

LITTLE SISTERS OF THE
ASSUMPTION FAMILY HEALTH
SERVICE, INC.



Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

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, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2015 and 2014, 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 of 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 Little Sisters of the Assumption Family Health Service, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
April 27, 2016

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2B and 12)	\$ 738,880	\$ 285,007
Pledges receivable (Notes 2G and 3)	252,429	307,367
Grants receivable (Note 2E)	73,326	66,804
Receivables from third party payors, net (Notes 2F and 6)	125,513	75,666
Investments, at fair value (Notes 2B, 2C, 4, 9, and 11)	1,676,026	1,985,131
Prepaid expenses and other current assets	53,328	19,318
Property and equipment, net (Notes 2M and 5)	4,440,180	4,592,285
TOTAL ASSETS	\$ 7,359,682	\$ 7,331,578
LIABILITIES		
Accounts payable and accrued expenses	\$ 197,830	\$ 148,524
Government advances (Note 2E)	32,361	33,522
TOTAL LIABILITIES	230,191	182,046
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Notes 2D and 9)		
Unrestricted:		
Undesignated	904,093	566,522
Board designated	1,000,000	1,000,000
Investment in property and equipment	4,440,180	4,592,285
Total Unrestricted	6,344,273	6,158,807
Temporarily restricted (Note 9)	592,918	798,425
Permanently restricted (Note 9)	192,300	192,300
TOTAL NET ASSETS	7,129,491	7,149,532
TOTAL LIABILITIES AND NET ASSETS	\$ 7,359,682	\$ 7,331,578

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	For the Year Ended December 31, 2015				For the Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
SUPPORT AND REVENUE:								
Public Support:								
Special events revenue (Includes in-kind in 2015 of \$110,600 and \$174,295 in 2014) (Note 2H)	\$ 1,480,853	\$ -	\$ -	\$ 1,480,853	\$ 1,307,151	\$ -	\$ -	\$ 1,307,151
Less: costs of direct benefits to donors	(143,098)	-	-	(143,098)	(144,051)	-	-	(144,051)
Net revenues from special events	1,337,755	-	-	1,337,755	1,163,100	-	-	1,163,100
Net service revenue (Notes 2F and 8)	624,656	-	-	624,656	579,735	-	-	579,735
Foundation grants	383,739	541,689	-	925,428	518,265	495,838	-	1,014,103
Individual donations	1,559,118	8,000	-	1,567,118	431,460	98,928	-	530,388
Donated assets and services (Note 2J)	264,280	-	-	264,280	325,053	-	-	325,053
Net assets released from restrictions (Notes 2G and 9)	739,402	(739,402)	-	-	442,215	(442,215)	-	-
Total Public Support	4,908,950	(189,713)	-	4,719,237	3,459,828	152,551	-	3,612,379
Government Support (Note 2E):								
Preventive Program	601,900	-	-	601,900	594,026	-	-	594,026
Advocacy	199,597	-	-	199,597	188,686	-	-	188,686
Nursing	18,350	-	-	18,350	54,675	-	-	54,675
Asthma	-	-	-	-	40,311	-	-	40,311
Community Partnership Initiative Program	5,590	-	-	5,590	100,250	-	-	100,250
Total Government Support	825,437	-	-	825,437	977,948	-	-	977,948
Other Income:								
Investment activity (Notes 2C and 4)	(18,482)	(15,794)	-	(34,276)	162,625	8,906	-	171,531
Thrift store	408,420	-	-	408,420	429,454	-	-	429,454
Other income	20,019	-	-	20,019	5,696	-	-	5,696
Total Other Income	409,957	(15,794)	-	394,163	597,775	8,906	-	606,681
TOTAL SUPPORT AND REVENUE	6,144,344	(205,507)	-	5,938,837	5,035,551	161,457	-	5,197,008
EXPENSES:								
Program services	4,581,425	-	-	4,581,425	4,091,083	-	-	4,091,083
Management and general	469,526	-	-	469,526	847,654	-	-	847,654
Fundraising	907,927	-	-	907,927	624,576	-	-	624,576
TOTAL EXPENSES	5,958,878	-	-	5,958,878	5,563,313	-	-	5,563,313
CHANGE IN NET ASSETS	185,466	(205,507)	-	(20,041)	(527,762)	161,457	-	(366,305)
Net assets - beginning of year	6,158,807	798,425	192,300	7,149,532	6,686,569	636,968	192,300	7,515,837
NET ASSETS - END OF YEAR	\$ 6,344,273	\$ 592,918	\$ 192,300	\$ 7,129,491	\$ 6,158,807	\$ 798,425	\$ 192,300	\$ 7,149,532

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services										Supporting Services		
	General Nursing	Asthma and Environmental Program	Home Based and Socialization	Early Intervention	Preventive Services Program	Education and Youth Services	Advocacy Program	Sharing Place Thrift Store	Community Partnership Initiative	Total Program Services	Management and General	Fundraising	Total Expenses
Salary	\$ 435,150	\$ 165,798	\$ 604,237	\$ 301,549	\$ 478,517	\$ 73,509	\$ 328,375	\$ 267,584	\$ 13,636	\$ 2,668,355	\$ 179,146	\$ 409,661	\$ 3,257,162
Payroll taxes and employee benefits (Note 10)	77,767	49,832	153,485	67,633	105,379	17,112	87,960	74,835	6,595	640,598	40,010	74,188	754,796
Total Salaries and Related Costs	512,917	215,630	757,722	369,182	583,896	90,621	416,335	342,419	20,231	3,308,953	219,156	483,849	4,011,958
Independent contractors	1,928	476	12,066	267,632	1,878	1,147	1,895	145,273	-	432,295	2,155	6,193	440,643
Professional fees (Note 2J)	15,581	24,622	13,115	621	8,837	111	2,282	11,766	-	76,935	148,593	126,923	352,451
Volunteers (Note 2J)	-	-	-	-	-	-	655	-	-	655	-	1,663	2,318
Emergency and family assistance	-	10,578	2,911	-	8,198	-	181,826	5,050	-	208,563	-	-	208,563
Client events, classes and activities	5,605	-	30,897	750	4,075	6,060	210	-	-	47,597	-	386	47,983
Supplies	5,831	20,005	8,948	11,914	9,691	32,285	16,247	8,831	-	113,752	2,123	118,059	233,934
Printing and publications	1,060	2,658	2,475	1,225	2,673	260	1,068	2,095	-	13,514	11,701	52,848	78,063
Telephone	1,942	2,966	3,797	1,612	7,387	325	1,809	2,265	-	22,103	2,719	2,026	26,848
Travel	420	2,984	146	-	2,062	-	241	-	-	5,853	2,309	1,865	10,027
Conferences, in-service and meetings	4,715	2,365	6,882	3,478	6,220	222	4,378	2,139	-	30,399	11,404	12,564	54,367
Utilities	4,686	1,656	13,792	4,350	8,030	3,990	6,588	8,076	-	51,168	1,821	3,039	56,028
Equipment leases and repairs	1,507	1,190	3,698	1,570	2,595	317	1,762	2,206	-	14,845	2,123	1,317	18,285
Building expense	5,195	1,836	15,291	4,823	7,240	4,423	7,305	8,954	-	55,067	4,335	3,370	62,772
Insurance	5,568	1,971	15,292	4,896	8,394	4,286	7,304	8,962	-	56,673	3,914	3,454	64,041
Direct benefit costs	-	-	-	-	-	-	-	-	-	-	-	209,875	209,875
Bad debt expense	-	-	-	-	-	-	-	-	-	-	24,490	-	24,490
Miscellaneous	3,435	23	35	100	748	-	548	2,220	-	7,109	11,004	12,555	30,668
Subtotal before costs of direct benefits to donors and depreciation	570,390	288,960	887,067	672,153	661,924	144,047	650,453	550,256	20,231	4,445,481	448,233	1,039,600	5,933,314
Less: costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(143,098)	(143,098)
Subtotal before depreciation	570,390	288,960	887,067	672,153	661,924	144,047	650,453	550,256	20,231	4,445,481	448,233	896,502	5,790,216
Depreciation (Note 5)	13,632	9,821	34,524	13,958	22,767	4,256	16,459	20,527	-	135,944	21,293	11,425	168,662
TOTAL EXPENSES	\$ 584,022	\$ 298,781	\$ 921,591	\$ 686,111	\$ 684,691	\$ 148,303	\$ 666,912	\$ 570,783	\$ 20,231	\$ 4,581,425	\$ 469,526	\$ 907,927	\$ 5,958,878

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, 2014**

	Program Services										Supporting Services		
	General Nursing	Asthma and Environmental Program	Home Based and Socialization	Early Intervention	Preventive Services Program	Education and Youth Services	Advocacy Program	Sharing Place Thrift Store	Community Partnership Initiative	Total Program Services	Management and General	Fundraising	Total Expenses
Salary	\$ 348,968	\$ 155,738	\$ 486,707	\$ 236,012	\$ 474,639	\$ 59,324	\$ 163,961	\$ 210,032	\$ 34,947	\$ 2,170,328	\$ 105,587	\$ 127,436	\$ 2,403,351
Payroll taxes and employee benefits (Note 10)	60,056	50,333	129,777	51,774	116,353	15,416	53,044	66,923	6,196	549,872	27,238	27,194	604,304
Total Salaries and Related Costs	409,024	206,071	616,484	287,786	590,992	74,740	217,005	276,955	41,143	2,720,200	132,825	154,630	3,007,655
Independent contractors	-	-	7,370	273,007	-	-	-	145,190	-	425,567	15,750	484	441,801
Professional fees (Note 2J)	26,044	29,597	13,928	10,851	6,447	3,773	14,288	32,618	48,405	185,951	644,754	254,549	1,085,254
Volunteers (Note 2J)	2,310	-	-	-	-	-	1,200	-	-	3,510	2,092	-	5,602
Emergency and family assistance	-	7,564	1,825	-	17,325	-	-	-	-	214,270	-	100	214,370
Client events, classes and activities	6,322	-	31,692	-	5,032	5,982	-	-	-	49,028	754	88,743	138,525
Supplies	8,584	21,211	6,492	6,277	6,658	2,151	1,987	9,208	38,519	101,087	1,714	18,381	121,182
Printing and publications	1,817	611	2,428	1,011	1,850	141	605	1,485	117	10,065	2,969	32,127	45,161
Telephone	2,076	3,102	4,178	1,666	6,464	291	1,245	2,686	76	21,784	2,415	424	24,623
Travel	351	3,425	89	-	434	15	425	-	400	5,139	704	655	6,498
Conferences, in-service and meetings	7,279	2,768	3,912	2,263	4,768	74	9,247	1,090	264	31,665	6,005	2,091	39,761
Utilities	4,070	1,451	12,105	3,801	5,812	3,463	5,587	7,140	20	43,449	2,901	2,403	48,753
Equipment leases and repairs	1,359	1,130	3,755	1,498	2,829	261	1,119	2,414	68	14,433	1,988	381	16,802
Building expense	3,603	1,285	10,715	3,365	5,145	3,065	4,945	6,320	18	38,461	2,847	2,127	43,435
Insurance	5,442	6,979	15,481	4,930	7,653	4,253	7,013	9,174	39	60,964	3,943	2,992	67,899
Direct benefit costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	8,562	-	-	11,000	-	-	-	-	-	19,562	-	-	19,562
Miscellaneous	91	33	2,373	127	466	78	125	393	-	3,686	6,216	7,668	17,570
Subtotal before costs of direct benefits to donors and depreciation	486,934	285,227	732,827	607,582	661,875	98,287	452,347	494,673	129,069	3,948,821	827,877	764,203	5,540,901
Less: costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(144,051)	(144,051)
Subtotal before depreciation	486,934	285,227	732,827	607,582	661,875	98,287	452,347	494,673	129,069	3,948,821	827,877	620,152	5,396,850
Depreciation (Note 5)	13,382	10,103	37,437	14,386	26,450	3,998	12,209	23,724	573	142,262	19,777	4,424	166,463
TOTAL EXPENSES	\$ 500,316	\$ 295,330	\$ 770,264	\$ 621,968	\$ 688,325	\$ 102,285	\$ 464,556	\$ 518,397	\$ 129,642	\$ 4,091,083	\$ 847,654	\$ 624,576	\$ 5,563,313

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, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (20,041)	\$ (366,305)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	168,662	166,463
Bad debt	24,490	19,562
Net realized and unrealized loss (gain) on investments	45,471	(146,141)
Subtotal	218,582	(326,421)
Changes in operating assets and liabilities:		
Decrease or (increase) in assets:		
Pledges receivable	54,938	(11,827)
Grants receivable	(6,522)	(12,340)
Receivables from third party payors	(74,337)	43,906
Prepaid expenses and other current assets	(34,010)	10,946
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	49,306	(101,766)
Government advances	(1,161)	1,764
Net Cash Provided by (Used in) Operating Activities	206,796	(395,738)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	2,580,905	1,486,807
Purchase of investments	(2,317,271)	(1,261,692)
Property and equipment acquisitions	(16,557)	(32,944)
Net Cash Provided by Investing Activities	247,077	192,171
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	453,873	(203,567)
Cash and cash equivalents - beginning of year	285,007	488,574
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 738,880	\$ 285,007

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

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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:

- Home Health Programs include the following:
 - providing general nursing care to residents of Manhattan in their homes
 - providing asthma and environmental services for asthma management and prevention
 - providing maternity outreach services for health education and parenting assistance for new mothers
- Early Childhood Programs for children throughout the City include the following:
 - providing home based and center based child development
 - providing early intervention services throughout Manhattan
- Preventive Services Program providing services to families throughout the City whose children are at risk of abuse and/or neglect
- Community Adult Education Program providing support and education for enrichment to participants residing in East Harlem. Effective January 1, 2010, this program was split into 2 programs, Community Adult Education and Youth Services. The Community Adult Education component was discontinued effective January 1, 2014.
- Advocacy Program providing services and emergency food distribution primarily to neighborhood and community residents of East Harlem
- A thrift store providing used clothing at affordable prices primarily to neighborhood and community residents of East Harlem

In 2010, the Agency signed an agreement with the New York City Administration for Children’s Services (“ACS”) to become a fiscal conduit for the Community Preventative Initiative (CPI). The term of the contract is from July 1, 2011 through June 30, 2015, for an amount not to exceed \$2,540,640. The Agency is required to follow certain policies and procedures as stipulated in the agreement when disbursing ACS funds. In September 2014, ACS exercised its rights to terminate the agreement without cause.

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.
- 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.
- 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 unrestricted net assets, 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 11.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. The Agency maintains its net assets in accordance with the following three net asset classes:

Unrestricted Net Assets – Net assets that are either not subject to donor-imposed stipulations, or have been reclassified from temporarily restricted net assets because donor restrictions have been removed or expired. As of December 31, 2015 and 2014, the Agency's Board of Directors have authorized an unrestricted operating fund 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.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that have not yet been met either by incurring qualifying expenditures or by the passage of time. Earnings on permanently restricted donor endowments are recorded as temporarily restricted until the Board has appropriated the earnings for expenditure, at which time the earnings are reclassified to unrestricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that gifts be maintained permanently by the Agency, but the earnings of which are available as temporarily restricted until appropriated by the Board, at which time they are accounted for in unrestricted operations, absent any donor stipulations.

- 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.
- F. The Agency's Certified Home Health and Early Intervention Programs report net patient service revenue and fees for service at the estimated net realizable amounts due from third-party payers for services in the period in which they are rendered. Approximately 85% and 89% of net service revenue for years ended December 31, 2015 and 2014, 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 2015 and 2014, the Agency established an allowance for doubtful accounts on its receivables from third-party payors in the amounts of \$37,433 and \$12,943, respectively. The allowance is estimated by management based on general factors, such as aging of the receivables, and historical collection experience.
- G. Contributions to the Agency that are not restricted by the donor are reported as increases in unrestricted net assets in the fiscal year in which the contributions are received. All donor-restricted contributions are reported as increases in temporarily restricted net assets (including capital campaign contributions), unless permanently restricted (e.g., as endowment). However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the support as unrestricted. Contributions of fixed assets are recorded as unrestricted support. Capital campaign contributions which exceeded the cost of the construction of the new building will be used for major building repairs and are treated as temporarily restricted donations until the funds are spent, at which time, the donations will be reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. As of both years ended December 31, 2015 and 2014, unspent funds from the capital campaign were \$286,008.

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, 2015 and 2014. Conditional promises to give are not included as support until the condition is substantially met.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- H. 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.
- I. The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- J. 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, 2015 and 2014 amounted to \$2,305 and \$5,602, respectively. Donated securities, donated goods and services are measured at fair value at date of receipt. Donated securities amounted to \$1,360,210 and \$0 for the years ended December 31, 2015 and 2014, respectively, and are included in individual donations in the accompanying statements of activities. The donated goods and services for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Donated goods	\$ 124,311	\$ 88,156
Donated legal and other professional services	139,969	236,897
Total donated goods and services	\$ 264,280	\$ 325,053

- K. The preparation of financial statements in conformity with generally accepted accounting principles 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.
- L. The Agency's Certified Home Health 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. Estimated amounts of charity care were approximately \$21,000 and \$12,000 in 2015 and 2014, respectively.
- M. 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.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to give and consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Amounts due in less than one year	\$ 252,429	\$ 307,367

The Agency did not receive new multiyear pledges during 2015 or 2014 that were required to be valued at their net present value.

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NOTE 4 – INVESTMENTS

Investments at December 31, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Equities	\$ 622,359	\$ 1,220,902
US Treasury Bonds and Notes	114,330	180,391
Corporate Bonds	88,880	231,803
Money Market Funds	806,896	303,392
U.S. Agency	<u>43,561</u>	<u>48,643</u>
Total Investments	<u>\$ 1,676,026</u>	<u>\$ 1,985,131</u>

Investments are classified in the following net asset categories as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Permanently restricted endowment	\$ 192,300	\$ 192,300
Temporarily restricted – earnings on endowment	12,125	6,626
Temporarily restricted – capital campaign	286,008	286,008
Unrestricted purposes	<u>1,185,593</u>	<u>1,500,197</u>
	<u>\$ 1,676,026</u>	<u>\$ 1,985,131</u>

The following table summarizes investment activity for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 21,216	\$ 35,289
Investment fees	(10,021)	(9,899)
Realized and unrealized (loss) gain on Investments	<u>(45,471)</u>	<u>146,141</u>
	<u>\$ (34,276)</u>	<u>\$ 171,531</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Land	\$ 572,119	\$ 572,119	-
Building	5,369,002	5,357,002	20 years
Furniture and equipment	462,871	458,314	5-20 years
Vehicles	<u>42,705</u>	<u>42,705</u>	5 years
Total cost	6,446,697	6,430,140	
Less: accumulated depreciation	<u>(2,006,517)</u>	<u>(1,837,855)</u>	
Net book value	<u>\$ 4,440,180</u>	<u>\$ 4,592,285</u>	

Depreciation expense amounted to \$168,662 and \$166,463 for the years ended December 31, 2015 and 2014, respectively.

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NOTE 6 – 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, 2015 and 2014 receivables from third-party payors were as follows:

	2015	2014
Medicaid	\$ 21,728	\$ 8,750
NYC DHMH Early Intervention	94,890	70,148
Other	46,328	9,711
	162,946	88,609
Less: allowance for doubtful accounts	(37,433)	(1,943)
	\$ 125,513	\$ 75,666

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. The Agency leases equipment under operating leases. Future minimum payments due under the leases for the years after December 31, 2015 are as follows:

2016	\$	15,496
2017		15,213
2018		5,750
	\$	36,459

Rental expense for equipment leases charged to operations for 2015 and 2014 was \$14,356 and \$12,328, 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, 2015 and 2014 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 8 – NET SERVICE REVENUE

Revenue from third-party payors was as follows:

	2015	2014
Medicaid	\$ 36,903	\$ 51,973
Medicare	-	8,489
NYC DHMH Early Intervention	493,635	455,080
Other	94,118	64,193
	624,656	579,735
	\$ 624,656	\$ 579,735

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NOTE 9 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Net assets were released from restrictions during the years ended December 31, 2015 and 2014 by incurring expenses or the passage of time, thus satisfying the restricted purpose as follows:

	<u>2015</u>	<u>2014</u>
Home Health Agency		
General Nursing	\$ 8,427	\$ 7,122
Asthma and Environment	178,125	168,190
Maternity Outreach	45,000	22,500
Early Childhood		
Home Based Socialization	439,492	192,269
Education of Youth	25,000	-
Advocacy	25,262	33,294
Administrative and Development	<u>18,096</u>	<u>18,840</u>
Total	<u>\$ 739,402</u>	<u>\$ 442,215</u>

Temporarily restricted net assets are available for the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Home Health Agency		
General Nursing	\$ 5,346	\$ 9,775
Asthma and Environment	67,500	110,624
Maternity Outreach	22,500	22,500
Early Childhood		
Home Based Socialization	175,598	264,401
Education of Youth	-	25,000
Advocacy	8,742	34,004
Administrative and Development	15,099	18,194
Earnings on Endowments	12,125	27,919
Capital Campaign (Note 2G)	<u>286,008</u>	<u>286,008</u>
Total	<u>\$ 592,918</u>	<u>\$ 798,425</u>

As of December 31, 2015 and 2014, permanently restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
The Doyle Endowment	\$ 100,000	\$ 100,000
The McInerney Endowment	<u>92,300</u>	<u>92,300</u>
Total	<u>\$ 192,300</u>	<u>\$ 192,300</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 7 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 unrestricted by the donor will be reflected as temporarily restricted 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.

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NOTE 9 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

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. In accordance with the Agency's policy noted at Note 2D, deficiencies of this nature are reported in either restricted or unrestricted net assets.

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 permanently. As of December 31, 2015 and 2014, 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).

Changes in endowment net assets consisted of the following for year ended December 31, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 27,919	\$ 192,300	\$ 220,219
Investment activity:			
Unrealized loss on investments	<u>(3,693)</u>	<u>-</u>	<u>(3,693)</u>
Total investment activity	<u>(3,693)</u>	<u>-</u>	<u>(3,693)</u>
Earnings appropriated for expenditure	<u>(12,101)</u>	<u>-</u>	<u>(12,101)</u>
Endowment net assets, end of year	<u>\$ 12,125</u>	<u>\$ 192,300</u>	<u>\$ 204,425</u>

Changes in endowment net assets consisted of the following for year ended December 31, 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 19,013	\$ 192,300	\$ 211,313
Investment activity:			
Unrealized gain on investments	<u>20,672</u>	<u>-</u>	<u>20,672</u>
Total investment activity	<u>20,672</u>	<u>-</u>	<u>20,672</u>
Earnings appropriated for expenditure	<u>(11,766)</u>	<u>-</u>	<u>(11,766)</u>
Endowment net assets, end of year	<u>\$ 27,919</u>	<u>\$ 192,300</u>	<u>\$ 220,219</u>

Endowment net assets are included with investments on the accompanying statements of financial position as of December 31, 2015 and 2014.

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NOTE 10 – PENSION PLAN

The Agency has established a tax deferred annuity plan (the “Annuity Plan”) under Section 403(b) of the Internal Revenue Code (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 contributes 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. Contributions to the Plan by the Agency were \$0 for both years ended December 31, 2015 and 2014. Under the Annuity Plan, an employee becomes eligible at anytime the employee wishes to participate and are fully and immediately vested at that time. The Agency is not required to make contributions to the Annuity Plan.

NOTE 11 – FAIR VALUE MEASUREMENTS

FASB 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.

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 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).

The Agency's policy is to recognize transfers into and out of Levels as of the date of the transaction or change in circumstances that caused the transfer. For the years ended December 31, 2015 and 2014, there were no transfers in or out of levels 1, 2 or 3.

LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2015 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	\$ 806,896	\$ -	\$ 806,896
U.S. Equities			
Basic Materials	14,486	-	14,486
Consumer Goods	135,300	-	135,300
Energy	33,147	-	33,147
Financial	107,309	-	107,309
Healthcare	100,948	-	100,948
Industrial Goods	65,377	-	65,377
Technology	153,603	-	153,603
Utilities	12,189	-	12,189
	<u>622,359</u>	<u>-</u>	<u>622,359</u>
Fixed Income			
U.S. Treasury Bonds and Notes	114,330	-	114,330
U.S. Agency	43,561	-	43,561
Corporate Bonds	-	88,880	88,880
	<u>157,891</u>	<u>88,880</u>	<u>246,771</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 1,587,146</u>	<u>\$ 88,880</u>	<u>\$ 1,676,026</u>

Financial assets carried as of fair value at December 31, 2014 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	\$ 303,392	\$ -	\$ 303,392
U.S. Equities			
Basic Materials	36,148	-	36,148
Consumer Goods	292,407	-	292,407
Energy	100,186	-	100,186
Financial	187,813	-	187,813
Healthcare	172,697	-	172,697
Industrial Goods	153,836	-	153,836
Technology	250,418	-	250,418
Utilities	27,397	-	27,397
	<u>1,220,902</u>	<u>-</u>	<u>1,220,902</u>
Fixed Income			
U.S. Treasury Bonds and Notes	180,391	-	180,391
U.S. Agency	48,643	-	48,643
Corporate Bonds	-	231,803	231,803
	<u>229,034</u>	<u>231,803</u>	<u>460,837</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 1,753,328</u>	<u>\$ 231,803</u>	<u>\$ 1,985,131</u>

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NOTE 12 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Agency to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporations (“FDIC”) insurance limits by approximately \$518,000 and \$76,000 as of December 31, 2015 and 2014, respectively. This excess includes outstanding checks. Cash accounts with participating banks are insured up to \$250,000 per depositor.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through April 27, 2016, the date the financial statements were available to be issued.