receivable, net of allowance for doubtful accounts of $28,010 (2018) and $40,612 (2017)		841,229		955,627
Pledge receivable		5,000		25,000
Resale shop inventory		59,132		72,631
Prepaid expenses		136,072		130,500
TOTAL CURRENT ASSETS		4,984,922		4,361,774
NONCURRENT ASSETS				
Investments, long term		3,812,897		2,699,352
Property and equipment, net of accumulated depreciation		2,624,284		2,725,952
Noncurrent pledge receivable		10,000		-
Other assets		11,306		-
TOTAL NONCURRENT ASSETS		6,458,487		5,425,304
TOTAL ASSETS	$	11,443,409	$	9,787,078
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$	193,521	$	172,306
Accrued salaries		188,733		168,381
Accrued compensated absences		167,757		154,245
Accrued expenses		2,783		4,183
Other liabilities		1,875		1,330
TOTAL CURRENT LIABILITIES		554,669		500,445
FORGIVABLE NOTE		1,065,000		1,065,000
TOTAL LIABILITIES		1,619,669		1,565,445
NET ASSETS				
Unrestricted				
Board-designated capital reserve		421,073		405,346
Undesignated		9,135,347		7,572,057
Temporarily restricted		267,320		244,230
TOTAL NET ASSETS		9,823,740		8,221,633
TOTAL LIABILITIES AND NET ASSETS	$	11,443,409	$	9,787,078

See accompanying independent auditors' report and notes to financial statements.

HOSPICE OF THE NORTH COAST
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Net patient service revenue	$ 8,056,731	$ -	$ 8,056,731
Contributions	298,579	271,193	569,772
Resale shop sales (net of $47,022 of sales taxes)			
including resale shop contributions of $606,988	1,200,477	-	1,200,477
Less: resale shop expenses	(936,319)	-	(936,319)
Special events, net direct expenses of $8,839	(5,637)	-	(5,637)
Investment income	114,174	-	114,174
Interest	2,824	-	2,824
Loss on disposal of assets	(14,863)	-	(14,863)
Net assets released from restrictions,			
satisfaction of program restrictions	248,103	(248,103)	-
TOTAL SUPPORT AND REVENUE	8,964,069	23,090	8,987,159
OPERATING EXPENSES			
Program services:			
Patient care	5,603,122	-	5,603,122
Bereavement	251,542	-	251,542
Volunteer	122,118	-	122,118
Community outreach	353,822	-	353,822
Supporting services:			
Administration	902,128	-	902,128
Fundraising	152,320	-	152,320
TOTAL OPERATING EXPENSES	7,385,052	-	7,385,052
INCREASE IN NET ASSETS	1,579,017	23,090	1,602,107
NET ASSETS, Beginning of Year	7,977,403	244,230	8,221,633
NET ASSETS, End of Year	$ 9,556,420	$ 267,320	$ 9,823,740

HOSPICE OF THE NORTH COAST

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Net patient service revenue	$ 7,916,236	$ -	$ 7,916,236
Contributions	123,619	369,658	493,277
Resale shop sales (net of $46,787 of sales taxes) including resale shop contributions of $592,327	1,257,285	-	1,257,285
Less: resale shop expenses	(912,247)	-	(912,247)
Special events, net direct expenses of $68,140	98,151	-	98,151
Investment income	148,237	-	148,237
Interest	2,612	-	2,612
Net assets released from restrictions, satisfaction of program restrictions	265,456	(265,456)	-
TOTAL SUPPORT AND REVENUE	8,899,349	104,202	9,003,551
OPERATING EXPENSES			
Program services:			
Patient care	5,355,044	-	5,355,044
Bereavement	216,607	-	216,607
Volunteer	121,822	-	121,822
Community outreach	322,573	-	322,573
Supporting services:			
Administration	926,915	-	926,915
Fundraising	141,680	-	141,680
TOTAL OPERATING EXPENSES	7,084,641	-	7,084,641
INCREASE IN NET ASSETS	1,814,708	104,202	1,918,910
NET ASSETS, Beginning of Year	6,162,695	140,028	6,302,723
NET ASSETS, End of Year	$ 7,977,403	$ 244,230	$ 8,221,633

HOSPICE OF THE NORTH COAST
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended September 30, 2018 and 2017

	Program Services				Supporting Services			
	Patient Care	Bereavement	Volunteer	Community Outreach	Administration	Fundraising	2018 Total	2017 Total
Personnel costs:								
Salaries and wages	$ 3,100,317	$ 182,590	$ 100,254	$ 230,766	$ 480,197	$ 118,370	$ 4,212,494	$ 3,910,331
Payroll taxes	225,380	13,229	7,341	16,332	34,509	8,661	305,452	283,203
Employee benefits	568,594	28,756	5,751	46,010	74,765	11,502	735,378	678,720
Total personnel costs	3,894,291	224,575	113,346	293,108	589,471	138,533	5,253,324	4,872,254
Other costs and expenses								
Professional fees	224,169	250	-	9,667	30,401	-	264,487	291,631
Advertising and promotion	-	-	-	5,257	-	3,588	8,845	8,507
Office expenses	31,592	5,272	519	3,883	78,361	1,678	121,305	115,359
Information technology	60,900	633	70	5,740	95,342	1,440	164,125	204,072
Occupancy	142,490	305	633	1,654	10,616	600	156,298	171,329
Travel	102,788	1,738	577	6,689	7,753	706	120,251	131,429
Conferences and meetings	12,542	50	698	1,350	6,634	755	22,029	30,789
Depreciation	99,540	-	-	-	21,283	-	120,823	117,146
Insurance	6,229	-	-	-	37,693	-	43,922	39,411
Patient related care	52,332	-	-	-	-	-	52,332	57,102
Durable medical equipment	321,540	-	-	-	-	-	321,540	323,348
Skilled nursing facility	226,673	-	-	-	-	-	226,673	271,461
Medical supplies	78,584	-	-	-	-	-	78,584	79,986
Pharmacy	296,406	-	-	-	-	-	296,406	258,012
Other expenses	53,046	18,719	6,275	26,474	24,574	5,020	134,108	112,805
Total other costs and expenses	1,708,831	26,967	8,772	60,714	312,657	13,787	2,131,728	2,212,387
Total Expenses	$ 5,603,122	$ 251,542	$ 122,118	$ 353,822	$ 902,128	$ 152,320	$ 7,385,052	$ 7,084,641

See accompanying independent auditors' report and notes to financial statements.

HOSPICE OF THE NORTH COAST

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,602,107	$ 1,918,910
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	123,319	118,562
Realized and unrealized gain on investments	(114,175)	(123,493)
Loss on disposal of assets	14,863	-
Donated inventory	13,499	(72,631)
(Increase) decrease in operating assets:		
Accounts receivable, net	114,398	(104,263)
Pledge receivable	10,000	5,000
Prepaid expenses	(5,572)	(15,991)
Deposits	(9,419)	15,042
Other assets	(1,887)	-
Increase (decrease) in operating liabilities:		
Accounts payable	21,215	16,542
Accrued salaries	20,352	23,704
Accrued compensated absences	13,512	8,415
Accrued expenses	(1,400)	(537)
Deferred revenue	1,875	-
Other liabilities	(1,330)	1,330
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,801,357	1,790,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,000,000)	(1,524,972)
Purchases of property and equipment	(36,514)	(92,080)
NET CASH USED BY INVESTING ACTIVITIES	(2,036,514)	(1,617,052)
NET INCREASE (DECREASE) IN CASH	(235,157)	173,538
CASH AT BEGINNING OF YEAR	3,178,016	3,004,478
CASH AT END OF YEAR	$ 2,942,859	$ 3,178,016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Hospice of the North Coast (Organization) is a California nonprofit corporation formed in 1980. The Organization's purpose is to provide comprehensive, individualized care for the terminally ill, and to provide grief support and education to the community.

The Organization accomplishes its purpose predominately through patient care. It also provides bereavement support. Based on revenue, major support comes from net patient revenue, contributions and the operation of its resale shop in Encinitas, California.

Financial Statement Presentation

The accompanying financial statements are prepared on the accrual basis of accounting. The Organization's net assets and its revenues, expenses, gains and losses are reported based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and operations according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets*
    - Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
    - The Board-designated capital reserves include resources that have been designated by the Board of Directors and consists of amounts held in reserve for capital expenditures.
- *Temporarily restricted net assets* consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- *Permanently restricted net assets* are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no permanently restricted net assets during the years ended September 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurements

In accordance with Financial Accounting Standards Board, fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

FASB establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market date obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset of liability developed based on the best information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Due to the short-term nature of cash, receivables, other assets, accounts payable and accrued expenses, fair value approximates carrying value.

Capital Reserves

The Board-designated capital reserves have been established for the maintenance, repair and refurbishment of the Organization's administrative building and the Pacifica House. The amount allocated to these reserves is based on reserve studies performed by professional consultants. The reserves are funded on a monthly basis as determined by the Board. These funds are only to be spent on the capital expenditure projects for which they were initially intended, excluding any unforeseen circumstances.

Accounts Receivable

Accounts receivable consist primarily of net patient service revenue due from federal and state third-party reimbursement programs. Estimated uncollectible accounts receivable are recorded as a contractual allowance in the statements of financial position. The allowance is based on management's estimate. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write-offs experienced in the past to establish an allowance for doubtful accounts.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are reported at fair value by discounting any expected future pledge payments at the statement of financial position date. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Changes in the fair value of pledges receivable are reported in the statements of activities as contribution revenue except for changes in the allowance which are reported as program expenses at each subsequent reporting date.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are carried at fair value on the statements of financial position. Investment return (including realized and unrealized gains and losses on investments, interest and dividends, and investment expense) is included in the change in unrestricted net assets unless restricted by donor or law.

Resale Shop Inventory

The resale shop inventory consists of items that have been donated by individuals in the community. Because many of the donations are used items, the value of donations is not readily determinable until such items are sold. Sales on donated items are recorded at the point of sale. Actual subsequent month sales of donated items are used to estimate the fair value of unsold inventory. Valuable donated items, such as jewelry or artwork, with a readily determinable fair market value are recorded at their appraised value or the value based on prices of identical or similar assets in the marketplace.

Property and Equipment

The Organization capitalizes all expenditures in excess of $1,500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted 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. 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 as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to 27.5 years.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale of any resultant gain or loss is credited or charged to earnings.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Contributions and Grants

Contributions and grants are recognized when unconditionally promised to or received by the Organization. Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restricted is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restrictions on gifts of property and equipment or cash for the purchase of property and equipment expire when the asset is placed in service.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

The Organization utilizes the services of volunteers throughout the year that perform a variety of tasks that assist the Organization with various programs. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The services do not meet the criteria for recognition as a contribution and are not reflected in the financial statements.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. For the years ended September 30, 2018 and 2017, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provision of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. The Organization believes that it has taken no significant uncertain tax positions for the years ended September 30, 2018 and 2017.

NOTE 2. CONCENTRATIONS OF CREDIT RISK

Cash

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000 per depositor. At September 30, 2018 and 2017, the Organization exceeded federally insured limits by $2,691,276 and $2,187,967, respectively. Management has not experienced any losses in the past and does not believe the Organization is exposed to any significant risk.

Net Patient Service Revenue

The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates.

Approximately 90% and 89% of net patient service revenue for the years ended September 30, 2018 and 2017, respectively, was derived under federal and state third-party payor agreements. Accounts receivable from federal and state third-party reimbursement programs at September 30, 2018 and 2017 were 91% and 86%, respectively, of total accounts receivable.

Risks and Uncertainties

The Organization is invested in a variety of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

NOTE 3. FAIR VALUE MEASUREMENTS

The following table represents the financial instruments carried at fair value as of September 30, 2018, by caption on the statement of financial position by the fair value measurement hierarchy:

Asset	Level 1	Level 2	Level 3	Total Fair Value
Investments				
Money market funds	$ 1,001,604	$ -	$ -	$ 1,001,604
Mutual funds:				
Stocks:				
Emerging markets	338,609	-	-	338,609
Foreign	662,243	-	-	662,243
Large cap	214,490	-	-	214,490
Index	435,099	-	-	435,099
Real estate	344,867	-	-	344,867
Small cap	315,856	-	-	315,856
Bonds:				
Intermediate	293,166	-	-	293,166
Inflation protected	803,251	-	-	803,251
Short term	133,730	-	-	133,730
World	270,612	-	-	270,612
Total assets at fair value	$ 4,813,527	$ -	$ -	$ 4,813,527

The following table represents the financial instruments carried at fair value as of September 30, 2017, by caption on the statement of financial position by the fair value measurement hierarchy:

Asset	Level 1	Level 2	Level 3	Total Fair Value
Investments				
Money market funds	$ 1,001,669	$ -	$ -	$ 1,001,669
Mutual funds:				
Stocks:				
Emerging markets	159,941	-	-	159,941
Foreign	314,534	-	-	314,534
Large cap	188,328	-	-	188,328
Index	94,666	-	-	94,666
Real estate	149,709	-	-	149,709
Small cap	146,082	-	-	146,082
Bonds:				
Intermediate	81,280	-	-	81,280
Inflation protected	320,090	-	-	320,090
Shor -term	80,634	-	-	80,634
World	162,419	-	-	162,419
Total assets at fair value	$ 2,699,352	$ -	$ -	$ 2,699,352

NOTE 4. INVESTMENTS

Investment income in the statements of activities consists of the following:

	2018	2017
Interest, dividends and capital gain	$ 73,995	$ 30,951
Investment expense	(950)	(769)
Realized gain	-	44,007
Unrealized gain	41,129	74,048
	$ 114,174	$ 148,237

NOTE 5. PLEDGE RECEIVABLE

A pledge receivable is an unconditional promise to pay a certain amount and consists of the following at September 30:

	2018	2017
Pledge receivable	$ 15,000	$ 25,000
Current pledge receivable	$ 5,000	$ 25,000
Non-current pledge receivable	10,000	-
Total pledge receivable	$ 15,000	$ 25,000

100% of the pledge receivable is from a single donor. Management has considered the discount on the pledge extending beyond one year to be insignificant and has not recorded a discount.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Building	$ 2,167,231	$ 2,167,231
Furniture and office equipment	70,700	120,701
Computer equipment	207,293	224,987
Leasehold improvements	271,653	287,830
	2,716,877	2,800,749
Less accumulated depreciation	(841,825)	(824,029)
	1,875,052	1,976,720
Land	749,232	749,232
	$ 2,624,284	$ 2,725,952

Depreciation expense for the years ended September 30, 2018 and 2017 was $120,823 and $117,146, respectively. Depreciation expense of $2,496 and $1,416 for the years ended September 30, 2018 and 2017, respectively, has been included in the resale shop expenses on the statements of activities.

NOTE 7. FORGIVEABLE NOTE

Long term liability consists of the following:

	2018	2017
Forgivable promissory note terminating February 6, 2033 granted by the Carlsbad City Council for the acquisition of a hospice house. The note bears interest at 0% with no amounts due as long as the Organization adheres to the provisions of the agreement.	$ 1,065,000	$ 1,065,000

NOTE 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following:

	2018	2017
Pacifica House	$ 15,784	$ 39,235
Palliative care	115,360	9,213
Technology	25,303	72,242
Creative arts	3,340	3,765
Bereavement	16,526	24,000
Staff appreciation, education and salaries	31,290	84,475
Promotional materials	4,218	-
Facility renovations	55,500	-
Malawi partner training	-	9,800
Staff rolling bags	-	1,500
	$ 267,321	$ 244,230

NOTE 9. OPERATING LEASES

The Organization leases property in Encinitas, California for the resale thrift shop on a non-cancellable operating lease that expires October 31, 2019. The annual rent increases every November on the anniversary of the start date by 2%. Total rent expense including common area maintenance and property taxes for this lease for the years ended September 30, 2018 and 2017 was $197,502 and $194,200, respectively.

The Organization also has a lease on office equipment that expires in December 2019. Payments are $2,153 per month. Total expense including sales and use tax for office equipment for the years ended September 30, 2018 and 2017 was $31,409 and $28,343, respectively.

Minimum future lease payments under these operating lease agreements at September 30, 2018 are due as follows:

Year Ending September 30,	
2019	$ 188,744
2020	20,057
	$ 208,801

NOTE 10. EMPLOYEE RETIREMENT PLAN

The Organization sponsors a 401(k)-profit sharing plan. The plan covers substantially all employees. The Organization may make a matching contribution equal to a percentage of eligible employees' contributions and up to a percentage of pay chosen by the Organization. Effective November 1, 2015, the Organization elected to make a discretionary matching contribution equal to a uniform percentage or dollar amount of the employees' elective deferrals each payroll period. Each year, the Organization will determine the formula for any discretionary matching contribution. For the years ended September 30, 2018 and 2017, the employer matching contribution was set at 5%. Contribution expense for the years ended September 30, 2018 and 2017 was $177,747 and $145,108, respectively.

NOTE 11. SPLIT-INTEREST GIFTS

The Organization is a beneficiary of a split-interest irrevocable charitable remainder trust which was created in 1993. Upon termination of the trusts, the Organization will receive a 33.33% of the assets remaining in the trust. The trust fund is held by others and the present value of the estimated future amount to be received from the trust is not estimable therefore the investment has not been recorded.

NOTE 12. TRANSFERS OF ASSETS TO A RECIPIENT ORGANIZATION THAT RAISES OR HOLDS CONTRIBUTIONS FOR OTHERS

Endowment Fund

The Organization irrevocably transferred $10,000 to the Coastal Community Foundation (CCF) during the year ended September 30, 2015 to establish the Hospice of the North Coast Compassionate Care Fund. The Organization granted variance power to CCF to carry out the purposes of the fund established by the transfer including but not limited to the power to retain, invest and reinvest the funds in any manner within the "prudent investor" standard and the power to commingle the assets of the established fund with those of other funds for investment purposes.

Further, the CCF was granted the ability to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole discretion of the CCF Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Each year, CCF will distribute to the Organization, four and a half percent (4.5%) of the value of the Fund as determent on a date in the prior year selected by the CCF's Board of Directors.

Currently, the value of each fund in the CCF is determined on December 31st of each year. The established fund is charged one and a half percent (1.5%) as an annual administrative fee. This fee shall be calculated based upon the average daily balance in the established fund and assessed on a monthly basis. Any costs to the CCF in accepting, transferring or managing property donated to the CCF for the established fund shall also be paid from the established fund. The account balance as of September 30, 2018 and 2017 was $23,281 and $22,269, respectively. The CCF made no contributions to the Organization for the years ended September 30, 2018 and 2017.

NOTE 13. FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

NOTE 14. CONTINGENCIES

From time to time, the Organization is subject to various litigation as a result of its ongoing business activities. Management believes that the outcome of any such litigation will not have a material adverse effect on the Organization's statement of financial position, results of operations, or liquidity.

NOTE 15. RECLASSIFICATIONS

Certain items in the 2017 financial statements have been reclassified to conform to current year classifications. Reclassifications involved the statement of functional expenses and the account grouping for financial statement purposes. Such reclassifications had no effect on previously reported changes in net assets.

NOTE 16. SUBSEQUENT EVENTS

The Organization evaluated subsequent events through January 30, 2019, the date which the financial statements were available to be issued.