

**MISSION HOSPICE OF SAN MATEO COUNTY**

**REPORT ON EXAMINATION  
OF FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Totals for 2007)**

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March 6, 2009

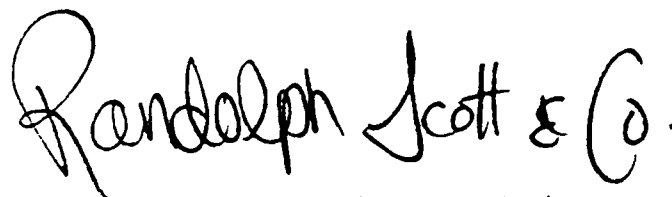
Board of Directors  
**Mission Hospice of San Mateo County**  
San Mateo, California

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statement of financial position of **Mission Hospice of San Mateo County** as of December 31, 2008, and the related statements of activities, functional expenses, and of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the **Mission Hospice of San Mateo County's** December 31, 2007 financial statements and, in our report dated March 31, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Mission Hospice of San Mateo County**, as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants, Inc.

**MISSION HOSPICE OF SAN MATEO COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008**  
(With Comparative Totals for 2007)

<b>ASSETS</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents (Note A)	\$ 650,674	\$ 43,268	\$ 48,585	\$ 742,527	\$ 1,783,716
Accounts Receivable	268,229			268,229	266,727
Prepaid Expenses	37,530			37,530	52,402
Total Current Assets	956,433	43,268	48,585	1,048,286	2,102,845
<b>INVESTMENTS (Note E)</b>	909,470			909,470	148,937
<b>NET PROPERTY AND EQUIPMENT (Note F)</b>	228,620			228,620	260,049
<b>OTHER ASSETS</b>					
Assets Reserved for Unemployment Claims Deposits	14,144			14,144	14,144
	21,222			21,222	15,754
<b>TOTAL ASSETS</b>	<b>\$ 2,129,889</b>	<b>\$ 43,268</b>	<b>\$ 48,585</b>	<b>\$ 2,221,742</b>	<b>\$ 2,541,729</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	\$ 9,667	\$	\$	\$ 9,667	\$ 6,140
Current Portion of Capital Lease Payable (Note G)					28,375
Current Portion of Software Payable	79,150			79,150	99,169
Accounts Payable	128,831			128,831	89,695
Accrued Payroll Expenses	217,648	-	-	217,648	223,379
Total Current Liabilities	14,144			14,144	14,144
<b>LIABILITY FOR UNEMPLOYMENT CLAIMS</b>	39,568			39,568	12,693
<b>CAPITAL LEASE PAYABLE (Note G)</b>					52,022
<b>SOFTWARE PAYABLE</b>					
<b>COMMITMENTS AND CONTINGENCY (Note J)</b>					
<b>TOTAL LIABILITIES</b>	<b>271,360</b>	<b>-</b>	<b>-</b>	<b>271,360</b>	<b>302,238</b>
<b>NET ASSETS:</b>					
Unrestricted	858,529			858,529	2,145,549
Board Designated Funds	1,000,000			1,000,000	15,841
Temporarily Restricted (Note B)		43,268		43,268	30,666
Permanently Restricted (Note C)			48,585	48,585	47,435
<b>TOTAL NET ASSETS</b>	<b>1,858,529</b>	<b>43,268</b>	<b>48,585</b>	<b>1,950,382</b>	<b>2,239,491</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,129,889</b>	<b>\$ 43,268</b>	<b>\$ 48,585</b>	<b>\$ 2,221,742</b>	<b>\$ 2,541,729</b>

See Notes to Financial Statements

**MISSION HOSPICE OF SAN MATEO COUNTY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2008**

(With Comparative Totals for 2007)

**REVENUES, GAINS, AND OTHER SUPPORT:**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
Contributions:					
Donations and memorials	\$ 279,758	\$ 105,250	\$ 1,150	\$ 386,158	\$ 284,325
Government fees for services	2,155,920			2,155,920	2,204,399
Grants and Contracts	94,250			94,250	35,000
Private fees for services	129,573			129,573	37,618
Special Events:					
Revenue	17,535			17,535	60,025
Interest and dividends	30,917			30,917	55,299
Unrealized Gain / (Loss) on Investments (Note E)	(98,237)			(98,237)	752
Gain/(Loss) on Disposal of Assets	5,063			5,063	(15,919)
Miscellaneous income	738			738	30,299
Net Assets Released from Donor Restrictions (Note D):					
Satisfaction of program restrictions	92,648	(92,648)		-	-
Total Revenues, Gains and Support	<u>2,708,165</u>	<u>12,602</u>	<u>1,150</u>	<u>2,721,917</u>	<u>2,691,798</u>

**EXPENSES:**

Program Services:					
Hospice services	2,404,468			2,404,468	1,819,578
Supporting Services:					
Management and general	517,147			517,147	480,827
Fundraising and development	89,411			89,411	74,218
Total Expenses	<u>3,011,026</u>	<u>-</u>	<u>-</u>	<u>3,011,026</u>	<u>2,374,623</u>
<b>CHANGE IN NET ASSETS</b>	<b>(302,861)</b>	<b>12,602</b>	<b>1,150</b>	<b>(289,109)</b>	<b>317,175</b>
<b>NET ASSETS, beginning of year</b>	<b>2,161,390</b>	<b>30,666</b>	<b>47,435</b>	<b>2,239,491</b>	<b>1,922,316</b>
<b>NET ASSETS, end of year</b>	<b><u>\$ 1,858,529</u></b>	<b><u>\$ 43,268</u></b>	<b><u>\$ 48,585</u></b>	<b><u>\$ 1,950,382</u></b>	<b><u>\$ 2,239,491</u></b>

See Notes to Financial Statements

**MISSION HOSPICE OF SAN MATEO COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2008**  
**(With Comparative Totals for 2007)**

	Program Services				Total Program Services	Supporting Services		Total 2008	Total 2007
	Bereavement	Chaplaincy	Nursing	Social Work		Volunteer	Management and General		
<b>EXPENSES:</b>									
Salaries	\$ 57,147	\$ 101,091	\$ 897,293	\$ 189,478	\$ 1,348,847	\$ 338,477	\$ 22,937	\$ 1,710,261	\$ 1,219,039
Payroll taxes	4,683	8,312	71,840	14,771	108,078	27,744	2,303	138,125	99,191
Employee benefits	1,560	15,746	83,110	14,620	117,173	20,241	1,272	138,686	94,144
Total Personnel Costs	<u>63,390</u>	<u>125,149</u>	<u>1,052,243</u>	<u>218,869</u>	<u>1,574,098</u>	<u>386,462</u>	<u>26,512</u>	<u>1,987,072</u>	<u>1,412,374</u>
Advertising & Marketing	-	-	920	371	1,291	-	14,346	15,637	3,912
Bad Debt Expense	-	-	5,507	-	5,507	-	-	5,507	89,560
Clinical Database Provider	1,835	4,282	33,043	6,729	48,336	13,549	3,059	64,944	270
Computer Support Expense	1,397	3,026	20,747	4,755	31,654	11,402	2,161	45,217	47,060
Depreciation Expense	1,536	3,584	24,574	5,632	37,374	11,263	2,560	51,197	48,434
Dues and Licenses	55	127	3,640	200	4,095	870	236	5,201	5,702
Employee Educ/Training	290	270	3,414	245	5,684	820	2,992	9,496	8,377
Employment Recruitment	-	-	21,608	-	21,683	325	-	22,008	-
Equipment Lease	34	79	545	125	828	285	57	1,170	2,254
Development	-	-	-	-	-	-	19,697	19,697	7,283
Insurance	456	1,064	7,295	1,672	11,095	3,344	760	15,199	22,612
Interest Expense	246	574	3,934	902	5,984	1,803	410	8,197	16,797
Travel	-	133	-	1,482	1,615	967	30	2,612	538
Miscellaneous Expense	-	-	-	-	-	322	(334)	(12)	7,092
Office Supplies	285	1,250	14,813	1,263	19,662	11,467	900	32,029	23,858
Other Fees & Charges	1,089	325	4,052	710	6,712	1,520	824	9,056	7,092
Patient Care Expenses	54	1,522	483,702	3,548	488,826	23	-	488,849	416,762
Postage & Printing	2,609	1,938	6,769	1,517	16,298	3,880	2,843	23,021	12,223
Professional Fees	336	784	5,379	1,233	8,180	36,146	5,560	49,886	106,456
Rent	3,537	8,253	56,591	12,969	86,066	25,937	5,895	117,898	119,812
Repairs & Maintenance	121	283	2,058	621	3,459	1,774	202	5,435	1,928
Subscription	-	-	3,670	774	4,549	869	-	5,418	-
Telephone	308	1,158	10,903	2,084	14,857	2,971	513	18,341	18,103
Utilities	313	263	3,719	413	4,858	1,148	188	6,194	3,216
Volunteer Expenses	-	100	-	-	1,657	-	-	1,757	-
Total Operating Costs	<u>14,501</u>	<u>29,015</u>	<u>716,883</u>	<u>47,245</u>	<u>830,370</u>	<u>130,685</u>	<u>62,899</u>	<u>1,023,954</u>	<u>962,249</u>
<b>Total Expenses</b>	<b>\$ 77,891</b>	<b>\$ 154,164</b>	<b>\$ 1,769,126</b>	<b>\$ 266,114</b>	<b>\$ 2,404,468</b>	<b>\$ 517,147</b>	<b>\$ 89,411</b>	<b>\$ 3,011,026</b>	<b>\$ 2,374,623</b>

See Notes to Financial Statements

**MISSION HOSPICE OF SAN MATEO COUNTY**

**COMBINED STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

	<u>Total 2008</u>	<u>Total 2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (289,109)	\$ 317,175
Adjustments to Reconcile Net Revenue and Support to Cash Provided by Operating Activities:		
Unrealized (Gain) / Loss on Investments (Note E)	98,237	(752)
(Gain)/Loss on Disposal of Assets	(5,063)	15,918
Depreciation (Note F)	51,197	48,434
(Increase) / Decrease in Assets:		
Accounts Receivable	(1,502)	(21,295)
Prepaid Expenses	14,872	(29,956)
Assets Reserved for Unemployment Claims	-	3,233
Deposits	(5,468)	7,304
Increase / (Decrease) in Liabilities:		
Accounts Payable	(20,019)	10,805
Accrued Payroll Expenses	39,136	21,430
Liability for Unemployment Claims	-	(3,233)
Total Adjustments	<u>171,390</u>	<u>51,888</u>
Net Cash Provided (Used) By Operating Activities:	<u>(117,719)</u>	<u>369,063</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(113,934)	(113,125)
Purchase of Investments	(907,386)	(115,948)
Proceeds from Sale of Investments	48,616	-
Net Cash Provided (Used) By Investing Activities:	<u>(972,704)</u>	<u>(229,073)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Capital Lease Payable	56,446	-
Payments made on Capital Lease, less interest of \$6,219	(7,213)	(3,634)
Other financing activities, software payable obligation	-	85,127
Payments made on software obligation, less interest of \$0	-	(4,729)
Net Cash Provided (Used) By Financing Activities:	<u>49,233</u>	<u>76,763</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,041,189)</u>	<u>216,753</u>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>1,783,716</u>	<u>1,566,963</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 742,527</u>	<u>\$ 1,783,716</u>
<b><u>SUPPLEMENTAL INFORMATION:</u></b>		
Interest Paid	<u>\$ 8,197</u>	<u>\$ 16,797</u>

See Notes to Financial Statements

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

**Mission Hospice of San Mateo County**, (the Organization) is a nonprofit, nonsectarian charitable organization whose purpose is to provide, facilitate and coordinate physical, emotional, social and spiritual care for the terminally ill in San Mateo County. The organization is supported primarily through donor contributions, government and private fees for service.

**Description of Major Programs**

**Hospice Programs**: Provides, facilitates, and coordinates physical, emotional, social and spiritual care for terminally-ill patients and their families in San Mateo County. The program also educates professionals, those who give hospice care, and the public in the methods most effective in providing hospice care. Trained staff and volunteers provide all services given to the patients, families, or members of the community.

**Management and General**: Includes functions necessary to maintain an equitable employment program and ensure an adequate working environment. It provides for the coordination and articulation of the Organization's program strategy; secures proper administrative functioning of the Board of Directors, maintains competent legal services for the program administration of the Organization, and manages the financial and budgetary responsibilities of the Organization.

**Fundraising and Development**: Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

**Basis of Accounting and Reporting**

**Accounting Method**: The Organization maintains its records on the accrual basis of accounting.

**Accounting and Reporting in Accordance with SFAS 116 and 117**: The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the asset contributed. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In accordance with SFAS 117, the Organization reports information regarding its financial position and activities according to three classes of net assets: Unrestricted, Temporarily Restricted and Permanently Restricted.

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(Continued)**

**Basis of Accounting and Reporting – (Continued)**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, and revenues and expenses for the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of their acquisition date. Not included as cash equivalents are funds restricted as to their use, regardless of liquidity or the maturity dates of investments.

**Accounting in Accordance with SFAS 124**

In accordance with FASB 124, the Organization reports investments in marketable securities at their fair value as of December 31, 2008. As further discussed in Note E the Organization determines the fair value of investments by obtaining the market price per share or unit at year end. Any unrealized gains or losses are included in the change in net assets.

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Basis of Accounting and Reporting – (Continued)**

**Fair Values of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of financial instruments:

*Cash and cash equivalents:* The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

*Accounts receivable and accounts payable:* The carrying amounts of accounts receivable and accounts payable in the balance sheet approximates fair value.

*Investments:* The estimated fair value of investments has been determined by the Organization using available market data and appropriate methodologies. All of the investments are maintained with a major financial institution.

*Lease obligation:* The carrying value of the Organization's debt approximates fair value because of the variable nature of market interest rates.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash balances. The Organization places its cash deposits with high-credit quality financial institutions. At times, balances in the Organization's cash accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At December 31, 2008, balances above the insured limits were approximately \$6,702.

**Concentration of Revenue Sources**

During the year ended December 31, 2008, the Organization had one major revenue source (Medicare) that accounted for approximately 79% of the total revenue of the Organization.

**Prepaid Expenses**

Prepaid expense balances are calculated and adjusted at year end to properly charge funds in the period benefited.

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(Continued)**

**Property and Equipment**

The Organization policy is to capitalize assets with a unit cost of \$1,000 or greater. The Organization records purchased property and equipment at cost, and donated fixed assets at fair market value on the date received.

As further discussed in Note F, property and equipment is depreciated by the straight-line method over the estimated useful lives of the respective assets which range from five to ten years.

**Capital Lease Obligation**

As further discussed in Notes F and G, the Organization's capital lease obligation consists of a copier lease that had an initial term of 60 months with a maturity date of August 2013. The organization amortized the obligation over the term of the lease.

**Accrued Vacation and Sick Leave Benefits**

Employee vacation benefits earned, but not used, are recognized as liabilities of the Organization, and are recorded in the program funds for which each employee works.

Sick leave benefits are earned and accumulated for each employee. However, accumulated sick leave benefits are not recognized as liabilities of the Organization because the payment of such benefits is not probable or estimable.

**Advertising**

The Organization uses advertising to promote its programs about the audiences it serves. The production costs of advertising are expensed as incurred. During 2008, advertising costs totaled \$15,637.

**Functional Allocation of Expenses**

Certain expenses are allocated to various program and support services in accordance with the Organization's cost allocation plan which utilizes statistical methods as determined by management.

**Bad Debt Expense**

The Organization uses the direct write-off method for expensing bad debts.

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(Continued)**

**Allocation of Expenses**

Certain administrative support expenses are allocated to the operating programs based upon OMB Circular A-122 simplified allocation method.

**Donated Assets and Services**

Donated marketable securities and other noncash donations are recorded as contribution at their estimated fair values at the date of donation. Donated services are recognized as contributions in accordance with SFAS No. 116 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

**Income Taxes**

The Organization has received tax exempt status under Section 501 (c) (3) of the Internal Revenue Code, and Section 23701 (d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

**Summarized Information for 2007**

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was obtained.

**NOTE B - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE B - TEMPORARILY RESTRICTED NET ASSETS – (Continued)**

At December 31, 2008, temporarily restricted assets available for future use are as follows:

Bereavement Services	\$	8,925
Community Outreach		19,787
Other programs		<u>14,556</u>
Total Temporarily Restricted Net Assets	\$	<u><u>43,268</u></u>

**NOTE C – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the Endowment Fund of the Organization. The Organization will receive and place in this fund gifts designated by the donor for endowment purposes. Only income from investments thereof may be expended either for general purposes or purposes restricted by the donor. Total direct endowments received for December 31, 2008 were \$1,150.

**NOTE D - NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the year ended December 31, 2008, net assets released from donor restrictions were as follows:

Bereavement	\$	7,982
Community Outreach		39,285
Transitions		32,500
Home Health Aide		10,444
Auxillary Fund		<u>2,437</u>
Total Net Assets Released from Donor Restrictions	\$	<u><u>92,648</u></u>

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE E – INVESTMENTS**

At December 31, 2008, the Organization's investment balance consisted of the following:

	<u>Original Cost</u>	<u>Market Value</u>
Securities	\$ 35,136	\$ 28,186
Closed End Funds	499,639	412,313
Certificates of Deposits	<u>468,972</u>	<u>468,972</u>
Total	<u>\$ 1,003,747</u>	<u>\$ 909,471</u>

	<u>Interest &amp; Dividends</u>	<u>Realized Gain / (Loss) on Sale of Investments</u>	<u>Current Year's Unrealized Gain / (Loss) on Investments</u>	<u>Total Return on Investment</u>
Securities	\$ 760	\$ -	\$ (10,910)	\$ (10,150)
Closed End Funds	8,719	-	(87,327)	(78,608)
Certificates of Deposits	<u>8,555</u>	<u>-</u>	<u>-</u>	<u>8,555</u>
Total:	<u>\$ 18,034</u>	<u>\$ -</u>	<u>\$ (98,237)</u>	<u>\$ (80,203)</u>

**NOTE F - PROPERTY AND EQUIPMENT**

At December 31, 2008, equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office equipment	\$ 99,326	\$ 25,875	\$ 73,451
Office furniture	96,524	48,285	48,239
Capital Lease Equipment	56,446	9,408	47,038
Leasehold improvements	82,023	22,131	59,892
Total	<u>\$ 334,319</u>	<u>\$ 105,699</u>	<u>\$ 228,620</u>

For the year ended December 31, 2008, the total depreciation expense was \$51,197. Included in the equipment balance above is a capital lease for a copier machine with a cost of \$56,446 and accumulated depreciation of \$9,408.

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE G – CAPITAL LEASE PAYABLE**

Copier lease with monthly payments of principal and interest of approximately \$1,258 through August 2013.	\$ 49,235
Less Current Portion	<u>9,667</u>
Long-Term Capital Lease Payable	<u>\$ 39,568</u>

Future annual capital lease payments are as follows:

Year Ending: December 31, 2009	\$ 15,107
December 31, 2010	15,107
December 31, 2011	15,108
December 31, 2012	15,108
December 31, 2013	<u>2,518</u>
	62,948
Less amount representing interest	<u>13,713</u>
	<u>\$ 49,235</u>

**NOTE H – RETIREMENT PLAN**

The Organization maintains a Safe Harbor 401(k) Plan. Employees may elect to reduce his/her compensation by a specific percentage or dollar amount, and the amount contributed to the Plan is on a pre-tax basis. Employees are eligible under the plan if they are at least 21 years of age and have completed one year of service. Under the plan, the Organization contributes 100% of employee's salary deferrals that do not exceed 3% of compensation, plus 50% of salary deferrals between 3% and 5% of employee's compensation. Total contributions by the Agency for the year ended December 31, 2008 was \$36,558.

**MISSION HOSPICE OF SAN MATEO COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**(With Comparative Totals for 2007)**

**NOTE I- AUXILIARY TO MISSION HOSPICE**

The Auxiliary to Mission Hospice was organized solely for the purpose of raising funds for the Organization. Separate cash accounts are used by the Hospice Auxiliary in its fundraising activities for the Hospice. The balances in these accounts are restricted for use in payment of expenses incurred as part of fundraising programs, and are included in the temporarily restricted net assets of the Hospice. During 2008, the Auxiliary raised \$17,535 in fundraising receipts for the Organization.

**NOTE J - COMMITMENTS AND CONTINGENCY**

**Commitments**

Real Property: The Organization conducts its operations on leased premises. Future obligations under non cancelable lease agreements in excess of one year as of December 31, 2008, are:

Year Ending: December 31, 2009	\$	120,400
December 31, 2010		125,505
December 31, 2011		53,180
	\$	<u>299,085</u>

Total rent expense for the year ended December 31, 2008 was \$117,898.

**Contingency**

Grant awards require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the organization to the provisions of the grants. The Organization's management is of the opinion that the organization has complied with the terms of all grants.