Rockbridge Area Hospice, Inc.

Financial Report

Year Ended September 30, 2023

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Financial Report

Year Ended September 30, 2023

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ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | Consultants

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
ROCKBRIDGE AREA HOSPICE, INC.
LEXINGTON, VIRGINIA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rockbridge Area Hospice, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Rockbridge Area Hospice, Inc. as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rockbridge Area Hospice, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2023, the Rockbridge Area Hospice, Inc. adopted new accounting guidance, FASB ASU 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 Rockbridge Area Hospice, Inc.'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 financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rockbridge Area Hospice, Inc.'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2024, on our consideration of Rockbridge Area Hospice, Inc.'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 solely 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 the effectiveness of Rockbridge Area Hospice, Inc.'s 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 Rockbridge Area Hospice, Inc.'s internal control over financial reporting and compliance.

Robinson, Farmer, Cox Assoc.

Staunton, Virginia
April 19, 2024

FINANCIAL STATEMENTS

ROCKBRIDGE AREA HOSPICE, INC.
Statements of Financial Position
September 30, 2023

ASSETS		
Current Assets:		
Cash and cash equivalents	$	361,512
Accounts receivable		398,249
Prepaid expenses		26,581
Investment securities		3,521,913
Other assets		5,908
Total current assets	$	4,314,163
Noncurrent Assets:		
Property and equipment, net	$	350,140
Intangible assets, net		97,644
Operating lease right of use asset		5,917
Beneficial interests in assets held by others		734,999
Total noncurrent assets	$	1,188,700
Total assets	$	5,502,863
LIABILITIES AND NET ASSETS		
Liabilities:		
Current Liabilities:		
Accounts payable	$	61,576
Accrued payroll		110,848
Compensated absences		31,050
Refundable advances		24,367
Deferred revenue		12,370
Lease liability, current portion		3,083
Total current liabilities	$	243,294
Noncurrent liabilities:		
Lease liability, net of current portion	$	2,834
Total noncurrent liabilities	$	2,834
Total liabilities	$	246,128
Net Assets:		
Without donor restrictions, undesignated	$	999,823
Without donor restrictions, board-designated		3,534,744
With donor restrictions		722,168
Total net assets	$	5,256,735
Total liabilities and net assets	$	5,502,863

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

ROCKBRIDGE AREA HOSPICE, INC.
Statements of Activities
Year Ended September 30, 2023

Changes in net assets without donor restrictions:		
Revenues and gains:		
Service fees	$	2,925,449
Contributions and grants		398,417
Operating interest income		160
Investment return, net		430,924
Change in value of beneficial interests in assets held by others		505
Miscellaneous		80
Total revenues and gains without donor restrictions	$	3,755,535
Expenses:		
Program services:		
Patient and family services	$	2,756,511
Public relations and other program costs		723,566
Supporting services:		
Management and general		36,953
Fundraising		64,486
Total expenses	$	3,581,516
Change in net assets without donor restrictions	$	174,019
Changes in net assets with donor restrictions:		
Change in value of beneficial interests in assets held by others	$	2,468
Change in net assets with donor restrictions	$	2,468
Change in net assets	$	176,487
Net assets at beginning of year		5,080,248
Net assets at end of year	$	5,256,735

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

ROCKBRIDGE AREA HOSPICE, INC.
Statements of Functional Expenses
Year Ended September 30, 2023

Expense	Program Services: Patient and Family Services	Program Services: Public Relations and other Program Costs	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$ 1,599,013	$ 493,288	$ 2,285	$ -	$ 2,094,586
Payroll taxes	119,322	36,810	170	-	156,302
Fringe benefits	205,005	63,243	293	-	268,541
Staff development	13,311	4,106	19	-	17,436
Medications	209,087	-	-	-	209,087
Durable medical equipment	126,496	-	-	-	126,496
Occupancy costs	27,120	7,401	39	966	35,526
Insurance	29,210	7,971	42	1,040	38,263
Communications	20,570	5,613	29	732	26,944
Accounting	30,734	8,387	44	1,094	40,259
Administrative expenses	-	-	14,041	-	14,041
Other services	9,643	2,631	14	343	12,631
Personnel service expenses	8,499	2,319	12	303	11,133
Development	-	20,530	-	-	20,530
Fundraising	-	-	-	56,401	56,401
Public relations	-	43,625	-	-	43,625
Nursing supplies	74,673	-	-	-	74,673
Patient service	29,857	-	-	-	29,857
Patient service mileage	118,277	-	-	-	118,277
Supplies and postage	-	-	15,027	-	15,027
Equipment rent and maintenance	68,914	18,806	98	2,454	90,272
Depreciation	17,688	4,827	25	630	23,170
Amortization	4,816	1,314	7	171	6,308
Nursing home and inpatient	34,400	-	-	-	34,400
Interest expense	-	-	4,794	-	4,794
Other expenses	9,876	2,695	14	352	12,937
Totals	$ 2,756,511	$ 723,566	$ 36,953	$ 64,486	$ 3,581,516

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

ROCKBRIDGE AREA HOSPICE, INC.
Statements of Cash Flows
Year Ended September 30, 2023

Cash flows from operating activities:		
Change in net assets	$	176,487
Adjustments to reconcile the change in net assets to net cash flows from operating activities:		
Investment return, net		(430,924)
Depreciation expense		23,170
Amortization expense		6,308
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(206,925)
(Increase) decrease in prepaid expenses		42,163
Increase (decrease) in accounts payable		24,488
Increase (decrease) in accrued salaries and wages		35,169
Increase (decrease) in accrued leave		(13,215)
Increase (decrease) in refundable advances		4,367
Increase (decrease) in deferred revenue		(22,090)
Net cash flows provided by (used for) operating activities	$	(361,002)
Cash flows from investing activities:		
Net (deposits) withdrawals to/from investment accounts	$	299,817
Purchase of property and equipment		(10,875)
Purchase of intangible assets		(103,952)
Change in beneficial interest in assets held by others		(2,973)
Net cash flows provided by (used for) investing activities	$	182,017
Net change in cash and cash equivalents	$	(178,985)
Cash and cash equivalents at beginning of year		540,497
Cash and cash equivalents at end of year	$	361,512

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

NOTE 1—DESCRIPTION OF THE ORGANIZATION:

Rockbridge Area Hospice, Inc. (the Organization) was organized on August 24, 1984 for the purposes of providing palliative and supportive care for terminally ill patients and their families in Rockbridge County, Virginia. Because the Organization provides services to Medicare and Medicaid certified patients in addition to others, any interruption or significant alteration of the federal Medicare and state Medicaid programs will have an effect on the Organization.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements of Rockbridge Area Hospice, Inc. have been prepared in accordance with generally accepted accounting principles promulgated in the United States of America. The accounting policies described below have been applied in preparation of the accompanying financial statements.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

> Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations, or the net assets that were donated with donor-imposed stipulations and released from restriction within the same fiscal year. Net assets without donor restrictions for the year ended September 30, 2023 amounted to $4,534,567.
>
> Net assets with donor restrictions are resources whose use by the Organization is limited by donor-imposed restrictions. This category includes both donor restrictions that are temporary in nature, and those that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net assets class. Net assets with donor restrictions for the year ended September 30, 2023 amounted to $722,168.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Contributions

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Accretion of the resulting discount is recognized as additional contribution revenue. An allowance for uncollectible contributions receivable may be determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investment Securities
Investment securities were purchased with resources that are Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted endowment fund or as a strategic reserve. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors. Investment securities also include investments purchased with unspent investment income and net gains on these resources.

Investment securities are reported at fair value. The fair value for investments in equity securities traded on national securities exchanges is determined by the closing price on the last business day of the fiscal year; securities traded on the over-the-counter markets are valued at the last reported bid price. The fair value of shares in exchange-traded funds is determined by the closing price on the last business day of the fiscal year. The fair value of open-end mutual fund units is determined by the published net asset value per unit at the end of the last trading day of the fiscal year. (See Note 3).

Beneficial Interest in Trusts
The Organization is the irrevocable beneficiary of three charitable remainder unit trusts. The Organization's beneficial interest in the trusts is reported at its fair value, which is estimated as the fair value of a portion of the underlying trust assets. The value of the beneficial interest in the trusts is adjusted annually for the change in its estimated fair value. Those changes in value are reported as change in net assets with donor restrictions because the trust assets are not currently available for distribution.

Accounting for Contributions
Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed asset is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Organization may be a beneficiary under a donor's will. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and the Organization has an irrevocable right to the bequest.

Nonfinancial Contributions
The Organization periodically receives contributions in a form other than cash or investments. Donated supplies and consumer goods are passed through to patients and are not recorded.

The Organization benefits from personnel services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. Generally Accepted Accounting Principles allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

As of September 30, 2023, the Organization had no nonfinancial contributions.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Patient Service Revenue and Accounts Receivable

Patient service revenue results from services recognized over time made up of charges for hospice related services and includes payments from Medicare, Medicaid, third party payors and patients.

Total patient service fee revenue is net of contractual adjustments from Medicare, Medicaid, and third-party payors. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of services provided by the Organization. The transaction price is based on standard charges for services provided by patients reduced by applicable contractual adjustments. The estimates of contractual adjustments are based on contractual agreements and historical collection experience. The process for estimating the ultimate collectability of patient accounts receivable involves historical collection experience, changes in contracts with payors and significant assumptions and judgement.

The Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying to a portfolio of contracts with similar characteristics. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio. The portfolios consist of major payor classes for patient service revenue. Based on historical collection trends and other analysis. The Organization has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-32-18 for the financing component, as the period of time between the service being provided and the time that the patient pays for services is typically one year or less.

Refundable Advances

Refundable advances represent the amount awarded under grant contracts that will be expended in the next fiscal year in accordance with the grant period. Refundable advances amounted to $24,367 as of September 30, 2023.

Deferred Revenue

Deferred revenue consists of fundraising income received in the amount of $12,370 related to a fundraiser being held in December 2023. Deferred revenue amounted to $12,370 as of September 30, 2023.

Land, Buildings, and Equipment Depreciation

Land, buildings, and equipment are stated at cost or at fair value at the date received if by gift. Depreciation expenses have been provided using the straight-line method over the following estimated useful lives:

Buildings	30 years
Building Improvements	15 years
Land Improvements	15 years
Furniture and Equipment	5-10 years

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Cash and Cash Equivalents and Short-Term Investments

The Organization considers cash and cash equivalents to include checking account balances and other short-term liquid investments which can be converted to known amounts of cash and carry an insignificant risk or change in value. Short-term investments consist of a bank money market account, used for a working capital facility. When the Organization has over $250,000 in any one bank, the deposits in excess of $250,000 are not covered by the Federal Deposit Insurance Corporation (FDIC) and, accordingly, are exposed to custodial credit risk because they are uncollateralized. At September 30, 2023, the Organization had $138,998 in uninsured cash

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, affect the disclosure of contingent assets and liabilities at the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are unsecured, non-interest bearing amounts due from Medicare, Medicaid, third party insurance companies and private sources.

Cash Flows

The Organization has elected to use the indirect method of presenting its cash flows, whereby the change in net assets is reconciled to cash flows from operating activities.

Other Assets

The Organization has received gifts of cemetery plots to be used for indigent patients. The plots have been recorded at the fair value of the plots on the date received.

Functional Allocation of Expenses

Cost allocation procedures have been designed to reflect guidance provided by intermediaries for preparation of Medicare Cost Reports. Accordingly, selected costs of office supplies, liability insurance, staff supervision and other activities have been reported as management and general expenses. Public relations, fundraising and a portion of management and general expenses are not reportable as reimbursable items for purposes of determining the allowable Medicare payment rate.

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, such as salaries, benefits, depreciation, utilities, rents, supplies and other generic operating expenses, have been allocated among the programs and supporting services benefitted.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Functional Allocation of Expenses (continued)
In preparing the cost allocation, management has reported as “patient and family services” compensation and benefits to physicians, nurses, certified nurse’s aides, and therapists. The medical care services category is intended to report the costs of health care visits made, the medical supplies provided to patients, the costs of medical record keeping and the costs of supervision and training provided for the staff involved in this program. Public education efforts by the Organization represent costs of in-service training and public speaking to organizations or groups who are not part of the Hospice program.

Management and general expenses include the functions necessary to provide support to the Organization’s program activities. They include those costs that provide governance (Board of Directors), oversight, business management regulation compliance, financial record keeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment.

Fundraising activities include publicizing and conducting fundraising campaigns, maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the newsletter, annual report or donor acknowledgements contain requests for contribution, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Leases
The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Recently Adopted Accounting Pronouncements
In 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases,* which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of $8,990 and lease liabilities totaling $8,990 in its statement of financial position as of October 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended September 30, 2023.

NOTE 3—FAIR VALUE MEASUREMENTS:

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by Generally Accepted Accounting Principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1*. Quoted prices (unadjusted) that are observable for identical assets or liabilities in active markets to which the organization has access to the measurement date.
- *Level 2*. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
    - Quoted prices (unadjusted) of similar assets or liabilities in active markets;
    - Quoted prices for identical or similar assets in markets that are not active;
    - Observable inputs other than quoted prices for the asset or liability (e.g., interest rates and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or other means.
- *Level 3*. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Fair values of assets measured on a recurring basis at September 30, 2023 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value at 9/30/23	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 30,268	$ 30,268	$ -	$ -
Equity securities	3,491,645	3,491,645	-	-
Beneficial interest in assets held by others	734,999	-	-	734,999
Total	$ 4,256,912	$ 3,521,913	$ -	$ 734,999

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year. Interim changes in the availability of fair value inputs are not recognized.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for some of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- Initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- Recurring measurement of investment securities (Note 9 and beneficial interest in assets held by others Note 13).

NOTE 4—RETIREMENT PLAN:

Rockbridge Area Hospice sponsors a defined contribution, contributory retirement plan that is intended to comply with Section 403(b) of the Internal Revenue Code. Substantially all employees are eligible to participate in the plan, which accumulates assets to be used in the purchase of individual tax sheltered annuity contracts. The employer contribution is based on a sliding scale that is set by the Board of Directors. Retirement plan expense for the year ended September 30, 2023 was $36,320.

NOTE 5—LEASES:

A contract is or contains a lease if the contract coveys the right to control the use of the identified property for a period of time in exchange for consideration. The Organization leases copier equipment.

The Organization has elected to treat leases with an initial term of 12 months or less as short-term leases. As such, short-term leases are not recorded on the statement of net position. Lease and non-lease components are accounted for as a single combined lease component. The majority of leases do not provide an implicit rate; therefore, the Organization has elected to use the risk-free rate as the discount rate for all classes of underlying leases. Leases have remaining lease terms of 2 years, some of which include options to extend and options to terminate. Operating lease payments include payments relating to options to extend lease terms that are reasonably certain of being exercised.

Other information related to leases is as follows:\

Lease expense	
Operating lease expense	$ 3,096
Other Information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 3,096.00
ROU assets obtained in exchange for new operating lease liabilities	8,990.00
Weighted-average remaining lease term in years for operating leases	1.92
Weighted-average discount rate for operating leases	0.31%
Year Ended September 30,	
2024	$ 3,096
2025	2,838
Total undiscounted cash flows	$ 5,934
Less: present value discount	(17)
Total lease liabilities	$ 5,917

NOTE 6—ADVERTISING:

Direct response advertising costs are expensed as incurred. Advertising costs in 2023 were $43,625.

NOTE 7—INCOME TAXES:

The Organization is exempt from most Federal and State income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Contributions to the Organization are tax deductible to donors under Section 170 of the Code. Rockbridge Area Hospice is not classified as a private foundation.

NOTE 8—INVESTMENT SECURITIES:

As discussed in Note 3 to these financial statements, the Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the market place the inputs to the Organization's valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments as of September 30, 2023. Level 2 is for investments measured using inputs such as quoted prices for similar assets, quoted prices for the identical asset in inactive markets, and for investments measured at net asset value that can be redeemed in the near term. The Organization uses a brokerage firm pricing service to price most of its level 2 investments. The service employs a proprietary market approach method that uses as inputs observed interest rates and yield curves, prices in active markets for similar assets, and prices for identical assets in inactive markets that have been adjusted by observable indexes. Level 3 is for investments measured using inputs that are unobservable, and is used in situations for which there is little, if any, independent market activity for the investment.

Investment securities activity for the year ended September 30, 2023 is reflected in the following table:

		2023
Fair value - beginning of the year	$	3,390,806
Income from investment securities		448,832
Investment management fees		(17,908)
Net capital additions (reductions)		(299,817)
Fair value - end of year	$	3,521,913

NOTE 9—PROPERTY AND EQUIPMENT:

Details of property and equipment at September 30, 2023 are as follows:

		2023
Land	$	97,415
Land improvements		30,339
Building and building improvements		539,468
Equipment and furniture		88,509
Subtotal	$	755,731
Less accumulated depreciation		(405,591)
Total	$	350,140

Depreciation expense for the year ended September 30, 2023 totaled $23,170.

NOTE 10—NET ASSETS RELEASED FROM RESTRICTIONS:

During the year ended September 30, 2023, no net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

NOTE 11—NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes or periods:

		2023
Subject to the passage of time:		
Such time as the fractional interests in the charitable remainder unit trusts are received	$	706,927
Subject to organization spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of $11,460), which, once appropriated, is expendable to support :		
Any activity of the organization		15,241
Total net assets with donor restrictions	$	722,168

NOTE 12—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

The Organization has been named as an 8.34% residual beneficiary of two charitable remainder unit trusts, and a 5% residual beneficiary of one charitable remainder unit trust. These resources are neither in the possession of nor under the control of the Organization. The trustee has advised the fair value of the fractional interests received. Primary trust beneficiaries receive current cash distributions. The Organization has recorded the receipt of these remainder interests and subsequent changes in the fair value as net assets with donor restrictions until such time as the trust proceeds are available for disposition. The beneficial interest in the trusts is reported at its fair value. As discussed in Note 3, because there are no observable market transactions for assets similar to the beneficial interests in the trusts and because the trusts cannot currently be redeemed, the valuation technique used by the Organization is a level 3 measure.

The Community Foundation for Rockbridge, Bath and Alleghany (the Foundation) has two Rockbridge Area Hospice Funds, and grants from the funds are designated solely for the charitable, educational or public purposes of Rockbridge Area Hospice. As discussed in Note 3, because there are no observable market transactions for assets similar to the Foundation's Funds, and because redemption value would be different than reported value, the valuation technique used by the Organization is a level 3 measure. The fair value of the Board Designated and Donor-Restricted Funds were $12,831 and $15,241, respectively, at September 30, 2023, representing an increase in value of $505 for the board designated fund and $788 for the donor-restricted fund from the amounts reported at September 30, 2023. The Foundation provides a semi-annual report of the fair value of the Rockbridge Area Hospice Funds.

A reconciliation of the changes in beneficial interest in assets held by others for the year ended September 30, 2023 is as follows:

				Community Foundation for Rockbridge, Bath and Alleghany				
		Charitable Remainder UniTrusts		Board Designated Endowment		Donor Restricted Endowment		Total
Balances at September 30, 2022	$	705,247	$	12,326	$	14,453	$	732,026
Change in value of beneficial interest		1,680		505		788		2,973
Balances at September 30, 2023	$	706,927	$	12,831	$	15,241	$	734,999

NOTE 13—ENDOWMENT ASSETS:

The Organization has established an endowment which includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment fund, (b) the original value of subsequent gifts to the donor-restricted endowment fund, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. These funds remain in the net assets with donor restriction category of net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

In 2008, the Organization received bequests of $11,460 from donors to create a donor-restricted endowment. Income earned on the donor-restricted endowment is considered to have restrictions that are temporary in nature since the earnings are available for future distribution. Distributions from the endowment are without donor restriction and can be used for any purpose to help the Organization accomplish its mission. Details of endowment net assets as of September 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 3,534,744	$ -	$ 3,534,744
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,460	11,460
Accumulated investment gains	-	3,781	3,781
Total funds	$ 3,534,744	$ 15,241	$ 3,549,985

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,403,132	$ 14,453	$ 3,417,585
Investment return, net	430,924	-	430,924
Change in value of beneficial inerests in assets held by others	505	788	1,293
Appropriation of endowment assets for expenditure	(299,817)	-	(299,817)
Endowment net assets, end of year	$ 3,534,744	$ 15,241	$ 3,549,985

NOTE 14—LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of September 30, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the board-designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board-designated endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets at year-end	$	5,016,673
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor to be held in perpetuity		(11,460)
Accumulated investment gains on donor-restricted endowment fund		(3,781)
Charitable remainder unitrusts		(706,927)
Board designations:		
Board-designated endowment fund, primarily for long-term investing		(3,234,927)
Financial assets available to meet cash needs for general expenditures within one year	$	1,059,578

The Organization is greatly supported by restricted contributions, as well as investment income from both restricted contributions and Board designated investments. Because these restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors and Board. Thus, financial assets may not be available for general expenditure within one year.

In addition, the Organization's financial assets available within one year of the date of the statement financial position for general expenditures are as follows:

Cash and cash equivalents	$	361,512
Accounts receivable		398,249
Board-designated endowment fund, appropriated for expenditure within one year		299,817
	$	1,059,578

NOTE 15—INTENTIONS TO GIVE:

In 1996, the Organization received a pledge of one charitable remainder revocable trust. The provisions of the trust stipulate that the funds are not to be paid to the Organization until the death of the donor. As of September 30, 2023, the Organization's share of the trust amounted to $26,639 in total and was still considered an intention to give to the Organization under the stipulations.

NOTE 16—COMPENSATED ABSENCES:

The Organization's employees earn annual leave at various rates. Accumulated vacation up to 80 hours is paid upon termination. As of September 30, 2023, compensated absences amounted to $31,050.

NOTE 17—DISAGGREGATION OF ACCOUNTS RECEIVABLE AND REVENUE BY PAYOR:

The composition of patient service accounts receivable by payor for the year ended September 30, 2023 are as follows:

Medicare	$	2,686,507
Medicaid		233,935
Other third-party payors		5,007
Total	$	2,925,449

The composition of patient service revenue by payor for the year ended September 30, 2023 are as follows:

Medicare	$	344,006
Medicaid		49,677
Other third-party payors		278
Other non-service related		4,288
Total	$	398,249

NOTE 18—ACQUISITION AND INTANGIBLE ASSETS:

On January 1, 2023, Rockbridge Area Hospice, Inc. acquired Mountain Regional Hospice, located in Clifton Forge, VA, for a purchase price of $100,000. As a part of the purchase, Rockbridge Area Hospice, Inc. received a bank balance of $28,456 and $74,203 was recorded as goodwill. In addition, a census of 12 patients and 11 employees were transferred. As a result of this acquisition, Rockbridge Area Hospice, Inc. adopted the name of Connections Plus Healthcare+Hospice. The legal name remains the same.

Details of intangible assets at September 30, 2023 are as follows:

Goodwill	$	74,203
Rebranding		29,750
Subtotal	$	103,953
Less accumulated amortization		(6,309)
Intangible assets, net		97,644

NOTE 19—DATE OF MANAGEMENT'S REVIEW:

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through April 19, 2024, the date the financial statements were available to be issued.

COMPLIANCE

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 BOARD OF DIRECTORS
ROCKBRIDGE AREA HOSPICE, INC.
LEXINGTON, VIRGINIA

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 Rockbridge Area Hospice, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rockbridge Area Hospice, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Rockbridge Area Hospice, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Rockbridge Area Hospice, Inc.'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockbridge Area Hospice, Inc.'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 financial statements. 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.

Robinson, Farmer, Cox Assoc.

Staunton, Virginia
April 19, 2024