ALIVE HOSPICE, INC.

Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

ALIVE HOSPICE, INC.

Table of Contents

	Page
Independent Auditors' Report	**1**
Financial Statements:	
Statements of Financial Position	**2**
Statements of Operations and Changes in Net Assets	**3**
Statements of Cash Flows	**4**
Notes to the Financial Statements	**5 - 24**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Alive Hospice, Inc.:

We have audited the accompanying financial statements of Alive Hospice, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Alive Hospice, Inc. as of December 31, 2020 and 2019, 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.

LBMC, PC

Brentwood, Tennessee
July 26, 2021

ALIVE HOSPICE, INC.

Statements of Financial Position

December 31, 2020 and 2019

Assets

	2020	2019
Current assets:		
Cash and cash equivalents	$ 9,046,274	$ 6,398,629
Restricted cash	176,328	276,242
Patient accounts receivable	4,656,050	4,375,565
Pledges receivable, net	420,141	645,783
Prepaid expenses	280,590	286,752
Other current assets	97,433	124,544
Total current assets	14,676,816	12,107,515
Pledges receivable, net, excluding current portion	75,739	209,189
Investments	2,304,974	2,129,595
Property and equipment, net	20,326,459	20,984,410
Goodwill	554,293	554,293
Long-term deposits and other assets	94,915	51,330
Total assets	$ 38,033,196	$ 36,036,332

Liabilities and Net Assets

	2020	2019
Current liabilities:		
Current portion of long-term debt	$ 63,001	$ 169,673
Accounts payable	613,148	798,705
Accrued expenses and other current liabilities	2,412,475	1,916,840
Total current liabilities	3,088,624	2,885,218
Long-term debt, excluding current portion	1,303,434	1,709,413
Other long-term liabilities	21,484	63,084
Total liabilities	4,413,542	4,657,715
Net assets:		
Without donor restrictions		
Undesignated	30,842,388	28,690,253
Board designated	624,090	556,786
Total net assets without donor restrictions	31,466,478	29,247,039
With donor restrictions	2,153,176	2,131,578
Total net assets	33,619,654	31,378,617
	$ 38,033,196	$ 36,036,332

See accompanying notes to the financial statements.

ALIVE HOSPICE, INC.

Statements of Operations and Changes in Net Assets

Years ended December 31, 2020 and 2019

	2020	2019
Net assets without donor restrictions:		
Revenue:		
Net patient service revenue	$ 32,628,644	$ 30,970,203
Contributions and fundraising	2,830,437	2,424,318
Investment income	58,839	107,966
Net realized loss on investments	(6,884)	(13,457)
Other income	1,386,507	41,545
Net assets released from restriction used for operations	320,337	320,313
Total operating revenue	37,217,880	33,850,888
Operating expenses:		
Salaries and wages	19,801,917	18,940,291
Employee benefits	4,186,817	3,701,027
Contract labor	613,079	679,496
Purchased services	1,510,871	1,440,325
Pharmacy and medical supplies	2,593,803	2,427,947
Occupancy and equipment	1,969,559	2,184,776
Other	2,929,422	2,314,004
Depreciation	1,263,996	1,229,509
Interest	86,265	138,105
Total operating expenses	34,955,729	33,055,480
Excess of revenues over expenses	2,262,151	795,408
Non-operating revenue (expenses):		
Net unrealized gain on investments	94,853	118,462
Net assets released from restriction used for Alive Institute	4,680	25,073
Other expenses, net	(142,245)	(311,850)
Total non-operating expenses	(42,712)	(168,315)
Change in net assets without donor restrictions	2,219,439	627,093
Net assets with donor restrictions:		
Contributions, net	204,269	260,593
Investment income	14,208	17,904
Net realized and unrealized gains on investments	128,138	171,031
Net assets released from restriction used for operations	(320,337)	(320,313)
Net assets released from restriction used for Alive Institute	(4,680)	(25,073)
Change in net assets with donor restrictions	21,598	104,142
Change in net assets	2,241,037	731,235
Net assets at beginning of year	31,378,617	30,647,382
Net assets at end of year	$ 33,619,654	$ 31,378,617

See accompanying notes to the financial statements.

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 2,241,037	$ 731,235
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,263,996	1,229,509
Loss on disposal of equipment	-	1,788
Net realized and unrealized gains on investments	(216,107)	(276,036)
Provision for uncollectible pledges and discount on pledges receivable	(87,242)	(111,947)
Changes in assets and liabilities:		
Patient accounts receivable	(280,485)	(1,786,133)
Pledges receivable	446,334	1,181,221
Prepaid expenses and other assets	(10,312)	32,595
Accounts payable	(185,557)	176,623
Accrued expenses and other liabilities	454,035	113,955
Net cash provided by operating activities	3,625,699	1,292,810
Cash flows from investing activities:		
Proceeds from sale of investments	674,448	802,514
Purchases of investments	(633,720)	(765,562)
Purchases of property and equipment	(606,045)	(543,876)
Net cash used by investing activities	(565,317)	(506,924)
Cash flows from financing activities -		
Payments of long-term debt	(512,651)	(1,253,256)
Increase (decrease) in cash, cash equivalents and restricted cash	2,547,731	(467,370)
Cash, cash equivalents and restricted cash at beginning of year	6,674,871	7,142,241
Cash, cash equivalents and restricted cash at end of year	$ 9,222,602	$ 6,674,871
Supplemental disclosure of cash flow information -		
Cash paid for interest	$ 88,313	$ 141,021

See accompanying notes to the financial statements.

(1) Nature of activities

Alive Hospice, Inc. (the "Organization"), provides medical, psychological, and spiritual care to terminally ill patients and their families, located primarily in Middle Tennessee.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not restricted by donor-imposed restrictions. The net assets without donor restrictions are comprised of Board designated and unrestricted amounts. Board designated net assets are designated for various purposes based on the direction of the Organization's Board of Directors, and are not specified as an endowment.

Net assets with donor restrictions - Net assets resulting from contributions and other inflows of net assets whose use by the Organization is limited by donor-imposed restrictions. Net assets with donor restrictions at December 31, 2020 and 2019 include pledges receivable, accumulated earnings on endowment funds, donor-restricted funds designated for various programs offered by the Organization, and donor-restricted gifts that have been invested and are to be maintained in perpetuity, the earnings of which are also restricted to support various programs offered by the Organization.

(b) Cash and cash equivalents

Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to $250,000. The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

At December 31, 2020 and 2019, and at times during the year, deposits exceeded the federally insured limits. However, management monitors the soundness of the financial institutions and feels the Organization's risk is negligible.

(c) Patient accounts receivable

The patient accounts receivable balance represents the unpaid amounts billed to patients and third-party payors. Management estimates and monitors net collectibility of patient accounts receivable based upon the Organization's historical losses, specific patient circumstances, and general economic conditions and reports receivables for patient care services at net realizable value. Past due receivables are determined based on contractual terms. The Organization does not accrue interest on any of its accounts receivable. Actual collections of accounts receivable in subsequent periods may require changes in previously recorded estimates of implicit price concessions. Changes in these estimates are charged or credited to the results of operations in the period of change. As of December 31, 2020 and 2019, approximately 82% and 85%, respectively, of the Organization's patient accounts receivable are from Medicare and Medicaid.

(d) Pledges receivable

Pledges receivable represent the remaining balance of unconditional promises to give that have not yet been paid. Pledges that are expected to be collected within one year or less are recorded at net realizable value. For pledges that are expected to be collected beyond one year, management has determined the difference between net realizable value and the present value of their estimated future cash flows and recorded a discount on pledges receivable for this amount. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(e) Investments

All investments are valued at their fair values in the statements of financial position. Investment income shown in the statement of changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment return is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions.

(f) Property and equipment

Property and equipment are stated at cost or, if donated to the Organization, at their fair value at the date of gift. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Additions and improvements over $500 are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method (buildings and improvements, 32-40 years; office furniture and equipment, 3-15 years).

Gifts of long-lived assets such as land, buildings, and equipment are reported as without donor restrictions unless explicit donor restrictions specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recognized as revenue when the assets are placed in service.

(g) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets in business combinations. The carrying amount of goodwill is reviewed annually to determine if facts and circumstances suggest that assets may be impaired. As of December 31, 2020 and 2019, management believes that no impairment existed.

(h) Net patient service revenue

Substantially all of the Organization's revenue is derived from services rendered to patients receiving hospice and palliative care. It is the Organization's policy to recognize revenues as services are provided to patients. Net patient service revenues are the estimated net amounts realizable from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Approximately 95% and 93% of the Organization's net patient service revenue was derived from the Medicare and Medicaid programs for the years ended December 31, 2020 and 2019, respectively.

Provisions for estimated third-party payor settlements have been made in the financial statements for estimated explicit price concessions, representing the difference between the standard charges for services and estimated total payments to be received from third-party payors. These estimates are adjusted in future periods as final settlements are determined.

The Organization, like other healthcare providers, may be subject to investigations, regulatory action, lawsuits, and claims arising out of the conduct of its business, including the interpretation of laws and regulations governing the Medicare and Medicaid programs and other third-party payor agreements. At this time, no specific alleged violations, claims, or assessments have been made. Management intends to fully cooperate with any governmental agencies in requests for information. Noncompliance with laws and regulations can make the Organization subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

(i) Charity care

The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. The estimated cost of charity care was approximately $1,330,000 and $1,120,000 for the years ended December 31, 2020 and 2019, respectively. The cost estimate was based on the organization-wide cost to charge ratio.

(j) Contributions

Contributions are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Gifts of cash and other assets are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restriction.

If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as increases in net assets without donor restrictions.

In-kind contributions are recorded based on their estimated fair value at the date of donation. During 2020 and 2019, the Organization received approximately $57,000 and $15,000 of in-kind contributions, respectively.

(k) Income taxes

The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements.

As of December 31, 2020 and 2019, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Organization files a U.S. Federal information tax return.

(l) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(m) Performance indicator

Excess of revenue over expenses reflected in the accompanying statements of operations and changes in net assets is a performance indicator.

(n) Use of estimates

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

(o) Pandemic relief

In January 2020, the Secretary of the U.S. Department of Health and Human Services (“HHS”) declared a national public health emergency due to a novel strain of coronavirus ("COVID-19"). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. During March 2020, the global pandemic began to affect the Organization’s locations, employees, clients, communities, business operations and financial performance, as well as the broader U.S. economy and financial markets. The Organization is committed to protecting the health of its communities and has been responding to the evolving COVID-19 situation while taking steps to provide quality care and protect the health and safety of clients and employees. All of the Organization’s locations are closely following infectious disease protocols, as well as recommendations by the Centers for Disease Control and Prevention (“CDC”) and local health officials. COVID-19 is impacting the Organization’s business and may have an impact on its financial results that the Organization is not currently able to quantify. Continuing disruptions to the Organization’s business as a result of the COVID-19 pandemic could continue to have an effect on its results of operations, financial condition, and cash flows.

As part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), the U.S. government announced it would offer relief funding to eligible health care providers. During the year ended December 31, 2020, the Organization participated in certain relief programs offered through the CARES Act, including distributions from the Public Health and Social Services Emergency Fund ("PHSSE Fund"). Amounts received from the PHSSE Fund are subject to the terms and conditions of the program, including certification that payment will be used to prevent, prepare for and respond to COVID-19 and shall reimburse the recipient only for health care related expenses or lost revenues that are attributable to COVID-19. The Organization received approximately $1,721,000 for the year ended December 31, 2020 and recognized approximately $1,362,000 in funding from the PHSSE Fund which is included in other income in the accompanying statement of operations and changes in net assets for the year then ended. The remaining amount of approximately $359,000 is included within accrued expenses and other current liabilities in the accompanying statement of financial position as of December 31, 2020. The Organization has through June 30, 2021 to use the remaining funds.

(p) Reclassifications

Certain reclassifications have been made to the 2019 financial statements in order for them to conform to the 2020 presentation. These reclassifications have no effect on total net assets or changes in net assets as previously reported.

(q) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between December 31, 2020 and July 26, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Revenue from contracts with customers

Under Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, ("ASU 2014-09") which was issued by the Financial Accounting Standards Board ("FASB") and codified in the FASB Accounting Standards Codification ("ASC") as Topic 606 ("ASC 606"), a contract with a patient is an agreement which both parties have approved (whether explicitly or implicitly), that creates enforceable rights and obligations, has commercial substance, where payment terms are identified and collectibility is probable. Once the Organization has entered into a contract, it is evaluated to identify performance obligations. The Organization recognizes revenue in the period in which it satisfies the performance obligations under the contract by transferring the promised services to patients in an amount that reflects the consideration the Organization expects to receive in exchange for providing patient care. Billings occur in accordance with the terms of the respective contracts.

Revenues are recognized as performance obligations are satisfied, which is over time as patient services are rendered throughout the length of service, in an amount that reflects the consideration the Organization expects to receive in exchange for services. A performance obligation is defined as a promise in a contract to transfer a distinct good or service to the customer. Substantially all of the Organization's contracts with patients and customers have a single performance obligation as the promise to transfer services is not distinct or separately identifiable from other promises in the contract.

The transaction price for the Organization's contracts represents its best estimate of the consideration the Organization expects to receive and includes assumptions regarding variable consideration as applicable. These variable considerations include estimated amounts due from patients and third-party payors for respective services provided, including private insurance carriers and healthcare facilities. Most of the Organization's contracts contain variable consideration. However, it is unlikely a significant reversal of revenue will occur when the uncertainty is resolved, and therefore, the Organization has included the variable consideration in the estimated transaction price. The Organization considers the patient's ability and intent to pay the amount of consideration upon agreement to provide services. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (i.e. change in credit risk) are recorded as the provision for uncollectible accounts, which is included as a component of operating expenses in the statements of operations. There was no provision for uncollectible accounts for the years ended December 31, 2020 and 2019.

Hospice services are provided on a daily basis and the type of service provided is determined based on a provider’s determination of each patient’s specific needs on that given day. Patient service revenue is recorded on an accrual basis based on the number of days of service, the patient's level of acuity and the estimated payment rates. The estimated payment rates are predetermined daily or hourly rates for each payor and level of care, which includes routine home care, general inpatient care, respite care, and palliative care. Routine home care accounted for 66% and 71% of the Organization’s total net service revenue for 2020 and 2019, respectively. There are two separate payment rates for routine home care: payments for the first 60 days of care and care beyond 60 days. In addition, there is a service intensity add-on (“SIA”) payment based on direct home care visits made in the last seven days of life by a registered nurse or medical social worker for patients in a routine level of care. Each level of care represents a stand alone service provided as a series of days of patient care. The performance obligation is the delivery of hospice services to the patient, as determined by a provider, each day the patient is on hospice care, which is satisfied over time. Expected revenue is recognized on a daily basis for each patient based on a service output method as the patient simultaneously receives and consumes the benefits of the services provided. Amounts are generally billed monthly or subsequent to patient discharge.

Palliative care services are provided to patients with serious and end-stage illnesses in both inpatient and outpatient settings. The type of service provided is determined based on a provider’s determination of each patient’s specific needs including symptom management, advanced care planning and quality of life improvement. The Organization partners with inpatient and outpatient providers to provide palliative care at their facilities. Palliative care revenue is recorded on the date of service the patient visit takes place based on contracted payor rates. The performance obligation is the delivery of palliative care to the patient, as determined by the provider, which is satisfied over time as the patient receives care. Expected revenue is recognized on a per visit basis for each patient based on a service output method as the patient simultaneously receives and consumes the benefits of the services provided. Amounts are generally billed subsequent to each patient visit.

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. The Organization did not exceed the 20% cap related to inpatient days in 2020 and 2019. The second limit relates to an aggregate Medicare reimbursement cap calculated by the Medicare fiscal intermediary. The Organization did not exceed the Medicare cap for the years ended December 31, 2020 and 2019.

Nursing home costs

Patients may reside in their own home or in a facility. The Organization contracts with nursing homes to provide room and board services to its Medicaid patients. In most states, the Organization is obligated to bill Medicaid and to pay the nursing facility for their room and board services for those Medicaid eligible patients. Medicaid pays the Company 95% of the facility specific daily rate less the patient's liability amount. The Organization pays the nursing facility 100% of the Medicaid daily rate less the patient's liability amount. This transaction creates a performance obligation in that the Organization is facilitating room and board being delivered to the patient. As a result, the 5% net expense is recognized as a contra-revenue account under ASC 606 in the accompanying statements of operations and changes in net assets. In 2020, the Medicaid nursing home costs totaled $1,618,904 while nursing home reimbursement totaled $1,422,007. In 2019, the Medicaid nursing home costs totaled $1,953,366 while nursing home reimbursement totaled $1,927,280.

(4) Restricted cash

At December 31, 2020, restricted cash represents cash restricted for certain grant activities. At December 31, 2019, restricted cash represented cash restricted for certain grant activities and donor contributions collected that were restricted for use on the Murfreesboro, Tennessee inpatient facility and applied to the related construction note. The construction note was paid in full in 2020 (see Note 12).

(5) Patient accounts receivable

At December 31, 2020 and 2019, accounts receivable consists of the following by payor type:

	2020	2019
Medicare	$ 3,220,740	$ 3,256,557
Medicaid	482,706	1,372,560
Commercial and other	776,846	790,152
	4,480,292	5,419,269
Medicare periodic interim payment program	175,758	(1,043,704)
	$ 4,656,050	$ 4,375,565

(6) Pledges receivable

The Organization recognizes unconditional promises to give at fair value in the period the promise is made. Pledges receivable are scheduled to be received over the following periods at December 31, 2020 and 2019:

	2020	2019
Less than one year	$ 439,556	$ 743,690
One to five years	92,500	234,700
Total pledges receivable	532,056	978,390
Allowance for uncollectible pledges	(18,912)	(78,753)
Discount on pledges	(17,264)	(44,665)
	$ 495,880	$ 854,972

For 2020 and 2019, a rate of 1.60% was used to determine the estimated discount on the pledges receivable. An allowance for uncollectible pledges receivable has also been established based upon management's judgment, including such factors as prior collection history, type of contribution, credit standing of applicable donors and nature of the fundraising activity.

(7) Investments

Investments are recorded at fair value and consisted of the following at December 31, 2020 and 2019:

	2020	2019
Money market funds	$ 93,412	$ 96,047
Bond funds	632,494	643,046
Equity mutual funds	1,574,797	1,384,240
Other mutual funds	4,271	6,262
	$ 2,304,974	$ 2,129,595

The following schedule summarizes the investment income for 2020 and 2019:

	2020	2019
Interest and dividend income	$ 92,282	$ 144,877
Investment expenses	(19,235)	(19,007)
Realized losses on investments	(17,306)	(27,342)
Unrealized gains on investments	233,413	303,378
	$ 289,154	$ 401,906

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization.

(8) Fair value measurements

GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of money market funds, bond funds and mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The Organization has no assets or liabilities measured at fair value using Level 2 inputs.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Organization has no assets or liabilities measured at fair value using Level 3 inputs.

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The only assets of the Organization reported at fair value are investments, which are all considered Level 1 within the fair value hierarchy as of December 31, 2020 and 2019.

(9) Funds with Community Foundation of Middle Tennessee

The Organization has an agency endowment fund with the Community Foundation of Middle Tennessee (the "Community Foundation"). Earnings on this fund are designated for general operations and programs of the Organization. Total funds held by the Community Foundation, which are excluded from the assets of the Organization, amounted to $121,185 and $114,225 at December 31, 2020 and 2019, respectively. The Organization receives a 5% distribution annually from the fund.

The Organization also has an endowment fund with the Community Foundation. Total funds held by the Community Foundation, which are excluded from the assets of the Organization, amounted to $401,381 and $380,347 at December 31, 2020 and 2019, respectively. The Organization receives a 4% to 6% distribution annually from the fund.

The Organization also has an employee assistance fund with the Community Foundation. Earnings on this fund are designated for emergency financial support to employees of the Organization. Total funds held by the Community Foundation, which are excluded from the assets of the Organization, amounted to $4,556 and $2,867 at December 31, 2020 and 2019.

(10) Property and equipment

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Land and improvements	$ 7,043,677	$ 7,025,217
Buildings and improvements	20,424,889	20,196,543
Office furniture and equipment	5,376,996	5,084,543
Construction in progress	128,585	58,372
Total	32,974,147	32,364,675
Accumulated depreciation	(12,647,688)	(11,380,265)
Property and equipment, net	$ 20,326,459	$ 20,984,410

Construction in progress at December 31, 2020 relates to buildout of additional rooms at the inpatient facility in Murfreesboro, Tennessee, with an estimated cost to complete of $520,000. The project is expected to be complete in 2022. Additionally, construction in progress at December 31, 2020 relates to renovation of an office building and various other minor projects. These projects are expected to be completed in 2021, with an estimated cost to complete of $1,600,000.

Construction in progress at December 31, 2019 relates to buildout of additional rooms at the inpatient facility in Murfreesboro, Tennessee, and various other minor projects. Projects not completed during 2020 are also in construction in progress as of December 31, 2020.

(11) Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial assets available for general expenditures within one year of the statements of financial position are as follows at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 9,046,274	$ 6,398,629
Patient accounts receivable	4,656,050	4,375,565
Current portion of pledges receivable, net	370,141	645,783
	$ 14,072,465	$ 11,419,977

Cash and cash equivalents are not subject to donor or other restrictions. The pledges receivable that are available for general expenditures within one year exclude those which are subject to donor or other restrictions. The pledges receivable mainly relate to the current portion of pledges to be paid over time for the Organization's inpatient facility in Murfreesboro, Tennessee. As the building was placed in service during 2017, the restriction on these pledges was fulfilled and thus they can be used for general expenditures. The Organization also has investments designated by the Board for various purposes. These investments, which amount to approximately $624,000 and $557,000 at December 31, 2020 and 2019, respectively, could be used for general expenditures by resolution from the Board and are included in investments in the accompanying statements of financial position. The Organization also has a $2,500,000 line of credit that could be utilized (see Note 12).

(12) Line of credit and long-term debt

The Organization maintains a $2,500,000 line of credit with a financial institution which matures in July 2021. Interest only monthly payments are required and any outstanding principal amounts drawn against the line would be due at maturity. The line of credit is secured by property of the Organization and carries an interest rate of 0.75% above the financial institution's prime rate, resulting in a rate of 4.00% at December 31, 2020. The Organization had no borrowings outstanding on the line of credit at December 31, 2020 or 2019.

In July 2016, the Organization obtained a construction note with a financial institution. The note allowed the Organization to borrow up to $6,000,000 to help fund the construction of The Residence at Alive Hospice - Murfreesboro. The construction was completed in May 2017 and the first patient was admitted in June 2017. Interest only payments were required through July 2019. Beginning in August 2019, fixed monthly principal and interest payments were required based on a 15 year amortization. Through July 2019, the note was secured by the Organization's pledges. As the note was not repaid by July 2019, the Organization executed a deed of trust in favor of the financial institution as collateral so that the ratio of the outstanding principal balance of the note to the current appraised value of the property was less than or equal to 0.80 to 1.00. The note was set to mature in July 2021 and bore interest at an amount equal to the LIBOR rate plus 1.85%. The Organization owed $400,673 at December 31, 2019. The Organization paid the loan in full in 2020.

In October 2017, the Organization obtained a $1,600,000 promissory note with a financial institution to help fund a real estate purchase. The promissory note accrues interest at a fixed rate of 3.95%, payable in monthly payments of principal and interest in the amount of $9,654 until maturity in October 2022. The Organization owed $1,366,435 and $1,478,413 under this note at December 31, 2020 and 2019, respectively. The promissory note is secured by the real estate.

The provisions of the promissory note require the maintenance of certain financial ratios on a quarterly basis.

A summary of future maturities of long-term debt as of December 31, 2020 is as follows:

Year	Amount
2021	$ 63,001
2022	1,303,434
	$ 1,366,435

(13) Net assets with donor restrictions

Net assets with donor restrictions are either donor-restricted for specific purposes or for use in a specified period of time. At December 31, 2020 and 2019, the restricted purposes are as follows:

	2020	2019
Subject to expenditure for specific purpose:		
Pledges	$ 70,368	$ 176,414
Other	228,979	182,856
Endowment:		
Subject to endowment spending policy and appropriation	1,194,189	1,191,189
Subject to appropriation and expenditure when a specific event occurs	659,640	581,119
Total net assets with donor restrictions	$ 2,153,176	$ 2,131,578

Net assets with donor restrictions were released from restriction for the years ended December 31, 2020 and 2019 for the following purposes:

	2020	2019
Endowment	$ 63,825	$ 65,206
Pledges	23,546	42,250
Other	237,646	237,930
	$ 325,017	$ 345,386

(14) Lease commitments

The Organization leases various office space, and equipment under operating leases. Rent expense under these leases amounted to $168,174 and $623,304 in 2020 and 2019, respectively. A summary of approximate future minimum payments under these operating leases as of December 31, 2020 is as follows:

Year	Amount
2021	$ 171,000
2022	126,000
2023	85,000
	$ 382,000

During 2017, the Organization entered into two lease agreements in which the landlord provided funds to the Organization to complete certain improvements to the leased premises. The Organization has recorded a liability for these funds and is amortizing the balance over the shorter of the life of the lease or the life of the asset. At December 31, 2020, total obligations amounted to approximately $63,000, of which approximately $42,000 is included in accrued expenses and other current liabilities and $21,000 in other long-term liabilities in the accompanying statement of financial position. At December 31, 2019, total obligations amounted to approximately $105,000, of which approximately $42,000 is included in accrued expenses and other current liabilities and $63,000 in other long-term liabilities in the accompanying statement of financial position.

(15) Retirement plan

The Organization sponsors a defined contribution 403(b) retirement plan. Employees meeting certain eligibility requirements can participate in the plan to the extent allowed under ERISA. The plan also provides for discretionary contributions by the Organization. Participants are immediately vested in their voluntary contributions plus related earnings; whereas, participants are fully vested in the Organization contributions plus related earnings after four years of service. The Organization made contributions of $234,038 and $194,753 to the plan in 2020 and 2019, respectively.

(16) Functional expenses

Expenses by functional classification for the years ended December 31, 2020 and 2019 are as follows:

	Total	Program Services	General and Administrative	Fundraising
Expenses incurred for the year ended December 31, 2020:				
Salaries and wages	$ 19,801,917	$ 14,941,211	$ 4,521,702	$ 339,004
Employee benefits	4,186,817	3,163,809	936,866	86,142
Contract labor	613,079	549,960	63,119	-
Purchased services	1,510,871	1,560,425	(50,767)	1,213
Pharmacy and medical supplies	2,593,803	2,593,803	-	-
Occupancy and equipment	1,969,559	1,465,856	495,078	8,625
Other	2,929,422	993,946	1,779,294	156,182
Depreciation	1,263,996	985,504	272,733	5,759
Interest	86,265	5,883	80,382	-
	$ 34,955,729	$ 26,260,397	$ 8,098,407	$ 596,925

	Total	Program Services	General and Administrative	Fundraising
Expenses incurred for the year ended December 31, 2019:				
Salaries and wages	$18,940,291	$14,685,800	$ 3,922,198	$ 332,293
Employee benefits	3,701,027	2,868,442	766,376	66,209
Contract labor	679,496	664,530	14,966	-
Purchased services	1,440,325	1,473,800	(35,669)	2,194
Pharmacy and medical supplies	2,427,947	2,427,947	-	-
Occupancy and equipment	2,184,776	1,689,517	486,181	9,078
Other	2,314,004	993,315	1,168,897	151,792
Depreciation	1,229,509	955,522	273,987	-
Interest	138,105	54,645	83,460	-
	$33,055,480	$25,813,518	$ 6,680,396	$ 561,566

The financial statements report certain categories of expenses that are attributable to the program or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include certain salaries and wages, employee benefits, contract labor, purchased services, occupancy and equipment, interest, depreciation, and other expenses. Other than depreciation, these costs are allocated based on management's estimates of time and effort involved for each program or supporting function. Depreciation expense is allocated based on management's assessment of administrative square footage used as a percent of the total facility's square footage.

(17) Alive Institute

The Alive Institute is an initiative launched by the Organization to promote excellence and advance the field of hospice and palliative care. Through the Institute, the Organization shares its considerable gifts with the healthcare community and the community-at-large through education, research and advocacy with an initial focus on education and training. The Organization received contributions of approximately $7,000 and $13,000 for the years ended December 31, 2020 and 2019, respectively, to help fund this initiative.

(18) Endowment

Overview: The Organization's endowments consist of one fund that holds investments in securities traded on the public market. The endowments are made up of net assets with donor restrictions. As required by GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Organization's Board of Directors has determined the requirements of Tennessee's version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to center around the preservation of the fair value of the original investment as of the date of the asset transfers. Investments resulting from donations directing that they be invested in perpetuity are classified as net assets with donor restrictions. The earnings generated by these investments are classified as net assets without donor restrictions or net assets with donor restrictions depending on the donors' stipulations. The net assets with donor restrictions are reclassified as net assets without donor restrictions upon their appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Tennessee's version of UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate its endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(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
(7) The investment policies of the Organization

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce a moderate return while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization disburses funds as needed within the guidelines of the endowments. Disbursements to the Organization are used to assist with its programs and services according to donor restrictions.

Fund with Deficiencies: From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Cumulative deficiencies of this nature that are in excess of related net assets with donor restrictions are reported in net assets without donor restrictions. There were no such deficiencies as of December 31, 2020 and 2019.

Endowment Net Asset Composition by Type of Fund: The Organization's endowment assets with donor restrictions at December 31, 2020 and 2019 were $1,853,829 and $1,772,308, respectively. There are no endowment assets without donor restrictions at December 31, 2020 or 2019.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2018	$ -	$ 1,645,579	$ 1,645,579
Interest and dividends	-	17,904	17,904
Net investment gains	-	171,031	171,031
Contributions	-	3,000	3,000
Withdrawals	-	(65,206)	(65,206)
Balance at December 31, 2019	-	1,772,308	1,772,308
Interest and dividends	-	14,208	14,208
Net investment gains	-	128,138	128,138
Contributions	-	3,000	3,000
Withdrawals	-	(63,825)	(63,825)
Balance at December 31, 2020	$ -	$ 1,853,829	$ 1,853,829

(19) Related party transactions

At December 31, 2020 and 2019, the Organization had pledges receivable of approximately $118,000 and $172,000, respectively, due from related parties.

(20) Contingencies

Healthcare industry

The delivery of personal and healthcare services entails an inherent risk of liability. Participants in the healthcare services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. Prior to September 30, 2020, the Organization was insured with respect to medical malpractice risk on a claims-made basis. The policy included an individual medical incident limit of $1,000,000 and an aggregate limit of $3,000,000 annually. The Organization also maintains insurance for general liability, director and officer liability and property. Certain policies are subject to deductibles. Management is not aware of any claims against the Organization which would have a material financial impact.

Effective October 1, 2020, the Organization is a member of a limited liability company formed as an insurance association captive (the "captive") in order to provide partially self-insured health benefits to employees that elect coverage under the plan. The Organization's membership percentage in the captive is less than 1% and represents an investment of approximately $44,000 which is accounted for utilizing the cost method of accounting and is included within long-term deposits and other assets in the accompanying statements of financial position. The risk of loss is limited to the investment in the captive and the Organization is not required to fund additional capital to the captive in the event of negative capital accounts. The share of net income from the captive is based on the ratio of contribution to the captive. No income has been allocated for the year ended December 31, 2020. The Organization maintains a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The Organization adjusts the self-insured medical benefits reserve as they experience changes due to medical inflation, changes in the number of plan participants and changes to specific cases. The total reserve for these claims amounted to approximately $395,000 as of December 31, 2020 and is included within accrued expenses and other current liabilities in the accompanying statements of financial position.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as repayments for patient services previously billed. Management continues to implement policies, procedures, and compliance overview organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 and other government statutes and regulations. The Organization's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time. Management believes that the Organization is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations.

Healthcare reform

The healthcare industry in the United States is subject to fundamental changes due to ongoing healthcare reform efforts and related political, economic and regulatory influences. Notably, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") resulted in expanded healthcare coverage to millions of previously uninsured people beginning in 2014 and has resulted in significant changes to the U.S. healthcare system. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various healthcare providers as well as certain other changes to Medicare payment methodologies. This comprehensive healthcare legislation has resulted and will continue to result in extensive rulemaking by regulatory authorities, and also may be altered, amended, repealed, or replaced.

It is difficult to predict the full impact of the Affordable Care Act due to the complexity of the law and implementing regulations, as well as the Organization's inability to foresee how the Centers for Medicare and Medicaid Services ("CMS") and other participants in the healthcare industry will respond to the choices available to them under the law. The Organization also cannot accurately predict whether any new or pending legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on the Organization's business. Similarly, while the Organization can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the Organization's business and the manner in which the Organization is reimbursed by the federal healthcare programs, the Organization cannot accurately predict today the impact of those regulations on the Organization's business. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act or any amended or replacement legislation may increase costs, decrease revenues, expose the Organization to expanded liability or require the Organization to revise the ways in which it conducts business.

Litigation

The Organization is subject to legal proceedings and claims that arise in the ordinary course of business. However, management believes the amount of potential liability with respect to these actions will not have a material impact on the Organization's financial position, results of operations or cash flows.

In June 2021, the Organization received a demand letter from CMS for $513,767 for Medicare overpayments as a result of a Medicare hospice provider compliance audit for the period from October 1, 2015 through September 30, 2017 from the Office of Inspector General ("OIG"). The amount is included as a component of accrued expenses and other current liabilities and other operating expenses as of and for the year ended December 31, 2020, respectively, in the accompanying financial statements. The Organization is working through administrative appeals and believes the overpayments will be returned to the Organization.