

**SUNNYSIDE HOME CARE PROJECT, INC.**



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

**Years Ended June 30, 2020 and 2019**

**MARKS PANETH**

ACCOUNTANTS & ADVISORS

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunnyside Home Care Project, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
February 9, 2021

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 10)	\$ 4,649,498	\$ 2,859,463
Government grants receivable, net (Notes 2D, 2E and 4)	241,709	242,111
Accounts receivable, net (Notes 2E, 2I and 5)	7,477,927	10,376,563
Contributions receivable (Notes 2E and 2K)	212,500	65,000
Prepaid expenses and other assets	1,500	3,700
<b>TOTAL ASSETS</b>	<b>\$ 12,583,134</b>	<b>\$ 13,546,837</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 6E)	\$ 5,151,207	\$ 5,560,028
Advances payable and deferred revenue (Note 2G)	35,250	64,520
Due to affiliates (Note 9)	3,014,638	3,499,605
<b>TOTAL LIABILITIES</b>	<b>8,201,095</b>	<b>9,124,153</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>		
<b>NET ASSETS (Note 2B)</b>		
Without donor restrictions	4,293,932	4,285,470
With donor restrictions (Note 7)	88,107	137,214
<b>TOTAL NET ASSETS</b>	<b>4,382,039</b>	<b>4,422,684</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,583,134</b>	<b>\$ 13,546,837</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, 2020 AND 2019**

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>GOVERNMENT AND OTHER SUPPORT:</b>						
Government and other grants (Notes 2H and 10)	\$ 88,254	\$ -	\$ 88,254	\$ -	\$ -	\$ -
Contract revenue - Managed care (Notes 2I and 10)	49,116,887	-	49,116,887	43,396,457	-	43,396,457
Contract revenue - Client fees (Note 2J)	-	-	-	15,770	-	15,770
Contributions and grants (Note 2K)	-	168,750	168,750	-	230,000	230,000
Donated services (Note 2L)	-	-	-	45,558	-	45,558
Other income	744,170	-	744,170	502,411	-	502,411
Net assets released from restrictions (Notes 2B and 7)	217,857	(217,857)	-	92,786	(92,786)	-
<b>TOTAL GOVERNMENT AND OTHER SUPPORT</b>	<u>50,167,168</u>	<u>(49,107)</u>	<u>50,118,061</u>	<u>44,052,982</u>	<u>137,214</u>	<u>44,190,196</u>
<b>OPERATING EXPENSES</b> (Note 2N):						
Program services						
Home care	46,314,720	-	46,314,720	41,639,188	-	41,639,188
Supporting services						
Management and general	3,843,986	-	3,843,986	3,270,125	-	3,270,125
<b>TOTAL OPERATING EXPENSES</b>	<u>50,158,706</u>	<u>-</u>	<u>50,158,706</u>	<u>44,909,313</u>	<u>-</u>	<u>44,909,313</u>
<b>CHANGES IN NET ASSETS</b>	8,462	(49,107)	(40,645)	(856,331)	137,214	(719,117)
NET ASSETS - BEGINNING OF YEAR	4,285,470	137,214	4,422,684	5,141,801	-	5,141,801
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,293,932</u>	<u>\$ 88,107</u>	<u>\$ 4,382,039</u>	<u>\$ 4,285,470</u>	<u>\$ 137,214</u>	<u>\$ 4,422,684</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, 2020 AND 2019**

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	Program Services - Home Care	Management and General	Total	Program Services - Home Care	Management and General	Total
Salaries (Note 9)	\$ 35,145,995	\$ 1,501,254	\$ 36,647,249	\$ 30,874,162	\$ 1,382,456	\$ 32,256,618
Payroll taxes and fringe benefits (Note 8)	10,273,013	927,627	11,200,640	10,006,077	799,835	10,805,912
<b>Total Personnel Costs</b>	<u>45,419,008</u>	<u>2,428,881</u>	<u>47,847,889</u>	<u>40,880,239</u>	<u>2,182,291</u>	<u>43,062,530</u>
Consultants (Note 2L)	199,602	125,177	324,779	166,783	167,742	334,525
Computer services	229,263	202,820	432,083	170,136	142,729	312,865
Occupancy (Notes 6 and 9)	229,400	202,941	432,341	210,912	176,936	387,848
Supplies/printing	48,019	42,481	90,500	41,210	34,571	75,781
Travel/transportation	42,366	13,707	56,073	27,485	16,458	43,943
Insurance	94,410	83,521	177,931	92,813	77,861	170,674
Repairs and maintenance	14,598	12,914	27,512	9,746	8,176	17,922
Bad debt expense	-	692,333	692,333	-	413,532	413,532
Other	38,054	39,211	77,265	39,864	49,829	89,693
<b>TOTAL EXPENSES</b>	<u>\$ 46,314,720</u>	<u>\$ 3,843,986</u>	<u>\$ 50,158,706</u>	<u>\$ 41,639,188</u>	<u>\$ 3,270,125</u>	<u>\$ 44,909,313</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, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (40,645)	\$ (719,117)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Bad debt expense	692,333	413,532
Subtotal	651,688	(305,585)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Government grants receivable	402	(2,496)
Accounts receivable	2,206,303	(4,302,777)
Contributions receivable	(147,500)	(65,000)
Prepaid expenses and other assets	2,200	139,224
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	(408,821)	3,329,504
Advances payable and deferred revenue	(29,270)	(185,812)
Due to affiliates	(484,967)	1,938,316
<b>Net Cash Provided by Operating Activities</b>	<b>1,790,035</b>	<b>545,374</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,790,035</b>	<b>545,374</b>
Cash and cash equivalents - beginning of the year	2,859,463	2,314,089
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,649,498</b>	<b>\$ 2,859,463</b>

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

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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, 2020 and 2019, Home Care determined an allowance of \$900,000 was necessary for government grants receivable, an allowance of \$2,004,613 and \$1,345,621, 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, 2020 AND 2019**

**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. Grants and contracts amounted to \$88,254 and \$0 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, there was no conditional grants and contracts from government agencies that have not been recorded in the accompanying financial statements.

- 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, 2020. 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, 2020 AND 2019**

**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. Donated services of \$0 and \$45,558 were received during the years ended June 30, 2020 and 2019, respectively, and are reflected as revenues and expenses in the accompanying statements of activities.
- 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.
- P. **Recent accounting pronouncements** - Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) FASB ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) was adopted by Home Care for the year ended June 30, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as further described in Note 2I.

FASB ASU 2018-08, “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made” (Topic 958) was also adopted by Home Care for the year ended June 30, 2020. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further described in Note 2H.

**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:

	2020	2019
Cash	\$ 4,649,498	\$ 2,859,463
Accounts receivable, net	7,477,927	10,376,563
Contributions receivable	212,500	65,000
Government grants receivable, net	241,709	242,111
	12,581,634	13,543,137
Less accounts receivable due in more than one year	(643,971)	(1,501,396)
	\$ 11,937,663	\$ 12,041,741

**SUNNYSIDE HOME CARE PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

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.

**NOTE 4 – GOVERNMENT GRANTS RECEIVABLE, NET**

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

	<u>2020</u>	<u>2019</u>
Human Resources Administration ("HRA")	\$ 1,141,709	\$ 1,142,111
Less: allowance for doubtful accounts	<u>(900,000)</u>	<u>(900,000)</u>
Total government grants receivable, net	<u>\$ 241,709</u>	<u>\$ 242,111</u>

**NOTE 5 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Amount due in less than one year:		
Medicaid – Managed care	\$ 7,794,009	\$ 9,176,228
Other third-party insurance	1,044,560	1,044,560
Amount due in more than one year:		
Medicaid – Managed care	<u>643,971</u>	<u>1,501,396</u>
Total accounts receivable	9,482,540	1,501,396
Less: allowance for doubtful accounts	<u>(2,004,613)</u>	<u>(1,345,621)</u>
Total accounts receivable, net	<u>\$ 7,477,927</u>	<u>\$10,376,563</u>

**NOTE 6 – 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, 2020 and 2019 was \$233,072 and \$222,509, respectively.

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)**

The future minimum lease payments to Sunnyside, based on the sublease, subject to cancellation, for each of the years subsequent to June 30, 2020 are as follows:

2021	\$ 234,000
2022	<u>240,000</u>
Total	<u>\$ 474,000</u>

**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.

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 the New York City Human Resources Administration (“HRA”) and the New York City Department for the Aging (“DFTA”), have the right to audit fiscal as well as programmatic compliance, i.e., clinical documentation and physician certifications, among other compliance requirements.

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

During 2007, the AG of the State of New York issued subpoenas to several Certified Home Health Agencies (“CHHAs”) and Long Term Home Health Care Programs (“LTHHCPs”) citing that the Home Health Aides (“HHAs”) they contracted from licensed vendor agencies were not actually trained, and their certification as HHAs was falsified. Therefore, the CHHAs and LTHHCPs billed Medicaid for ineligible services. 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. *Income Taxes***

Home Care believes it has no uncertain tax positions as of June 30, 2020 and 2019 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, 2020 AND 2019**

**NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)**

**E. Operational Impact of COVID-19**

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on Home Care’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, Home Care is currently unable to fully determine the extent of COVID-19’s impact on its business in future periods. Home Care’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. Home Care continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

Under the CARES Act, certain payroll tax deferrals have been granted to companies. Included in the payroll tax deferral is the Federal Insurance Contributions Act (“FICA”) tax. Home Care has decided to defer the employer portion of the FICA tax which amounted to approximately \$429,000 as of June 30, 2020 and is included in accounts payable and accrued expenses. Under the CARES Act, the deferred amount would be due in two equal installments on December 31, 2021 and December 31, 2022.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Home Health Aide Training	\$ <u>88,107</u>	\$ <u>137,214</u>
Total net assets with donor restrictions	\$ <u>88,107</u>	\$ <u>137,214</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.

	<u>2020</u>	<u>2019</u>
Home Health Aide Training	\$ <u>217,857</u>	\$ <u>92,786</u>
	\$ <u>217,857</u>	\$ <u>92,786</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 \$34,457 and \$23,365 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 was \$671,555 and \$609,564, respectively. Home Care did not contribute more than 5% of total contributions to those plans.

**SUNNYSIDE HOME CARE PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8 – PENSION PLANS (Continued)**

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.

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
			2020	2019		
1199 SEIU Home Care Employees Pension Fund	EIN 13-3943904 Plan No. 001	No	\$671,555	\$609,564	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, 2019 and did not include 2020 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, 2019.

**NOTE 9 – RELATED-PARTY TRANSACTIONS**

Home Care is related, through common board members, to Citywide and Sunnyside. At June 30, 2020, Home Care owes Sunnyside \$247,413 and owes Citywide \$2,767,225. As of June 30, 2019, Home Care owes Sunnyside \$156,923 and owes Citywide \$3,342,682. These represent normal operating expenses, are non-interest-bearing and are due on demand.

In addition, in 2020 and 2019 Sunnyside allocated rent (Note 6) and other expenses, as outlined in the table below, to Home Care.

	2020	2019
Rent, real estate taxes and utilities expenses	\$ 274,673	\$ 272,213
Salaries, fringe benefits and other expenses	1,189,837	1,101,368

Sunnyside has a \$2 million revolving line of credit with a bank as borrower with Home Care and Citywide as guarantors that matures on March 31, 2021. Interest on this line is calculated using LIBOR Daily Floating Rate plus 2.25% percent points. As of June 30, 2020, there is no outstanding balance on this line. As of February 9, 2021, there is no borrowing under this line.

**NOTE 10 – 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, 2020 and 2019, there was approximately \$4.2 million and \$2.8 million, respectively, of cash held by two banks that exceeded FDIC limits.

**SUNNYSIDE HOME CARE PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 10 – CONCENTRATIONS (Continued)**

**Revenue**

For the year ended June 30, 2020, the contracts with HRA represent 23% of total revenues and as of June 30, 2020, 34% of accounts receivable. Also, contracts with three managed care vendors represent 62% of total revenues and 37% of accounts receivable. For the year ended June 30, 2019, the contracts with HRA represent 28% of total revenues and as of June 30, 2020, 29% of accounts receivable. Also, contracts with three managed care vendors represent 56% of total revenues and 39% 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 February 9, 2021, the date the financial statements were available to be issued.

Subsequent to year end, Home Care received \$874,064 in funding from the U.S. Department of Health and Human Services (“HHS”) Care Act Provider Relief Fund.