

**Association for Services
for the Aged**

Financial Statements

June 30, 2018 and 2017



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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

We have audited the accompanying financial statements of Association for Services for the Aged, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
January 7, 2019

Association for Services for the Aged

Statements of Financial Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,479,287	\$ 3,035,401
Accounts receivable, net of allowance for doubtful accounts	42,674	268,609
Due from affiliate	5,773	-
Prepaid expenses and other current assets	-	1,049,683
	<u>2,527,734</u>	<u>4,353,693</u>
Total current assets		
	<u>2,527,734</u>	<u>4,353,693</u>
Total assets	<u>\$ 2,527,734</u>	<u>\$ 4,353,693</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 8,808	\$ 306
Due to affiliates	-	1,597,744
Accrued payroll, payroll taxes and withholdings	-	5,471
Accrued vacation and other benefits	4,817	48,100
Other accrued expenses	-	11,053
	<u>13,625</u>	<u>1,662,674</u>
Total current liabilities		
	13,625	1,662,674
Due to Human Resources Administration	<u>2,613,146</u>	<u>2,809,526</u>
Total liabilities	<u>2,626,771</u>	<u>4,472,200</u>
Net Assets		
Unrestricted	<u>(99,037)</u>	<u>(118,507)</u>
Total net assets	<u>(99,037)</u>	<u>(118,507)</u>
Total liabilities and net assets	<u>\$ 2,527,734</u>	<u>\$ 4,353,693</u>

See notes to financial statements

Association for Services for the Aged

Statements of Activities

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unrestricted Revenues, Gains, and Other Support		
Patient service revenues	\$ 25,874	\$ 1,985,744
Grant income	<u>8,616</u>	<u>4,952</u>
Total unrestricted revenues, gains, and other support	<u>34,490</u>	<u>1,990,696</u>
Expenses		
Program expenses	10,971	1,904,140
Management and general expenses	<u>4,049</u>	<u>151,722</u>
Total expenses	<u>15,020</u>	<u>2,055,862</u>
Change in net assets	19,470	(65,166)
Net Assets, Beginning of Year	<u>(118,507)</u>	<u>(53,341)</u>
Net Assets, End of Year	<u><u>\$ (99,037)</u></u>	<u><u>\$ (118,507)</u></u>

See notes to financial statements

Association for Services for the Aged

Statement of Functional Expenses

Year Ended June 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ -	\$ -	\$ -
Payroll taxes and fringe benefits	568	-	568
Total salaries and related expense	568	-	568
Insurance costs	10,403	-	10,403
Professional and consulting fees	-	3,999	3,999
Dues, subscriptions and conferences	-	50	50
Total functional expenses	<u>\$ 10,971</u>	<u>\$ 4,049</u>	<u>\$ 15,020</u>

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

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 19,470	\$ (65,166)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	-	5,332
Change in allowance for doubtful accounts	4,304	92,524
Loss on disposal of property and equipment	-	27,119
Changes in assets and liabilities:		
Accounts receivable	221,631	907,171
Prepaid expenses and other current assets	1,049,683	6,836
Accounts payable and accrued expenses	(51,305)	(112,857)
Due to affiliates	(5,773)	27,922
Due to Human Resources Administration	(196,380)	380,005
Net cash provided by operating activities	<u>1,041,630</u>	<u>1,268,886</u>
Cash Flows from Financing Activities		
Due to affiliates	<u>(1,597,744)</u>	<u>(19,950)</u>
Net cash used in financing activities	<u>(1,597,744)</u>	<u>(19,950)</u>
Net (decrease) increase in cash and cash equivalents	(556,114)	1,248,936
Cash and Cash Equivalents, Beginning of Year	<u>3,035,401</u>	<u>1,786,465</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,479,287</u>	<u>\$ 3,035,401</u>

See notes to financial statements

Association for Services for the Aged

Notes to Financial Statements
June 30, 2018 and 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 (the "Corporation"), its sole member. The 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.

As noted in Note 4, the contract with New York City Human Resources Administration ("HRA") ended on March 31, 2017. There are no current plans to dissolve the entity and the entity is presented on an ongoing basis. The Organization has the support of its sole member, JASA Corporation.

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, 2018 and 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 statements 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.

Association for Services for the Aged

Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, the allowance for doubtful accounts was \$3,181,868 and \$3,186,172, respectively.

Revenue Recognition

Patient service revenues are reported at estimated realizable amounts (net of uncollectible amounts) from 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 based on management's best estimates.

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 years ended June 30, 2018 and 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.

Association for Services for the Aged

Notes to Financial Statements
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Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify 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. Management is currently evaluating the impact of ASU 2016-14 on the Organization's financial statements.

Subsequent Events

Management evaluated subsequent events through January 7, 2019, which is the date the financial statements were available to be issued. There were no subsequent events that had a material impact on the Organization's financial statements.

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 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 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 \$2,613,146 and \$2,809,526 as of June 30, 2018 and 2017, respectively, 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, 2018. Management's estimate of this liability could change based upon future HRA audits.

Association for Services for the Aged

Notes to Financial Statements
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5. Related Party Transactions

The Organization is a participant in a general insurance plan with JASA, sponsored by the UJA-Federation, which also includes health insurance and workers' compensation. Workers' compensation, health insurance and other employee benefits for the year ended June 30, 2017 was \$50,685. JASA also charged the Organization an administrative fee which amounted to \$65,150 for the year ended June 30, 2017.

As of June 30, 2018, \$5,773 is due from Services for the Aged. As of June 30, 2017, \$1,569,822 was due to Services for the Aged and \$27,922 was due to JASA. Both amounts are included in due to affiliates on the statements of financial position. This payable balance pertained 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.

As of June 30, 2017, FOJP Service Corporation owed the Organization \$1,035,214 relating to workers' compensation audits from 2016 and 2015. This amount was included in prepaid expenses and other current assets on the statements of financial position.

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.

Association for Services for the Aged

Notes to Financial Statements

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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, 2018 and 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.