
HOSPICE OF THE NORTH COAST
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Years Ended September 30, 2013 and 2012



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TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
Schedule I - Statement of Operating Expenses for the Year Ended September 30, 2013	13
Schedule II - Statement of Operating Expenses for the Year Ended September 30, 2012	14
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	17
Schedule of Expenditures of Federal Awards	19
Note to Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21



INDEPENDENT AUDITORS' REPORT

To the Audit Committee
Hospice of the North Coast
Carlsbad, California

Report on the Financial Statements

We have audited the accompanying financial statements of Hospice of the North Coast (a nonprofit organization), which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 Hospice of the North Coast as of September 30, 2013 and 2012, 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.


Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of operating expenses for the years ended September 30, 2013 and 2012 and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014, on our consideration of Hospice of the North Coast's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospice of the North Coast's internal control over financial reporting and compliance.



Encinitas, California
March 7, 2014

HOSPICE OF THE NORTH COAST
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 926,436	\$ 876,349
Accounts receivable, net of allowance for uncollectible accounts of \$18,820 (2013) and \$42,286 (2012)	687,266	421,023
Prepaid expenses	<u>93,368</u>	<u>50,448</u>
TOTAL CURRENT ASSETS	1,707,070	1,347,820
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation	2,983,092	1,657,407
Deposits	<u>25,041</u>	<u>32,167</u>
TOTAL NONCURRENT ASSETS	<u>3,008,133</u>	<u>1,689,574</u>
TOTAL ASSETS	\$ <u><u>4,715,203</u></u>	\$ <u><u>3,037,394</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 158,369	\$ 82,197
Accrued salaries	83,336	65,093
Accrued compensated absences	121,678	69,492
Accrued expenses	4,228	5,887
Current portion of long term liability	55,711	-
Deferred revenue	<u>3,825</u>	<u>350</u>
TOTAL CURRENT LIABILITIES	427,147	223,019
LONG TERM LIABILITIES, less current portion	<u>1,156,489</u>	<u>-</u>
TOTAL LIABILITIES	1,583,636	223,019
NET ASSETS		
Unrestricted	3,131,567	2,794,938
Temporarily restricted	-	19,437
TOTAL NET ASSETS	<u>3,131,567</u>	<u>2,814,375</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>4,715,203</u></u>	\$ <u><u>3,037,394</u></u>

HOSPICE OF THE NORTH COAST
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Net patient service revenue	\$ 4,511,377	\$ -	\$ 4,511,377
Contributions	225,545	354,120	579,665
Resale shop sales (net of \$52,878 of sales taxes) including resale shop contributions of \$675,498	1,350,996	-	1,350,996
Less: resale shop expenses	(983,001)	-	(983,001)
Rental income	51,248	-	51,248
Less: rental expenses	(46,706)	-	(46,706)
Interest	1,199	-	1,199
Net assets released from restrictions, satisfaction of program restrictions	<u>373,557</u>	<u>(373,557)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	5,484,215	(19,437)	5,464,778
OPERATING EXPENSES			
Program services			
Patient care	3,191,220	-	3,191,220
Bereavement	234,727	-	234,727
Volunteer	120,480	-	120,480
Community outreach	244,892	-	244,892
Supporting services			
Administration	1,110,182	-	1,110,182
Fundraising	246,085	-	246,085
TOTAL EXPENSES	<u>5,147,586</u>	<u>-</u>	<u>5,147,586</u>
INCREASE (DECREASE) IN NET ASSETS	336,629	(19,437)	317,192
NET ASSETS AT BEGINNING OF YEAR	<u>2,794,938</u>	<u>19,437</u>	<u>2,814,375</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,131,567</u>	<u>\$ -</u>	<u>\$ 3,131,567</u>

HOSPICE OF THE NORTH COAST
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Net patient service revenue	\$ 3,859,492	\$ -	\$ 3,859,492
Contributions	1,105,871	232,043	1,337,914
Resale shop sales (net of \$50,126 of sales taxes) including resale shop contributions of \$652,896	1,305,792	-	1,305,792
Less: resale shop expenses	(941,600)	-	(941,600)
Special events	58,945	-	58,945
Less: special event expenses	(29,512)	-	(29,512)
Rental income	65,638	-	65,638
Less: rental expenses	(69,975)	-	(69,975)
Interest	5,459	-	5,459
Net assets released from restrictions, satisfaction of program restrictions	212,606	(212,606)	-
TOTAL SUPPORT AND REVENUE	5,572,716	19,437	5,592,153
OPERATING EXPENSES			
Program services			
Patient care	2,541,264	-	2,541,264
Bereavement	218,028	-	218,028
Volunteer	106,800	-	106,800
Community outreach	323,546	-	323,546
Supporting services			
Administration	999,547	-	999,547
Fundraising	146,259	-	146,259
TOTAL EXPENSES	4,335,444	-	4,335,444
INCREASE IN NET ASSETS	1,237,272	19,437	1,256,709
NET ASSETS AT BEGINNING OF YEAR	1,557,666	-	1,557,666
NET ASSETS AT END OF YEAR	\$ 2,794,938	\$ 19,437	\$ 2,814,375

HOSPICE OF THE NORTH COAST
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 317,192	\$ 1,256,709
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	112,626	105,953
Noncash contribution of equipment	(20,925)	-
(Increase) decrease in operating assets:		
Accounts receivable, net	(266,243)	137,320
Prepaid expenses	(42,920)	(39,648)
Increase (decrease) in operating liabilities:		
Accounts payable	76,172	(62,098)
Accrued salaries	18,243	31,989
Accrued compensated absences	52,186	10,107
Accrued expenses	(1,659)	(3,439)
Deferred revenue	3,475	(42,458)
	<u>248,147</u>	<u>1,394,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in deposits	7,126	(11,833)
Purchases of property and equipment	<u>(352,386)</u>	<u>(34,655)</u>
	<u>(345,260)</u>	<u>(46,488)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on long-term liabilities	170,000	-
Payments on long-term liabilities	<u>(22,800)</u>	<u>(1,156,612)</u>
	<u>147,200</u>	<u>(1,156,612)</u>
	50,087	191,335
	<u>876,349</u>	<u>685,014</u>
	\$ <u><u>926,436</u></u>	\$ <u><u>876,349</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ <u><u>3,384</u></u>	\$ <u><u>81,529</u></u>
Property and equipment acquired through debt financing	\$ <u><u>1,065,000</u></u>	\$ <u><u>-</u></u>

HOSPICE OF THE NORTH COAST
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2013 and 2012

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- 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, 2013 and 2012.

Use of Estimates

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

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 uncollectible amounts.

Property and Equipment

Property and equipment are recorded at cost or at estimated fair value at date of gift if donated. The Organization capitalizes assets having a value greater than \$1,500 and an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to twenty seven and a half years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

HOSPICE OF THE NORTH COAST
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2013 and 2012

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

Contributions (Continued)

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction 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. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with various programs. The services do not meet the criteria for recognition as a contribution and are not reflected in the financial statements.

Donated Inventory Items

The Organization records donated inventory at fair market value. Because the fair value of the inventory cannot be objectively determined prior to its sale, the Organization records donated items as revenue and cost of goods sold in the period sold.

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.

Advertising

The Organization expenses the cost of advertising as incurred.

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. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended September 30, 2013 and 2012, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provisions 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. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended September 30, 2013 and 2012.

The Organization files informational and income tax returns in the United States and various state and local jurisdictions. The Organization's Federal income tax and informational returns for the years ended September 30, 2013, 2012 and 2011 are subject to examination by the Internal Revenue Service, generally for 3 years after the returns were filed. State and local jurisdictions have statutes of limitation that generally range from 3 to 5 years.

Subsequent Events

The Organization evaluated subsequent events through March 7, 2014, which is the date the financial statements were available to be issued, see note 12.

HOSPICE OF THE NORTH COAST
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2013 and 2012

NOTE 2. CONCENTRATIONS OF CREDIT RISK

Cash

The Organization has deposits in financial institutions that may, at times exceed the federally insured limits. The Organization manages the risk by using institutions management believes to be high quality.

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 97% and 99% of net patient service revenue for the years ended September 30, 2013 and 2012, respectively, was derived under federal and state third-party payor agreements. Accounts receivable from federal and state third-party reimbursement programs at September 30, 2013 and 2012 were 95% and 98%, respectively, of total accounts receivable.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Building	\$ 2,173,045	\$ 1,192,846
Land	749,232	416,000
Furniture and office equipment	108,795	49,155
Computer equipment	177,788	140,244
Leasehold improvements	113,103	85,407
	<u>3,321,963</u>	<u>1,883,652</u>
Less accumulated depreciation	<u>(338,871)</u>	<u>(226,245)</u>
	<u>\$ 2,983,092</u>	<u>\$ 1,657,407</u>

NOTE 4. LONG TERM LIABILITIES

Long term liabilities consist of the following:

	<u>2013</u>	<u>2012</u>
Unsecured note payable to a financial institution, payable in monthly installments of \$4,947 including interest at 3%, through March 11, 2016 with a final installment of any remaining principal and interest due on April 11, 2016.	\$ 147,200	\$ -
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.	<u>1,065,000</u>	-
	1,212,200	-
Less current portion	<u>(55,711)</u>	-
	<u>\$ 1,156,489</u>	<u>\$ -</u>

HOSPICE OF THE NORTH COAST
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2013 and 2012

NOTE 4. LONG TERM LIABILITIES (Continued)

Principal payments are due as follows:

Year Ending September 30,		
2014	\$	55,699
2015		57,406
2016		34,095
Thereafter		-
	\$	<u>147,200</u>

NOTE 5. RESTRICTIONS ON NET ASSETS

There were no temporarily restricted net assets at September 30, 2013. Temporarily restricted net assets of \$19,437 were available for the "Ask for Us" advertising campaign at September 30, 2012.

NOTE 6. OPERATING LEASES

The Organization leases property in Encinitas, California on a lease that expires October 31, 2014. Total rent expense for these leases for the years ended September 30, 2013 and 2012 was \$175,355 and \$168,947, respectively. The Organization leases office equipment. Total rent expense for office equipment for the years ended September 30, 2013 and 2012 was \$21,300 and \$15,053, respectively.

Future minimum payments under these operating leases at September 30, 2013 are due as follows:

Year Ending September 30,		
2014	\$	198,908
2015		37,366
2016		21,958
2017		1,785
Thereafter		-
	\$	<u>260,017</u>

NOTE 7. RENTAL INCOME

The Organization leases portions of its building space to two companies under operating leases. One lease expires October 31, 2014 and the other lease expired December 31, 2012. Revenue under the lease agreements for the years ended September 30, 2013 and 2012 were \$51,248 and \$65,638, respectively.

Future minimum lease payments to be received under operating leases are as follows:

Year Ending September 30,		
2014	\$	33,251
2015		2,771
Thereafter		-
	\$	<u>36,022</u>

HOSPICE OF THE NORTH COAST
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2013 and 2012

NOTE 8. 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. The Organization elected to match 100% of eligible employees' contributions up to 3% of gross pay for the years ended September 30, 2013 and 2012. Contribution expense for the years ended September 30, 2013 and 2012 was \$52,401 and \$37,328, respectively.

NOTE 9. 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 10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and usage.

NOTE 11. RECLASSIFICATIONS

Certain items in the 2012 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.

NOTE 12. SUBSEQUENT EVENT

On November 18, 2013 the Organization entered into an exclusive negotiation agreement with another nonprofit organization to explore a potential affiliation. Discussions regarding the affiliation were ongoing as of the date of this report.

Supplementary Information

HOSPICE OF THE NORTH COAST
SCHEDULE I - STATEMENT OF OPERATING EXPENSES
Year Ended September 30, 2013

	Program Services			
	Patient Care	Bereavement	Volunteer	Community Outreach
Advertising	\$ 2,743	\$ 389	\$ -	\$ 378
Ambulance	2,030	-	-	-
Bank charges	-	-	-	-
Benefits	304,020	30,280	9,673	19,841
Bereavement	-	21,190	-	-
Community relations	-	-	-	44
Computer	44,462	45	330	2,597
Consulting	9,581	-	-	-
Continuing education	10,126	3,163	732	83
Contract labor	120,234	-	-	-
Depreciation - nonresale shop	15,733	5,223	307	1,844
Diet and nutritional	1,167	-	-	-
Dues	13,328	776	-	230
Durable medical equipment	162,836	-	-	-
Facility	87,477	11,497	676	4,058
Inpatient	38,834	-	-	-
Insurance	-	-	-	-
Lab and diagnostics	2,543	-	-	-
Marketing	-	-	-	20,028
Medical supplies	38,609	-	-	-
Meetings	79	362	-	-
Mileage	85,788	5,535	527	5,011
Miscellaneous	1,197	-	424	-
Minor equipment	1,836	-	1,134	-
Office	11,431	1,787	120	1,426
Outpatient services	1,569	-	-	-
Payroll taxes	124,768	10,176	6,295	12,152
Pharmacy	148,677	-	-	-
Physician	5,230	-	-	-
Postage	184	1,936	94	897
Printing	1,004	2,840	-	2,371
Professional services	-	-	-	-
Property tax	10,492	687	40	242
Publications	-	1,309	454	-
Storage	-	-	-	-
Respite	10,718	-	-	-
Salaries	1,713,958	136,857	89,030	171,296
Skilled nursing faculty	193,087	-	-	-
Telephone	19,815	675	675	2,394
Therapies	5,896	-	-	-
Uniforms	1,768	-	-	-
Volunteer appreciation	-	-	6,290	-
Volunteer program	-	-	3,679	-
Website	-	-	-	-
	<u>\$ 3,191,220</u>	<u>\$ 234,727</u>	<u>\$ 120,480</u>	<u>\$ 244,892</u>

See independent auditors' report.

Supporting Services

<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
\$ 40,085	\$ 776	\$ 44,371
-	-	2,030
456	816	1,272
82,637	29,018	475,469
-	-	21,190
2,654	599	3,297
27,678	3,895	79,007
15,254	22,646	47,481
14,729	491	29,324
-	-	120,234
74,279	-	97,386
-	3,868	5,035
7,923	1,190	23,447
-	-	162,836
16,909	-	120,617
-	-	38,834
28,041	-	28,041
-	-	2,543
8,898	-	28,926
-	-	38,609
1,288	433	2,162
4,733	1,314	102,908
10	-	1,631
4,960	168	8,098
36,989	732	52,485
-	-	1,569
48,756	11,333	213,480
-	-	148,677
-	-	5,230
3,465	623	7,199
3,445	1,978	11,638
21,285	-	21,285
1,010	-	12,471
779	12,687	15,229
1,488	-	1,488
-	-	10,718
653,857	152,516	2,917,514
-	-	193,087
5,519	1,002	30,080
-	-	5,896
-	-	1,768
-	-	6,290
-	-	3,679
<u>3,055</u>	<u>-</u>	<u>3,055</u>
<u>\$ 1,110,182</u>	<u>\$ 246,085</u>	<u>\$ 5,147,586</u>

HOSPICE OF THE NORTH COAST
SCHEDULE II - STATEMENT OF OPERATING EXPENSES
Year Ended September 30, 2012

	Program Services			
	Patient Care	Bereavement	Volunteer	Community Outreach
Advertising	\$ -	\$ -	\$ -	\$ 7,719
Ambulance	8,566	-	-	-
Bad debt	67,851	-	-	-
Bank charges	-	-	-	-
Benefits	270,184	24,741	8,277	24,741
Bio hazardous waste	1,016	-	-	-
Computer	70,923	2,688	2,186	3,797
Consulting	4,200	-	-	5,400
Continuing education	3,720	1,366	1,267	1,476
Contract labor	12,183	-	-	44,666
Depreciation - nonresale shop	14,459	2,892	868	2,892
Diet and nutritional	4,745	-	-	-
Donor relations	-	-	-	-
Dues	8,079	2,056	-	769
Durable medical equipment	159,598	-	-	-
Emergency room	3,623	-	-	-
Facility	14,780	2,956	887	2,956
Functions and events	-	26,005	-	-
Inpatient	52,044	-	-	-
Insurance	-	-	-	-
Interest	27,176	5,435	1,631	5,435
Lab and diagnostics	2,834	-	-	-
Marketing	-	-	-	21,389
Medical supplies	54,807	-	-	-
Meetings	252	314	22	18
Mileage	64,652	2,277	971	11,370
Minor equipment	3,020	-	-	-
Miscellaneous	1,722	196	35	72
Office	12,248	3,296	26	2,083
Outpatient services	685	-	-	-
Payroll taxes	95,552	9,037	5,206	12,094
Pharmacy	136,997	-	-	-
Postage	-	1,847	202	438
Printing	532	3,283	326	2,345
Professional services	-	-	-	-
Property Taxes	1,795	359	108	359
Publications	-	422	-	-
Storage	-	-	-	-
Respite	13,891	-	-	-
Salaries	1,374,530	126,742	78,540	169,918
Skilled nursing faculty	25,268	-	-	-
Telephone	17,349	2,116	860	3,609
Therapies	8,195	-	-	-
Uniforms	3,788	-	-	-
Volunteer appreciation	-	-	5,388	-
	<u>\$ 2,541,264</u>	<u>\$ 218,028</u>	<u>\$ 106,800</u>	<u>\$ 323,546</u>

See independent auditors' report.

Supporting Services

<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
\$ 6,710	\$ -	\$ 14,429
-	-	8,566
-	-	67,851
45,418	-	45,418
70,534	16,494	414,971
-	-	1,016
45,234	4,483	129,311
31,298	5,301	46,199
3,314	898	12,041
45,349	-	102,198
67,217	578	88,906
-	-	4,745
-	1,092	1,092
12,726	-	23,630
-	-	159,598
-	-	3,623
7,390	591	29,560
185	-	26,190
-	-	52,044
13,624	-	13,624
13,588	1,087	54,352
-	-	2,834
9,311	-	30,700
-	-	54,807
1,748	92	2,446
7,002	969	87,241
6,129	-	9,149
1,316	49	3,390
40,455	1,557	59,665
-	-	685
36,006	6,936	164,831
-	-	136,997
3,107	637	6,231
2,310	1,981	10,777
30,673	-	30,673
898	72	3,591
929	-	1,351
1,376	-	1,376
-	-	13,891
479,156	102,283	2,331,169
-	-	25,268
16,544	1,159	41,637
-	-	8,195
-	-	3,788
-	-	5,388
\$ 999,547	\$ 146,259	\$ 4,335,444



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Audit Committee
Hospice of the North Coast
Carlsbad, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospice of the North Coast (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hospice of the North Coast's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hospice of the North Coast's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

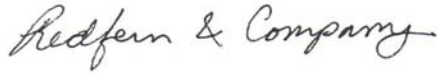
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hospice of the North Coast's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Redfern & Company".

Encinitas, California
March 7, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Audit Committee
Hospice of the North Coast
Carlsbad, California

Report on Compliance for Each Major Federal Program

We have audited Hospice of the North Coast's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hospice of the North Coast's major federal programs for the year ended September 30, 2013. Hospice of the North Coast's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hospice of the North Coast's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hospice of the North Coast's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hospice of the North Coast's compliance.

Opinion on Each Major Federal Program

In our opinion, Hospice of the North Coast complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.


Report on Internal Control over Compliance

Management of Hospice of the North Coast is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hospice of the North Coast's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hospice of the North Coast's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Encinitas, California
March 7, 2014

HOSPICE OF THE NORTH COAST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass- Through Grantor No.	Expenditures
Community Development Block Grants/Entitlement Grants - Passed through the City of Carlsbad	14.218	B-12-MC-06-0563	\$ 1,065,000

See independent auditors' report and note to schedule of expenditures of federal awards.

HOSPICE OF THE NORTH COAST

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2013

NOTE 1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hospice of the North Coast and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

HOSPICE OF THE NORTH COAST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:
Significant deficiency(ies) identified? yes x none reported
Material weakness(es) identified? yes x no

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major programs:
Significant deficiency(ies) identified? yes x none reported
Material weakness(es) identified? yes x no

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? yes x no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None