

**Association for Services
for the Aged**

Financial Statements

June 30, 2017



BAKER TILLY

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Association for Services for the Aged

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Independent Auditors' Report

Board of Trustees
Association for Services for the Aged

Report on the Financial Statements

We have audited the accompanying financial statements of Association for Services for the Aged, which comprise the statement of financial position as of June 30, 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.

Auditors' 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 Association for Services for the Aged as of June 30, 2017, and the changes in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
December 12, 2017

Association for Services for the Aged

Statement of Financial Position

June 30, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 3,035,401
Accounts receivable, net of allowance for doubtful accounts	268,609
Prepaid expenses and other current assets	<u>1,049,683</u>
Total current assets	<u>4,353,693</u>
Total assets	<u>\$ 4,353,693</u>

Liabilities and Net Deficit

Current Liabilities

Accounts payable	\$ 306
Due to affiliates	1,597,744
Accrued payroll, payroll taxes and withholdings	5,471
Accrued vacation and other benefits	48,100
Other accrued expenses	<u>11,053</u>
Total current liabilities	1,662,674
Due to HRA	<u>2,809,526</u>
Total liabilities	<u>4,472,200</u>

Net Deficit

Unrestricted	<u>(118,507)</u>
Total net deficit	<u>(118,507)</u>
Total liabilities and net deficit	<u>\$ 4,353,693</u>

See notes to financial statements

Association for Services for the Aged

Statement of Activities

Year Ended June 30, 2017

Unrestricted Revenues, Gains, and Other Support

Net patient service revenues	\$ 1,985,744
Grant income	<u>4,952</u>

Total unrestricted revenues	<u>1,990,696</u>
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Expenses

Program expenses	1,904,140
Management and general expenses	<u>151,722</u>

Total expenses	<u>2,055,862</u>
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Change in net deficit	(65,166)
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Net Deficit, Beginning of Year	<u>(53,341)</u>
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Net Deficit, End of Year	<u><u>\$ (118,507)</u></u>
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See notes to financial statements

Association for Services for the Aged

Statement of Functional Expenses

Year Ended June 30, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 1,411,452	\$ 26,381	\$ 1,437,833
Payroll taxes and fringe benefits	368,967	10,590	379,557
Total salaries and related expense	1,780,419	36,971	1,817,390
Emergency answering services	866	-	866
Medical exams	3,158	-	3,158
Computer services	15,066	-	15,066
Administrative fees	-	65,150	65,150
Insurance costs	91,846	-	91,846
Occupancy	4,628	3,864	8,492
Professional and consulting fees	-	8,036	8,036
Temporary staffing	1,823	105	1,928
Telephone	1,183	68	1,251
Expensed furniture and equipment	-	27,872	27,872
Printing, office and training supplies	2,280	131	2,411
Dues, subscriptions and conferences	-	504	504
Transportation	1,933	-	1,933
Postage and messenger service	938	54	992
Other operational expenses	-	3,635	3,635
Depreciation	-	5,332	5,332
Total functional expenses	<u>\$ 1,904,140</u>	<u>\$ 151,722</u>	<u>\$ 2,055,862</u>

See notes to financial statements

Association for Services for the Aged

Statement of Cash Flows

Year Ended June 30, 2017

Cash Flows from Operating Activities

Change in net deficit	\$ (65,166)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:	
Depreciation and amortization	5,332
Change in allowance for doubtful accounts	92,524
Loss on disposal of property and equipment	27,119
Changes in assets and liabilities:	
Accounts receivable	907,171
Prepaid expenses and other current assets	6,836
Accounts payable and accrued expenses	(112,857)
Due to affiliates	27,922
Due to HRA	380,005
	<hr/>
Net cash provided by operating activities	1,268,886

Cash Flows from Financing Activities

Due to affiliates	<hr/> (19,950)
Net cash used in financing activities	<hr/> (19,950)
Net increase in cash and cash equivalents	1,248,936

Cash and Cash Equivalents, Beginning of Year

1,786,465

Cash and Cash Equivalents, End of Year

\$ 3,035,401

See notes to financial statements

Association for Services for the Aged

Notes to Financial Statements

June 30, 2017

1. Description of the Organization

Association for Services for the Aged (the "Organization") is a New York State Department of Health ("NYSDOH") licensed agency providing home health aide, personal care assistance, and nursing services to older adults and their families.

The Organization is wholly controlled by the JASA Corporation, its sole member. JASA Corporation also wholly controls the Jewish Association for Services for the Aged ("JASA") and the Services for the Aged ("SA"), in its capacity as their sole member. The Corporation is related to JASA and SA by virtue of this control.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. In addition, the Organization presents its financial statements in accordance with the accounting principles generally accepted in the United States of America for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There are no temporarily or permanently restricted net assets as of June 30, 2017. Furthermore, the Organization is required to segregate program service expenses from management and general expenses.

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 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.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at net realizable value. Receivable amounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of the accounts receivable aging, payor classifications and application of historical write-off percentages. As of June 30, 2017, the allowance for doubtful accounts was \$3,186,172.

Association for Services for the Aged

Notes to Financial Statements

June 30, 2017

Revenue Recognition

Patient service revenues are reported at estimated realizable amounts (net of uncollectible amounts) from patients, third-party payers, and others for services rendered and billable at agreed-upon hourly rates. It is reasonably possible that the estimates used could change in the near term. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known.

Charity Care

The Organization subsidized the treatment of certain patients who are covered by Medicaid and Medicare where reimbursement by such payors is below the cost of treating such patients. Services provided under these government programs are reported as patient service revenues at the net realizable amounts.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and management and general services benefited.

Income Taxes

The Organization has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended June 30, 2017. Due to its tax-exempt status, the Organization is not subject to income taxes. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization will be required to retrospectively adopt the guidance in ASU 2014-09 for years beginning after December 15, 2018; early application is not permitted. The Organization is currently evaluating the impact of adopting ASU 2014-09 on the financial statements.

Association for Services for the Aged

Notes to Financial Statements

June 30, 2017

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The core principle of ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 defines the term substantial doubt and requires an assessment for a period of one year after the date the financial statements are issued (or available to be issued). ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The adoption of ASU 2014-15 did not have a material impact on the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through December 12, 2017, which is the date the financial statements were available to be issued.

3. Uncompensated Care and Community Service

The Organization provides visits under state programs where actual patient care costs exceed payor reimbursement for the related services. Costs related to these services are included in operating expenses.

4. Due to HRA

The Organization had a contract with New York City Human Resources Administration ("HRA") to provide home attendant services to Medicaid-eligible individuals as determined by HRA. The contract with HRA set a fixed direct labor cost in the reimbursement rate, plus an approved general and administration, and indirect labor ("GAIL") expense amount. Should the Organization incur GAIL expenses below the approved GAIL expense amount, the Organization must repay the difference to HRA. In addition, as a not-for-profit entity, the HRA contract stipulates that the Organization cannot generate a profit from the services performed under the contract. Consequently, revenue in excess of expenses incurred under the HRA contract is recorded as Due to HRA as of each year end. The contract with HRA has ended on March 31, 2017.

Annual audits are conducted by HRA in accordance with the contract. The HRA audits have been completed through the fiscal year ended June 30, 2011 as of the date of these financial statements. The liability due to HRA in the amount of \$2,809,526 as of June 30, 2017 reflected the results of the HRA audits through June 30, 2011 as well as the estimated amounts determined by the Organization for the fiscal years through June 30, 2017. Managements estimate of this liability could change based upon future HRA audits.

Association for Services for the Aged

Notes to Financial Statements

June 30, 2017

5. Related Party Transactions

The Organization is a participant in a general insurance plan with Jewish Association for Services for the Aged ("JASA"), sponsored by the UJA-Federation, which also includes health insurance and workmen's compensation. Workmen's compensation, health insurance and other employee benefits for the years ended June 30, 2017 were \$50,685. JASA also charges the Organization an administrative fee which amounted to \$65,150 for the year ended June 30, 2017.

As of June 30, 2017, \$1,569,822 remains due to Services for the Aged and \$27,922 is due to JASA. Both amounts are included in due to affiliates on the statement of financial position. This payable balance pertains to expenses paid by Services for the Aged on behalf of the Organization, as well as administration fees due to JASA.

6. Workers' Compensation

The Organization has a retrospective plan for workers' compensation coverage of its home care workers. The premiums for this type of plan are adjustable based on actual payroll expense recorded by category. Upon annual settlements, the Organization may be required to pay additional premiums or may be refunded excess premiums paid. The Organization does not anticipate these settlement amounts to materially affect the Organization's financial position or results of operations.

7. Contingencies

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Organization, if any, are not presently determinable.

8. Concentrations of Credit Risk

The Organization maintains its cash balances in several accounts in one bank. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2017.

Primarily all of the Organization's revenue was derived from a contract with HRA which ended on March 31, 2017. The Organization is currently exploring options for future opportunities.