HOSPICE OF MONTEZUMA, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

HOSPICE OF MONTEZUMA, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

October 16, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hospice of Montezuma, Inc.
Cortez, Colorado

We have audited the accompanying statement of financial position of **Hospice of Montezuma, Inc.** (a Colorado nonprofit corporation) as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospice of Montezuma, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Hospice of Montezuma, Inc.'s financial statements for the year ended December 31, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

HOSPICE OF MONTEZUMA, INC,

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Assets		
Cash and cash equivalents	$ 501,551	$ 579,389
Accounts receivable, net (Note 4)	213,210	84,025
Prepaid expenses	6,119	14,792
Investments (Note 5)	523,827	523,859
Property held for sale (Note 6)	-	150,000
Inventory	36,374	34,976
Property and equipment, net (Note 7)	374,444	374,171
Beneficial interest in assets held by others (Note 8)	33,735	36,691
Total assets	$ 1,689,260	$ 1,797,903
Liabilities and net assets		
Liabilities		
Accounts payable	$ 57,636	$ 41,746
Accrued payroll expenses	42,448	38,049
Capital lease payable (Note 9)	29,610	16,726
Note payable (Note 10)	174,410	331,674
Total liabilities	304,104	428,195
Net assets		
Without donor restrictions		
Undesignated	1,214,732	1,192,937
Net investment in property and equipment	170,424	175,771
	1,385,156	1,368,708
With donor restrictions		
Restricted for purpose	-	1,000
Total net assets	1,385,156	1,369,708
Total liabilities and net assets	$ 1,689,260	$ 1,797,903

The accompanying notes are an integral part of these financial statements

HOSPICE OF MONTEZUMA, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
Program service fees	$ 1,123,710	$ -	$ 1,123,710	$ 1,225,662
Contributions and grants	27,290	2,768	30,058	40,302
Special events, net (Note 11)	8,266	-	8,266	2,850
Memorials	5,450	-	5,450	10,164
Investment income (Note 5)	487	-	487	12,488
Change in beneficial interest in assets held by others (Note 8)	(2,956)	-	(2,956)	3,759
All other	2,243	-	2,243	2,998
In-kind contributions (Note 12)	19,042	-	19,042	15,177
Net assets released from restrictions (Note 13)	3,768	(3,768)	-	-
Total revenue and other support	1,187,300	(1,000)	1,186,300	1,313,400
Expenses and losses				
Program services	887,100	-	887,100	904,593
Supporting services				
Management and general	259,384	-	259,384	285,458
Fund-raising	14,243	-	14,243	4,234
Total expenses before losses	1,160,727	-	1,160,727	1,194,285
Loss/impairment - property held for sale (Note 6)	10,125	-	10,125	70,821
Total expenses and losses	1,170,852	-	1,170,852	1,265,106
Change in net assets	16,448	(1,000)	15,448	48,294
Net assets, beginning of year	1,368,708	1,000	1,369,708	1,321,414
Net assets, end of year	$ 1,385,156	$ -	$ 1,385,156	$ 1,369,708

The accompanying notes are an integral part of these financial statements

HOSPICE OF MONTEZUMA, INC

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017
		Supporting Services			
	Program Services	Management and General	Fund-raising	Total	Total
Salaries	$ 398,232	$ 174,419	$ 10,497	$ 583,148	$ 620,845
Payroll taxes and benefits	42,730	18,715	1,126	62,571	73,492
Patient medical services	216,567	-	-	216,567	282,677
Indigent and underinsured	105,942	-	-	105,942	24,314
Computer supplies and support	23,520	10,301	620	34,441	35,724
Travel and mileage	21,567	-	-	21,567	24,093
Telephone	11,551	5,060	304	16,915	14,295
Interest expense	9,277	4,062	245	13,584	12,009
Utilities	8,859	3,880	234	12,973	11,707
Collection fees	-	11,413	-	11,413	-
Accounting services	-	10,348	-	10,348	14,530
Education and conferences	6,901	3,022	182	10,105	8,454
Repairs and maintenance	5,616	2,460	148	8,224	8,495
Insurance	4,573	2,003	121	6,697	7,017
Office expense	4,529	1,984	119	6,632	5,905
Equipment	2,949	1,292	78	4,319	6,491
Licenses and permits	2,661	1,165	70	3,896	2,831
Advertising and public relations	2,462	1,078	65	3,605	4,933
Postage	1,013	443	27	1,483	2,143
All other	5,304	2,112	68	7,484	11,613
	874,253	253,757	13,904	1,141,914	1,171,568
Depreciation and amortization	12,847	5,627	339	18,813	22,717
Total	$ 887,100	$ 259,384	$ 14,243	$ 1,160,727	$ 1,194,285

The accompanying notes are an integral part of these financial statements

HOSPICE OF MONTEZUMA, INC,

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 15,448	$ 48,294
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debts - indigent and underinsured	105,942	24,314
Increase to allowance for uncollectible accounts	11,413	-
(Gain)loss on investments	7,031	(5,100)
Loss/impairment on asset held for sale	10,125	70,821
Depreciation and amortization	18,813	22,717
Change in beneficial interest in assets held by others	2,956	(3,759)
Changes in operating assets and liabilities		
(Increase)decrease in accounts receivable	(246,540)	96,633
(Increase)decrease in prepaid expenses	8,673	2,178
(Increase)decrease in other assets	-	1,290
(Increase)decrease in inventory	(1,398)	(2)
Increase(decrease) in accounts payable	15,890	(20,171)
Increase(decrease) in accrued payroll expenses	4,399	(12,344)
Net cash provided by operating activities	(47,248)	224,871
Cash flows from investing activities		
(Reinvestment) of investment earnings	(6,999)	(6,885)
(Purchases)sales of property and equipment	139,875	(3,654)
Net cash provided(used) by investing activities	132,876	(10,539)
Cash flows from financing activities		
(Repayments) of note payable and capital lease	(163,466)	(10,272)
Net increase in cash and cash equivalents	(77,838)	204,060
Cash and cash equivalents, beginning of year	579,389	375,329
Cash and cash equivalents, end of year	$ 501,551	$ 579,389
Supplemental disclosure of information:		
Cash paid during the period for interest	$ 13,584	$ 12,009
Noncash investing and financing transactions		
Property and equipment purchased with capital lease	$ 19,086	$ 19,476

The accompanying notes are an integral part of these financial statements

NOTE 1 - NATURE OF ACTIVITIES

Hospice of Montezuma, Inc. (the Organization) is a community non-profit organization of dedicated professionals and volunteers providing end-of-life care, support, and guidance to individuals and families primarily in Montezuma and Dolores Counties. The Organization is primarily supported through program service fees, which include payments from Medicaid, Medicare, and private insurance for hospice services.

Program purposes include palliative care in their homes for people with limited prognosis and for which the focus of care is quality of life rather than curative treatment. This includes care and support for both the patients and their families and caregivers. Bereavement services are provided to families and caregivers for a minimum of 13 months after a loss and free community bereavement services are provided including both individual and group support. Caregiver support services are provided in the community including references, education, and support groups to support those caring for a loved one.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

   The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

   The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

   Net assets without donor restrictions: 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. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

   Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Cash and Cash Equivalents

   The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Contributions

Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction.

When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

5. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

6. Inventories

Inventory consists of purchased and donated medical supplies and equipment. Supplies and equipment purchased by the Organization are valued at cost. Donated supplies and equipment are reflected at their estimated fair value at date of donation.

7. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of $2,500. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives range from 5 to 40 years.

8. 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.

9. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

10. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which require use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level l); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

11. Functional Reporting of Expenses

For the year ended December 31, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Specifically, payroll and related costs, occupancy costs, office expenses, insurance, educational costs, interest expense, and depreciation are allocated based on an estimate of personnel time spent performing tasks in each functional area.

12. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

13. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

14. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

15. Subsequent Events

Management has evaluated subsequent events through October 16, 2019, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

Description	Amount
Cash and cash equivalents	$ 501,551
Accounts receivable	213,210
Investments	523,827
Financial assets available at year-end	1,238,588
Less amounts not available to be used within one year:	
Certificate of deposit included in investments and held as collateral for note payable (Note 10)	(358,418)
Financial assets available to meet general expenditures over the next 12 months	$ 880,170

NOTE 3 - AVAILABILITY AND LIQUIDITY (concluded)

Management's goal is generally to maintain financial assets to meet approximately 6 months of operating expenses, estimated at $550,000.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of $ 213,210 in Medicare/Medicaid, private insurance, and individual client receivables for hospice services and are stated at the amount management expects to collect from outstanding balances. The allowance for uncollectible accounts was $ 11,413 at December 31, 2018.

NOTE 5 - INVESTMENTS

At year-end, investments consisted of the following:

Description	Cost Basis	Fair Value	Unrealized Appreciation (Depreciation)
Cash, money funds, certificates of deposit	$ 449,521	$ 449,521	$ -
Mutual funds	79,112	74,306	(4,806)
Total	$ 528,633	$ 523,827	$ (4,806)

A certificate of deposit in the amount of $358,418 is collateral for the note payable (see Note 10).

Investment returns are summarized as follows:

Description	Amount
Interest and dividends	$ 7,518
Unrealized loss	(7,031)
Total	$ 487

NOTE 6 - PROPERTY HELD FOR SALE

The Organization purchased an office building in 2016, and the building that was formerly used for operations was held for sale as of December 31, 2017. An impairment charge of $70,821 was recorded for the year ended December 31, 2017, to reduce the value of the asset to the estimated fair market value, less costs to sell. The building was sold in 2018, and the loss on disposal recorded during the year ended December 31, 2018 was $10,125.

NOTE 7 - PROPERTY AND EQUIPMENT

At year-end, property and equipment consisted of the following:

Description	Amount
Land	$ 90,000
Building and improvements	267,800
Furniture and fixtures	12,273
Machinery and equipment	80,403
Total	450,476
Less: accumulated depreciation	(76,032)
Net property and equipment	$ 374,444

Depreciation and amortization expense for the year was $ 18,813.

NOTE 8 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2013, the Organization established a fund (the Fund) at a local community foundation, Onward! A Legacy Foundation (Onward), and named itself as the beneficiary. Consistent with Onward's policies, the Organization granted variance power to Onward which allows the modification of any condition or restriction on its distributions for any specified charitable purpose or to any specified organization, if, in the sole judgment of Onward's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by Onward for the benefit of the Organization. The Fund is subject to the Foundation's investment and spending polices, although the Organization may elect to receive all or part of each distribution.

The Fund is reported at fair value in the Organization's statement of financial position, with distributions and changes in fair value recognized in the Organization's statement of activities. As of December 31, 2018, the Organization has elected to not receive any disbursements from the Fund.

Changes in the beneficial interest in assets held by others for the year ended December 31, 2018, were as follows:

Description	Amount
Balance, beginning of year	$ 36,691
Gifts and contributions	-
Share of appreciation	(2,956)
Distributions	-
Balance, end of year	$ 33,735

NOTE 9 - CAPITAL LEASE PAYABLE

In 2017, the Organization signed a non-cancelable lease agreement with an unrelated third party for computer equipment. The lease qualified as a capital lease because ownership of the equipment transfers to the Organization at the conclusion of the 36-month lease term.

NOTE 9 - CAPITAL LEASE PAYABLE (concluded)

In 2018, the Organization re-negotiated the original lease agreement and also signed an additional agreement with the same vendor for additional computer equipment. Ownership of all leased equipment transfers to the Organization at the conclusion of the lease terms. Monthly lease payments for both lease agreements equals $1,192, and the imputed interest rate of the agreement is 10%.

Future minimum lease payments are as follows:

Year	Total
2019	$ 14,302
2020	9,347
2021	5,808
2022	4,842
Total payments	34,299
Amount representing interest	(4,689)
Capital lease payable (present value of minimum lease payments)	$ 29,610

Interest expense for the capital leases was $ 3,982 for the year ended December 31, 2018.

NOTE 10 - NOTE PAYABLE

At year-end, the note payable consisted of the following:

Description	
Local bank: Original amount $342,422, dated July 8, 2016; maturity date June 24, 2021; 58 monthly principal and interest payments of $1,405 and a final payment estimated at $144,479; interest rate is fixed at 2.78% per annum until paid in full; secured by a certificate of deposit, current value of $358,418 (see Note 5)	$ 174,410

The future scheduled maturities for the years ending December 31st are:

Year	Amount
2019	$ 12,103
2020	12,500
2021	149,807
Total	$ 174,410

Interest expense for the year ended December 31, 2018, was $ 9,602.

NOTE 11 - SPECIAL EVENTS

For the year, special events consisted of:

Description	Amount
Special events revenue	$ 10,150
Less: direct expenses	(1,884)
Net special events revenue	$ 8,266

NOTE 12 - IN-KIND CONTRIBUTIONS

Donated goods are reflected in the accompanying financial statements at the estimated value at date of receipt. The value of donated goods included in the financial statements and the corresponding expenses for the year are as follows:

Description	Amount
Medical supplies and equipment	$ 19,042

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received approximately 800 donated hours during the year from individuals providing direct patient care and event assistance, valued at approximately $25,000. These services were not recognized in the financial statements because they did not meet criteria for recognition.

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS

For the year, net assets were released for the following purposes:

Description	Amount
Caregiver support	$ 3,768

NOTE 14 - FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

NOTE 14 - FAIR VALUE MEASUREMENTS AND DISCLOSURES (concluded)

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The Organization has *investments* in this category.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Fair value is determined through the use of models or other valuation methodologies. The Organization does not have any investments in this category.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Organization has *beneficial interests in assets held by others* in this category.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following table presents assets measured at fair value at December 31, 2018:

Description	Total	Level 1	Level 2	Level 3
Investments	$ 523,827	$ 523,827	$ -	$ -
Beneficial interest in assets held by others	33,735	-	-	33,735
Total	$ 557,562	$ 523,827	$ -	$ 33,735

Note 8 includes a reconciliation of the beginning and ending balance of the beneficial interest in assets held by others for the year ended December 31, 2018, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The fair value of the beneficial interest in assets held by others is based on the fair value of fund investments as reported by the community foundation.

NOTE 15 - COMMITMENTS – EQUIPMENT LEASE

The Organization is a party to a non-cancellable operating lease for a copy machine. Through June 2018, the rental terms included monthly payments of $467. The lease agreement was renewed in July 2018, with terms that include a monthly payment of $294. The agreement expires in June 2020, and future minimum rental payments under this agreement include:

Year	Amount
2019	$ 3,527
2020	1,470
Total payments	$ 4,997

Equipment rental expense for the year ended December 31, 2018, was $ 4,319.

NOTE 16 - MARGIN LOAN

The Organization has a margin loan agreement with the investment custodian. The investments serve as collateral for the margin loan credit line. The total credit available to the Organization is 50% of the market value of investments held by the brokerage, and the interest rate is the greater of prime rate or 4%, plus up to 2%, depending on the overall balance of the investments. The brokerage requires the Organization to maintain an equity level (investment market value less margin loan balance) of at least 35% of securities' market value. As of December 31, 2018, the interest rate was 7.50%, and there was no balance on the margin loan.

NOTE 17 - RETIREMENT PLAN

The Organization has a SIMPLE IRA retirement plan (the Plan) covering all eligible employees meeting certain age and service requirements. The Organization matches the employee's contribution up to 3% of the employee's qualifying compensation. Total plan expense for the year was $9,661.

NOTE 18 - CONTINGENCIES

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of the agreement. Failure to fulfill the conditions could result in disallowed claims or questioned costs and may constitute a liability of the Organization.

NOTE 19 - CONCENTRATIONS OF RISK

Funding Source

The Organization relies heavily on reimbursements from Medicare and Medicaid for its major sources of revenue. Management of the Organization expects this funding to continue into the foreseeable future. However, if a significant portion of these funds are reduced or not continued, the Organization's ability to continue all programs would be diminished. For the year ended December 31, 2018, the Organization received 90% of total revenues from Medicare and Medicaid reimbursements. At December 31, 2018, 90% of accounts receivable were from Medicare and Medicaid reimbursements.

Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents. The Organization's cash and cash equivalents are in demand deposit accounts placed with federally insured financial institutions and selected brokerage accounts. Such deposit accounts at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

Market Risk

The Organization has investments in stocks, bonds, and mutual funds which are subject to the risk of market value fluctuation.