

**HOSPICE ALLIANCE, INC.
PLEASANT PRAIRIE, WISCONSIN**

**FINANCIAL STATEMENTS WITH
AUDITOR'S REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hospice Alliance, Inc.
Pleasant Prairie, Wisconsin

We have audited the accompanying financial statements of Hospice Alliance, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospice Alliance, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Hospice Alliance, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Andrea & Orendorff LLP

Andrea & Orendorff LLP
Certified Public Accountants
Kenosha, Wisconsin
August 18, 2016

HOSPICE ALLIANCE, INC.
Statement of Financial Position
December 31, 2015
With Summarized Comparative Totals for December 31, 2014

Assets	2015	2014
Current Assets		
Cash & Cash Equivalents	\$ 868,796	\$ 902,424
Short-term Investments - Unemployment Reserve	77,772	60,827
Service Billings Receivable (less allowance for uncollectible accounts of \$2,728)	685,505	1,714,818
Accounts Receivable - Foundation	-	69,151
Miscellaneous Receivable	11,657	25
Interest Receivable	518	542
Inventory	17,469	21,609
Prepaid Expenses	126,560	51,643
Total Current Assets	1,788,277	2,821,039
Fixed Assets		
Leasehold Improvements	-	516,712
Furniture & Fixtures	399,469	388,318
Computers and Equipment	708,203	692,016
Accumulated Depreciation	(936,162)	(907,452)
Total Fixed Assets	171,510	689,594
Total Assets	\$ 1,959,787	\$ 3,510,633
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 169,076	\$ 170,244
Accrued Payroll	85,376	299,435
Accrued Vacation	206,402	224,076
Deferred Revenue	-	34,611
Total Current Liabilities	460,854	728,366
Net Assets		
Temporarily Restricted	56,326	-
Unrestricted	1,442,607	2,782,267
Total Net Assets	1,498,933	2,782,267
Total Liabilities and Net Assets	\$ 1,959,787	\$ 3,510,633

The accompanying notes are an integral part of these statements.

HOSPICE ALLIANCE, INC
Statement of Activities
For the Year Ended December 31, 2015
With Summarized Comparative Totals for the Year Ended December 31, 2014

	2015		2014	
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue				
Net Patient Service Revenue	\$ 7,490,356	\$ -	\$ 7,490,356	\$ 8,947,629
Hospice House Revenue	640,009	-	640,009	878,668
Room & Board Sponsorship	-	115,431	115,431	154,084
Other Grants	4,174	-	4,174	3,600
Administration Fees - Foundation	44,160	-	44,160	44,160
Support & Supplies - Foundation	27,733	-	27,733	7,938
Interest Income	827	-	827	1,320
Other Income	3,144	-	3,144	22,991
In-kind Rent	188,997	-	188,997	188,997
	<u>8,399,400</u>	<u>115,431</u>	<u>8,514,831</u>	<u>10,249,387</u>
Net Assets Released from Restrictions	59,105	(59,105)	-	-
Total Support and Revenue	<u>8,458,505</u>	<u>56,326</u>	<u>8,514,831</u>	<u>10,249,387</u>
Operating Expenses				
Program Services				
Non-House Patient Services	6,316,787	-	6,316,787	6,952,909
Hospice House Patient Services	1,185,330	-	1,185,330	1,477,544
Bereavement Services	67,610	-	67,610	74,722
Supporting Services				
General and Administrative	1,839,644	-	1,839,644	1,846,364
Total Operating Expenses	<u>9,409,371</u>	<u>-</u>	<u>9,409,371</u>	<u>10,351,539</u>
Nonoperating Expenses				
Loss on Disposal	388,794	-	388,794	-
Grants to the Foundation	-	-	-	46
Total Nonoperating Expenses	<u>388,794</u>	<u>-</u>	<u>388,794</u>	<u>46</u>
Total Expenses	9,798,165	-	9,798,165	10,351,585
Change in Net Assets	(1,339,660)	56,326	(1,283,334)	(102,198)
Net Assets Beginning of the Year	<u>2,782,267</u>	<u>-</u>	<u>2,782,267</u>	<u>2,884,465</u>
Net Assets End of the Year	<u>\$ 1,442,607</u>	<u>\$ 56,326</u>	<u>\$ 1,498,933</u>	<u>\$ 2,782,267</u>

The accompanying notes are an integral part of these statements.

HOSPICE ALLIANCE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2015
With Summarized Comparative Totals for the Year Ended December 31, 2014

	2015					2014 Total
	Total	Patient Services		Bereavement	General and Administrative	
		Non-House Locations	Hospice Houses			
Personnel						
Salaries	\$ 4,954,485	\$ 3,254,053	\$ 744,939	\$ 58,236	\$ 897,257	\$ 5,368,351
Employee Benefits	762,904	542,467	84,361	471	135,605	801,425
Payroll Taxes	360,283	236,630	54,171	4,235	65,247	385,831
Total Personnel	<u>6,077,672</u>	<u>4,033,150</u>	<u>883,471</u>	<u>62,942</u>	<u>1,098,109</u>	<u>6,555,607</u>
Direct Patient Costs						
Patient Medical Expenses	1,938,713	1,851,890	86,823	-	-	2,260,676
Professional Fees	204,423	72,839	1,093	-	130,491	231,506
Supplies-Medical	76,745	71,938	4,807	-	-	93,895
Total Direct Patient Costs	<u>2,219,881</u>	<u>1,996,667</u>	<u>92,723</u>	<u>-</u>	<u>130,491</u>	<u>2,586,077</u>
Indirect Patient Costs						
Equipment Maintenance	70,677	-	-	-	70,677	78,959
Occupancy	243,528	-	106,902	-	136,626	268,180
Telephone	60,796	47,752	-	-	13,044	53,147
Cable	4,408	2,986	1,422	-	-	5,814
Insurance	45,303	-	-	-	45,303	55,055
Postage	6,968	6,968	-	-	-	6,932
Printing	13,992	9,497	-	1,194	3,301	23,902
Supplies-Other	46,109	30,571	15,274	264	-	70,254
Books	3,816	2,342	-	674	800	6,158
Dues/Subscriptions	19,832	19,832	-	-	-	18,579
Staff Travel/Education	183,875	165,728	-	2,536	15,611	228,473
Advertising	1,294	1,294	-	-	-	2,106
Marketing/Development	65,333	-	-	-	65,333	58,129
Bank Charges	4,053	-	-	-	4,053	2,303
Miscellaneous	7,867	-	-	-	7,867	6,835
Depreciation	144,970	-	38,753	-	106,217	136,032
In-kind Rent	188,997	-	46,785	-	142,212	188,997
Total Indirect Patient Costs	<u>1,111,818</u>	<u>286,970</u>	<u>209,136</u>	<u>4,668</u>	<u>611,044</u>	<u>1,209,855</u>
Total Operating Expenses	<u>\$ 9,409,371</u>	<u>\$ 6,316,787</u>	<u>\$ 1,185,330</u>	<u>\$ 67,610</u>	<u>\$ 1,839,644</u>	<u>\$ 10,351,539</u>
NON-OPERATING EXPENSES						
Loss on Disposal	388,794					-
Grants to Foundation	-					<u>46</u>
Total Expenses	<u>\$ 9,798,165</u>					<u>\$ 10,351,585</u>

The accompanying notes are an integral part of these statements.

HOSPICE ALLIANCE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2015
With Summarized Comparative Totals for the Year Ended December 31, 2014

<u>Cash Flows From Operating Activities</u>	<u>2015</u>	<u>2014</u>
Changes in Net Assets	\$ (1,283,334)	\$ (102,198)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	144,970	136,032
Loss on Racine House	388,794	-
Change in Current Assets and Liabilities		
(Increase)/Decrease in Service Billings Receivable	1,029,313	(292,793)
(Increase)/Decrease in Accounts Receivable-Foundation	69,151	(59,490)
(Increase)/Decrease in Miscellaneous Receivable	(11,632)	1,966
(Increase)/Decrease in Interest Receivable	24	43
(Increase)/Decrease in Inventory & Prepaids	(70,777)	(6,343)
Increase/(Decrease) in Accounts Payable	(1,168)	(215,833)
Increase/(Decrease) in Accrued Payroll	(214,059)	58,667
Increase/(Decrease) in Accrued Vacation	(17,674)	37,064
Increase/(Decrease) in Deferred Revenue	<u>(34,611)</u>	<u>(9,200)</u>
Total Adjustments	1,282,331	(349,887)
Net Cash Provided (Used) by Operating Activities	(1,003)	(452,085)
<u>Cash Flows From Investing Activities</u>		
Interest Reinvested in Unemployment Reserve CDs	-	(273)
Increased Deposits into Unemployment Reserve CDs	(16,945)	-
Sale of Capital Assets	11,658	-
Other Capital Assets Purchased	<u>(27,338)</u>	<u>(150,739)</u>
Net Cash Provided (Used) in Investing Activities	(32,625)	(151,012)
Net Increase (Decrease) in Cash and Cash Equivalents	(33,628)	(603,097)
Cash and Cash Equivalents at the Beginning of the Year	<u>902,424</u>	<u>1,505,521</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 868,796</u>	<u>\$ 902,424</u>
Interest Paid - None		

The accompanying notes are an integral part of these statements.

HOSPICE ALLIANCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

Hospice Alliance, Inc. (Hospice) was incorporated in 1981 as a not-for-profit corporation. Hospice provides hospice and home health care to individuals in their homes and facilities such as nursing homes, assisted living, etc. and at their own Hospice House in Kenosha. The Hospice also provided such services in Racine until its closure in July of 2015. Each patient is encircled in the care of a dedicated team including hospice medical directors, the individual's personal physician, skilled nurses available 24/7, medical social workers, certified nursing assistants, chaplain, bereavement counselor, and volunteers. Hospice's revenues are primarily derived from Medicare, Medicaid, and private insurance reimbursement.

BASIS OF ACCOUNTING

The financial statements of Hospice have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

CHARITY CARE

Hospice has a policy of providing care regardless of a family's ability to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Payments are based on a sliding fee scale. Revenues from self-pay patients are recorded when services are provided and then written off when the lack of ability to pay is determined.

NET PATIENT SERVICE REVENUE

Net patient service revenue represents the estimated net realizable amounts from patients, third-party payers, and other services rendered.

INCOME TAX STATUS

Hospice qualifies as a tax-exempt non-profit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Wisconsin law. Hospice is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. Hospice currently has no obligation for unrelated business income tax. Accordingly, no provisions for federal or state income taxes are required.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, Hospice considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity of three months or less at the time of purchase or renewal.

HOSPICE ALLIANCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SERVICE BILLINGS RECEIVABLE

Service billings receivable represent billings to third party payers for Hospice services to patients. The allowance for uncollectible amounts represents the estimated billings which will not be reimbursed due to patient insurance coverage limitations. The allowance for uncollectible accounts as of December 31, 2015 and 2014 is \$2,728 and \$6,823, respectively.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

PROPERTY AND EQUIPMENT

Fixed assets that cost \$1,000 or more are recorded at cost and depreciated over a three to twenty year useful life on the straight-line method. The depreciation expense as of December 31, 2015 and 2014 is \$144,970 and \$136,032, respectively.

In June of 2013, Hospice Alliance opened the Racine Hospice House located on the Becker-Shoop Center campus. Leasehold improvements were needed to bring the leased property up to code. In July 2015, Hospice Alliance discontinued its hospice house services in Racine, Wisconsin. See Note 12 for more information.

INVENTORY

Inventory consists of purchased medical and nursing supplies, valued at a cost. Inventory costs as of December 31, 2015 and 2014 are \$17,469 and \$21,609, respectively.

ACCRUED VACATION

Employees earn vacation based on length of employment. The number of weeks earned is based on the anniversary date of employment. Vacation days can be accumulated up to two times the employee's annual vacation time earned. For example, if the employee gets four weeks per year, then they can accumulate up to eight weeks. At the calendar year end, vacation time not used is considered due to the employee because accrued vacation is paid upon termination. The amount of accrued vacation that is due to employees as of December 31, 2015 and 2014 is \$206,402 and \$224,076, respectively.

HOSPICE ALLIANCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Hospice.

BASIS OF PRESENTATION

Under generally accepted accounting principles, the Organization is required to report information regarding the financial position and activities according to three classes of net assets, defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations;

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time;

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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 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.

COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2014, from which the information is derived.

HOSPICE ALLIANCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADVERTISING

Hospice Alliance expenses advertising costs as they are incurred. Total advertising and marketing/development costs for the years ended December 31, 2015 were \$66,627 and December 31, 2014 were \$60,235. Of this number, \$1,294 (2014: \$2,106) was advertising expense for employee recruitment and the remaining \$65,333 (2014: \$58,129) was part of the marketing and development expense. Marketing and development includes \$1,107 (2014: \$1,016) for community awareness advertising in the Yellow Pages, \$43,402 (2014: \$41,927) for billboard, magazine, and internet advertising informing the community of the Hospice Alliance services, \$3,719 (2014: \$5,702) for promotional items with the Hospice Alliance name and logo, \$5,004 (2014: \$6,288) for expos and meetings, and the remaining amount of \$11,199 (2014: \$3,196) for miscellaneous items and website updating.

NOTE 2 - OPERATING LEASES

As explained in Note 9, Hospice Alliance is located in a facility owned by the Hospice Alliance Foundation. This facility houses administrative offices and a hospice facility. The new lease term began May 1, 2014 and ends April 30, 2018. Rent has been set at \$100,000 per year payable in equal monthly installments of \$8,333 per month. Total rent payments equaled \$99,996 for both 2015 and 2014. Payments forward are as follows:

Years Ending December 31,		
	2016	100,000
	2017	100,000
Period Ending April 30, 2018		33,332
		<u>\$ 233,332</u>

Hospice Alliance rented space at the Becker-Shoop Center facility located at 6101 16th Street in Racine, Wisconsin. This space was for a five bed residential hospice house. The term of the lease was three years, July 1, 2014 through June 30, 2016 with monthly payments of \$2,100. In July of 2015, the lease was terminated. See Note 12 for further information. Therefore total rent payments in 2015 only equaled \$14,700. In 2014, a total of \$25,200 was paid in rent.

HOSPICE ALLIANCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - SHORT TERM INVESTMENTS - UNEMPLOYMENT RESERVE

Hospice has elected reimbursement financing pursuant to Section 108.151 (2) of the Wisconsin Unemployment Compensation Law. Hospice posted \$77,772 (2014: \$60,827) in certificates of deposit as assurance of reimbursement. These certificates of deposit are reflected in the financial statements as "Short-Term Investments." Management receives a calculation biannually from the State which informs them of the amount of assurance that must be on file by the end of that calendar year. It is based on a percentage of payroll up to a certain capped limit. Hospice Alliance, Inc. is responsible for reimbursing the Unemployment Compensation Division on a monthly basis in the event any assessable unemployment benefit payments are made on behalf of Hospice. At present, management is paying unemployment claims as they occur using unrestricted funds and directly expensing the amounts. There were \$11,322 in unemployment claims paid in 2015, and \$29,212 was paid in 2014. The future dollar amounts, if any, to be paid by Hospice are not known at this time.

NOTE 4 – RELATED PARTY TRANSACTIONS

Hospice purchased various services from companies that are either majority-owned by members of Hospice's board of directors or the board members are employees of those companies. The costs of those services were reasonable and considered at market value.

NOTE 5 - EQUIPMENT RENTAL

Hospice leases copier equipment under an operating lease. The lease was renewed for 48 months beginning March 13, 2012 and ending in March 12, 2016. The minimum lease payments are \$1,235 per month. This lease was bought out by the new lease. Hospice received \$3,705 for this buyout.

The new lease has a term of 60 months and started September 25, 2015. Monthly payments are \$3,189. The future minimum payments for the 60-month lease are scheduled as follows:

Years ending December 31,		
	2016	\$ 38,270
	2017	38,270
	2018	38,270
	2019	38,270
Period ending September 24, 2020		<u>28,703</u>
		<u>\$ 181,783</u>

HOSPICE ALLIANCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 - THIRD PARTY RATE ADJUSTMENTS AND REVENUE

Certain services provided by Hospice are reimbursable by governmental agencies and/or private insurance providers. Expense reimbursements are subject to insurance policy limitations and governmental contractual agreements as well as governmental agency rate reviews.

Approximately 94 percent of Net Patient Service Revenue in 2015 (94 percent in 2014) was derived under federal and state third-party reimbursement programs. These revenues are based, in part, on per diem rates and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries.

NOTE 7 - CHARITY CARE

Charity care represented approximately less than one percent of the total days of service given to clients in 2015 and 2014. Charity Care in the amount of \$59,105 during 2015 and \$154,084 during 2014 was written off to reflect amounts billed but not received for patient care.

In fulfillment of the Hospice mission, the Hospice Houses provided hospice care to patients who could not afford the services. The combined Hospice Houses experienced a net loss of \$491,150 during 2015 and \$598,876 during 2014. This loss was covered by donations and other revenues.

NOTE 8 - IN-KIND RENT INCOME/EXPENSE

Rent paid to the Hospice Alliance Foundation is lower than market value therefore Hospice operations records an additional amount of rent expense as in-kind rent and a corresponding amount in an income account as a donation of in-kind rent. The amount recorded for 2015 and 2014 as in-kind rent income and in-kind rent expense was \$188,997.

NOTE 9 - RELATIONSHIP WITH HOSPICE ALLIANCE FOUNDATION, INC.

Hospice Alliance Foundation, Inc., (Foundation) a separate non-profit corporation, has exempt status under Internal Revenue Code Section 501 (c)(3). Its purpose is to seek contributions and expend them for the sole benefit of Hospice Alliance, Inc. The Foundation became active in 1997. During 2015, the Foundation gave Hospice \$44,288. In 2014, Hospice Alliance operations did not require any grant from the Foundation. The Foundation has no variance power over the funds which means that the Foundation's governing board does not have the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or purposes, or to a specified charitable organization or organizations.

The Foundation paid fees of \$52,098 in 2015 and 2014 for administrative services and supplies to Hospice Alliance.

HOSPICE ALLIANCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9 - RELATIONSHIP WITH HOSPICE ALLIANCE FOUNDATION, INC. (continued)

The Hospice House facility provides care and services to those individuals who do not have living arrangements adequate to meet their daily living needs. The property is owned by Hospice Alliance Foundation, Inc. but the facility is operated by the Hospice Alliance, Inc. The building also houses the administrative offices of Hospice Alliance operations. Please see Note 2 regarding the rental operating lease.

NOTE 10 – VOLUNTEERS AND DONATED SERVICES

Hospice Alliance, Inc. receives a significant amount of donated services from unpaid volunteers who assist in companionship and respite care for patients, office help and fundraising. In 2015, Hospice Alliance benefited from having volunteers who donated 6,453 hours of their time (2014: 9,665 hours). No amounts have been recognized in the statement of activities because the criteria for recognition do not require it under generally accepted accounting principles.

NOTE 11 - CONCENTRATION OF CREDIT RISK FOR CASH HELD AT BANKS

Hospice Alliance, Inc. maintains cash balances at local banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2015 and 2014, the organization's uninsured portion of the balances held at the banks aggregated to \$420,437 and \$870,892, respectively. The organization's management believes that the financial institutions holding its cash balances are financially secure.

NOTE 12 – DISCONTINUATION OF RACINE HOUSE

The lease for the Racine house was terminated in July 2015. Hospice physically vacated the premises in September of 2015. Hospice will be compensated \$11,657 for some of the furniture that was left at the house. The payments will be received in three installments in 2016. Due to the discontinuation of the lease, the leasehold improvements of \$516,712 with corresponding accumulated depreciation of \$116,260 needed to be written off. This resulted in a total loss on disposal of \$388,794.

NOTE 13 – SUBSEQUENT EVENTS

Hospice evaluated subsequent events through August 18, 2016, the date the financial statements were available to be issued. Management is not aware of any subsequent event which would require recognition or disclosure in the financial statements.