

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended June 30, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Sunnyside Citywide Home Care Services, Inc.

We have audited the accompanying financial statements of Sunnyside Citywide Home Care Services, Inc. ("Citywide"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 Sunnyside Citywide Home Care Services, Inc. as of June 30, 2021 and 2020, 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.

Marks Paneth LLP

New York, NY
February 10, 2022

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash (Note 10)	\$ 1,102,708	\$ 1,000,406
Accounts receivable, net (Notes 2D, 2H and 4)	801,606	1,535,538
Investments (Notes 2E and 5)	4,732,357	3,921,147
Prepaid expenses and other assets	10,822	52,536
Due from affiliates (Note 11)	2,813,005	2,879,516
Property and equipment, net (Notes 2F and 6)	47,636	54,002
TOTAL ASSETS	\$ 9,508,134	\$ 9,443,145
LIABILITIES		
Accounts payable and accrued expenses	\$ 604,455	\$ 578,879
Workers' compensation assessment payable (Note 7)	360,716	477,704
TOTAL LIABILITIES	965,171	1,056,583
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Without donor restrictions	8,542,963	8,386,562
TOTAL NET ASSETS	8,542,963	8,386,562
TOTAL LIABILITIES AND NET ASSETS	\$ 9,508,134	\$ 9,443,145

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

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
GOVERNMENT AND OTHER SUPPORT:						
Contract revenue - Managed care (Notes 2H and 10)	\$ 137,939	\$ -	\$ 137,939	\$ 1,662,050	\$ -	\$ 1,662,050
Private pay (Note 2H)	294,806	-	294,806	407,529	-	407,529
Government grants (Note 2G)	310,242	-	310,242	-	-	-
Donated services (Note 2J)	2,287	-	2,287	-	-	-
State funding and other income	37,160	-	37,160	827,102	-	827,102
TOTAL GOVERNMENT AND OTHER SUPPORT	<u>782,434</u>	<u>-</u>	<u>782,434</u>	<u>2,896,681</u>	<u>-</u>	<u>2,896,681</u>
OPERATING EXPENSES (Note 2K):						
Program services						
Home care	729,390	-	729,390	2,615,800	-	2,615,800
Supporting services						
Management and general	700,984	-	700,984	549,790	-	549,790
TOTAL OPERATING EXPENSES	<u>1,430,374</u>	<u>-</u>	<u>1,430,374</u>	<u>3,165,590</u>	<u>-</u>	<u>3,165,590</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	<u>(647,940)</u>	<u>-</u>	<u>(647,940)</u>	<u>(268,909)</u>	<u>-</u>	<u>(268,909)</u>
NON-OPERATING ACTIVITY:						
Investment return, net (Note 5)	804,341	-	804,341	160,940	-	160,940
TOTAL NON-OPERATING ACTIVITY	<u>804,341</u>	<u>-</u>	<u>804,341</u>	<u>160,940</u>	<u>-</u>	<u>160,940</u>
CHANGES IN NET ASSETS	156,401	-	156,401	(107,969)	-	(107,969)
NET ASSETS - BEGINNING OF YEAR	<u>8,386,562</u>	<u>-</u>	<u>8,386,562</u>	<u>8,494,531</u>	<u>-</u>	<u>8,494,531</u>
NET ASSETS - END OF YEAR	<u>\$ 8,542,963</u>	<u>\$ -</u>	<u>\$ 8,542,963</u>	<u>\$ 8,386,562</u>	<u>\$ -</u>	<u>\$ 8,386,562</u>

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

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	For the Year Ended June 30, 2021			For the Year Ended June 30, 2020		
	Program Services Home Care	Management and General	Total	Program Services Home Care	Management and General	Total
Salaries	\$ 369,949	\$ 90,380	\$ 460,329	\$ 1,708,948	\$ 203,460	\$ 1,912,408
Payroll taxes and fringe benefits (Note 9)	166,145	17,724	183,869	681,743	40,216	721,959
Total Personnel Costs	<u>536,094</u>	<u>108,104</u>	<u>644,198</u>	<u>2,390,691</u>	<u>243,676</u>	<u>2,634,367</u>
Consultants (Note 2J)	10,375	8,757	19,132	21,499	20,053	41,552
Computer services	10,038	9,769	19,807	42,079	39,248	81,327
Occupancy (Note 8)	57,828	56,276	114,104	68,482	63,876	132,358
Supplies/printing	4,250	4,136	8,386	12,696	240	12,936
Insurance	59,194	57,605	116,799	35,295	32,922	68,217
Repairs and maintenance	5,169	5,030	10,199	6,281	5,859	12,140
Dues and subscriptions	519	506	1,025	1,008	941	1,949
Bank charges and interest	26,068	25,368	51,436	31,737	29,603	61,340
Depreciation and amortization (Note 6)	3,294	3,072	6,366	3,294	3,072	6,366
Bad debt expense	-	406,246	406,246	-	107,747	107,747
Other	16,561	16,115	32,676	2,738	2,553	5,291
TOTAL EXPENSES	<u>\$ 729,390</u>	<u>\$ 700,984</u>	<u>\$ 1,430,374</u>	<u>\$ 2,615,800</u>	<u>\$ 549,790</u>	<u>\$ 3,165,590</u>

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

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 156,401	\$ (107,969)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized gain on investment	(696,961)	(69,969)
Realized gain on investment	(26,208)	(5,106)
Bad debt expense	406,246	107,747
Depreciation and amortization	6,366	6,366
Subtotal	(154,156)	(68,931)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	327,686	586,682
Government grants receivable	-	2,302
Prepaid expenses and other assets	41,714	261,454
Due from affiliates	66,511	771,168
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	25,576	(519,731)
Workers' compensation assessment payable	(116,988)	(116,988)
Net Cash Provided by Operating Activities	190,343	915,956
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	73,983	-
Purchase of investments	(162,024)	(85,864)
Net Cash Used in Investing Activities	(88,041)	(85,864)
NET INCREASE IN CASH	102,302	830,092
Cash - beginning of the year	1,000,406	170,314
CASH - END OF YEAR	\$ 1,102,708	\$ 1,000,406
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 22,227	\$ 21,921

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

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Sunnyside Citywide Home Care Services, Inc. (“Citywide”) is a not-for-profit licensed home care service agency that was established to provide personal care services to the elderly and disabled persons who require such services in order to maintain themselves safely at home. Citywide is funded primarily by managed care revenues.

The agency is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The accompanying financial statements were prepared to present the financial position, changes in net assets and cash flows of only Citywide and do not include the financial position, changes in net assets and cash flows of its related organizations: Sunnyside Community Services, Inc. (“Sunnyside”), Sunnyside Home Care Project, Inc. (“Home Care”) and Sunnyside CDPAP, Inc. (“CDPAP”). Effective January 1, 2019, Citywide began transferring clients to Home Care. All managed care clients were transferred as of March 1, 2020.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of accounting*** - The accompanying financial statements of Citywide have been prepared on the accrual basis of accounting. Citywide adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Basis of presentation*** - Citywide maintains its net assets under the following two classes:
- a. Net assets without donor restrictions – includes funds having no restriction as to use or purpose imposed by donors. It represents resources available for support of Citywide’s operations over which the Board of Directors has discretionary control.
 - b. Net assets with donor restrictions – represents assets that are subject to donor-imposed stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- C. ***Government grants receivable*** - Government grants receivable are recorded for expenditures made in accordance with grant agreements.
- D. ***Allowance for doubtful accounts*** - Citywide determines whether an allowance for uncollectible accounts should be provided for accounts receivable. Such estimates are based on management’s assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of June 30, 2021 and 2020, Citywide determined an allowance of \$120,996 and \$264,210, respectively, was necessary for accounts receivable.
- E. ***Investments*** - Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels as described in Note 5.
- F. ***Property and equipment*** - Property and equipment and leasehold improvements are recorded at cost. Items with a cost of \$1,000 and estimated useful life of greater than one year are capitalized. Property and equipment are depreciated on the straight-line method over their estimated useful lives. Amortization of leasehold improvements is recorded on the straight-line method over the term of the lease or the life of the asset, whichever is shorter.

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. **Revenue from Government Sources** - Revenues from government contracts are recognized when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the governmental funding sources. No provision for disallowances is reflected in the financial statements, since management does not anticipate material adjustments. Laws and regulations related to government programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in penalties and exclusion from the government programs. Cost reimbursement type government grants are accounted for under Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

Government grants are recognized as revenue when barriers within the contract are overcome, and there is no right of return/ release from obligation. Government grants amounted to \$310,242 and \$0 for the years ended June 30, 2021 and 2020, respectively.

In October and December 2020, Citywide received total funding of \$310,242 from the U.S. Department of Health and Human Services under the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”).

As of June 30, 2021 and 2020, there was no conditional grants and contracts from government agencies that have not been recorded in the accompanying financial statements.

- H. **Contract and managed care revenues** - Revenues from care of patients are reported at the estimated net realizable amounts from patients, third-party payors and others from services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing health care programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

Citywide bills third-party payors after the services are performed or after it has completed its portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Citywide in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Citywide measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 201 and 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. Citywide determines the transaction price based on established rates or contracts for services provided.

- I. **Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- J. **Donated Services** - Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. For the year ended June 30, 2021, Citywide received donated services of \$2,287 and is reflected as contributions in kind and consultant expenses in the accompanying financial statements.

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- K. **Operating leases** - Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.
- L. **Functional allocation of expenses** - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- The accompanying financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, insurance, depreciation and amortization which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes which are allocated on the basis of estimates of time and effort spent, consultants, computer services, supplies and all other expenses which are allocated on the basis of full time equivalent.
- M. **Use of Estimates** - The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual amounts could differ from those estimates.
- N. **Reclassifications** - Certain line items in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation. Such reclassifications had no effect on net assets previously reported.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2021	2020
Cash	\$ 1,102,708	\$ 1,000,406
Accounts receivable, net	801,606	1,535,538
Investments	4,732,357	3,921,147
	6,636,671	6,457,091
Less: accounts receivable due in more than one year	-	(317,988)
	\$ 6,636,671	\$ 6,139,103

Citywide regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. This is done by comparing, on a weekly basis, funds available to actual expenses to be paid. Citywide also strives to collect receivables on a timely basis from all types of debtors.

As part of Citywide’s liquidity management plan, Citywide invests cash in excess of daily requirements in short-term investments such as stocks and mutual funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Citywide considers all expenditures related to its ongoing activities of Citywide’s programs as well as the conduct of services undertaken to support those activities to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs.

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following as of June 30:

	2021	2020
Amount due in less than one year:		
Medicaid – Managed care	\$ 716,969	\$ 1,269,161
Other private pay insurance	166,941	175,942
Other receivables	38,692	36,657
Amount due in more than one year:		
Medicaid – Managed care	-	317,988
Total accounts receivable	922,602	1,799,748
Less: allowance for doubtful accounts	(120,996)	(264,210)
Total accounts receivable, net	\$ 801,606	\$ 1,535,538

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at June 30, 2021 and 2020 and were classified as Level 1 in the fair value hierarchy (as defined below) as follows:

	2021	2020
Fixed income	\$ 1,965,542	\$ 1,955,729
Equity	2,766,815	1,965,418
Total Investments	\$ 4,732,357	\$ 3,921,147

Investments are subject to market volatility that could change their carrying value in the near term.

Investment return consisted of the following for the years ended June 30:

	2021	2020
Interest and dividends	\$ 96,167	\$ 99,885
Realized gain	26,208	5,106
Unrealized gain	696,961	69,969
	819,336	174,960
Less: Investment fees	(14,995)	(14,020)
	\$ 804,341	\$ 160,940

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In determining fair value, Citywide utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in equity and fixed income are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes in active exchange markets involving identical assets.

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of June 30:

	2021	2020	Estimated Useful Lives
Leasehold improvements	\$ 84,574	\$ 84,574	12-15 Years
Furniture and equipment	48,912	48,912	5 Years
	133,486	133,486	
Less: accumulated depreciation and amortization	(85,850)	(79,484)	
Net book value	\$ 47,636	\$ 54,002	

Depreciation and amortization expense amounted to \$6,366 for each of the years ended June 30, 2021 and 2020.

NOTE 7 – WORKERS’ COMPENSATION ASSESSMENT

In 1999, Citywide joined the Health Care Providers Self-Insurance Trust (“HCPSIT”), a workers’ compensation group self-insurance trust established to provide Workers’ Compensation coverage and services for providers of social services throughout the State of New York. A forensic audit of the Trust was commissioned by the New York State Workers’ Compensation Board (“WCB”). That audit determined that HCPSIT had a cumulative deficit in the amount of \$188,187,893. Based on the deficit, the WCB terminated HCPSIT on or about June 30, 2009 and assumed trust administration and final distribution of the trust’s assets and liabilities. The WCB initiated the process of determining the assessment amount to be levied on each member of the Trust.

On January 15, 2014, the WCB provided Citywide with a settlement agreement of \$1,169,883. The agreement included an option for a one-time lump sum payment with a 5% discount, which would net to a liability of \$1,111,389; an option to pay the full amount over one or two years, interest free; or the option to pay the full amount over a ten-year period with an interest rate of 3.5%. Citywide accrued the full amount of \$1,169,883 in June of 2013, while deciding on the best option. On June 24, 2014, Citywide elected the option to pay the full amount over the ten-year period incurring annual interest of 3.5% and signed the settlement agreement with WCB. Under the terms of this agreement, Citywide is required to make monthly payments of \$11,568, including interest, beginning in August 2014. Workers’ compensation assessment payable amounted to \$360,716 and \$477,704 as of June 30, 2021 and 2020, respectively.

Future principal payments for each of the five years subsequent to June 30, 2021 are as follows:

2022	\$ 116,988
2023	116,988
2024	116,988
2025	9,752
	\$ 360,716

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. *Lease Commitments*

Citywide subleases its office located in Queens, New York from Sunnyside under two operating leases and provides payments of real estate taxes and utilities in addition to minimum rent. The two leases expire on June 30, 2022. In the event that governmental funding is terminated, Citywide may cancel the subleases upon giving one to three months' notice (varying by sublease agreement) to Sunnyside.

Rent expense for the years ended June 30, 2021 and 2020 was \$100,294 and \$114,436, respectively.

The future minimum lease payments to Sunnyside, based on the subleases, subject to cancellation, amount to \$115,000 for the year ending June 30, 2022.

B. *Third Party Contingencies*

Citywide is responsible to report to various third parties, among which are the New York State Department of Health ("DOH"), the New York State Office of Attorney General ("AG"), the Internal Revenue Service ("IRS"), the New York State Department of Charities Registration, the Office of Inspector General, and the Office of Medicaid Inspector General ("OMIG"). These and other agencies, including the New York City Human Resources Administration ("HRA") and the New York City Department for the Aging ("DFTA"), have the right to audit fiscal as well as programmatic compliance, i.e., clinical documentation and physician certifications, among other compliance requirements.

DOH increased the Medicaid rates to provide funding for recruitment, training and retention of home health aides and/or other personnel with direct patient care responsibility. Home Care and Citywide are required to provide attestations certifying that these funds, if applicable, were paid to home health aides and other personnel with direct patient care responsibilities.

During 2007, the AG of the State of New York issued subpoenas to several Certified Home Health Agencies ("CHHAs") and Long Term Home Health Care Programs ("LTHHCPs") citing that the Home Health Aides ("HHAs") they contracted from licensed vendor agencies were not actually trained, and their certification as HHAs was falsified. Therefore, the CHHAs and LTHHCPs billed Medicaid for ineligible services. Citywide maintains that it performed proper due diligence to assure that the HHAs it employs have appropriate training and certification. Citywide did not receive a subpoena; however, this matter and the AG's investigation have not been concluded. Citywide's management believes that they have no exposure in this matter.

C. *Income Taxes*

Citywide believes it has no uncertain tax positions as of June 30, 2021 and 2020 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. *Operational Impact of COVID-19*

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Citywide's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, Citywide is currently unable to fully determine the extent of COVID-19's impact on its business in future periods.

**SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 – PENSION PLANS

Nonunion Pension Plan

Citywide maintains a 403(b)-pension plan that covers all full-time employees not covered by a collective bargaining agreement. On an annual basis, the Board determines a discretionary contribution for employees who are at least 21 years of age and have completed two years of service. Citywide did not make any contribution to this plan for the years ended June 30, 2021 and 2020.

Union Pension Plan

All union employees of Citywide are covered by an employer contributory pension plan administered by the union. Union pension expense for the years ended June 30, 2021 and 2020 was \$7,033 and \$35,154, respectively. Citywide did not contribute more than 5% of total contributions to those plans.

The risks of participating in these multiemployer defined benefit pension plans are different from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if Citywide chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan.

The following information was obtained from Citywide’s union-managed pension plan:

Pension Fund	EIN/ Pension Plan Number	FIP/RP Status Pending/ Implemented	Contributions		Surcharge Imposed	Effective Date of Collective Bargaining Agreement
			2021	2020		
1199 SEIU Home Care Employees Pension Fund	EIN 13-3943904 Plan No. 001	No	\$7,033	\$35,154	No	September 30, 2020

As of the date the financial statements were available to be issued, Form 5500 was available for the plan year ended December 31, 2020 and did not include 2021 plan information. The plan’s actuaries have certified that the plan is not endangered, seriously endangered or critical, as those terms are defined in the Pension Protection Act of 2006 for the plan year ended December 31, 2020.

NOTE 10 – CONCENTRATIONS

Credit Risk

Cash that potentially subjects Citywide to a concentration of credit risk includes cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, there was approximately \$605,000 and \$729,000, respectively, of cash held by one bank that exceeded FDIC limits.

Revenue

For the year ended June 30, 2021, 40% of Citywide’s revenues were derived from U.S. Department of Health and Human Services. 34% of accounts receivable was due from Independent Care Systems and 18% of accounts receivable are derived from billings to three other managed care vendors as of June 30, 2021.

For the year ended June 30, 2020, 36% of Citywide’s revenues were derived from Fidelis Catholic Charities and as of June 30, 2020, 41% of accounts receivable was from Independent Care Systems, and 52% of revenues and 26% of accounts receivable are derived from billings to four other managed care vendors.

SUNNYSIDE CITYWIDE HOME CARE SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 11 – RELATED PARTY TRANSACTIONS

Citywide is related through common board members to Home Care and Sunnyside. CDPAP is a wholly owned subsidiary of Sunnyside. As of June 30, 2021, Citywide is owed \$2,726,546 from Home Care, \$80,496 from Sunnyside and \$5,963 from CDPAP. As of June 30, 2020, Citywide was owed \$2,767,225 from Home Care, \$106,328 from Sunnyside and \$5,963 from CDPAP. These amounts represent operating expenses advances, are non-interest-bearing and are due on demand.

In addition, in 2021 and 2020 Sunnyside charged rent (Note 8) and other expenses, as outlined in the table below, to Citywide.

	<u>2021</u>	<u>2020</u>
Rent, real estate taxes and utilities expenses	\$ 136,068	\$ 144,498
Salaries, fringe benefits and other expenses	288	-

Sunnyside has a \$2 million revolving line of credit with a bank as borrower with Home Care and Citywide as guarantors that matures on December 31, 2022. Interest on this line is calculated using LIBOR Daily Floating Rate plus 2.25% percent points. As of June 30, 2021, there is no outstanding balance on this line. As of February 10, 2022, there is no borrowing under this line.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure of, events subsequent to the date of the statement of financial position through February 10, 2022, the date the financial statements were available to be issued.