

**SUNNYSIDE HOME CARE PROJECT, INC.**



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

**Years Ended June 30, 2018 and 2017**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Sunnyside Home Care Project, Inc.

We have audited the accompanying financial statements of Sunnyside Home Care Project, Inc. ("Home Care"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Home Care Project, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
January 25, 2019

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 8)	\$ 2,314,089	\$ 3,677,627
Government grants receivable, net (Notes 2D, 2E and 3)	239,615	242,731
Accounts receivable, net (Notes 2E, 2I and 4)	6,487,318	4,093,763
Due from affiliates (Note 7)	-	176,651
Prepaid expenses and other assets	142,924	37,634
<b>TOTAL ASSETS</b>	<b>\$ 9,183,946</b>	<b>\$ 8,228,406</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,230,524	\$ 1,895,965
Advances payable and deferred revenue (Note 2G)	250,332	225,069
Due to affiliates (Note 7)	1,561,289	704,444
<b>TOTAL LIABILITIES</b>	4,042,145	2,825,478
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 5)		
<b>NET ASSETS - UNRESTRICTED</b> (Note 2B)	5,141,801	5,402,928
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,183,946</b>	<b>\$ 8,228,406</b>

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, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>GOVERNMENT AND OTHER SUPPORT:</b>		
Government and other grants (Notes 2H and 8)	\$ 34,306	\$ 5,490,974
Contract revenue - Managed care (Notes 2I and 8)	28,476,667	19,615,689
Contract revenue - Client fees (Note 2J)	38,950	77,920
Donated services (Note 2K)	882	11,404
Other income	565,741	613,127
<b>TOTAL GOVERNMENT AND OTHER SUPPORT</b>	<b>29,116,546</b>	<b>25,809,114</b>
<b>OPERATING EXPENSES</b> (Note 2M):		
Program services		
Home care	26,649,230	22,303,066
Supporting services		
Management and general	2,475,693	2,526,721
<b>TOTAL OPERATING EXPENSES</b>	<b>29,124,923</b>	<b>24,829,787</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS BEFORE NON-OPERATING ACTIVITY</b>	(8,377)	979,327
<b>NON-OPERATING ACTIVITY:</b>		
HRA recovery (Note 5B)	(252,750)	-
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(261,127)	979,327
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	5,402,928	4,423,601
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	<b>\$ 5,141,801</b>	<b>\$ 5,402,928</b>

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, 2018 AND 2017**

	For the Year Ended June 30, 2018			For the Year Ended June 30, 2017		
	Program Services - Home Care	Management and General	Total	Program Services - Home Care	Management and General	Total
Salaries (Note 7)	\$ 17,619,405	\$ 940,766	\$ 18,560,171	\$ 15,859,823	\$ 1,265,058	\$ 17,124,881
Payroll taxes and fringe benefits (Note 6)	8,539,846	494,323	9,034,169	6,054,840	400,685	6,455,525
<b>Total Personnel Costs</b>	<u>26,159,251</u>	<u>1,435,089</u>	<u>27,594,340</u>	<u>21,914,663</u>	<u>1,665,743</u>	<u>23,580,406</u>
Consultants (Note 2K)	55,255	80,328	135,583	56,810	100,942	157,752
Computer services	119,644	112,269	231,913	97,981	111,113	209,094
Occupancy (Notes 5 and 7)	166,370	156,115	322,485	130,038	147,466	277,504
Supplies/printing	37,604	35,287	72,891	20,455	49,633	70,088
Travel/transportation	19,043	17,905	36,948	7,031	22,437	29,468
Insurance	50,796	47,665	98,461	48,105	54,552	102,657
Repairs and maintenance	14,532	13,637	28,169	8,458	22,671	31,129
Bad debt expense	-	552,312	552,312	-	338,712	338,712
Other	26,735	25,086	51,821	19,525	13,452	32,977
<b>TOTAL EXPENSES</b>	<u>\$ 26,649,230</u>	<u>\$ 2,475,693</u>	<u>\$ 29,124,923</u>	<u>\$ 22,303,066</u>	<u>\$ 2,526,721</u>	<u>\$ 24,829,787</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (261,127)	\$ 979,327
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Bad debt expense	<u>552,312</u>	<u>338,712</u>
Subtotal	291,185	1,318,039
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	3,116	282,360
Accounts receivable	(2,945,867)	(1,282,889)
Prepaid expenses and other assets	(105,290)	(36,134)
Due from affiliates	176,651	80,162
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	334,559	(460,232)
Advances payable and deferred revenue	25,263	(65,216)
Due to affiliates	<u>856,845</u>	<u>412,839</u>
<b>Net Cash (Used In) Provided by Operating Activities</b>	<u>(1,363,538)</u>	<u>248,929</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,363,538)	248,929
Cash and cash equivalents - beginning of the year	<u>3,677,627</u>	<u>3,428,698</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,314,089</u>	<u>\$ 3,677,627</u>

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

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**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”).

**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. ***Unrestricted Net Assets*** - Represents net assets resources available for support of Home Care’s operations over which the Board of Directors has discretionary control.
- 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, 2018 and 2017, Home Care determined an allowance of \$900,000 was necessary for government grants receivable and an allowance of \$1,583,784 and \$1,105,030, respectively, was necessary for accounts 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.
- 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.



**SUNNYSIDE HOME CARE PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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 any disallowances is reflected in the financial statements, since management does not anticipate any 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.
- 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 records accounts receivable based on established rates or contracts for services provided.
- J. **Client fees** - Fees are recognized during the period the related services are provided.
- K. **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. Donated legal services of \$882 and \$11,404 were received during the years ended June 30, 2018 and 2017, respectively, and are reflected as revenues and expenses in the accompany statements of activities.
- L. **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.
- M. **Functional allocation of expenses** - Because Home Care is a multi-funded organization, certain costs have been allocated, on the statements of functional expenses, between functional and supporting programs as determined by management. Such allocations conform to those made in seeking funds from third-party sources.
- N. **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 – GOVERNMENT GRANTS RECEIVABLE, NET**

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

	<u>2018</u>	<u>2017</u>
Human Resources Administration ("HRA")	\$ 1,139,615	\$ 1,142,731
Less: allowance for doubtful accounts	<u>(900,000)</u>	<u>(900,000)</u>
Total government grants receivable, net	<u>\$ 239,615</u>	<u>\$ 242,731</u>

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 4 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Medicaid – Managed care	\$ 7,026,542	\$ 4,151,637
Other third-party insurance	<u>1,044,560</u>	<u>1,047,156</u>
Total accounts receivable	8,071,102	5,198,793
Less: allowance for doubtful accounts	<u>(1,583,784)</u>	<u>(1,105,030)</u>
Total accounts receivable, net	<u>\$ 6,487,318</u>	<u>\$ 4,093,763</u>

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

**A. *Lease Commitments***

Home Care subleases its office located in Queens, New York from Sunnyside under an operating lease which expired on June 30, 2018 and provides for payments of real estate taxes and utilities in addition to minimum rent. Home Care signed an extension on the office space sublease through June 30, 2022. 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, 2018 and 2017 was \$217,082 and \$176,489, respectively.

The future minimum lease payments to Sunnyside, based on the sublease, subject to cancellation, are as follows:

2019	\$	223,000
2020		228,000
2021		234,000
2022		<u>240,000</u>
Total	<u>\$</u>	<u>925,000</u>

**B. *HRA Recovery***

The City of New York Human Resources Administration (“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.

Under the prior contract with HRA that expired on March 31, 2017, HRA provided Home Care working capital reserve amounting to \$252,750 to meet the gap for the turnaround time. Because this is no longer provided under the new contract, HRA recouped the funds during the year ended June 30, 2018.

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.

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 5 – COMMITMENTS AND CONTINGENCIES (Continued)**

**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 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 Attorney General 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 Attorney General’s investigation have not been concluded. Home Care’s management believes that they have no exposure in this matter.

**D. *Income Taxes***

Home Care believes it has no uncertain tax positions as of June 30, 2018 and 2017 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.

**NOTE 6 – 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 21 years of age and have completed two years of service. Home Care’s contributions amounted to \$10,401 and \$11,082 for the years ended June 30, 2018 and 2017, respectively.

**Union Pension Plan**

All union employees of Home Care are covered by an employer contributory pension plan administered by the union. Union pension expense for the years ended June 30, 2018 and 2017 was \$445,594 and \$445,806, respectively.

**SUNNYSIDE HOME CARE PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 6 – 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	Expiration Date of Collective Bargaining Agreement
			2018	2017		
1199 SEIU Home Care Employees Pension Fund	EIN 13-3943904 Plan No. 001	Implemented	\$445,594	\$445,806	No	*March 2017

\* A new agreement is in negotiation as of January 25, 2019, the date the financial statements were available to be issued.

As of the date the financial statements were available to be issued, Form 5500 was available for the plan year ended December 31, 2017 and did not include 2018 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, 2017.

**NOTE 7 – RELATED-PARTY TRANSACTIONS**

Home Care is related, through common board members, to Citywide and Sunnyside. At June 30, 2018, Home Care owes Sunnyside \$95,747 and owes Citywide \$1,465,542. As of June 30, 2017, Home Care is owed \$176,651 from Sunnyside and owes Citywide \$704,444. These represent normal operating expenses, are non-interest-bearing and are due on demand.

In addition, in 2018 and 2017 Sunnyside allocated rent (Note 5) and other expenses, as outlined in the table below, to Home Care.

	<u>2018</u>	<u>2017</u>
Rent, real estate taxes and utilities expenses	\$ 249,920	\$ 214,874
Salaries, fringe benefits and other expenses	675,715	673,615

**NOTE 8 – CONCENTRATIONS**

**Credit Risk**

Cash 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, 2018 and 2017, there was approximately \$2.2 million and \$3.4 million, respectively, of cash held by two banks that exceeded FDIC limits.

**Revenue**

In 2018, the contracts with HRA, which transitioned to Managed Care effective April 2017, represent 30% of total revenues and 31% of accounts receivable. Contracts with three managed care vendors represent 54% of total revenues and 46% of accounts receivable. In 2017, Home Care contracts with HRA represent 21% of total revenues and 18% of accounts receivable. Contracts with three managed care vendors represent 58% of total revenues and 51% of accounts receivable.

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure of, events subsequent to the date of the statement of financial position through January 25, 2019, the date the financial statements were available to be issued.