

SUNNYSIDE HOME CARE PROJECT, INC.



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

Years Ended June 30, 2022 and 2021

SUNNYSIDE HOME CARE PROJECT, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Sunnyside Home Care Project, Inc.
New York, NY

Opinion

We have audited the financial statements of Sunnyside Home Care Project, Inc. ("Home Care"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Home Care as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Home Care and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Financial Statements

The financial statements of Home Care as of and for the year ended June 30, 2021, were audited by another auditor whose report dated February 10, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Home Care's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Home Care's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Home Care's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann CPAs

New York, NY
March 3, 2023

SUNNYSIDE HOME CARE PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	\$ 4,945,998	\$ 5,508,901
Government grants receivable, net (Notes 2D, 2E and 4)	210,739	210,740
Accounts receivable, net (Notes 2E, 2I and 5)	8,516,612	7,367,366
Contributions receivable (Notes 2E and 2K)	-	30,000
Due from affiliates (Notes 9)	114,510	254,577
Prepaid expenses and other assets	-	1,500
TOTAL ASSETS	\$ 13,787,859	\$ 13,373,084
LIABILITIES		
Accounts payable and accrued expenses (Note 6D)	\$ 5,108,747	\$ 6,779,467
Advances payable and deferred revenue (Note 2G)	2,166,545	26,842
Due to affiliates (Note 9)	3,030,837	2,726,547
TOTAL LIABILITIES	10,306,129	9,532,856
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS (Note 2B)		
Without donor restrictions	3,456,730	3,752,873
With donor restrictions (Note 7)	25,000	87,355
TOTAL NET ASSETS	3,481,730	3,840,228
TOTAL LIABILITIES AND NET ASSETS	\$ 13,787,859	\$ 13,373,084

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

SUNNYSIDE HOME CARE PROJECT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	For the Year Ended June 30, 2022			For the Year Ended June 30, 2021		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
GOVERNMENT AND OTHER SUPPORT:						
Government and other grants (Notes 2H and 10)	\$ 231,322	\$ -	\$ 231,322	\$ 874,064	\$ -	\$ 874,064
Contract revenue - Managed care (Notes 2I and 10)	40,683,109	-	40,683,109	43,564,766	-	43,564,766
Contributions and grants (Note 2K)	-	65,000	65,000	-	160,000	160,000
Donated services (Note 2L)	-	-	-	6,862	-	6,862
Other income	1,045,779	-	1,045,779	1,064,755	-	1,064,755
Net assets released from restrictions (Notes 2B and 7)	<u>127,355</u>	<u>(127,355)</u>	<u>-</u>	<u>160,752</u>	<u>(160,752)</u>	<u>-</u>
TOTAL GOVERNMENT AND OTHER SUPPORT	<u>42,087,565</u>	<u>(62,355)</u>	<u>42,025,210</u>	<u>45,671,199</u>	<u>(752)</u>	<u>45,670,447</u>
OPERATING EXPENSES (Note 2N):						
Program services						
Home care	38,257,965	-	38,257,965	41,470,557	-	41,470,557
Supporting services						
Management and general	<u>3,875,247</u>	<u>-</u>	<u>3,875,247</u>	<u>3,741,701</u>	<u>-</u>	<u>3,741,701</u>
TOTAL OPERATING EXPENSES	<u>42,133,212</u>	<u>-</u>	<u>42,133,212</u>	<u>45,212,258</u>	<u>-</u>	<u>45,212,258</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITY	(45,647)	(62,355)	(108,002)	458,941	(752)	458,189
NON-OPERATING ACTIVITY:						
Prior period settlement expense (Note 6D)	<u>(250,496)</u>	<u>-</u>	<u>(250,496)</u>	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
CHANGES IN NET ASSETS	(296,143)	(62,355)	(358,498)	(541,059)	(752)	(541,811)
NET ASSETS - BEGINNING OF YEAR	<u>3,752,873</u>	<u>87,355</u>	<u>3,840,228</u>	<u>4,293,932</u>	<u>88,107</u>	<u>4,382,039</u>
NET ASSETS - END OF YEAR	<u>\$ 3,456,730</u>	<u>\$ 25,000</u>	<u>\$ 3,481,730</u>	<u>\$ 3,752,873</u>	<u>\$ 87,355</u>	<u>\$ 3,840,228</u>

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

SUNNYSIDE HOME CARE PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	For the Year Ended June 30, 2022			For the Year Ended June 30, 2021		
	Program Services - Home Care	Management and General	Total	Program Services - Home Care	Management and General	Total
Salaries (Note 9)	\$ 29,763,314	\$ 1,540,585	\$ 31,303,899	\$ 31,650,502	\$ 1,636,809	\$ 33,287,311
Payroll taxes and fringe benefits (Note 8)	<u>7,575,237</u>	<u>802,312</u>	<u>8,377,549</u>	<u>8,938,922</u>	<u>832,680</u>	<u>9,771,602</u>
Total Personnel Costs	37,338,551	2,342,897	39,681,448	40,589,424	2,469,489	43,058,913
Consultants (Note 2L)	142,804	218,836	361,640	173,277	168,551	341,828
Computer services	172,312	147,673	319,985	184,147	160,569	344,716
Occupancy (Notes 6 and 9)	224,919	192,758	417,677	254,523	221,933	476,456
Supplies/printing	70,799	60,676	131,475	86,333	75,279	161,612
Travel/transportation	34,907	19,059	53,966	28,211	28,212	56,423
Insurance	256,425	219,759	476,184	119,421	104,130	223,551
Repairs and maintenance	9,000	7,713	16,713	19,461	16,969	36,430
Bad debt expense	-	650,247	650,247	-	482,177	482,177
Other	<u>8,248</u>	<u>15,629</u>	<u>23,877</u>	<u>15,760</u>	<u>14,392</u>	<u>30,152</u>
Subtotal	38,257,965	3,875,247	42,133,212	41,470,557	3,741,701	45,212,258
Add: Prior period settlement expense (Note 6D)	<u>250,496</u>	<u>-</u>	<u>250,496</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
TOTAL EXPENSES	<u>\$ 38,508,461</u>	<u>\$ 3,875,247</u>	<u>\$ 42,383,708</u>	<u>\$ 42,470,557</u>	<u>\$ 3,741,701</u>	<u>\$ 46,212,258</u>

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

SUNNYSIDE HOME CARE PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (358,498)	\$ (541,811)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	650,247	482,177
Subtotal	291,749	(59,634)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	1	30,969
Accounts receivable	(1,799,493)	(371,616)
Contributions receivable	30,000	182,500
Due from affiliates	140,067	(254,577)
Prepaid expenses and other assets	1,500	-
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,670,720)	1,628,260
Advances payable and deferred revenue	2,139,703	(8,408)
Due to affiliates	304,290	(288,091)
Net Cash (Used in) Provided by Operating Activities	(562,903)	859,403
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(562,903)	859,403
Cash and cash equivalents - beginning of the year	5,508,901	4,649,498
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,945,998	\$ 5,508,901

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

SUNNYSIDE HOME CARE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Sunnyside Home Care Project, Inc. (“Home Care”), a not-for-profit licensed home care service agency, 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. Home Care is funded primarily by fees from the City of New York Human Resources Administration (“HRA”) and 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 Home Care and do not include the financial position, changes in net assets and cash flows of its related organizations: Sunnyside Community Services, Inc. (“Sunnyside”), Sunnyside Citywide Home Care Services, Inc. (“Citywide”) 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 Home Care have been prepared on the accrual basis of accounting. Home Care adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Basis of presentation*** - Home Care 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 Home Care’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. ***Cash and cash equivalents*** - Cash and cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of three months or less.
- D. ***Government grants receivable*** - Government grants receivable are recorded for expenditures made in accordance with grant agreements.
- E. ***Allowance for doubtful accounts*** - Home Care determines whether an allowance for uncollectible accounts should be provided for grants, contributions and 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 both June 30, 2022 and 2021, Home Care determined an allowance of \$900,000 was necessary for government grants receivable, an allowance of \$2,144,023 and \$2,151,735, respectively, was necessary for accounts receivable and no allowance was necessary for contributions receivable.
- F. ***Property and equipment*** - Property and equipment including 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. During the year ended June 30, 2017, Home Care wrote off all of the fully depreciated property and equipment that were no longer in service.

SUNNYSIDE HOME CARE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. **Advances payable and deferred revenue** - Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, Home Care establishes refundable advances from governmental sources.
- H. **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). Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/release from obligation. Government grants and contracts amounted to \$231,322 and \$874,064 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, there was no conditional grants and contracts from government agencies that have not been recorded in the accompanying financial statements.

In July 2020, Home Care received funding of \$874,064 from the U.S. Department of Health and Human Services under the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). In December 2021, Home Care received funding of \$32,609 from the CARES Act.

- I. **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.

Home Care 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 Home Care 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. Home Care 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, 2022. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. Home Care determines the transaction price based on established rates or contracts for services provided.

- J. **Client fees** - Fees are recognized during the period the related services are provided.
- K. **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.

SUNNYSIDE HOME CARE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- L. **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 years ended June 30, 2022 and 2021, Home Care received donated services of \$0 and \$6,862, respectively, and is reflected as donated services and consultant expenses in the accompanying financials statements. Donated services recognized comprise of pro bono legal services from attorneys providing Home Care with various trainings. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar legal services. The contributed services are utilized for general operations.
- M. **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.
- N. **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 and insurance 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.
- O. **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.

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:

	2022	2021
Cash and cash equivalents	\$ 4,945,998	\$ 5,508,901
Accounts receivable, net	8,516,612	7,367,366
Contributions receivable	-	30,000
Government grants receivable, net	210,739	210,740
	\$ 13,673,349	\$ 13,117,007

Home Care 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. Home Care also strives to collect receivables on a timely basis from all types of debtors.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Home Care considers all expenditures related to its ongoing activities of Home Care'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 HOME CARE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 – GOVERNMENT GRANTS RECEIVABLE, NET

Government grants receivable consist of the following as of June 30:

	2022	2021
Human Resources Administration (“HRA”)	\$ 1,110,739	\$ 1,110,740
Less: allowance for doubtful accounts	(900,000)	(900,000)
Total government grants receivable, net	\$ 210,739	\$ 210,740

NOTE 5 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consist of the following as of June 30:

	2022	2021
Amount due in less than one year:		
Medicaid – Managed care	\$ 9,616,075	\$ 8,474,541
Other third-party insurance	1,044,560	1,044,560
Total accounts receivable	10,660,635	9,519,101
Less: allowance for doubtful accounts	(2,144,023)	(2,151,735)
Total accounts receivable, net	\$ 8,516,612	\$ 7,367,366

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Lease Commitments

Home Care subleases its office located in Queens, New York from Sunnyside under two operating leases which expire on June 30, 2028 and December 31, 2024, respectively. These leases provide for payments of real estate taxes and utilities in addition to minimum rent. In the event that governmental funding is terminated, Home Care may cancel the subleases upon giving one month’s notice to Sunnyside.

Rent expense for the years ended June 30, 2022 and 2021 was \$249,618 and \$297,658, respectively.

The future minimum lease payments to Sunnyside, based on the sublease, subject to cancellation, for the years subsequent to June 30, 2022 are as follows:

2023	\$	214,000
2024		219,000
2025		219,000
2026		220,000
2027		225,000
Thereafter		230,000
Total	\$	1,327,000

B. HRA Recovery

The City of New York HRA exercises control over the use of its funds and limits their use to the HRA program. HRA conducted a close-out for the fiscal years ended June 30, 2009, 2010 and 2011 and determined that Home Care owed a refund of \$4,893,673. Such refund was fully paid by Home Care as of June 30, 2015. Home Care has not recorded a liability for fiscal years 2012 through 2017 as the amounts are undeterminable until HRA completes a close-out audit for each fiscal year.

SUNNYSIDE HOME CARE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Effective April 1, 2017, under the new contract with HRA, HRA does not exercise control over the use of its funds. All monies not spent during the grant period will be retained by Home Care as additional net assets under the contract.

C. *Third Party Contingencies*

Home Care 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 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. Home Care maintains that it performed proper due diligence to assure that the HHAs it employs have appropriate training and certification. Home Care did not receive a subpoena; however, this matter and the AG’s investigation have not been concluded. Home Care’s management believes that they have no exposure in this matter.

D. *Prior Period Settlement Expense*

As a result of an arbitration settlement, Home Care is obligated to pay wage and hour claims that have been (or could have been) brought against Home Care in court or otherwise, covering the statutory limitation period from January 2013 through October 31, 2021. The settlement calls for a \$250 payment for each unique employee who worked at Home Care for this period referenced. The obligation is estimated to be \$1,000,000 as of June 30, 2021 and is included in accounts payable and accrued expenses in the accompanying statement of financial position. In 2022, the final settlement was determined to be \$1,250,496, resulting in an additional \$250,496 of prior period settlement expense to be recorded during the year ended June 30, 2022.

E. *Income Taxes*

Home Care believes it has no uncertain tax positions as of June 30, 2022 and 2021 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.

**SUNNYSIDE HOME CARE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Home Health Aide Training	\$ <u>25,000</u>	\$ <u>87,355</u>
Total net assets with donor restrictions	\$ <u>25,000</u>	\$ <u>87,355</u>

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30 as follows:

	<u>2022</u>	<u>2021</u>
Home Health Aide Training	\$ <u>127,355</u>	\$ <u>160,752</u>
	\$ <u>127,355</u>	\$ <u>160,752</u>

NOTE 8 – PENSION PLANS

Nonunion Pension Plan

Home Care 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. Home Care's contributions amounted to \$47,606 and \$45,612 for the years ended June 30, 2022 and 2021, respectively.

Union Pension Plan

All union employees of Home Care participate in a multiemployer defined benefit pension plan administered by the union. Union pension expense for the years ended June 30, 2022 and 2021 was \$544,978 and \$601,928, respectively. Home Care 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 Home Care chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan.

**SUNNYSIDE HOME CARE PROJECT, INC.
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NOTE 8 – PENSION PLANS (Continued)

The following information was obtained from Home Care’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
			2022	2021		
1199 SEIU Home Care Employees Pension Fund	EIN 13-3943904 Plan No. 001	No	\$544,978	\$601,928	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, 2021 and did not include 2022 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, 2021.

NOTE 9 – RELATED-PARTY TRANSACTIONS

Home Care is related, through common board members, to Citywide and Sunnyside. At June 30, 2022, Home Care owes Citywide \$3,030,837 and is owed \$114,510 from Sunnyside. As of June 30, 2021, Home Care is owed \$254,577 from Sunnyside and owes Citywide \$2,726,547. These represent normal operating expenses, are non-interest-bearing and are due on demand.

In addition, for the years ended June 30, 2022 and 2021 Sunnyside allocated rent (Note 6) and other expenses, as outlined in the table below, to Home Care.

	2022	2021
Rent, real estate taxes and utilities expenses	\$ 307,040	\$ 345,299
Salaries, fringe benefits and other expenses	1,011,019	1,250,725

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 Bloomberg Short-Term Bank Yield Index Daily Floating Rate plus 2.05% percent points. As of June 30, 2022, there is no outstanding balance on this line. As of March 3, 2023, there is no borrowing under this line.

NOTE 10 – CONCENTRATIONS

Credit Risk

Cash and equivalents that potentially subjects Home Care 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, 2022 and 2021, there was approximately \$4.2 million and \$5.0 million, respectively, of cash held by two banks that exceeded FDIC limits.

Revenue

For the year ended June 30, 2022, the contracts with HRA represent 27% of total revenues and 48% of accounts receivable as of June 30, 2022. Also, contracts with three managed care vendors represent 50% of total revenues and 23% of accounts receivable.

SUNNYSIDE HOME CARE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 – CONCENTRATIONS (Continued)

For the year ended June 30, 2021, the contracts with HRA represent 24% of total revenues and 40% of accounts receivable as of June 30, 2021. Also, contracts with three managed care vendors represent 58% of total revenues and 25% of accounts receivable.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure of, events subsequent to the date of the statement of financial position through March 3, 2023, the date the financial statements were available to be issued.