

VNA COMMUNITY SERVICES, INC.

FINANCIAL REPORT

December 31, 2017

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VNA COMMUNITY SERVICES, INC.

BOARD OF DIRECTORS
2017

Steven A. Johnson	Chair
Dr. Allen Radner	Vice–Chair
Mike Lee	Treasurer
Kimberly Marlar	Secretary
Jane Russo	Director
Melissa Dausen	Director



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
VNA Community Services, Inc.
Monterey, California

We have audited the accompanying financial statements of **VNA Community Services, Inc.** (a nonprofit organization and an affiliate company of Central Coast Community Health Care, Inc.), which comprise the statement of financial position as of December 31, 2017, 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 **VNA Community Services, Inc.** as of December 31, 2017, 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.

Other Matters

We have previously audited **VNA Community Services, Inc.'s** 2016 financial statements, and our report dated July 27, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hutchinson and Bloodgood LLP

June 28, 2018

VNA COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 184,815	\$ 203,509
Accounts receivable, trade, net	130,877	153,118
Prepaid expenses	45,437	31,159
	<u>361,129</u>	<u>387,786</u>
Total current assets	<u>361,129</u>	<u>387,786</u>
PROPERTY AND EQUIPMENT, at cost		
Land	172,832	172,832
Land improvements	18,896	18,896
Buildings	828,600	828,600
Leasehold improvements	25,049	25,049
Furniture and fixtures	13,308	13,308
Computer equipment/software	10,325	10,325
	<u>1,069,010</u>	<u>1,069,010</u>
Less accumulated depreciation	496,282	474,680
	<u>572,728</u>	<u>594,330</u>
OTHER ASSETS		
Beneficial interest in assets held by others	852,411	748,979
	<u>852,411</u>	<u>748,979</u>
	<u>\$ 1,786,268</u>	<u>\$ 1,731,095</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 67,444	\$ 18,678
Accounts payable, affiliates	220,639	240,502
Accrued payroll liabilities	22,395	17,203
Accrued compensated absences	74,038	62,064
	<u>384,516</u>	<u>338,447</u>
Total current liabilities	<u>384,516</u>	<u>338,447</u>
NET ASSETS		
Unrestricted	1,401,752	1,386,094
Temporarily restricted	--	6,554
	<u>1,401,752</u>	<u>1,392,648</u>
Total net assets	<u>1,401,752</u>	<u>1,392,648</u>
	<u>\$ 1,786,268</u>	<u>\$ 1,731,095</u>

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

VNA COMMUNITY SERVICES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

(with comparative totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Client and patient service fees, net	\$ 1,104,928	\$ --	\$ 1,104,928	\$ 1,277,142
Contributions	7,473	11,199	18,672	19,748
Fundraising	--	--	--	--
Investment income	110,513	--	110,513	53,493
Other income	32	--	32	789
Net assets released from restrictions	17,753	(17,753)	--	--
Total support and revenue	1,240,699	(6,554)	1,234,145	1,351,172
EXPENSES				
Program services:				
Community services	1,053,296	--	1,053,296	1,103,570
Monterey adult day care	--	--	--	268,810
Total program expenses	1,053,296	--	1,053,296	1,372,380
Supporting services:				
Development	7,807	--	7,807	8,550
Management and general	163,938	--	163,938	179,314
Total expenses	1,225,041	--	1,225,041	1,560,244
Change in net assets	15,658	(6,554)	9,104	(209,072)
Net assets, beginning	1,386,094	6,554	1,392,648	1,601,720
Net assets, ending	\$ 1,401,752	\$ --	\$ 1,401,752	\$ 1,392,648

VNA COMMUNITY SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

(with comparative totals for 2016)

	Program Services		Supporting Services		2017 Total	2016 Total
	Community Services	Development	Management & General			
Salaries	\$ 483,529	\$ 3,773	\$ --	\$ 487,302	\$ 654,810	
Management fee	--	--	102,025	102,025	120,398	
Employee benefits	92,952	673	--	93,625	119,460	
Contract staffing	8,541	1,184	--	9,725	45,248	
Payroll taxes	41,846	283	--	42,129	55,278	
Supplies	358,958	--	--	358,958	353,252	
Rent and facility	14,620	291	5,393	20,304	39,011	
Client meals and services	--	--	--	--	10,803	
Bad debt	--	--	--	--	50,434	
Utilities	9,719	83	3,162	12,964	10,582	
Advertising and marketing	5,225	--	3,483	8,708	5,583	
Equipment rental and maintenance	8,119	537	--	8,656	565	
Printing	4,041	235	--	4,276	5,022	
Depreciation and amortization	--	--	21,602	21,602	22,650	
Office and postage	6,617	57	--	6,674	4,919	
Personnel recruitment	280	--	--	280	4,025	
License, dues, and subscriptions	3,578	108	--	3,686	16,839	
Professional fees	--	77	25,725	25,802	21,791	
Training, meetings, and conference	8,385	--	--	8,385	8,976	
Fundraising	--	--	--	--	2	
Miscellaneous	6,886	506	2,548	9,940	10,596	
	<u>\$ 1,053,296</u>	<u>\$ 7,807</u>	<u>\$ 163,938</u>	<u>\$ 1,225,041</u>	<u>\$ 1,560,244</u>	

The notes to financial statements are an integral part of this statement.

VNA COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,104	\$ (209,072)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	21,602	22,632
Realized/unrealized gain on investments	(85,428)	(34,843)
Change in allowance for doubtful accounts	6,962	(21,692)
(Increase) decrease in:		
Accounts receivable, trade	15,279	280,637
Prepaid expenses	(14,278)	22,360
Increase (decrease) in:		
Accounts payable	48,766	(46,322)
Accounts payable, affiliates	(19,863)	143,111
Accrued payroll liabilities	5,192	(16,032)
Accrued compensated absences	11,974	10,181
	<u>(690)</u>	<u>150,960</u>
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	--	(2,140)
Purchase of investments, net of fees	(18,004)	(12,288)
	<u>(18,004)</u>	<u>(14,428)</u>
Net cash used by investing activities		
Net increase (decrease) in cash and cash equivalents	(18,694)	136,532
CASH AND CASH EQUIVALENTS, BEGINNING	<u>203,509</u>	<u>66,977</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 184,815</u>	<u>\$ 203,509</u>

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: VNA Community Services, Inc. (VNACS) (the Organization), is a nonprofit corporation established for the purpose of operating healthcare and related programs not covered by MediCare (with the exception of very specific vaccines), including specialized health care, community care, adult day services, and various niche programs.

The Organization is related to Central Coast Community Health Care, Inc. (CCCHC), Central Coast VNA and Hospice (CCVNA), and CCVNA Foundation, Inc., by common management provided by Central Coast Community Health Care, Inc. Accounting standards require that when these relationships exist, consolidated financial statements are required to be issued. These financial statements, however, only include the operations of the Organization, which is an affiliate organization. Accordingly, a separate report is issued which consolidates the parent organization and its affiliates.

Accounting Policies

Basis of Presentation: The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents: For the purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable: Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for uncollectible accounts using the allowance method based on management's evaluation of outstanding balances, third-party contracts, and other circumstances which may affect the ability of patients to meet their obligations. Receivables are presented net of the allowance for doubtful accounts.

Use of 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, revenues and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Property and Equipment: Property and equipment having a useful life of more than one year are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions, if any, are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 – 40 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (continued): Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of the long-lived asset is not recoverable, an impairment of value is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Accrued Compensated Absences: All full-time and part-time employees of the Organization accrue paid time off (PTO) in lieu of vacation and sick leave. The rate of PTO accrual is based on seniority. Accrued PTO hours can be used by the employee for any type of absence. The excess over a maximum allowable accrual is paid annually to the employee at his or her current hourly rate. Any remaining accrual is paid at the current rate upon termination.

Advertising Costs: Advertising costs are expensed when incurred.

Net Assets: The Organization's net assets and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for endowment and other purposes.
- 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 restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or a part of the income earned on related investments for general or specific purposes.

Patient Service Fees, Net: The Organization has agreements with third party payers that provide for payments at amounts lower than its established rates. Patient service fees are reported at the estimated net realizable amounts from patients, third party payers, and others for services rendered. Revenue under third-party agreements is subject to audit and retroactive adjustment. Adjustments are accrued on an estimated basis in the period that related services are rendered and adjusted in future periods, as final settlements are determined. Patient service fees are also presented net of charity care provided.

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. Since the Organization does not expect payment, estimated charges for charity care are not included in revenue.

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services: Donated services are not recorded unless such services create or enhance non-financial assets or require specialized skills and are so essential that they would be purchased if not provided by donation.

Functional Allocation of Expenses: The costs of providing program services and other activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Taxes on Income: The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from state franchise tax under Revenue and Taxation Code Section 23701(d). The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The FASB issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. As of December 31, 2017, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGE IN ACCOUNTING POLICY

ASU 2015-07: In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The amendments in this Update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share (NAV) as a practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2015. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2016. Upon adoption, the amendments shall be applied retrospectively to all periods presented. The Organization adopted this Update for the year ended December 31, 2017, and it was retrospectively applied to December 31, 2016. Prior year disclosures have been revised to reflect the retrospective application of this Update. The impact of adopting this Update is reflected in Note 3.

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS AND CHANGE IN ACCOUNTING POLICY (Continued)

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this ASU will have on its financial statements.

In May 2014, the FASB issued ASE 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. U.S. GAAP guidance requires the use of more estimates and judgments than the present standards, along with additional disclosures. The guidance will be effective for the Organization for annual reporting periods beginning after December 15, 2018. The Organization is assessing the impact this ASU will have on its financial statements.

NOTE 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are briefly described below:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement are unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Beneficial interest in assets held by others: Funds are invested for long-term growth, both in equities and fixed income investments, which are valued at the net asset value (“NAV”) of shares held by the Community Foundation at year end.

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

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of December 31, 2017 and 2016:

Description	Level 1	Level 2	Level 3	Total Fair Value at December 31, 2017
Beneficial interest in assets held by others, measured at NAV	\$ 852,411	\$ --	\$ --	\$ 852,411

Description	Level 1	Level 2	Level 3	Total Fair Value at December 31, 2016
Beneficial interest in assets held by others, measured at NAV	\$ 748,979	\$ --	\$ --	\$ 748,979

Total investment income, net realized and unrealized losses, and investment expenses for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Interest and dividend income	\$ 25,085	\$ 18,650
Realized and unrealized gains (losses), net	85,428	34,843
Less investment expenses	(7,081)	(6,362)
Investment income, net	\$ 103,432	\$ 47,131

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 4. ACCOUNTS RECEIVABLE, TRADE

Accounts receivable, trade at December 31, 2017 and 2016 consists of the following:

	2017	2016
Trade receivables	\$ 137,839	\$ 153,118
Less allowance for doubtful accounts	<u>(6,962)</u>	<u>--</u>
	<u>\$ 130,877</u>	<u>\$ 153,118</u>

NOTE 5. CONCENTRATION OF CREDIT RISK FOR CASH

The Organization maintains cash balances at various institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

NOTE 6. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2013, VNACS transferred \$669,749 from its investment portfolio to the Community Foundation for Monterey County (Community Foundation), establishing the Central Coast VNA and Hospice, Inc. Stewardship Fund. The Community Foundation holds and invests the funds on behalf of VNACS, with the long-term objectives of safeguarding principal, increasing the principal through long-term total return, and generating income for charitable distributions. The Community Foundation has no variance power over the funds, and will make annual distributions if so requested. VNACS has the option to receive all or part of their fund by submitting in writing a copy of a resolution authorizing such action approved by three-fourths (3/4) of the directors of the VNACS board. Any such distribution shall be subject to the approval of the Community Foundation's board of directors, and shall not be unreasonably withheld. The value of these funds at December 31, 2017 and 2016 was \$852,411 and \$748,979, respectively.

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 7. RELATED PARTY TRANSACTIONS

Transactions between related organizations, as specified in note 1, consist of payments to (receipts from) for the years ended December 31, 2017 and 2016 as follows:

	2017	2016
Central Coast VNA & Hospice, Inc.		
Insurance	\$ 911	\$ 1,225
Other operating expenses	<u>45,424</u>	<u>46,553</u>
	<u>\$ 46,335</u>	<u>\$ 47,778</u>
Central Coast Community Health Care, Inc.		
Management fees	\$ 102,025	\$ 120,398
Insurance	38,770	34,478
Other operating expenses	<u>18,007</u>	<u>23,237</u>
	<u>\$ 158,802</u>	<u>\$ 178,113</u>

Other operating expenses consist of costs appropriately allocated among the organizations but paid by one, and include expenses such as rent, salaries, utilities, and professional fees.

At December 31, 2017 and 2016, the outstanding balances due to these affiliates are as follows:

	2017	2016
Central Coast Community Health Care, Inc.	\$ (79,738)	\$ (145,936)
Central Coast VNA and Hospice, Inc.	<u>(140,901)</u>	<u>(94,566)</u>
	<u>\$ (220,639)</u>	<u>\$ (240,502)</u>

NOTE 8. AFFILIATION AGREEMENT

Central Coast VNA & Hospice, Inc., VNA Community Services, Inc., and Central Coast Community Health Care, Inc. have an affiliation agreement with Salinas Valley Memorial Hospital (SVMH). The purpose of the affiliation is to enhance the provision of accessible, cost effective, high-quality home health care services in Monterey County and secure and strengthen public and charitable activities. The structure of the affiliation does not provide for any sharing of revenues or expenses, but does provide for SVMH to have equal representation on the boards of directors of Central Coast VNA & Hospice, Inc. and VNA Community Services, Inc. As consideration for this affiliation, SVMH made a \$2.6 million contribution to CCVNA Foundation, Inc. in April 1997.

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 9. DEFINED CONTRIBUTION PENSION PLAN

The VNA Community Services, Inc. employee retirement plan is a tax sheltered annuity plan under Section 403(b) of the Internal Revenue Code. In 2005, the 403(b) plan was amended to allow after-tax elective deferral contributions or Roth contributions into the plan in accordance with Section 402(a) of the Internal Revenue Code. This plan has been set up for all employees of the Organization. All employees of the Organization who choose to participate in the plan are eligible to make employee contributions immediately upon hire.

After the completion of one year the employee is entitled to receive employer contributions. All employee accounts are 100% vested.

The Organization contributes three percent of each eligible employee's gross wage on a monthly basis. Eligible employees may contribute any amount up to the legal limit on a voluntary payroll deduction basis, although no voluntary contribution is required. Contributions made by the Organization on behalf of eligible employees totaled \$8,174 and \$12,466 for the years ended December 31, 2017 and 2016, respectively.

All contributions are invested on behalf of each employee by the plan administrator, The Variable Annuity Life Insurance Co. The employee has a choice of investment plans.

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016 are restricted for the following purposes:

	2017	2016
Community Services	\$ --	6,554
Total temporarily restricted net assets	<u>\$ --</u>	<u>\$ 6,554</u>

During the course of the years ended December 31, 2017 and 2016, net assets whose use by the Organization was subject to donor imposed restrictions were fulfilled by actions of the Organization pursuant to those restrictions. These amounts are shown in the Statement of Activities as "Net assets released from restrictions." A detail of the net assets released as of December 31, 2017 and 2016 is as follows:

	2017	2016
Adult Day Care, General	\$ --	\$ 10,010
Community Services	17,753	6,507
Total net assets released from restrictions	<u>\$ 17,753</u>	<u>\$ 16,517</u>

VNA COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

NOTE 11. CLIENT AND PATIENT SERVICE FEES, NET

Client and patient service fees, net, for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Client and patient service fees	\$ 1,126,619	\$ 1,299,164
Less discounts and allowances	<u>(21,691)</u>	<u>(22,022)</u>
Total patient service fees, net	<u>\$ 1,104,928</u>	<u>\$ 1,277,142</u>

NOTE 12. SUBSEQUENT EVENTS

Management has evaluated its December 31, 2017 and 2016 financial statements for subsequent events through June 28, 2018, the date of issuance of the financial statements. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.