

**LITTLE SISTERS OF THE ASSUMPTION
FAMILY HEALTH SERVICE, INC.**



LSA Family Health Service

Founded by the Little Sisters of the Assumption in 1958

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

Years Ended December 31, 2021 and 2020

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.

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

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Little Sisters of the Assumption Family Health Service, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Little Sisters of the Assumption Family Health Service, Inc. (the "Agency") which comprise the statements of financial position as of December 31, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 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.

Basis for Opinion

We conducted our audits 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 the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the Agency'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 the Agency'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 the Agency'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 Roffman McCann CPAs

New York, NY
August 30, 2022

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2B, 3 and 13A)	\$ 747,003	\$ 1,331,445
Pledges receivable, net (Notes 2H, 3, 4 and 13B)	907,616	729,202
Grants receivable (Notes 2E and 3)	90,365	74,750
Receivables from third-party payors, net (Notes 2G, 3 and 7)	42,845	100,442
Investments, at fair value (Notes 2B, 2C and 5)	1,390,026	1,604,863
Prepaid expenses and other current assets	49,665	136,228
Property and equipment, net (Notes 2N and 6)	3,894,890	3,648,407
TOTAL ASSETS	\$ 7,122,410	\$ 7,625,337
LIABILITIES		
Accounts payable and accrued expenses	\$ 452,381	\$ 303,805
Government advances and deferred revenue (Notes 2E and 2F)	19,592	97,128
TOTAL LIABILITIES	471,973	400,933
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Notes 2D and 11)		
Without donor restrictions:		
Undesignated	158,751	1,247,035
Board designated	1,000,000	1,000,000
Investment in property and equipment	3,894,890	3,648,407
Total without donor restrictions	5,053,641	5,895,442
With donor restrictions (Note 11)	1,596,796	1,328,962
TOTAL NET ASSETS	6,650,437	7,224,404
TOTAL LIABILITIES AND NET ASSETS	\$ 7,122,410	\$ 7,625,337

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	For the Year Ended December 31, 2021			For the Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
SUPPORT AND REVENUE:						
Public Support:						
Special events revenue (Includes auction revenue of \$95,652 in 2021 and \$0 in 2020)	\$ 499,823	\$ -	\$ 499,823	\$ 177,719	\$ -	\$ 177,719
Less: costs of direct benefits to donors (Note 2I)	(95,652)	-	(95,652)	-	-	-
Net revenues from special events	404,171	-	404,171	177,719	-	177,719
Service revenue (Notes 2G and 10)	133,644	-	133,644	117,628	-	117,628
Foundation grants	441,759	1,432,990	1,874,749	31,668	1,224,643	1,256,311
Individual donations	999,401	18,747	1,018,148	1,454,667	147,540	1,602,207
Donated goods and services (Note 2K)	63,307	-	63,307	188,783	-	188,783
Net assets released from restrictions (Notes 2H and 11)	1,215,990	(1,215,990)	-	1,182,008	(1,182,008)	-
Total Public Support	3,258,272	235,747	3,494,019	3,152,473	190,175	3,342,648
Government Support (Note 2E):						
Preventive Program	-	-	-	449,500	-	449,500
Advocacy	503,037	-	503,037	485,779	-	485,779
Delivery System Reform Incentive Payment	-	-	-	89,811	-	89,811
Maternity Infant Health	75,850	-	75,850	91,361	-	91,361
Other government grants	171,678	-	171,678	162,028	-	162,028
Paycheck Protection Program grant (Note 9)	-	-	-	554,700	-	554,700
Total Government Support	750,565	-	750,565	1,833,179	-	1,833,179
Other Income:						
Investment activity (Notes 2C and 5)	218,299	32,087	250,386	275,248	44,162	319,410
Thrift store	142,538	-	142,538	87,315	-	87,315
Other income	20,993	-	20,993	9,620	-	9,620
Total Other Income	381,830	32,087	413,917	372,183	44,162	416,345
TOTAL SUPPORT AND REVENUE	4,390,667	267,834	4,658,501	5,357,835	234,337	5,592,172
EXPENSES:						
Program services	3,635,149	-	3,635,149	4,017,907	-	4,017,907
Management and general	749,980	-	749,980	588,692	-	588,692
Fundraising	847,339	-	847,339	846,277	-	846,277
TOTAL EXPENSES	5,232,468	-	5,232,468	5,452,876	-	5,452,876
CHANGE IN NET ASSETS	(841,801)	267,834	(573,967)	(95,041)	234,337	139,296
Net assets - beginning of year	5,895,442	1,328,962	7,224,404	5,990,483	1,094,625	7,085,108
NET ASSETS - END OF YEAR	\$ 5,053,641	\$ 1,596,796	\$ 6,650,437	\$ 5,895,442	\$ 1,328,962	\$ 7,224,404

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

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	For the Year Ended December 31, 2021												Total 2020
	Program Services								Supporting Services				
	General Nursing	Environmental Health Services Program	COVID-19 Disparities	K-5 Enrichment Program	Mental Health Services	Parenting & Child Development Program	Advocacy & Food Pantry Program	Sharing Place Thrift Store	Total Program Services	Management and General	Fundraising	Total 2021	
Salary	\$ 454,639	\$ 213,984	\$ 1,923	\$ 137,937	\$ 131,972	\$ 333,864	\$ 354,010	\$ 221,387	\$ 1,849,716	\$ 391,277	\$ 345,765	\$ 2,586,758	\$ 2,941,734
Payroll taxes and employee benefits (Note 12)	88,085	61,218	154	29,752	27,781	78,639	87,668	50,849	424,146	60,880	60,751	545,777	593,318
Total Salaries and Related Costs	542,724	275,202	2,077	167,689	159,753	412,503	441,678	272,236	2,273,862	452,157	406,516	3,132,535	3,535,052
Independent contractors	7,253	-	-	-	-	-	-	-	7,253	-	-	7,253	6,498
Professional fees (Note 2K)	60,297	24,072	721	46,831	19,051	51,160	47,128	25,937	275,197	121,539	197,675	594,411	395,000
Volunteers (Note 2K)	-	-	-	-	-	-	8,588	-	8,588	-	1,850	10,438	4,787
Emergency and family assistance	20,000	3,614	-	-	-	4,851	541,814	-	570,279	-	28,052	598,331	695,313
Client events, classes and activities	-	-	-	377	1,539	614	-	-	2,530	-	72	2,602	146
Supplies	14,089	4,427	-	24,768	4,745	18,836	7,409	8,357	82,631	1,773	36,882	121,286	240,655
Printing and publications	2,000	1,028	-	457	375	1,196	1,561	1,218	7,835	10,752	17,859	36,448	45,294
Telephone	8,281	9,558	-	3,253	2,384	9,463	15,166	6,490	54,595	14,615	5,842	75,052	70,429
Travel	1,982	159	-	-	13	208	53	-	2,415	5,831	72	8,318	11,493
Conferences, in-service and meetings	4,341	1,350	-	990	1,218	850	1,312	-	10,061	4,321	10,181	24,563	22,599
Utilities	1,495	3,930	-	7,989	1,495	9,612	4,571	5,639	34,731	4,990	2,999	42,720	48,219
Equipment leases and repairs	1,809	1,751	-	778	639	2,036	2,658	4,575	14,246	2,983	1,498	18,727	17,039
Building expense	2,397	6,301	-	12,807	2,397	15,409	7,328	9,040	55,679	7,999	4,808	68,486	67,198
Insurance	4,449	9,860	-	19,831	3,749	23,944	11,515	17,784	91,132	12,585	7,527	111,244	98,063
Special event costs	-	-	-	-	-	-	-	-	-	-	194,567	194,567	25,042
Bad debt expense (recovery)	-	-	-	-	-	-	-	-	-	71,416	-	71,416	(7,141)
Miscellaneous	3,316	11,414	-	1,073	881	2,808	3,666	4,961	28,119	11,067	12,365	51,551	21,790
Subtotal before costs of direct benefits to donors and depreciation	674,433	352,666	2,798	286,843	198,239	553,490	1,094,447	356,237	3,519,153	722,028	928,765	5,169,946	5,297,476
Less: costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	(95,652)	(95,652)	-
Subtotal before depreciation	674,433	352,666	2,798	286,843	198,239	553,490	1,094,447	356,237	3,519,153	722,028	833,113	5,074,294	5,297,476
Depreciation (Note 6)	16,344	16,790	-	9,950	6,153	21,529	24,948	20,282	115,996	27,952	14,226	158,174	155,400
TOTAL EXPENSES	\$ 690,777	\$ 369,456	\$ 2,798	\$ 296,793	\$ 204,392	\$ 575,019	\$ 1,119,395	\$ 376,519	\$ 3,635,149	\$ 749,980	\$ 847,339	\$ 5,232,468	\$ 5,452,876

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

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	For the Year Ended December 31, 2020							Supporting Services		
	Program Services						Total Program Services	Management and General	Fundraising	Total 2020
	General Nursing	Environmental Health Services Program	Preventive Services Program	Parenting & Child Development Program	Advocacy & Food Pantry Program	Sharing Place Thrift Store				
Salary	\$ 467,234	\$ 224,702	\$ 367,230	\$ 463,253	\$ 304,531	\$ 203,000	\$ 2,029,950	\$ 363,838	\$ 547,946	\$ 2,941,734
Payroll taxes and employee benefits (Note 12)	95,496	60,931	57,577	108,715	71,494	44,821	439,034	52,862	101,422	593,318
Total Salaries and Related Costs	562,730	285,633	424,807	571,968	376,025	247,821	2,468,984	416,700	649,368	3,535,052
Independent contractors	6,498	-	-	-	-	-	6,498	-	-	6,498
Professional fees (Note 2K)	30,139	18,456	16,616	83,472	82,877	20,978	252,538	84,010	58,452	395,000
Volunteers (Note 2K)	-	-	-	252	3,190	-	3,442	-	1,345	4,787
Emergency and family assistance	-	51,391	54	52,707	584,616	-	688,768	-	6,545	695,313
Client events, classes and activities	22	-	73	-	51	-	146	-	-	146
Supplies	22,686	2,620	18,048	123,574	31,326	28,915	227,169	1,506	11,980	240,655
Printing and publications	2,419	934	1,395	1,161	8,530	996	15,435	17,060	12,799	45,294
Telephone	4,664	5,952	5,947	6,658	8,678	2,503	34,402	5,009	31,018	70,429
Travel	2,029	418	958	194	945	120	4,664	6,197	632	11,493
Conferences, in-service and meetings	5,673	1,021	1,743	1,312	567	126	10,442	5,907	6,250	22,599
Utilities	4,147	4,979	3,314	14,780	5,854	6,944	40,018	5,297	2,904	48,219
Equipment leases and repairs	1,728	1,826	2,100	1,899	2,191	2,670	12,414	2,556	2,069	17,039
Building expense	5,779	6,939	4,618	20,598	8,158	9,677	55,769	7,382	4,047	67,198
Insurance	8,528	9,739	6,544	28,661	11,453	16,985	81,910	10,413	5,740	98,063
Special event costs	-	-	-	-	-	-	-	-	25,042	25,042
Bad debt recovery	-	-	-	-	-	-	-	(7,141)	-	(7,141)
Miscellaneous	1,252	125	-	28	-	2,321	3,726	8,561	9,503	21,790
Subtotal before depreciation	658,294	390,033	486,217	907,264	1,124,461	340,056	3,906,325	563,457	827,694	5,297,476
Depreciation (Note 6)	16,002	17,072	18,958	20,434	20,451	18,665	111,582	25,235	18,583	155,400
TOTAL EXPENSES	\$ 674,296	\$ 407,105	\$ 505,175	\$ 927,698	\$ 1,144,912	\$ 358,721	\$ 4,017,907	\$ 588,692	\$ 846,277	\$ 5,452,876

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

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (573,967)	\$ 139,296
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	158,174	155,400
Bad debt expense (recovery) - third-party payors	71,416	(7,141)
Net realized and unrealized gain on investments	(238,213)	(296,870)
Subtotal	(582,590)	(9,315)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	(178,414)	130,433
Grants receivable	(15,615)	209,607
Receivables from third-party payors	(13,819)	(26,942)
Prepaid expenses and other current assets	86,563	(77,275)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	148,576	(9,777)
Government advances and deferred revenue	(77,536)	(189,878)
Net Cash (Used in) Provided by Operating Activities	(632,835)	26,853
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	476,202	110,220
Purchase of investments	(23,152)	(895,365)
Property and equipment acquisitions	(404,657)	-
Net Cash Provided by (Used in) Investing Activities	48,393	(785,145)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(584,442)	(758,292)
Cash and cash equivalents - beginning of year	1,331,445	2,089,737
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 747,003	\$ 1,331,445

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Little Sisters of the Assumption Family Health Service, Inc. (the “Agency”) is a nonprofit agency incorporated in the State of New York dedicated to providing services to the families of East Harlem. The Agency’s services and programs include the following:

- **Community Health and Wellness:**
 - Advocacy & Food Pantry programs help families in financial need meet their immediate need for food and address the longer-term issues that keep people in poverty.
 - Environmental Health Services program serves asthmatic children in East Harlem whose illness can be improved by mitigating triggers in the indoor air environment. The Agency does this through hands-on home-visits by skilled environmental workers, family training and community workshops.
 - General Nursing, through the Agency’s Certified Home Health Agency Program (CHHA), provides direct nursing care to patients at home. The program specializes in Maternity Outreach (prenatal and postpartum care and follow-up care to newborns), parenting and breastfeeding classes, and supporting wellness and nurturing relationships between mother and child.
- **Family Support Programs:**
 - The Parenting and Child Development program fosters healthy child development from zero to three years of age. With a focus on socialization and home-visiting, this program is geared toward families for children 0-3 years old, where there is some risk of developmental delay in the child. Through the socialization groups and one-on-one home visits, the Agency’s early childhood specialists guide parents with parenting techniques to help their children achieve developmental milestones at the appropriate time.
 - K-5 Enrichment program inspires children in grades K-5 to improve reading and math skills, with socioemotional learning goals and parent involvement integrated throughout the program. The program offers homework help, after-school tutoring, summer enrichment and arts programs for school-aged children.
 - Mental Health Services provides the community with free, bilingual, and holistic trauma-informed care programs through individual and group therapy. In addition, this program is offering parent-child art therapy sessions.
- **Maternity & Infant Health Project** works to improve maternal and infant health outcomes in East and Central Harlem. The program will provide assistance with breastfeeding, women’s health, toxic stress and trauma services.
- **The Sharing Place Thrift Store** is a popular destination for good quality, bargain-priced clothing and housewares. In addition, the store provides free emergency clothing to clients in immediate need. The store has added Sunday hours and is now open Monday-Saturday 10AM-5PM & Sunday 11AM-4PM. COVID-19 restrictions such as masking and social distancing are still in place and updated based on CDC, NYC/NYS & Federal guidelines.

The Agency is exempt from income tax under Section 501(c) (3) of the Internal Revenue Code (the “Code”) and comparable state law; contributions to the Agency are tax deductible within the limitations prescribed by the Code. The Agency has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Agency presents its financial statements on the accrual basis of accounting. The Agency adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. The Agency considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Cash equivalents held in investment broker accounts are included with investments on the statements of financial position.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- C. Investments are reported at fair value. Unrealized and realized gains and losses and investment income are reported in the statements of activities in investment activity as increases or decreases in net assets without donor restrictions, unless there are donor restrictions for the use of investment income.

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.

- D. The Agency's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Agency's net assets and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, or have been reclassified from net assets with donor restrictions because donor imposed restrictions have been removed or expired. As of both December 31, 2021 and 2020, the Agency's Board of Directors has authorized an operating fund without donor restrictions of \$1,000,000 to sustain its programs and provide for operating and other expenses at the discretion of the Board and has been classified as Board designated.

- With donor restrictions – Net assets subject to donor imposed stipulations, including stipulations that will be met either by actions of the Agency, and unappropriated endowment earnings. Earnings on endowments are recorded as donor restricted until the Board has appropriated the earnings for expenditure, at which time the earnings are classified as net assets without donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as net assets without donor restrictions and increase net assets without donor restrictions.

- E. Government grants are recognized as revenue when the expenses authorized under the contract are incurred. When authorized expenses are not reimbursed in the same time period in which they are incurred, the revenue is reflected as a receivable. Amounts received by the Agency under government grants for which the Agency has not yet met the conditions are reported as government advances on the statements of financial position.

As of December 31, 2021 and 2020, the Agency was awarded conditional grants and contracts from government agencies in the aggregate amount of \$300,895 and \$141,598, respectively, that have not been recorded in the accompanying financial statements, as they will be recognized when contract barriers are overcome. These grants and contracts require the Agency to provide services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and the Agency may be required to return the funds already remitted.

- F. The Agency receives cash in advance of special events that are to be held after the date of the statements of financial position. It is the Agency's policy to record the event proceeds applicable to the next fiscal year as deferred revenue until earned.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. The Agency's Certified Home Health Program reports net patient service revenue and fees for service at the estimated net realizable amounts due from third-party payors for services in the period in which they are rendered. Generally, the Agency bills government agencies, third-party payors and individuals after the services are performed or they have completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied. Approximately 60% and 65% of net service revenue for the years ended December 31, 2021 and 2020, respectively, was derived under federal, state and city third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective governmental fiscal intermediaries. Provision for estimated amounts due to/from the payor agencies, if any, has been made in the financial statements. Differences between estimated rates and subsequent realized amounts are reflected in the statements of activities in the year revisions are calculated. In 2021 and 2020, the Agency established an allowance for doubtful accounts on its receivables from third-party payors in the amounts of \$32,509 and \$13,858, respectively. The allowance is estimated by management based on general factors, such as aging of the receivables, and historical collection experience.

Performance Obligations - Performance obligations are determined based on the nature of the services provided by the Agency 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. The Agency 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 government agencies' 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 December 31, 2021 and 2020. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. The Agency determines the transaction price based on established rates and contracts for services provided.

Net service revenue consists of revenues for the following programs:

	2021	2020
General Nursing	\$ 133,644	\$ 117,628
	\$ 133,644	\$ 117,628

H. Contributions to the Agency that are not restricted by the donor are reported as increases in net assets without donor restrictions in the fiscal year in which the contributions are received. All donor-restricted contributions are reported as increases in net assets with donor restrictions (including capital campaign contributions). Contributions of fixed assets are recorded as support without donor restrictions. Capital campaign contributions which exceeded the cost of the construction of the new building are intended to be used for major building repairs in the future and are treated as net assets with donor restrictions until the funds are spent, at which time, the donations will be reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of December 31, 2021 and 2020, the balances of unspent funds from the capital campaign were \$0 and \$108,490, respectively.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value, and if material, multiyear pledges are recorded at the present value of estimated future cash flows. Historically, the Agency has not experienced significant bad debt losses from pledges. The Agency bases its allowance for doubtful pledges on its historical loss experience considering the age of the receivables. The Agency has determined that no allowance for pledges receivable was necessary as of December 31, 2021 and 2020. Conditional promises to give are not included as support until the condition is substantially met.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. The direct cost of special events includes expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct costs of special events.
- J. The 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 salaries, payroll taxes and employee benefits, supplies, printing and publications, telephone, conferences, trainings and meetings, equipment leases and repairs, insurance and miscellaneous expenses, which are allocated on the basis of estimates of time and effort. Building related expenses including utilities, repairs, maintenance, property insurance and depreciation expenses, and are allocated on the basis of square footage per space used by each department.
- K. 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. The Agency received a substantial amount of services donated by volunteers in carrying out its activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. The Agency records an expense associated with the volunteers to whom the Agency pays a stipend for living expenses. The expenses associated with these volunteers for the years ended December 31, 2021 and 2020 amounted to \$10,438 and \$4,788, respectively. Donated securities, donated goods and services are measured at fair value at the date of receipt. Donated securities amounted to \$0 and \$1,065,968 for the years ended December 31, 2021 and 2020, respectively, and are included in individual donations in the accompanying statement of activities. The donated goods and services for the years ended December 31 are as follows:

	2021	2020
Donated goods	\$ 58,807	\$ 179,033
Donated professional services	4,500	9,750
Total donated goods and services	\$ 63,307	\$ 188,783

- L. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- M. The CHHA Program provides care to patients regardless of whether or not there is insurance or any other source of reimbursement. Because this charity care is not expected to be paid, no revenue is reported. Amounts of charity care provided were \$1,646 and \$200 in 2021 and 2020, respectively.
- N. Property and equipment are stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally from 5 to 50 years. The Agency capitalizes property and equipment in excess of \$1,000.
- O. Certain items in the December 31, 2020 financial statements have been reclassified to conform with the December 31, 2021 presentation. These reclassifications had no impact on the change in net assets for the year ended December 31, 2020.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – LIQUIDITY AND AVAILABILITY

The Agency strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects the Agency's financial assets as of December 31, 2021 and 2020, reduced by any amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual restrictions:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 747,003	\$ 1,331,445
Pledges receivable, net	907,616	729,202
Grants receivable	90,365	74,750
Receivables from third-party payors, net	42,845	100,442
Investments, at fair value	<u>1,390,026</u>	<u>1,604,863</u>
 Total financial assets	 3,177,855	 3,840,702
 Less: Cash and investments held for endowments	 (319,213)	 (287,126)
Less: Pledges receivable due in more than one year	<u>(125,000)</u>	<u>(250,000)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,733,642</u>	 <u>\$ 3,303,576</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its ongoing activities 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. The Agency's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is used for operations if appropriated. The endowment is subject to an annual spending rate of up to 7% as described in Note 11.

NOTE 4 – PLEDGES RECEIVABLE, NET

Pledges receivable are unconditional promises to give, and consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Pledges receivable due in:		
Less than one year	\$ 786,636	\$ 489,204
One to five years	<u>125,000</u>	<u>250,000</u>
Total pledges receivable	911,636	739,204
Unamortized discount to present value	<u>(4,020)</u>	<u>(10,002)</u>
Pledges receivable, net	<u>\$ 907,616</u>	<u>\$ 729,202</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate ranging from 1.6% to 1.66%.

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NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31 are comprised of the following:

	<u>2021</u>	<u>2020</u>
U.S. Equities	\$ 766,846	\$ 810,721
U.S. Treasury Bonds and Notes	46,551	70,438
Corporate Bonds	257,069	376,205
Money Market Funds	79,506	50,259
Exchange Traded Funds	216,633	271,987
REIT	<u>23,421</u>	<u>25,253</u>
Total Investments	<u>\$ 1,390,026</u>	<u>\$ 1,604,863</u>

Investments are classified in the following net asset categories as of December 31:

	<u>2021</u>	<u>2020</u>
With donor restrictions – endowment	\$ 214,800	\$ 214,800
With donor restrictions – earnings on endowment	104,413	72,326
With donor restrictions – capital campaign	-	108,490
Without donor restrictions	<u>1,070,813</u>	<u>1,209,247</u>
	<u>\$ 1,390,026</u>	<u>\$ 1,604,863</u>

The following table summarizes investment activity for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 23,375	\$ 31,928
Investment fees	(11,202)	(9,388)
Realized and unrealized gain on investments	<u>238,213</u>	<u>296,870</u>
	<u>\$ 250,386</u>	<u>\$ 319,410</u>

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, “Fair Value Measurement,” provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the Agency 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. Money market funds are valued at the net asset value ("NAV") at a constant \$1.00 per share, of which, only the yield goes up and down. Investments in U.S. equities, exchange traded funds, and REIT's 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. Level 1 also includes U.S. Treasury and U.S. Agency bonds and notes, which are traded by dealers or brokers in active markets. Corporate bonds are designated as Level 2 instruments if valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc.).

Financial assets carried at fair value at December 31, 2021 are classified in the table in two of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Investments:			
Money Market Funds	\$ 79,506	\$ -	\$ 79,506
U.S. Equities	766,846	-	766,846
U.S. Treasury Bonds and Notes	46,551	-	46,551
Corporate Bonds	-	257,069	257,069
Exchange Traded Funds	216,633	-	216,633
REIT	<u>23,421</u>	<u>-</u>	<u>23,421</u>
 TOTAL ASSETS CARRIED AT FAIR VALUE	 <u>\$ 1,132,957</u>	 <u>\$ 257,069</u>	 <u>\$ 1,390,026</u>

Financial assets carried at fair value at December 31, 2020 are classified in the table in two of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE			
Investments:			
Money Market Funds	\$ 50,259	\$ -	\$ 50,259
U.S. Equities	810,721	-	810,721
U.S. Treasury Bonds and Notes	70,438	-	70,438
Corporate Bonds	-	376,205	376,205
Exchange Traded Funds	271,987	-	271,987
REIT	<u>25,253</u>	<u>-</u>	<u>25,253</u>
 TOTAL ASSETS CARRIED AT FAIR VALUE	 <u>\$ 1,228,658</u>	 <u>\$ 376,205</u>	 <u>\$ 1,604,863</u>

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NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Land	\$ 572,119	\$ 572,119	-
Building	5,718,780	5,384,692	20-50 years
Furniture and equipment	541,333	470,764	5-20 years
Vehicles	<u>42,705</u>	<u>42,705</u>	5 years
 Total cost	 6,874,937	 6,470,280	
 Less: accumulated depreciation	 <u>(2,980,047)</u>	 <u>(2,821,873)</u>	
 Net book value	 <u>\$ 3,894,890</u>	 <u>\$ 3,648,407</u>	

Depreciation expense amounted to \$158,174 and \$155,400 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 – RECEIVABLES FROM THIRD-PARTY PAYORS, NET

The Agency provides credit without collateral to its patients and clients, most of whom are local residents and are insured under third-party payor agreements. As of December 31, receivables from third-party payors were as follows:

	<u>2021</u>	<u>2020</u>
Medicaid	\$ 4,165	\$ 3,903
Medicare	55,996	91,686
Other	<u>15,193</u>	<u>18,711</u>
	75,354	114,300
Less: allowance for doubtful accounts	<u>(32,509)</u>	<u>(13,858)</u>
	<u>\$ 42,845</u>	<u>\$ 100,442</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. The Agency leases equipment under operating leases. Future minimum payments due under the leases for the year after December 31, 2021 are \$14,869 due in 2022.

Rental expense for equipment leases charged to operations for 2021 and 2020 was \$15,458 and \$15,558, respectively, and is included in equipment leases and repairs on the accompanying statements of functional expenses.

B. The Agency believes it has no uncertain tax positions as of December 31, 2021 and 2020 in accordance with ASC Topic 740 "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on the Agency'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, the Agency is currently unable to fully determine the extent of COVID-19's impact on its business in future periods.

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NOTE 9 – PAYCHECK PROTECTION PROGRAM GRANT

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

The Agency applied for this loan through an SBA authorized lender. The loan, amounting to \$554,700, was approved and received in May 2020. The Agency has opted to account for the proceeds as a conditional contribution under FASB ASC 958-605, *Contribution*. During the year ended December 31, 2020, the Agency had met the performance obligations and recorded grant income of \$554,700 in the accompanying statement of activities for the year ended December 31, 2020. In July 2021, the Agency received notification from its lender that the loan was fully forgiven on July 8, 2021.

NOTE 10 – NET SERVICE REVENUE

Revenue from third-party payors for the years ended December 31 was as follows:

	<u>2021</u>	<u>2020</u>
Medicaid	\$ 4,086	\$ 5,014
Medicare	75,659	71,947
Other	<u>53,899</u>	<u>40,667</u>
	<u>\$ 133,644</u>	<u>\$ 117,628</u>

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from restrictions during the years ended December 31, by incurring expenses or the passage of time, thus satisfying the restricted purpose are as follows:

	<u>2021</u>	<u>2020</u>
Asthma and Environment	\$ 143,264	\$ 143,425
Home Health Agency:		
General Nursing	20,000	-
Maternity Outreach	212,476	193,467
Parenting and Child Development	273,907	327,236
K-5 Enrichment Program	134,329	101,077
Mental Health Services	41,177	18,823
Advocacy	227,432	291,994
Administrative and Development	54,915	49,540
Appropriated Earnings from Endowment	-	15,000
Capital Campaign (Note 2H)	<u>108,490</u>	<u>41,446</u>
Total	<u>\$ 1,215,990</u>	<u>\$ 1,182,008</u>

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are available for the following as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditures for the specified purpose:		
Home Health Agency:		
General Nursing	\$ 5,347	\$ 25,346
Maternity Outreach	671,083	78,562
Parenting and Child Development	325,417	299,324
K-5 Enrichment Program	61,603	85,933
Mental Health Services	-	41,177
Asthma and Environment	133,789	142,053
Advocacy	65,243	205,938
Administrative and Development	15,101	55,013
Capital Campaign (Note 2H)	-	108,490
Unappropriated Earnings from Endowment	104,413	72,326
Endowment principal held in perpetuity:		
The Doyle Endowment	100,000	100,000
The McInerney Endowment	92,300	92,300
Ensuring our Future Campaign Endowments	<u>22,500</u>	<u>22,500</u>
Total	<u>\$ 1,596,796</u>	<u>\$ 1,328,962</u>

The Agency recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaced the prior law, which was the Uniform Management of Institutional Funds Act (“UMIFA”). In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than seven percent of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without donor restriction by the donor will be reflected as net assets with donor restrictions until appropriated.

The Agency’s Board has interpreted NYPMIFA as allowing the Agency to appropriate for expenditure or accumulate so much of an endowment fund as the Agency determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Agency to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor restricted funds that fall below the level the donor requires the Agency to retain in perpetuity. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor restricted fund where the fair value of the donor restricted fund fell below the amount that is required to be retained in perpetuity. As of December 31, 2021 and 2020, the Agency had not incurred a deficiency in its donor-restricted endowment funds.

The Agency’s endowment investment policy is to invest primarily in a mix of equities and fixed-income securities based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. The Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Changes in endowment net assets consisted of the following for the year ended December 31, 2021:

	<u>Endowment Earnings</u>	<u>Endowment Principal Held in Perpetuity</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 72,326	\$ 214,800	\$ 287,126
Investment activity:			
Unrealized gain on investments	32,087	-	32,087
Total investment activity	<u>32,087</u>	<u>-</u>	<u>32,087</u>
Earnings appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 104,413</u>	<u>\$ 214,800</u>	<u>\$ 319,213</u>

Changes in endowment net assets consisted of the following for the year ended December 31, 2020:

	<u>Endowment Earnings</u>	<u>Endowment Principal Held in Perpetuity</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 43,164	\$ 214,800	\$ 257,964
Investment activity:			
Unrealized gain on investments	44,162	-	44,162
Total investment activity	<u>44,162</u>	<u>-</u>	<u>44,162</u>
Earnings appropriated for expenditure	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Endowment net assets, end of year	<u>\$ 72,326</u>	<u>\$ 214,800</u>	<u>\$ 287,126</u>

Endowment net assets are included with investments on the accompanying statements of financial position as of December 31, 2021 and 2020.

NOTE 12 – PENSION PLAN

The Agency has established a tax deferred annuity plan (the “Annuity Plan”) under Section 403(b) of the Code and a defined contribution plan (the “Plan”) under Section 401(a) of the Code, for its employees. All employees, excluding religious personnel, are eligible to participate. Under the Plan, the Agency contributed 5% of the eligible salaries into the Plan, annually. Effective April 1, 2012, the Agency amended the Plan and no longer contributes a percentage of eligible salaries. An employee becomes eligible to participate in the Plan at the beginning of the completion of the first year of continuous service, and becomes fully vested after three years. The Agency did not make contributions to the Plan in the years ended December 31, 2021 and 2020. Under the Annuity Plan, an employee becomes eligible at any time the employee wishes to participate and is fully and immediately vested at that time. The Agency is not required to make contributions to the Annuity Plan.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 13 – CONCENTRATIONS

- A. Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with one bank that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately \$594,000 and \$1,099,000 as of December 31, 2021 and 2020, respectively. This excess includes outstanding checks. Cash accounts with participating banks are insured up to \$250,000 per depositor.
- B. The pledge receivable from one donor represented 46% of total pledge receivables and 22% of Foundation grants and individual donations revenue as of and for the year ended December 31, 2021.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through August 30, 2022, the date the financial statements were available to be issued.