HUDSON VALLEY HOSPICE, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

December 31, 2022 and 2021

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CONTENTS

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hudson Valley Hospice, Inc.

Opinion

We have audited the consolidated financial statements of Hudson Valley Hospice, Inc. (the Organization), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheets and consolidating statements of operations and changes in net assets, functional expenses and cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating information has been subjected to the auditing procedures applied in the audit 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

(Continued)

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Crowe LLP

Crowe LLP

West Hartford, Connecticut
April 27, 2023

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,306,341	$ 6,381,844
Donor restricted cash and cash equivalents for capital campaign	1,133,456	266,830
Patient accounts receivable	5,360,118	5,431,408
Patient customer contracts	66,906	1,752,927
Contributions and pledges receivable	95,834	381,273
Due from affiliates	118,257	69,480
Insurance recoverable	260,601	231,609
Prepaid expenses and other current assets	207,105	171,462
Total current assets	17,548,618	14,686,833
Other assets:		
Investments in equity and debt securities	6,765,843	8,061,838
Pledges receivable, net	268,396	252,499
Deposits	16,280	14,460
Right-of-use assets	567,805	-
Property and equipment, net	11,244,823	4,165,988
Total assets	$ 36,411,765	$27,181,618
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	2,850,415	2,140,366
Accrued expenses	2,514,574	2,141,639
Deferred grant income	-	217,814
Notes payable, current portion	74,157	72,026
Lease liability	137,333	-
Finance lease obligation, current portion	23,328	21,900
Amounts accrued for workers' compensation and professional liability claims	260,601	231,609
Total current liabilities	5,860,408	4,825,354
Notes payable, net of current portion	3,819,051	1,658,424
Lease liability	424,308	-
Finance lease obligation, net of current portion	41,836	60,099
Due to affiliates	-	-
Total liabilities	10,145,603	6,543,877
Net assets:		
Net assets without donor restrictions	24,433,426	19,402,089
Net assets with donor restrictions	1,832,736	1,235,652
Total net assets	26,266,162	20,637,741
Total liabilities and net assets	$ 36,411,765	$27,181,618

The accompanying notes are an integral part of these consolidated financial statements.

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Years Ended December 31, 2022 and 2021

	2022	2021
Net assets without donor restictions:		
Operating revenues:		
Net patient service revenues	$ 42,876,561	$ 32,170,574
Grant revenue	221,314	464,371
Gain on forgiveness of note payable	-	2,476,700
Contributions	121,696	807,048
Net assets released from restrictions used in operations	73,124	38,840
Other income	4,518	4,810
Total operating revenues	43,297,213	35,962,343
Operating expenses:		
Salaries	20,408,628	15,751,350
Non-salary patient care expenses	7,069,490	4,530,059
Employee benefits	5,454,739	4,581,144
General and administrative	2,094,267	1,686,597
Staff travel	638,187	461,056
Contract staff	774,219	505,158
Fundraising events	121,579	256,426
Contributions to Hospice	-	-
Other expenses	96,867	66,405
Depreciation expense	338,853	297,662
Total operating expenses	36,996,829	28,135,857
Total operating income	6,300,384	7,826,486
Nonoperating gains:		
Investment income	250,676	219,547
Realized (losses) gains on sales of investments	(40,721)	163,421
Change in unrealized (losses) gains on equity securities	(1,295,974)	470,736
Total nonoperating gains, net	(1,086,019)	853,704
Excess of revenue over expenses	5,214,365	8,680,190
Other changes in net assets without donor restrictions:		
Change in unrealized losses on debt securities	(183,028)	(20,984)
Change in net assets without donor restrictions	5,031,337	8,659,206
Net assets with donor restrictions:		
Bequests, contributions and pledges	670,208	899,342
Net assets released from restrictions	(73,124)	(38,840)
Change in net assets with donor restrictions	597,084	860,502
Change in net assets	5,628,421	9,519,708
Net assets, beginning of year	20,637,741	11,118,033
Net assets, end of year	$ 26,266,162	$ 20,637,741

The accompanying notes are an integral part of these consolidated financial statements.

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

2022	Program Services		Supporting Activities				
	Hospice	Program Subtotal	Management and General	Fundraising	Supporting Subtotal	Eliminations	Total Expenses
Salaries	$ 18,466,089	$ 18,466,089	$ 1,834,456	$ 108,083	$ 1,942,539	$ -	$ 20,408,628
Non-salary patient care expenses	7,069,490	7,069,490	-	-	-	-	7,069,490
Employee benefits	4,028,331	4,028,331	1,391,262	35,146	1,426,408	-	5,454,739
General and administrative	327,168	327,168	1,767,099	-	1,767,099	-	2,094,267
Staff travel	633,212	633,212	4,975	-	4,975	-	638,187
Contract staff	768,964	768,964	5,255	-	5,255	-	774,219
Fundraising events	-	-	-	121,579	121,579	-	121,579
Contributions to Hospice	473,124	473,124	-	-	-	(473,124)	-
Other expenses	10,999	10,999	85,868	-	85,868	-	96,867
Depreciation expense	-	-	338,853	-	338,853	-	338,853
Total expenses	$ 31,777,377	$ 31,777,377	$ 5,427,768	$ 264,808	$ 5,692,576	$ (473,124)	$ 36,996,829

2021	Program Services		Supporting Activities				
	Hospice	Program Subtotal	Management and General	Fundraising	Supporting Subtotal	Eliminations	Total Expenses
Salaries	$ 14,030,195	$ 14,030,195	$ 1,570,082	$ 151,073	$ 1,721,155	$ -	$ 15,751,350
Non-salary patient care expenses	4,530,059	4,530,059	-	-	-	-	4,530,059
Employee benefits	3,640,519	3,640,519	910,843	29,782	940,625	-	4,581,144
General and administrative	477,700	477,700	1,208,897	-	1,208,897	-	1,686,597
Staff travel	457,636	457,636	3,420	-	3,420	-	461,056
Contract staff	505,158	505,158	-	-	-	-	505,158
Fundraising events	-	-	-	256,426	256,426	-	256,426
Contributions to Hospice	38,840	38,840	-	-	-	(38,840)	-
Other expenses	23,445	23,445	42,960	-	42,960	-	66,405
Depreciation expense	73,681	73,681	223,981	-	223,981	-	297,662
Total expenses	$ 23,777,233	$ 23,777,233	$ 3,960,183	$ 437,281	$ 4,397,464	$ (38,840)	$ 28,135,857

The accompanying notes are an integral part of these consolidated financial statements.

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 5,628,421	$ 9,519,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	338,853	297,662
Change in unrealized losses (gains) on investments	1,479,002	(449,752)
Realized losses (gains) on sale of securities	40,721	(163,421)
Gain on forgiveness of note payable	-	(2,476,700)
Right-of-use assets	89,012	-
Changes in operating assets and liabilities:		
Patient accounts receivable	71,290	(1,026,695)
Patient customer contracts	1,686,021	(2,997,940)
Contributions and pledges receivable	269,542	(610,015)
Due from/to affiliates	(48,777)	(40,844)
Prepaid expenses and other current assets	(37,463)	(27,380)
Accounts payable	710,049	481,695
Accrued expenses	372,935	656,108
Lease liability	(30,012)	-
Deferred grant income	(217,814)	(716,837)
Net cash provided by operating activities	10,351,780	2,445,589
Cash flows from investing activities:		
Purchases of investments	(3,205,712)	(2,082,714)
Sales of investments	2,981,984	1,899,580
Purchases of property and equipment	(7,417,688)	(619,741)
Net cash used in investing activities	(7,641,416)	(802,875)
Cash flows from financing activities:		
Payments on capital lease obligation	(81,999)	(12,901)
Proceeds from notes payable	2,244,703	-
Payments on notes payable	(81,945)	(69,955)
Net cash provided by (used in) financing activities	2,080,759	(82,856)
Change in cash and cash equivalents and restricted cash and cash equivalents	4,791,123	1,559,858
Cash and cash equivalents and restricted cash and cash equivalents, at beginning of year	6,648,674	5,088,816
Cash and cash equivalents and restricted cash and cash equivalents, at end of year	$11,439,797	$ 6,648,674
Supplemental disclosures:		
Cash paid for interest	$ 71,367	$ 57,006

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - GENERAL

Organization: Hudson Valley Hospice, Inc. (Hospice) provides physical, emotional and spiritual care for terminally ill patients and their families. Services are coordinated through a team of professionals, which includes nurses, social workers, physicians, pastoral care, volunteers and related therapists. Hospice is the sole member of Hudson Valley Hospice Foundation, Inc. (the Foundation), whose main function is to solicit, invest and allocate charitable gifts and grants and perform research and education on behalf of Hospice.

Effective November 20, 2019, Hudson Valley Medical Health Choices P.C. (the PC) was incorporated in the State of New York and was established to provide palliative care to members within the community and to support the Organization. The PC is authorized to issue 200 shares with no par value. The PC was formed with a sole physician shareholder who is an employee of the Organization. As of December 31, 2019, one Board member is the Shareholder and two ex-officio Board members are employees of Hospice (CEO and CFO). Additionally, effective December 17, 2019, the Organization and the PC entered into a Shareholder Control Agreement whereby the Organization will provide the PC with resources as necessary for the operation of the PC and will subsidize operating losses of the PC in accordance with the terms and conditions of the Shareholder Control Agreement. As of December 31, 2019, the Organization has entered into a professional employee lease agreement as well as an administrative services agreement with the PC. However, to date as of December 31, 2022, there has been very limited financial activity in the PC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Hospice and the Foundation (collectively referred to as the Organization). All intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation: The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Use of Estimates: The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Organization's significant estimates relate to the valuation of investments, the allowance for doubtful patient accounts receivable and any contractual allowances on patient accounts receivables.

Cash and Cash Equivalents: The Organization classifies certain securities with original maturity dates of three months or less from the date of purchase as cash equivalents. Cash equivalents are comprised of money market funds as of December 31, 2022 and 2021. In general, the Federal Deposit Insurance Corporation (FDIC) insures cash balances up to $250,000 per depositor, per bank. It is the Organization's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Money market funds are not insured by the FDIC and are not a risk-free investment. Money market funds invest in a variety of instruments including mortgage-backed and asset backed securities. Although a money market fund seeks to preserve its one dollar per share value, it is possible that a money market fund’s value can decrease below one dollar per share. As of December 31, 2022 and 2021, the Organization had $195,702 and $364,088 in money market funds, respectively. These money market funds are held within cash and cash equivalents.

<u>Restricted Cash and Cash Equivalents</u>: As part of the Foundation’s ongoing capital campaign, the Foundation held $1,133,456 and $266,830 of restricted cash and cash equivalents that are donor restricted for the capital campaign as of December 31, 2022 and 2021, respectively.

<u>Investments</u>: Investments in equity securities with readily determinable fair values and all investments in debt securities and mutual funds are measured at fair value on the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments in equity securities determined on a specific identification basis, as well as interest and dividends) is included in excess of revenues over expenses, unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments in debt securities are not included within excess of revenues over expenses.

<u>Other Than Temporary Impairments on Investments</u>: The Organization accounts for other than temporary impairments in accordance with FASB ASC 320 and continually reviews its securities for impairment conditions, which could indicate that an other than temporary decline in market value has occurred. In conducting this review, numerous factors are considered, which include specific information pertaining to an individual Organization or a particular industry, general market conditions that reflect prospects for the economy as a whole and the ability and intent to hold securities until recovery. The carrying value of investments is reduced to its estimated realizable value if a decline in fair value is considered to be other than temporary. There were no other than temporary impairments recorded in 2022 and 2021.

<u>Leases</u>: In February 2016, the FASB issued a new standard, ASU 2016-02 *“Leases (Topic 842)”* (FASB ASC 842) related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. The most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization has adopted FASB ASC 842 as of January 1, 2022 using the cumulative effect transition approach. The cumulative effect transition approach provides a method for recording existing leases at adoption and not restating comparative periods, rather the effect of the change is recorded at the beginning of the year of adoption. In addition, the Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification.

The standard had a material impact in the Organization’s statements of financial position but did not have an impact in the Organization’s statements of activities and net assets. The most significant impact was the recognition of the right-of-use assets and lease liability for the operating leases, which amounted to $567,805 and $561,641, respectively, as of December 31, 2022.

At the inception of an arrangement, management determines whether the arrangement is or contains a lease based on the unique facts and circumstances present.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The ROU assets represents the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization’s leases do not provide an implicit rate, the Organization has elected to use the practical expedient provided by FASB ASC 842 and utilize a U.S. Treasury rate with a similar duration to the lease at commencement date in determining the present value of lease payments. The ROU assets also includes any lease payments made and excludes lease incentives. The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Most leases with a term greater than one-year are recognized on the statements of financial position as ROU asset and lease liability. The Organization has elected not to recognize on the statements of financial position leases with terms of one year or less.

Pledges, Bequests, and Gifts for Specific Purposes: Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition has been satisfied. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received, and contributions received by donors without restrictions, are reflected as contributions in the accompanying consolidated statements of operations.

The Organization reports gifts of equipment (or other long-lived assets) as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Financial Statement Presentation: The consolidated financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions. Net assets are classified as without donor restriction or with donor restriction. Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions include undesignated net assets.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of the Organization or by the passage of time, which include Hospice patient care services and education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions at December 31, 2022 and 2021 are available for the following activities:

	2022	2021
Subject to expenditure for specified purpose:		
Hospice patient care services and education	$ 248,603	$ 248,603
Capital campaign	1,497,686	900,602
Total net assets with donor restrictions	$ 1,746,289	$ 1,149,205

Advertising Costs: Advertising costs are expensed as incurred and amounted to $531,168 and $310,439 for the years ended December 31, 2022 and 2021, respectively.

Net Patient Service Revenue: Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied. Interest-free internal payment arrangements are available if balances can be paid off within one year.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual services performed in relation to total expected (or actual) services or is recognized as services are performed depending on the payor and the type of service performed. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Organization measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that patient, which is generally at the time of death. Revenue for performance obligations satisfied at a point in time is recognized when services are provided.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s policy, and/or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience from that category of payor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable: The accounts receivable balance represents the unpaid amounts billed to patients and third-party payors for services performed under contracts. Historical collections are utilized to report receivables for patient care services at net realizable value. The Organization does not accrue interest on any of its accounts receivable.

Patient Customer Contracts: The patient customer contracts balance represents amounts due for services performed under contracts with patients which have not yet been billed to patients or third-party payors. Historical collections are utilized to report patient customer contracts at net realizable value.

Deferred Grant Revenue: The Organization records payments of grants as deferred revenue until the funds are expended for the purpose of the grant, at which time the grant funds are recognized as grant revenue.

Income Taxes: The Organization is a not-for-profit organization, which is in compliance with the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and is exempt from federal tax under IRC Section 501(a). At times, the Organization is involved with activities that are subject to minor amounts of unrelated business federal income tax, which are paid as they come due in accordance with the IRC and the regulations there under. Such amounts are insignificant to the Organization's consolidated financial statements.

The Organization accounts for uncertain tax positions in accordance with provisions of FASB ASC 740, "*Income Taxes*", which provides a framework for how companies should recognize, measure, present and disclose uncertain tax positions in their financial statements.

The Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization does not have any uncertain tax positions as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Organization did not record any penalties or interest associated with uncertain tax positions. The Organization would recognize interest and/or penalties related to income tax matters in income tax expense. The Organization's prior three tax years are open and subject to examination by the Internal Revenue Service.

Excess of Revenues over Expenses: The consolidated statements of operations and changes in net assets includes excess of revenue over expenses. Other changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice, include unrealized gains and losses on investments in debt securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Donated Services: A substantial number of volunteers have donated services to the Organization's program services and fundraising campaigns during the year; as such these donated services are reflected in the consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Professional Liability and Workers' Compensation Insurance: The Organization has insurance coverage in place for professional liability and workers' compensation. Professional liability insurance is provided under a claims-made policy. The Organization follows the provisions of Accounting Standards Update (ASU) No. 2010-24, "*Health Care Entities (Topic 954) Presentation of Insurance Claims and Related Insurance Recoveries*", which further clarifies that health care entities should not net insurance recoveries against the related claim liabilities. The Organization recorded an insurance recoverable and a payable for workers compensation and professional liability claims in the accompanying consolidated balance sheets of $260,601 and $231,609 as of December 31, 2022 and 2021, respectively. This increase represents the Organization's estimate of liabilities and recoveries for certain workers' compensation and professional liability claims. There are no liabilities relating to general liability claims as of December 31, 2022 and 2021.

Property and equipment: Property and equipment are recorded at cost. Equipment under finance lease obligations is amortized on a straight-line method over the shorter period of the lease term or the estimated life of the equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets: On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of December 31, 2022 and 2021, management believes that no impairments existed.

Subsequent Events: The Organization has evaluated subsequent events after the balance sheet date for appropriate accounting and disclosure, through April 27, 2023, the date on which the financial statements were available to be issued.

NOTE 3 - NET PATIENT SERVICE REVENUES

The Organization has agreements with third-party payers that typically provide for payments to the Organization at amounts different from its established rates. Contractual payment rates are subject to final determination by reimbursement agencies under each program. A summary of the payment arrangements with major third-party payers follows:

- *Medicare:* Certain services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

- *Medicaid:* Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

- *Other:* Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

NOTE 3 - NET PATIENT SERVICE REVENUES (Continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization’s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in transaction price were not significant for the years ended December 31, 2022 and 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance, and from those who are uninsured, based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2022 and 2021, no significant adjustments to revenue were recognized due to changes in the estimates of implicit price concessions for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient’s ability to pay are recorded as an implicit price concession. Implicit price concessions for the years ended December 31, 2022 and 2021 were not significant.

Consistent with the Organization’s mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients. Patients who meet the Organization’s criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

NOTE 3 - NET PATIENT SERVICE REVENUES (Continued)

The composition of net patient care service revenue by payor is as follows:

	2022	2021
Medicare	$40,585,147	$30,041,557
Medicaid	131,433	125,652
Self-pay and other	1,517,617	1,609,334
Blue Cross	642,365	394,030
Total	$42,876,561	$32,170,574

Net patient service revenues represents 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. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Net patient service revenues from the Medicare and Medicaid programs accounted for approximately 94% of the Organization's gross patient service revenues for the years ended December 31, 2022 and 2021. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While management is not aware of any regulatory inquiries, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. The Organization renders services to patients under agreements with third-party payers (primarily Medicare and Medicaid), which reimburse the Organization under provisions of their established payment rates.

The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner.

NOTE 3 - NET PATIENT SERVICE REVENUES (Continued)

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time.

Patients needing Hospice care may reside in a nursing home setting in which Medicaid, Medicare, and certain commercial payors pay the Organization 95% of the amount of the nursing home room and board and general inpatient care rates as a means to pass-through the payment from Medicaid, Medicare, and certain commercial payors to the nursing home and is recorded as revenue under ASC 606. The Organization pays the nursing home 100% of the rate, which is recorded as a contra-revenue in the accompanying financial statements under ASC 606. The 5% difference between the amount paid to the nursing home and the amount received from Medicaid, Medicare, and certain commercial payors is an adjustment to transaction price and, as a result, the 5% is recognized as an implicit price concession under ASC 606. Included in net patient service revenue are gross charges related to Medicaid, Medicare, and certain commercial nursing home patients' room and board and general inpatient services for which the Organization is the primary obligor, which totaled approximately $7,893,390 and $6,096,249 for the years ended December 31, 2022 and 2021 respectively. The contracted room and board and general inpatient services for Medicaid, Medicare, and certain commercial patients the Organization paid to the nursing homes are included in net patient service revenue in the accompanying statements of operations and totaled approximately $6,300,000 and $4,773,000 for the years ended December 31, 2022 and 2021, respectively.

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. The Organization did not exceed the 20% cap related to inpatient days in 2022 and 2021. The second limit relates to an aggregate Medicare reimbursement cap calculated by the Organization. The Organization did not exceed the Medicare cap for the years ended December 31, 2022 and 2021.

The Organization has elected the practical expedient and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Organization has applied the practical expedient and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of which are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of December 31, 2022 and 2021 is as follows:

	2022	2021
Medicare	85 %	91 %
Medicaid	10 %	5 %
Self-pay and other	3 %	3 %
Blue Cross	2 %	1 %
Total	100 %	100 %

NOTE 5 - INVESTMENTS

The market values of investments classified as available for sale as of December 31, 2022 and 2021, are as follows:

	2022	2021
Mutual funds	$ 4,893,058	$ 5,696,839
Exchange-traded funds (ETF) and closed-end funds	1,472,152	2,108,267
Corporate bonds	151,163	242,628
Government securities	198,830	-
Certificates of deposit	50,640	14,104
Total	$ 6,765,843	$ 8,061,838

The following schedule summarizes the investment return for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and investment income	$ 280,826	$ 250,623
Realized and unrealized gains	(1,519,723)	613,173
	(1,238,897)	863,796
Less investment expenses	(30,150)	(31,076)
Total	$ (1,269,047)	$ 832,720

NOTE 6 - FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date. The fair values of mutual funds, federal government securities, ETF and close-end funds and common stocks that are readily marketable are determined by obtaining quoted prices from nationally recognized securities exchanges.
>
> Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Organization did not have any financial instruments categorized as Level 3 as of December 31, 2022 and 2021.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table presents the financial instruments carried at fair value as of December 31, 2022 and 2021:

	Level 1	Level 2	Level 3	Total
2022				
Mutual funds	$ 4,893,058	$ -	$ -	$ 4,893,058
ETF and closed-end funds	1,472,152	-	-	1,472,152
Corporate bonds	-	151,163	-	151,163
Government securities	198,830	-	-	198,830
Certificates of deposit	50,640	-	-	50,640
Total	$ 6,614,680	$ 151,163	$ -	$ 6,765,843

	Level 1	Level 2	Level 3	Total
2021				
Mutual funds	$ 5,696,839	$ -	$ -	$ 5,696,839
ETF and closed-end funds	2,108,267	-	-	2,108,267
Corporate bonds	-	242,628	-	242,628
Certifcates of deposit	14,104	-	-	14,104
Total	$ 7,819,210	$ 242,628	$ -	$ 8,061,838

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

If quoted prices in active markets for identical assets and liabilities are not available, then quoted prices for similar assets and liabilities, quoted prices for identical assets or liabilities in inactive markets or inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, will be used to determine fair value (Level 2 inputs). The following is a description of the inputs used for assets recorded using Level 2 fair values:

> *Corporate bonds* – Corporate bonds are valued based on the defined sector, benchmark yields, yield to maturity, and adjustments related to corporate actions. In addition to the standard inputs described above, certain bonds are valued using vendor trading platform data.

NOTE 7 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 10,306,341	$ 6,381,844
Donor restricted cash and cash equivalents for capital campaign	1,133,456	266,830
Patient accounts receivable	5,360,118	5,431,408
Patient customer contracts	66,906	1,752,927
Contributions and pledges receivable, current	95,834	381,273
Total financial assets	16,962,655	14,214,282
Less those unavailable for general expenditure within one year due to:		
Debt obligations	(74,157)	(72,026)
Lease obligations	(160,279)	(82,156)
Hospice patient care services and education	(248,603)	(335,050)
Capital campaign	(1,229,290)	(648,103)
Financial assets available to meet cash needs for general expenditures within one year	$ 15,250,326	$13,076,947

As part of the Organization's liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization typically collects patient accounts receivable with one year of the date of service. Collections by payor type may vary based on payor source liquidity and timeliness of claims processing.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022 and 2021:

	2022	2021
Land and improvements	$ 30,000	$ 30,000
Building and improvements	5,426,941	3,720,072
Construction in process	6,204,101	712,786
Furniture and office equipment	1,105,146	984,865
Computer equipment	1,548,325	1,474,491
	14,314,513	6,922,214
Less: accumulated depreciation	(3,069,690)	(2,756,226)
Property and equipment, net	$11,244,823	$ 4,165,988

Depreciation expense amounted to $338,853 and $297,662 for the years ended December 31, 2022 and 2021, respectively.

On February 20, 2018, the Organization entered into to an agreement with Taconic Realty Associates, LLC to purchase the building that serves as its main headquarters at 374 Violet Avenue, Poughkeepsie, New York as well as approximately 1.68 acres of land on which the building resides for $1,450,000. The Organization leased the building until March 5, 2020, when the Organization closed on the purchase agreement (refer to Note 10).

On March 5, 2021, the Organization closed on the purchase of land in Hyde Park, New York for a purchase price of $88,900. The Organization is constructing a hospice residence on the property. The construction of the new hospice residence is expected to cost approximately $8.5 million. Construction of the building is being financed by a construction loan, which is further described within Note 10.

NOTE 9 - GOVERNMENT ASSISTANCE

In March 2020, the President of the United States issued a proclamation declaring a national emergency concerning the Novel Coronavirus (COVID-19) pandemic.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) became law on March 27, 2020. This Federal response to the market volatility and instability resulting from the coronavirus pandemic includes provisions to support individuals and businesses in the form of loans, grants, and tax changes, among other types of relief. The CARES Act authorized $175 billion in payments to be distributed through the Public Health and Social Services Emergency Fund (“Provider Relief Funds” or “PRF”). Payments from the PRF are not loans; however, PRF funds are required to be paid back if not fully utilized.

During the year ended December 31, 2020, the Organization received payments of $1,211,883 from the Provider Relief Fund. As of December 31, 2021, the Organization had recognized $738,603 of grant revenue since receipt of the funding. During the year ended December 31, 2021, $473,280 was returned to the government.

NOTE 9 - GOVERNMENT ASSISTANCE (Continued)

During the year ended December 31, 2021, the Organization received payments of $109,066 from the PRF relating to Phase 4 and $111,658 from relating to the American Rescue Plan (ARP) Rural payments. Phase 4 PRF funds are required to be paid back if not fully utilized by December 31, 2022. All of the funding received during the year ended December 31, 2021 of $220,724 was recorded as a liability within deferred grant income as of December 31, 2021. The remaining funds were utilized during 2022.

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, during April 2020, the Organization received a Paycheck Protection Program (PPP) loan in the principal amount of $2,476,700 from the US Small Business Administration (SBA). During the year ended December 31, 2021, the full amount received of $2,476,700 was forgiven by the SBA).

NOTE 10 - LONG-TERM DEBT

Construction loan: As of December 31, 2021, there was an unfunded commitment for future funding from the bank for the lower of $8.5 million or 85% of the project costs. During 2022, the Organization drew down $2,244,703 against the construction loan. The loan will convert into a mortgage once the construction of the residence is complete, and payments will then commence. As a condition of the loan agreement, a security interest has been granted in the premises, as well as all construction contracts, permits, public works agreements, bonds, deposits, and payments, relating or appertaining to the premises and its development to secure the indebtedness.

Notes payable: In conjunction with the building purchase described within Note 8, the Organization entered into a new $1,600,000 10-year term note with a fixed 2.88% interest rate effective March 5, 2020 with interest payments commencing April 1, 2020 and principal payments commencing May 1, 2020. The amortization period for the loan is 20 years. Monthly payments are due for the first 119 months with a balloon payment for the remaining principal balance due in one final installment on April 1, 2030.

Additionally, the Organization entered into a new $240,000 10-year term note with a fixed 2.88% interest rate effective November 3, 2020 with interest payments commencing December 1, 2020 and principal payments commencing January 1, 2021. The amortization period for the loan is 20 years. Monthly payments are due for the first 111 months with a balloon payment for the remaining principal balance due in one final installment on April 1, 2030.

The scheduled principal payments of the term notes for each of the succeeding five years and thereafter are as follows:

2023	$ 74,157
2024	76,223
2025	78,608
2026	80,934
Thereafter	3,583,286
Total	$ 3,893,208

Interest expense related to the notes was $49,568 and $51,638 for the years ended December 31, 2022 and 2021, respectively. The outstanding principal was $3,893,208 and $1,730,450 as of December 31, 2022 and 2021, respectively.

NOTE 10 - LONG-TERM DEBT (Continued)

Lines of credit: Effective March 5, 2020, the Organization entered into a new revolving demand loan with a bank for credit availability up to $2,000,000. Any outstanding principal on the revolving line of credit bears interest at 2.25% plus the one-month LIBOR rate. The Organization has pledged $750,000 of investment securities as collateral for the borrowing under this line of credit. As of December 31, 2022 and 2021, there was no outstanding principal on the revolving line of credit.

A summary of long-term debt as of December 31, 2022 and 2021 are as follows:

	2022	2021
Long-term note obligations	$ 3,893,208	$1,730,450
Less: current portion	(74,157)	(72,026)
Total	$ 3,819,051	$1,658,424

NOTE 11 - LEASE ARRANGEMENTS

The Organization signed a lease agreement with Willow Park, Inc. to lease space in Kingston, New York. The lease commenced on March 1, 2014 with an expiration date of February 28, 2019 and was extended through October 2022. During October 2022, this lease was renewed on a month-to-month basis and cancelled in March 2023.

Effective March 1, 2020, the Organization entered into a new lease agreement to lease space in Poughkeepsie, New York for the Foundation. The lease commenced on March 1, 2020 with an expiration date of February 28, 2025.

Effective November 2, 2021, the Organization entered into a new lease agreement to lease space in Poughkeepsie, New York for the Organization. The lease commenced on January 1, 2022 with an expiration date of December 31, 2028.

Effective July 1, 2022, the Organization entered into a new lease agreement to lease space in Poughkeepsie, New York for the Organization. The lease commenced on July 1, 2022 with an expiration date of June 30, 2025.

Effective December 9, 2022, the Organization entered into a new lease agreement to lease space in Poughkeepsie, New York for the Organization. The lease commenced on February 1, 2023 with an expiration date of January 31, 2028.

NOTE 11 - LEASE ARRANGEMENTS (Continued)

A summary of maturities for the operating leases at December 31, 2022 is as follows:

2023	$ 136,951
2024	140,564
2025	93,602
2026	88,710
2027	88,710
Thereafter	48,971
Total lease payments	597,508
Less: Amount representing interest	(35,867)
Present value of lease liabilities	$ 561,641

A summary of remaining lease terms and discount rates at December 31, 2022 is as follows:

Scheduled payments on the rental commitments as of December 31, 2022, under these leases are due as follows:

Weighted-average remaining lease term (years)	5 years
Weighted-average discount rate	2.50%

The Organization also entered into a copier lease effective December 22, 2020 for sixty months ending in December 2025. The amount of the finance lease obligation as of December 31, 2022 and 2021 was $48,935 and $70,835, respectively, of which $21,900, is due within one year and has been classified as a current liability on the consolidated balance sheets.

Effective October 20, 2022, another copier lease was entered into for 60 months ending in October 2027. The amount of the finance lease obligation as of December 31, 2022 was $5,762, of which $1,428, is due within one year and has been classified as a current liability on the consolidated balance sheets.

The value of minimum future lease payments under this capital lease obligations are as follows:

2023	$ 23,328
2024	23,328
2025	23,328
2026	1,428
2027	1,190
Less: Amounts representing interest	(17,835)
Total	$ 54,767

Total lease expense for the years ended December 31, 2022 and 2021, was $158,338 and $101,958, respectively.

NOTE 12 - PENSION

Hospice offers all full-time and part-time employees the opportunity to participate in a tax-sheltered annuity 403(b) program. The Organization may elect to match a percentage of the participants' annual gross wages. There were contributions of $252,765 and $320,136 made for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 - CONTINGENCIES

The Organization is not aware of any contingencies or general litigation arising in the course of its business that would have a material adverse effect on the Organization's consolidated financial position or results of operations.

NOTE 14 - AFFILIATE TRANSACTIONS

Hospice charges the Foundation for operating expenses that it has paid on their behalf. Salary and fringe benefits are billed to the Foundation based on allocations included within the annual budget approved by the Board of Directors of Hospice and the Board of Trustees of the Foundation. Office operations, which include rent, printing, postage, computer support, and supplies, as well as community education, are allocated to the Foundation based on a square footage percentage.

During the fiscal years ended December 31, 2022 and 2021, the Foundation recognized $256,247 and $245,160 of expenses allocated from Hospice, respectively. During the fiscal years ended December 31, 2022 and 2021, the Foundation transferred $473,124 and $38,840 to Hospice, respectively. During 2022, $400,000 of the contributions to Hospice were donated as part of the capital campaign and were utilized on the construction of a new residence building. Each of these transactions is eliminated in consolidation.

As of December 31, 2022 and 2021, $118,257 and $69,480, respectively, was due from the PC for operating expenses paid on behalf of the PC by Hospice.

NOTE 15 - CONTRIBUTIONS

The Foundation started a capital campaign during 2020 and the intended purpose is to help provide funding to Hospice for a new facility to provide services for terminally ill patients. Gross pledge contributions related to the capital campaign were $197,084 and $869,922 and the corresponding pledges receivable balance was $373,569 and $639,271 as of December 31, 2022 and 2021, respectively.

All of the Foundation's pledges receivable represent unconditional promises to give. The Foundation's pledges are due in various payment streams. The following pledges are due to the Foundation as of December 31, 2022 and 2021:

	2022	2021
Due within one year	$ 105,173	$ 386,772
Due in one to five years	268,396	252,499
Total	$ 373,569	$ 639,271

As of December 31, 2022 and 2021, the Foundation recorded $9,339 and $9,420 as an allowance for uncollectible pledges, respectively. There was no discount on long-term pledges recorded as of December 31, 2022 and 2021.

SUPPLEMENTAL INFORMATION

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATING BALANCE SHEETS
December 31, 2022

	Hospice	Foundation	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 10,164,693	$ 141,648	$ -	$ 10,306,341
Donor restricted cash and cash equivalents for capital campaign	-	1,133,456	-	1,133,456
Patient accounts receivable	5,360,118	-	-	5,360,118
Patient customer contracts	66,906	-	-	66,906
Contributions and pledges receivable	-	95,834	-	95,834
Due from affiliates	122,921	-	(4,664)	118,257
Insurance recoverable	260,601	-	-	260,601
Prepaid expenses and other current assets	187,336	19,769	-	207,105
Total current assets	16,162,575	1,390,707	(4,664)	17,548,618
Other assets:				
Investments in equity and debt securities	5,670,268	1,095,575	-	6,765,843
Investment in Foundation	2,753,684	-	(2,753,684)	-
Pledges receivable, net	-	268,396	-	268,396
Deposits	16,280	-	-	16,280
Right-of-use assets	504,289	63,516	-	567,805
Property and equipment, net	11,235,468	9,355	-	11,244,823
Total assets	$ 36,342,564	$ 2,827,549	$ (2,758,348)	$ 36,411,765
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 2,843,056	$ 7,359	$ -	$ 2,850,415
Accrued expenses	2,514,574	-	-	2,514,574
Notes payable, current portion	74,157	-	-	74,157
Finance lease obligation, current portion	23,328	-	-	23,328
Lease liability	107,981	29,352	-	137,333
Amounts accrued for workers' compensation and professional liability claims	260,601	-	-	260,601
Total current liabilities	5,823,697	36,711	-	5,860,408
Notes payable, net of current portion	3,819,051	-	-	3,819,051
Finance lease obligation, net of current portion	41,836	-	-	41,836
Lease liability	391,818	32,490	-	424,308
Due to affiliates	-	4,664	(4,664)	-
Total liabilities	10,076,402	73,865	(4,664)	10,145,603
Net assets:				
Net assets without donor restrictions	24,433,426	1,007,395	(1,007,395)	24,433,426
Net assets with donor restrictions	1,832,736	1,746,289	(1,746,289)	1,832,736
Total net assets	26,266,162	2,753,684	(2,753,684)	26,266,162
Total liabilities and net assets	$ 36,342,564	$ 2,827,549	$ (2,758,348)	$ 36,411,765

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATING BALANCE SHEETS
December 31, 2021

	Hospice	Foundation	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,502,970	$ 878,874	$ -	$ 6,381,844
Donor restricted cash and cash equivalents for capital campaign	-	266,830	-	266,830
Patient accounts receivable	5,431,408	-	-	5,431,408
Patient customer contracts	1,752,927	-	-	1,752,927
Contributions and pledges receivable	-	381,273	-	381,273
Due from affiliates	67,910	1,570	-	69,480
Insurance recoverable	231,609	-	-	231,609
Prepaid expenses and other current assets	152,694	18,768	-	171,462
Total current assets	13,139,518	1,547,315	-	14,686,833
Other assets:				
Investments in equity and debt securities	6,811,814	1,250,024	-	8,061,838
Investment in Foundation	3,032,146	-	(3,032,146)	-
Pledges receivable, net	-	252,499	-	252,499
Deposits	14,460	-	-	14,460
Property and equipment, net	4,153,155	12,833	-	4,165,988
Total assets	$27,151,093	$3,062,671	$ (3,032,146)	$27,181,618
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 2,109,841	$ 30,525	$ -	$ 2,140,366
Accrued expenses	2,141,639	-	-	2,141,639
Deferred grant income	217,814	-	-	217,814
Notes payable, current portion	72,026	-	-	72,026
Finance lease obligation, current portion	21,900	-	-	21,900
Amounts accrued for workers' compensation and professional liability claims	231,609	-	-	231,609
Total current liabilities	4,794,829	30,525	-	4,825,354
Notes payable, net of current portion	1,658,424	-	-	1,658,424
Finance lease obligation, net of current portion	60,099	-	-	60,099
Total liabilities	6,513,352	30,525	-	6,543,877
Net assets:				
Net assets without donor restrictions	19,402,089	1,882,941	(1,882,941)	19,402,089
Net assets with donor restrictions	1,235,652	1,149,205	(1,149,205)	1,235,652
Total net assets	20,637,741	3,032,146	(3,032,146)	20,637,741
Total liabilities and net assets	$27,151,093	$3,062,671	$ (3,032,146)	$27,181,618

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Year Ended December 31, 2022

	Hospice	Foundation	Eliminations	Total
Net assets without donor restrictions:				
Operating revenues:				
Net patient service revenues	$ 42,876,561	$ -	$ -	$ 42,876,561
Grant revenue	221,314	-	-	221,314
Contributions	415,290	179,530	(473,124)	121,696
Net assets released from restrictions used in operations	-	73,124	-	73,124
Other income	4,518	-	-	4,518
Total operating revenues	43,517,683	252,654	(473,124)	43,297,213
Operating expenses:				
Salaries	20,192,802	215,826	-	20,408,628
Non-salary patient care expenses	7,069,490	-	-	7,069,490
Employee benefits	5,414,875	39,864	-	5,454,739
General and administrative	1,975,757	118,510	-	2,094,267
Staff travel	638,187	-	-	638,187
Contract staff	774,219	-	-	774,219
Fundraising events	-	121,579	-	121,579
Contributions to Hospice	-	473,124	(473,124)	-
Other expenses	96,867	-	-	96,867
Depreciation expense	338,077	776	-	338,853
Total operating expenses	36,500,274	969,679	(473,124)	36,996,829
Total operating income (loss)	7,017,409	(717,025)	-	6,300,384
Nonoperating gains:				
Investment income	180,485	70,191	-	250,676
Realized losses on sales of investments	(40,267)	(454)	-	(40,721)
Change in unrealized losses on equity securities	(1,113,519)	(182,455)	-	(1,295,974)
Total nonoperating gains, net	(973,301)	(112,718)	-	(1,086,019)
Excess of revenues over expenses	6,044,108	(829,743)	-	5,214,365
Other changes in net assets without donor restrictions:				
Change in unrealized losses on debt securities	(137,225)	(45,803)	-	(183,028)
Change in interest in Foundation	(875,546)	-	875,546	-
Change in unrestricted net assets	5,031,337	(875,546)	875,546	5,031,337
Net assets with donor restrictions:				
Bequests, contributions and pledges	-	670,208	-	670,208
Net assets released from restrictions	-	(73,124)	-	(73,124)
Change in interest in Foundation	597,084	-	-	-
Change in net assets with donor restictions	597,084	597,084	-	597,084
Change in net assets	5,628,421	(278,462)	875,546	5,628,421
Net assets, beginning of year	20,637,741	3,032,146	(3,041,566)	20,637,741
Net assets, end of year	$ 26,266,162	$ 2,753,684	$ (2,166,020)	$ 26,266,162

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
Year Ended December 31, 2021

	Hospice	Foundation	Eliminations	Total
Net assets without donor restrictions:				
Operating revenues:				
Net patient service revenues	$ 32,170,574	$ -	$ -	$ 32,170,574
Grant revenue	464,371	-	-	464,371
Gain on forgiveness of note payable	2,476,700	-	-	2,476,700
Contributions	38,840	807,048	(38,840)	807,048
Net assets released from restrictions used in operations	-	38,840	-	38,840
Other income	4,810	-	-	4,810
Total operating revenues	35,155,295	845,888	(38,840)	35,962,343
Operating expenses:				
Salaries	15,541,296	210,054	-	15,751,350
Non-salary patient care expenses	4,530,059	-	-	4,530,059
Employee benefits	4,547,364	33,780	-	4,581,144
General and administrative	1,603,670	82,927	-	1,686,597
Staff travel	461,056	-	-	461,056
Contract staff	505,158	-	-	505,158
Fundraising events	-	256,426	-	256,426
Contributions to Hospice	-	38,840	(38,840)	-
Other expenses	66,405	-	-	66,405
Depreciation expense	294,723	2,939	-	297,662
Total operating expenses	27,549,731	624,966	(38,840)	28,135,857
Total operating income	7,605,564	220,922	-	7,826,486
Nonoperating gains:				
Investment income	151,547	68,000	-	219,547
Realized gains on sales of investments	162,206	1,215	-	163,421
Change in unrealized gains on equity securities	359,744	110,992	-	470,736
Total nonoperating gains, net	673,497	180,207	-	853,704
Excess of revenues over expenses	8,279,061	401,129	-	8,680,190
Other changes in net assets without donor restrictions:				
Change in unrealized losses on debt securities	(9,777)	(11,207)	-	(20,984)
Change in interest in Foundation	389,922	-	(389,922)	-
Change in unrestricted net assets	8,659,206	389,922	(389,922)	8,659,206
Net assets with donor restrictions:				
Bequests, contributions and pledges	-	899,342	-	899,342
Net assets released from restrictions	-	(38,840)	-	(38,840)
Change in interest in Foundation	860,502	-	(869,922)	-
Change in net assets with donor restictions	860,502	860,502	(869,922)	860,502
Change in net assets	9,519,708	1,250,424	(1,259,844)	9,519,708
Net assets, beginning of year	11,118,033	1,781,722	(1,781,722)	11,118,033
Net assets, end of year	$ 20,637,741	$ 3,032,146	$ (3,041,566)	$ 20,637,741

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

2022

	Hospice			Foundation					
	Program Services	Supporting Activities		Program Services	Supporting Activities				
	Hospice	Management and General	Total Expenses	Foundation	Management and General	Fundraising	Total Expenses	Eliminations	Total Expenses
Salaries	$ 18,466,089	$ 1,726,713	$ 20,192,802	$ -	$ 107,743	$ 108,083	$ 215,826	$ -	$ 20,408,628
Non-salary patient care expenses	7,069,490	-	7,069,490	-	-	-	-	-	7,069,490
Employee benefits	4,028,331	1,386,544	5,414,875	-	4,718	35,146	39,864	-	5,454,739
General and administrative	327,168	1,648,589	1,975,757	-	118,510	-	118,510	-	2,094,267
Staff travel	633,212	4,975	638,187	-	-	-	-	-	638,187
Contract staff	768,964	5,255	774,219	-	-	-	-	-	774,219
Fundraising events	-	-	-	-	-	121,579	121,579	-	121,579
Contributions to Hospice	-	-	-	473,124	-	-	473,124	(473,124)	-
Other expenses	10,999	85,868	96,867	-	-	-	-	-	96,867
Depreciation expense	-	338,077	338,077	-	776	-	776	-	338,853
Total expenses	$ 31,304,253	$ 5,196,021	$ 36,500,274	$ 473,124	$ 231,747	$ 264,808	$ 969,679	$ (473,124)	$ 36,996,829

2021

	Hospice			Foundation					
	Program Services	Supporting Activities		Program Services	Supporting Activities				
	Hospice	Management and General	Total Expenses	Foundation	Management and General	Fundraising	Total Expenses	Eliminations	Total Expenses
Salaries	$ 14,030,195	$ 1,511,101	$ 15,541,296	$ -	$ 58,981	$ 151,073	$ 210,054	$ -	$ 15,751,350
Non-salary patient care expenses	4,530,059	-	4,530,059	-	-	-	-	-	4,530,059
Employee benefits	3,640,519	906,845	4,547,364	-	3,998	29,782	33,780	-	4,581,144
General and administrative	477,700	1,125,970	1,603,670	-	82,927	-	82,927	-	1,686,597
Staff travel	457,636	3,420	461,056	-	-	-	-	-	461,056
Contract staff	505,158	-	505,158	-	-	-	-	-	505,158
Fundraising events	-	-	-	-	-	256,426	256,426	-	256,426
Contributions to Hospice	-	-	-	38,840	-	-	38,840	(38,840)	-
Other expenses	23,445	42,960	66,405	-	-	-	-	-	66,405
Depreciation expense	73,681	221,042	294,723	-	2,939	-	2,939	-	297,662
Total expenses	$ 23,738,393	$ 3,811,338	$ 27,549,731	$ 38,840	$ 148,844	$ 437,282	$ 624,966	$ (38,840)	$ 28,135,857

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2022

	Hospice	Foundation	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	$ 5,628,421	$ (278,462)	$ 278,462	$ 5,628,421
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense	338,077	776	-	338,853
Change in interest in Foundation	278,462	-	(278,462)	-
Change in unrealized losses on investments	1,250,744	228,258	-	1,479,002
Realized losses on sale of securities	40,267	454	-	40,721
Right-of-use assets	60,807	28,205	-	89,012
Changes in operating assets and liabilities:				
Patient accounts receivable	71,290	-	-	71,290
Patient customer contracts	1,686,021	-	-	1,686,021
Contributions and pledges receivable	-	269,542	-	269,542
Due to/from affiliates	(55,011)	6,234	-	(48,777)
Prepaid expenses and other current assets	(36,462)	(1,001)	-	(37,463)
Accounts payable	733,215	(23,166)	-	710,049
Accrued expenses	372,935	-	-	372,935
Lease liability	(133)	(29,879)	-	(30,012)
Deferred grant income	(217,814)	-	-	(217,814)
Net cash provided by operating activities	10,150,819	200,961	-	10,351,780
Cash flows from investing activities:				
Purchases of investments	(2,882,355)	(323,357)	-	(3,205,712)
Sales of investments	2,732,890	249,094	-	2,981,984
Purchases of fixed assets	(7,420,390)	2,702	-	(7,417,688)
Net cash used in investing activities	(7,569,855)	(71,561)	-	(7,641,416)
Cash flows from financing activities:				
Payments on capital lease obligation	(81,999)	-	-	(81,999)
Proceeds from notes payable	2,244,703	-	-	2,244,703
Payments on notes payable	(81,945)	-	-	(81,945)
Net cash provided by financing activities	2,080,759	-	-	2,080,759
Change in cash and cash equivalents and restricted cash and cash equivalents	4,661,723	129,400	-	4,791,123
Cash and cash equivalents and restricted cash and cash equivalents, at beginning of year	5,502,970	1,145,704	-	6,648,674
Cash and cash equivalents and restricted cash and cash equivalents, at end of year	$ 10,164,693	$1,275,104	$ -	$11,439,797

HUDSON VALLEY HOSPICE, INC.
CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2021

	Hospice	Foundation	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	$ 9,519,708	$ 1,250,424	$ (1,250,424)	$ 9,519,708
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation expense	294,723	2,939	-	297,662
Change in interest in Foundation	(1,250,424)	-	1,250,424	-
Change in unrealized gains				-
on investments	(349,967)	(99,785)	-	(449,752)
Realized gains on sale of securities	(162,206)	(1,215)	-	(163,421)
Gain on forgiveness of note payable	(2,476,700)	-	-	(2,476,700)
Changes in operating assets				-
and liabilities:				-
Patient accounts receivable	(1,026,695)	-	-	(1,026,695)
Patient customer contracts	(2,997,940)	-	-	(2,997,940)
Contributions and pledges receivable	-	(610,015)	-	(610,015)
Due to/from affiliates	(36,442)	(4,402)	-	(40,844)
Prepaid expenses and other				-
current assets	(15,089)	(12,291)	-	(27,380)
Accounts payable	456,379	25,316	-	481,695
Accrued expenses	656,108	-	-	656,108
Deferred grant income	(716,837)	-	-	(716,837)
Net cash provided by operating activities	1,894,618	550,971	-	2,445,589
Cash flows from investing activities:				
Purchases of investments	(1,997,556)	(85,158)	-	(2,082,714)
Sales of investments	1,842,683	56,897	-	1,899,580
Purchases of fixed assets	(619,741)	-	-	(619,741)
Net cash used in investing activities	(774,614)	(28,261)	-	(802,875)
Cash flows from financing activities:				
Payments on capital lease obligation	(12,901)	-	-	(12,901)
Payments on notes payable	(69,955)	-	-	(69,955)
Net cash used in financing activities	(82,856)	-	-	(82,856)
Change in cash and cash equivalents	1,037,148	522,710	-	1,559,858
Cash and cash equivalents, at beginning of year	4,465,822	622,994	-	5,088,816
Cash and cash equivalents, at end of year	$ 5,502,970	$ 1,145,704	$ -	$ 6,648,674