Services for the Aged, Inc.
(d/b/a JASACare)

Financial Statements
and Independent Auditor's Report

June 30, 2019

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Services for the Aged, Inc
(d/b/a JASACare)

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Independent Auditor's Report

To the Board of Trustees
Services for the Aged, Inc. (d/b/a JASACare)

We have audited the accompanying financial statements of Services for the Aged, Inc. (d/b/a JASACare (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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 Organization'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 Organization'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 the Organization as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the entity adopted new accounting guidance for revenue due to the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

CohnReznick LLP

New York, New York
January 27, 2020

Services for the Aged, Inc.
(d/b/a JASACare)

Statements of Financial Position
June 30, 2019

Assets

Current assets	
Cash and cash equivalents	$ 3,016,285
Accounts receivable, net	5,434,343
Prepaid expenses and other assets	252,352
Total current assets	8,702,980
Accounts receivable, long-term	1,176,973
Property and equipment, net	128,550
Total assets	$ 10,008,503

Liabilities and Net Assets Without Donor Restrictions

Current liabilities	
Accounts payable	$ 92,418
Due to related parties	337,061
Accrued payroll, payroll taxes and withholdings	959,936
Accrued vacation and other benefits	824,714
Other accrued expenses	118,278
Total current liabilities	2,332,407
Deferred rent payable	342,880
Due to Human Resources Administration	2,346,351
Total liabilities	5,021,638
Commitments and contingencies	
Total net assets without donor restrictions	4,986,865
Total liabilities and net assets without donor restrictions	$ 10,008,503

See Notes to Financial Statements.

Services for the Aged, Inc.
(d/b/a JASACare)

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

Revenue without donor restrictions	
Patient services revenue, net	$ 47,199,494
Grant income	157,191
Interest income	2,623
Total revenues	47,359,308
Expenses	
Program expenses	44,415,400
Management and general expenses	3,685,615
Total expenses	48,101,015
Changes in net assets without donor restrictions	(741,707)
Net assets without donor restrictions, beginning	5,728,572
Net assets without donor restrictions, end	$ 4,986,865

See Notes to Financial Statements.

Services for the Aged, Inc.
(d/b/a JASACare)

Statement of Functional Expenses
Year Ended June 30, 2019

	Program services	General and administrative	Total
Salaries	$ 34,005,833	$ 1,253,074	$ 35,258,907
Payroll taxes and fringe benefits	7,651,953	451,745	8,103,698
Total salaries and related expense	41,657,786	1,704,819	43,362,605
Emergency answering services	29,787	-	29,787
Medical exams	150,298	-	150,298
Computer services	164,017	-	164,017
Administrative fees	-	1,461,704	1,461,704
Insurance costs	1,741,870	21,138	1,763,008
Occupancy	283,760	231,970	515,730
Profession and consulting fees	-	91,764	91,764
Temporary staffing	9,028	43,679	52,707
Telephone	11,995	907	12,902
Expensed furniture and equipment	-	18,973	18,973
Printing, office and training supplies	112,221	6,562	118,783
Dues, subscriptions and conferences	-	8,130	8,130
Transportation	15,919	-	15,919
Postage and messenger service	39,776	3,008	42,784
Other operational expenses	198,943	74,430	273,373
Depreciation	-	18,531	18,531
Total functional expenses	$ 44,415,400	$ 3,685,615	$ 48,101,015

See Notes to Financial Statements.

Services for the Aged, Inc.
(d/b/a JASACare)

Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities	
Changes in net assets	$ (741,707)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation and amortization	18,531
Changes in operating assets and liabilities	
Deferred rent payable	74,773
Accounts receivable	(136,547)
Prepaid expenses and other current assets	(69,661)
Accounts payable and accrued expenses	(142,414)
Due to related parties	61,391
Net cash used in operating activities	(935,634)
Net decrease in cash and cash equivalents	(935,634)
Cash and cash equivalents, beginning	3,951,919
Cash and cash equivalents, end	$ 3,016,285

See Notes to Financial Statements.

Note 1 - Organization and summary of significant account polices

Organization

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

Basis of presentation

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Organization maintains its cash in a bank deposit account which, at times, may exceed the federally-insured limits. The Organization maintains its cash with a high-quality financial institution. The Organization monitors its financial institution and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institution. For purposes of the statements of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of June 30, 2019.

Classification of net assets

The Organization classifies its net assets into two categories, which are described as follows:

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Organization and an outside party other than a donor or grantor.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and change in net assets.

Deferred rent

The Organization has two operating leases for office spaces that require normalization of the rent expense over the life of the lease. The resulting deferred rent is reflected in the accompanying statements of financial position.

Concentration of risk
The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. All highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalent.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 15 years. Leasehold improvements are amortized on a straight-line basis over estimated useful life. The Organization capitalizes all purchased of property and equipment in excess of $5,000.

Net patient services revenue and receivables
Patient care service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and could include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied, which is reflected after time sheets are submitted by home attendants.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving home attendant services. The Organization measures the performance obligation from the commencement of a home attendant service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the home attendant services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The Organization's performance obligations consist primarily of home attendant services that occur within one day, thus, there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided. The transaction price or rate is established and then negotiated with patients and third-party payors based on the number of hours required per patient. The transaction price reflects the Organization's historical collection experience. The payor offers a contract price and the Organization reviews the rate to determine whether to accept or reject the proposed rate; any difference between the contract price and the accepted proposed rate is deemed a contractual adjustment and would constitute an implicit price concession. The Organization uses a blended rate based on hours to determine if the contract rate is acceptable.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid - Reimbursements for Medicaid services are generally paid at prospectively determined rates per unit or per hour.

Other - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per units or per hour, an established blended rate, and prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity. There were no adjustments arising from a change in the transaction price in 2019 due to the above.

Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Accounts receivables, long-term
In March 2019, Independence Care System ("ICS") ceased participation as a health plan in New York's Managed Long-Term Care ("MLTC") program. The majority of ICS's membership was transferred to VNSNY CHOICE MLTC. The Organization entered into a release agreement with VNSNY CHOICE MLTC. The parties agreed to a network enhancement fee payable in 12 installments due on a quarterly basis beginning June 2019. The amount of $1,176,973 as of June 30, 2019 represents amounts due and payable after June 30, 2020.

Functional expenses
The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, and general and administrative. Such allocations are determined by management using their best estimate. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaried, payroll taxes and fringe benefits, insurance costs, and temporary staffing, which are allocated on the bases of actual cost; emergency answering series, medical exams, computer services, administrative fees, occupancy, professional and consulting fees, expensed furniture and equipment, printing, office and training supplies, dues, subscriptions and conferences, transportation, other operation expense, and depreciation, which are allocated on the basis of estimates of time and effort. The functional expenses for the year ended June 30, 2019 is reflected in the statement of functional expenses.

Tax status
The Organization was incorporated as a not-for-profit corporation under the laws of the State of New York and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, there is no provision for income taxes.

The Organization has no unrecognized tax benefits as of June 30, 2019. The Organization's federal and state income tax returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and authoritative rulings.

If applicable, the Organization will recognize interest and penalties paid in association with tax matters as part of expenses in the statement of activities and changes in net assets. There were no interest or penalties for the year ended June 30, 2019.

The Organization is subject to income tax examinations by federal, state and local tax authorities for years 2018 and onwards.

Adoption of new accounting pronouncements
For the year ended June 30, 2019, the Organization *adopted* the Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation for Financial Statements for Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 relates to the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

The Organization adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Organization early adopted ASU 2014-09 on July 1, 2018 using the modified retrospective method of transition. The Organization performed an analysis of revenue streams and transactions under ASU 2014-09. In particular, for patient service revenue net of contractual allowances and discounts, the Organization performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts and group pharmacy contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for bad debts and presented as reduction to patient revenue net of contractual allowances and discounts on the statement of activities and changes in net assets is now treated as a price concession that reduces the transaction price, which is reported as net patient services revenue. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The impact of adopting ASU 2014-09 was not material to total revenue without donor restrictions, increase in net assets without donor restrictions, or total net assets.

Subsequent events
The Organization has evaluated subsequent events through January 27, 2020, which is the date the financial statements were available to be issued.

Note 2 - Availability and liquidity

Financial assets at year-end		
Cash and cash equivalents	$	3,016,285
Accounts receivable		5,434,343
Financial assets available to meet general expenditures over the next 12 months	$	8,450,628

On a regular basis, the Organization monitors the availability of resources required to meet its operating needs and other commitments. For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities. In addition to the aforementioned assets available to meet general expenditures over the 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

Note 3 - Net patient services revenue and net patient receivables

The composition of patient care service revenue by primary payor for the year ended June 30, 2019 is as follows:

Patient service revenue
Patient services revenue, net, consists of the following at June 30, 2019:

HRA	$	9,973,835
Managed Long-Term Care		36,439,471
Private		786,188
	$	47,199,494

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor. Patient receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients.

Net patient services receivables, consist of the following at June 30:

HRA	$	1,677,934
Managed Long-Term Care plans		3,747,587
Private		203,413
		5,628,934
Less allowance for doubtful accounts		(194,591)
Total	$	5,434,343

The Organization's concentration of credit risk relating to patient services receivables primarily relate to patient accounts for which the primary insurance payor has not paid. The Organization recognized $523,998 of patient receivable impairment or bad debt for the year ended June 30, 2019 based on patient-specific impairment events.

Note 4 - Property and equipment, net

Property and equipment, net as of June 30, 2019:

Computer equipment	$	15,753
Furniture and fixtures		114,745
Leasehold improvements		39,398
Computer software		9,000
Total		178,896
Lease accumulated depreciation and amortization		50,346
Property and equipment, net	$	128,550

Note 5 - Due to Human Resources Administration

The Organization has a contract with New York City Human Resources Administration ("HRA") to provide home attendant services to Medicaid-eligible individuals. The contracts prior to 3/31/2017 stipulate a fixed direct labor cost, plus an approved general and administration fee, and an indirect labor ("GAIL") expense amount. As a non-for-profit entity, the previous HRA contract also stipulates that the Organization cannot generate a profit from the services performed. Consequently, revenue in excess of expenses incurred under the previous HRA contract is recorded as Due to HRA. Should the Organization incur GAIL (profit) the Organization must repay HRA.

In accordance with the HRA contract, audits are to be conducted annually. The HRA audits have been completed through June 30, 2012. As of June 30, 2019, the liability due to HRA is $2,346,351, which reflects the result of the HRA audits through June 30, 2012, as well as the estimated amounts determined by the Organization for the fiscal years through June 30, 2019. Management's estimate of this liability could change based upon future HRA audits.

Note 6 - 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, 2019 is $704,958. JASA provides management support services to the Organization under contract. Fees for these services amounted to $1,461,704.

As of June 30, 2019, $337,061 is due to JASA. This amount is included in the due to related parties on the statements of financial position.

On November 21, 2016, the Organization entered into a Letter of Understanding with JASA to sublease office space from JASA. The lease term commenced on November 21, 2016 and terminates on May 31, 2032. See Note 10 for additional disclosure of the five-year payout commitment.

Note 7 - 401(k) retirement plan

For administrative staff, the Organization sponsors a tax-qualified, defined-contribution pension plan under Section 401(k) of the Internal Revenue Code. Eligible employees can elect to invest a pretax contribution up to 20% of their salary to a maximum of $19,000. Investments are participant-directed and accumulated on a tax-deferred basis with interest until withdrawn. Effective July 1, 2018, the Plan was amended to allow a discretionary profit sharing contributions to the Plan. For the year ended June 30, 2019, the employer's discretionary profit sharing contribution was 3% of the employee's eligible compensation. For the year ended June 30, 2019, the employer's discretionary profit sharing contribution was $56,073.

Note 8 - Pension plan

For the unionized home care aides, the Organization is a participant in a multi-employer pension plan. The District Council 1707, Local 389 Home Care and Professional Employees Pension Fund (the "Fund") is a noncontributory, multi-employer defined benefit pension fund that was established as part of a collective bargaining agreement. the Organization contributes .455 per billable work hour for the aides. The risks of participating in multi-employer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contribution to the multi-employer plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If one of the participating employers' petitions to stop participating in the multi-employer plan, such employer may be required to pay the plan a withdrawal liability based on the funded status of the plan.

The Fund is designed to provide normal retirement, early retirement, and vested pension benefits for its members including the eligible employees of the Organization. Benefits are calculated utilizing specified percentages with the plan document.

The following table discloses the most recent funded status of the Funds, as of January 1, 2018 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2018:

Valuation date	Fair value of Plan assets	Actuarial present value of accumulated Plan benefits	Total contributions	Funded status	Zone status
January 1, 2018	$ 58,144,776	$ 58,115,485	$ 2,325,626	105.90%	Green

As of December 31, 2018, the Fund has a certified green zone status as determined by the Fund's actuary. The Fund did not utilize any extended amortization provisions that would affect the calculation of their zone status.

The Organization is currently in the process of obtaining the funded status of the Fund as of January 1, 2018 (the date of the actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2018.

The Organization is not required to file an annual zone certification under the Pension Protection Act of 2006 and disclosures concerning a financial improvement plan or rehabilitation plan are not applicable. The Plan is at 105.9% funded using the most recent financial information as of December 31, 2018, the end of the Plan year.

The Organization's contribution to the Plan for the years ended June 30, 2019 was approximately $899,725.

Note 9 - Workers' compensation

The Organization has a retrospective plan for workers' compensation coverage for its home care workers. The premiums for this plan are adjustable based on actual payroll expense recorded. Per annual audits, 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.

Note 10 - Commitments and contingencies

The Organization is committed under the terms of operating leases for office facilities, office equipment and other equipment, with initial terms in excess of one year.

The minimum future lease payments under operating leases as of June 30, 2019 are as follows:

Years ending June 30:		
2020	$	383,013
2021		392,229
2022		403,292
2023		436,236
2024		446,765
Thereafter		4,118,001
Total	$	6,179,536

The healthcare industry is subject to voluminous and complex laws and regulations of federal, state and local governments. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws and false claims prohibitions.

The Organization has cash set aside for the terminated HRA program. The amount in the liability due to HRA, reflects the result of the HRA audits through June 30, 2012, as well as the estimated amounts determined by the Organization for the fiscal years through June 30, 2019. Management's estimate of this liability could change based upon future HRA audits.

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