

# 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, 2017 and 2016

**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, 2017 AND 2016**

**CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report .....	1
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-15

## 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, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Little Sisters of the Assumption Family Health Service, Inc. as of December 31, 2017 and 2016, 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  
June 21, 2018

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2B and 11)	\$ 1,285,988	\$ 898,911
Pledges receivable (Notes 2G and 3)	218,707	318,022
Grants receivable (Note 2E)	341,757	178,065
Receivables from third party payors, net (Notes 2F and 6)	28,547	45,988
Investments, at fair value (Notes 2B, 2C, and 4)	693,622	707,650
Prepaid expenses and other current assets	62,382	42,313
Property and equipment, net (Notes 2M and 5)	4,129,403	4,280,701
<b>TOTAL ASSETS</b>	<b>\$ 6,760,406</b>	<b>\$ 6,471,650</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 219,173	\$ 191,767
Government advances (Note 2E)	178,016	46,311
<b>TOTAL LIABILITIES</b>	<b>397,189</b>	<b>238,078</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>NET ASSETS (Notes 2D and 9)</b>		
Unrestricted:		
Undesignated	404,527	83,204
Board designated	1,000,000	1,000,000
Investment in property and equipment	4,129,403	4,280,701
Total Unrestricted	5,533,930	5,363,905
Temporarily restricted (Note 9)	636,987	677,367
Permanently restricted (Note 9)	192,300	192,300
<b>TOTAL NET ASSETS</b>	<b>6,363,217</b>	<b>6,233,572</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,760,406</b>	<b>\$ 6,471,650</b>

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	For the Year Ended December 31, 2017				For the Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
<b>SUPPORT AND REVENUE:</b>								
<b>Public Support:</b>								
Special events revenue (Includes auction revenue in 2017 of \$75,493 and \$143,135 in 2016)	\$ 1,061,754	\$ -	\$ -	\$ 1,061,754	\$ 1,245,717	\$ -	\$ -	\$ 1,245,717
Less: costs of direct benefits to donors (Note 2H)	(111,887)	-	-	(111,887)	(157,570)	-	-	(157,570)
Net revenues from special events	949,867	-	-	949,867	1,088,147	-	-	1,088,147
Net service revenue (Notes 2F and 8)	110,770	-	-	110,770	427,834	-	-	427,834
Foundation grants	423,020	693,517	-	1,116,537	308,743	690,307	-	999,050
Individual donations	781,848	-	-	781,848	892,054	-	-	892,054
Sustaining fund campaign	79,533	-	-	79,533	-	-	-	-
Donated assets and services (Note 2J)	76,375	-	-	76,375	49,818	-	-	49,818
Net assets released from restrictions (Notes 2G and 9)	725,123	(725,123)	-	-	602,507	(602,507)	-	-
<b>Total Public Support</b>	<b>3,146,536</b>	<b>(31,606)</b>	<b>-</b>	<b>3,114,930</b>	<b>3,369,103</b>	<b>87,800</b>	<b>-</b>	<b>3,456,903</b>
<b>Government Support (Note 2E):</b>								
Preventive Program	659,354	-	-	659,354	683,349	-	-	683,349
Advocacy	307,353	-	-	307,353	306,754	-	-	306,754
Nursing	6,737	-	-	6,737	32,950	-	-	32,950
Asthma	95,920	-	-	95,920	18,552	-	-	18,552
Delivery System Reform Incentive Payment	278,359	-	-	278,359	47,375	-	-	47,375
Maternity Infant Health	85,173	-	-	85,173	41,858	-	-	41,858
<b>Total Government Support</b>	<b>1,432,896</b>	<b>-</b>	<b>-</b>	<b>1,432,896</b>	<b>1,130,838</b>	<b>-</b>	<b>-</b>	<b>1,130,838</b>
<b>Other Income:</b>								
Investment activity (Notes 2C and 4)	122,289	(8,774)	-	113,515	32,818	(3,351)	-	29,467
Thrift store	413,951	-	-	413,951	362,767	-	-	362,767
Other income	8,506	-	-	8,506	31,819	-	-	31,819
<b>Total Other Income</b>	<b>544,746</b>	<b>(8,774)</b>	<b>-</b>	<b>535,972</b>	<b>427,404</b>	<b>(3,351)</b>	<b>-</b>	<b>424,053</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>5,124,178</b>	<b>(40,380)</b>	<b>-</b>	<b>5,083,798</b>	<b>4,927,345</b>	<b>84,449</b>	<b>-</b>	<b>5,011,794</b>
<b>EXPENSES:</b>								
Program services	3,726,272	-	-	3,726,272	4,604,048	-	-	4,604,048
Management and general	576,054	-	-	576,054	613,385	-	-	613,385
Fundraising	651,827	-	-	651,827	690,280	-	-	690,280
<b>TOTAL EXPENSES</b>	<b>4,954,153</b>	<b>-</b>	<b>-</b>	<b>4,954,153</b>	<b>5,907,713</b>	<b>-</b>	<b>-</b>	<b>5,907,713</b>
<b>CHANGE IN NET ASSETS</b>	<b>170,025</b>	<b>(40,380)</b>	<b>-</b>	<b>129,645</b>	<b>(980,368)</b>	<b>84,449</b>	<b>-</b>	<b>(895,919)</b>
Net assets - beginning of year	5,363,905	677,367	192,300	6,233,572	6,344,273	592,918	192,300	7,129,491
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,533,930</b>	<b>\$ 636,987</b>	<b>\$ 192,300</b>	<b>\$ 6,363,217</b>	<b>\$ 5,363,905</b>	<b>\$ 677,367</b>	<b>\$ 192,300</b>	<b>\$ 6,233,572</b>

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

	For the Year Ended December 31, 2017										Total 2016	Total 2016
	Program Services						Supporting Services					
	General Nursing	Asthma and Environmental Program	Preventive Services Program	Parent Child Development	Advocacy Program	Sharing Place Thrift Store	Total Program Services	Management and General	Fundraising	Total 2017		
Salary	\$ 369,390	\$ 303,000	\$ 533,902	\$ 602,039	\$ 283,766	\$ 236,931	\$ 2,329,028	\$ 345,519	\$ 347,246	\$ 3,021,793	\$ 3,461,713	
Payroll taxes and employee benefits (Note10)	57,850	65,987	98,297	132,796	63,964	42,606	461,500	39,606	60,658	561,764	623,762	
<b>Total Salaries and Related Costs</b>	<b>427,240</b>	<b>368,987</b>	<b>632,199</b>	<b>734,835</b>	<b>347,730</b>	<b>279,537</b>	<b>2,790,528</b>	<b>385,125</b>	<b>407,904</b>	<b>3,583,557</b>	<b>4,085,475</b>	
Independent contractors	520	-	-	-	-	-	520	-	-	520	299,828	
Professional fees (Note 2J)	36,965	36,401	26,284	54,826	16,726	40,557	211,759	79,826	41,403	332,988	435,839	
Volunteers (Note 2J)	-	12	-	185	-	202	399	-	2,916	3,315	3,598	
Emergency and family assistance	-	9,773	4,260	2,299	240,820	-	257,152	-	33	257,185	257,861	
Client events, classes and activities	436	525	4,290	3,630	-	-	8,881	-	15	8,896	20,322	
Supplies	6,631	16,791	5,413	10,804	14,215	7,595	61,449	856	74,209	136,514	93,144	
Printing and publications	1,440	1,493	2,528	3,859	1,358	1,838	12,516	2,582	35,911	51,009	62,727	
Telephone	4,104	6,888	8,401	3,808	1,673	2,085	26,959	4,130	1,609	32,698	29,008	
Travel	1,900	4,155	2,486	93	46	-	8,680	2,122	192	10,994	11,076	
Conferences, in-service and meetings	3,392	7,521	4,655	2,138	2,018	495	20,219	6,848	6,066	33,133	50,772	
Utilities	4,855	6,130	8,544	18,786	8,635	8,529	55,479	3,595	3,332	62,406	64,142	
Equipment leases and repairs	1,263	2,188	3,172	4,171	1,832	5,560	18,186	2,496	1,762	22,444	36,622	
Building expense	4,500	5,681	6,528	17,411	6,451	7,904	48,475	3,332	3,088	54,895	81,307	
Insurance	6,484	7,386	9,267	22,528	8,359	12,725	66,749	4,394	4,035	75,178	76,574	
Direct benefit costs	-	-	-	-	-	-	-	-	150,921	150,921	208,331	
Bad debt expense	-	-	-	-	-	-	-	55,797	-	55,797	48,914	
Miscellaneous	626	465	255	-	96	3,425	4,867	5,067	15,903	25,837	33,136	
Subtotal before costs of direct benefits to donors and depreciation	500,356	474,396	718,282	879,373	650,161	370,250	3,592,818	556,170	749,299	4,898,287	5,898,676	
Less: costs of direct benefits to donors	-	-	-	-	-	-	-	-	(111,887)	(111,887)	(157,570)	
Subtotal before depreciation	500,356	474,396	718,282	879,373	650,161	370,250	3,592,818	556,170	637,412	4,786,400	5,741,106	
Depreciation (Note 5)	11,506	18,847	26,445	39,314	16,656	20,686	133,454	19,884	14,415	167,753	166,607	
<b>TOTAL EXPENSES</b>	<b>\$ 511,862</b>	<b>\$ 493,243</b>	<b>\$ 744,727</b>	<b>\$ 918,687</b>	<b>\$ 666,817</b>	<b>\$ 390,936</b>	<b>\$ 3,726,272</b>	<b>\$ 576,054</b>	<b>\$ 651,827</b>	<b>\$ 4,954,153</b>	<b>\$ 5,907,713</b>	

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, 2016**

	Year Ended December 31, 2016								Supporting Services		
	Program Services							Total Program Services	Management and General	Fundraising	Total 2016
	General Nursing	Asthma and Environmental Program	Early Intervention	Preventive Services Program	Parent Child Development	Advocacy Program	Sharing Place Thrift Store				
Salary	\$ 445,357	\$ 199,926	\$ 220,836	\$ 547,744	\$ 729,681	\$ 337,898	\$ 274,610	\$ 2,756,052	\$ 288,290	\$ 417,371	\$ 3,461,713
Payroll taxes and employee benefits (Note 10)	65,832	47,207	34,296	100,372	151,395	71,240	53,892	524,234	35,923	63,605	623,762
<b>Total Salaries and Related Costs</b>	<b>511,189</b>	<b>247,133</b>	<b>255,132</b>	<b>648,116</b>	<b>881,076</b>	<b>409,138</b>	<b>328,502</b>	<b>3,280,286</b>	<b>324,213</b>	<b>480,976</b>	<b>4,085,475</b>
Independent contractors	3,680	-	177,023	-	-	-	119,125	299,828	-	-	299,828
Professional fees (Note 2J)	36,110	28,114	9,251	27,163	98,014	16,506	30,970	246,128	160,873	28,838	435,839
Volunteers (Note 2J)	-	206	-	-	-	305	-	511	-	3,087	3,598
Emergency and family assistance	-	12,205	-	12,962	5,950	226,725	19	257,861	-	-	257,861
Client events, classes and activities	996	4,475	-	6,458	8,001	392	-	20,322	-	-	20,322
Supplies	6,716	18,380	2,584	6,365	19,411	2,910	7,183	63,549	2,100	27,495	93,144
Printing and publications	3,634	708	1,286	4,992	2,971	1,204	1,515	16,310	5,302	41,115	62,727
Telephone	1,503	3,428	882	8,747	4,369	2,057	2,217	23,203	4,129	1,676	29,008
Travel	1,275	3,697	-	2,633	17	65	15	7,702	1,824	1,550	11,076
Conferences, in-service and meetings	3,724	2,443	774	9,370	7,491	4,212	1,030	29,044	11,802	9,926	50,772
Utilities	4,277	1,568	3,919	16,263	16,939	7,321	7,648	57,935	3,321	2,886	64,142
Equipment leases and repairs	1,550	1,958	1,428	4,692	7,073	3,329	5,814	25,844	8,575	2,203	36,622
Building expense	6,544	2,399	5,996	9,582	25,917	9,671	11,701	71,810	5,081	4,416	81,307
Insurance	6,002	2,081	5,099	12,220	22,069	8,255	12,636	68,362	4,426	3,786	76,574
Direct benefit costs	-	-	-	-	-	-	-	-	-	208,331	208,331
Bad debt expense	-	-	-	-	-	-	-	-	48,914	-	48,914
Miscellaneous	58	244	50	245	2,570	-	2,711	5,878	7,107	20,151	33,136
Subtotal before costs of direct benefits to donors and depreciation	587,258	329,039	463,424	769,808	1,101,868	692,090	531,086	4,474,573	587,667	836,436	5,898,676
Less: costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	(157,570)	(157,570)
Subtotal before depreciation	587,258	329,039	463,424	769,808	1,101,868	692,090	531,086	4,474,573	587,667	678,866	5,741,106
Depreciation (Note 5)	9,031	9,702	8,309	24,359	40,055	18,117	19,902	129,475	25,718	11,414	166,607
<b>TOTAL EXPENSES</b>	<b>\$ 596,289</b>	<b>\$ 338,741</b>	<b>\$ 471,733</b>	<b>\$ 794,167</b>	<b>\$ 1,141,923</b>	<b>\$ 710,207</b>	<b>\$ 550,988</b>	<b>\$ 4,604,048</b>	<b>\$ 613,385</b>	<b>\$ 690,280</b>	<b>\$ 5,907,713</b>

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, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 129,645	\$ (895,919)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	167,753	166,607
Bad debt	55,797	48,914
Net realized and unrealized gain on investments	(101,861)	(20,974)
Subtotal	251,334	(701,372)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Pledges receivable	99,315	(65,593)
Grants receivable	(163,692)	(104,739)
Receivables from third party payors	(38,356)	30,611
Prepaid expenses and other current assets	(20,069)	11,015
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	27,406	(6,063)
Government advances	131,705	13,950
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>287,643</b>	<b>(822,191)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investment sales	804,042	1,284,853
Purchase of investments	(688,153)	(295,503)
Property and equipment acquisitions	(16,455)	(7,128)
<b>Net Cash Provided by Investing Activities</b>	<b>99,434</b>	<b>982,222</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>387,077</b>	<b>160,031</b>
Cash and cash equivalents - beginning of year	898,911	738,880
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,285,988</b>	<b>\$ 898,911</b>



**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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 include the following:
  - Advocacy & Food Pantry programs helps poor families meet their immediate need for food and address the longer-term issues that keep people in poverty.
  - Environmental Health Services serve asthmatic children in East Harlem whose illness can be improved by mitigating triggers in the indoor air environment. We do this through hands-on home-visits by skilled environmental workers, family training and community workshops.
  - Nursing, through our Certified Home Health Agency (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 include the following:
  - Parenting & Child Development works with parents to keep very young children (up to age 3) developmentally on track through home visits and socialization groups, and provides academic enrichment and social/emotional supports to school age children in grades K-3.
  - Preventive Services is a family support program that strengthens family functioning to avoid placement of children in foster care. Key program components include counseling, referrals for specialized treatment, help with parenting and daily life management skills, and follow-up with education, health care, housing, entitlements, and more, based on the needs of the family.
  - The Sharing Place Thrift Store is East Harlem’s popular destination for those in need of good quality, bargain-priced clothing and housewares. It’s where anyone with a meager budget can shop with dignity, meet their neighbors, build community, and learn about LSA’s programs.
- Delivery System Reform Incentive Payment (“DSRIP”) is the main mechanism by which New York State will implement the Medicaid Redesign Team (“MRT”) and waiver amendment. DSRIP’s purpose is to fundamentally restructure the health care delivery system. The Agency is a member of two Performance Provider Systems (“PPS”) affiliated with Mount Sinai and One City Health which is paid through DSRIP. With respect to Mount Sinai PPS, LSA is actively participating in: 1) an Integrated Delivery System project and 2) Hospital Home Care Collaboration Solutions. With One City Health, the Agency is actively participating in: 1) Integrated Delivery Systems project, 2) Asthma Program, 3) Cultural Competency and Health Literacy Project.
- Maternity & Infant Help 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.
- A thrift store providing used clothing at affordable prices primarily to neighborhood and community residents of East Harlem.

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.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**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 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 4.

- 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, 2017 and 2016, 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 Program 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 29% and 77% of net service revenue for years ended December 31, 2017 and 2016, 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 2017 and 2016, the Agency established an allowance for doubtful accounts on its receivables from third-party payors in the amounts of \$83,267 and \$82,664, 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 December 31, 2017 and 2016, unspent funds from the capital campaign were \$193,057 and \$286,008, respectively.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

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, 2017 and 2016. Conditional promises to give are not included as support until the condition is substantially met.

- 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, 2017 and 2016 amounted to \$3,315 and \$3,599, respectively. Donated securities, donated goods and services are measured at fair value at date of receipt. Donated securities amounted to \$806,892 and \$851,446 for the years ended December 31, 2017 and 2016, respectively, and are included in individual donations in the accompanying statements of activities. The donated goods and services for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Donated goods	\$ 76,175	\$ 15,275
Donated legal and other professional services	200	34,543
Total donated goods and services	\$ 76,375	\$ 49,818

- 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 \$3,990 and \$6,500 in 2017 and 2016, 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.
- N. Certain line items on the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation.

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable are unconditional promises to give and consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	\$ <u>218,707</u>	\$ <u>318,022</u>

The Agency did not receive new multiyear pledges during 2017 or 2016 that were required to be valued at their net present value.

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments at December 31, 2017 and 2016 are comprised of the following:

	<u>2017</u>	<u>2016</u>
Equities	\$ 493,803	\$ 487,805
US Treasury Bonds and Notes	71,889	78,525
Corporate Bonds	37,296	53,313
Money Market Funds	28,125	23,195
U.S. Agency	<u>62,509</u>	<u>64,812</u>
Total Investments	<u>\$ 693,622</u>	<u>\$ 707,650</u>

Investments are classified in the following net asset categories as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Permanently restricted endowment	\$ 192,300	\$ 192,300
Temporarily restricted – earnings on endowment	-	8,774
Temporarily restricted – capital campaign	193,057	286,008
Unrestricted purposes	<u>308,265</u>	<u>220,568</u>
	<u>\$ 693,622</u>	<u>\$ 707,650</u>

The following table summarizes investment activity for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 17,210	\$ 15,568
Investment fees	(5,556)	(7,075)
Realized and unrealized gain on Investments	<u>101,861</u>	<u>20,974</u>
	<u>\$ 113,515</u>	<u>\$ 29,467</u>

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

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, 2017 and 2016, there were no transfers in or out of levels 1, 2 or 3.

Financial assets carried at fair value at December 31, 2017 are classified in the table in two of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE</b>			
<b>Investments:</b>			
Money Market Funds	\$ 28,125	\$ -	\$ 28,125
U.S. Equities	493,803	-	493,803
U.S. Treasury Bonds and Notes	71,889	-	71,889
U.S. Agency	62,509	-	62,509
Corporate Bonds	<u>-</u>	<u>37,296</u>	<u>37,296</u>
<b>TOTAL ASSETS CARRIED AT FAIR VALUE</b>	<u>\$ 656,326</u>	<u>\$ 37,296</u>	<u>\$ 693,622</u>

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Financial assets carried at fair value at December 31, 2016 are classified in the table in two of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b>ASSETS CARRIED AT FAIR VALUE</b>			
<b>Investments:</b>			
Money Market Funds	\$ 23,195	\$ -	\$ 23,195
U.S. Equities	487,805	-	487,805
U.S. Treasury Bonds and Notes	78,525	-	78,525
U.S. Agency	64,812	-	64,812
Corporate Bonds	<u>-</u>	<u>53,313</u>	<u>53,313</u>
<b>TOTAL ASSETS CARRIED AT FAIR VALUE</b>	<b><u>\$ 654,337</u></b>	<b><u>\$ 53,313</u></b>	<b><u>\$ 707,650</u></b>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 572,119	\$ 572,119	-
Building	5,384,692	5,370,487	20 years
Furniture and equipment	470,764	468,514	5-20 years
Vehicles	<u>42,705</u>	<u>42,705</u>	5 years
Total cost	6,470,280	6,453,825	
Less: accumulated depreciation	<u>(2,340,877)</u>	<u>(2,173,124)</u>	
Net book value	<b><u>\$ 4,129,403</u></b>	<b><u>\$ 4,280,701</u></b>	

Depreciation expense amounted to \$167,753 and \$166,607 for the years ended December 31, 2017 and 2016, respectively.

**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, 2017 and 2016 receivables from third-party payors were as follows:

	<u>2017</u>	<u>2016</u>
Medicaid	\$ 48,019	\$ 49,709
Other	<u>63,795</u>	<u>78,943</u>
	111,814	128,652
Less: allowance for doubtful accounts	<u>(83,267)</u>	<u>(82,664)</u>
	<b><u>\$ 28,547</u></b>	<b><u>\$ 45,988</u></b>

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

- A. The Agency leases equipment under operating leases. Future minimum payments due under the leases for the year after December 31, 2017 are \$5,750 due in 2018.

Rental expense for equipment leases charged to operations for 2017 and 2016 was \$18,075 and 17,722, 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, 2017 and 2016 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:

	<u>2017</u>	<u>2016</u>
Medicaid	\$ 31,847	\$ 51,272
NYC DHMH Early Intervention	-	278,695
Other	<u>78,923</u>	<u>97,867</u>
	<u>\$ 110,770</u>	<u>\$ 427,834</u>

**NOTE 9 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Net assets were released from restrictions during the years ended December 31, 2017 and 2016 by incurring expenses or the passage of time, thus satisfying the restricted purpose as follows:

	<u>2017</u>	<u>2016</u>
Home Health Agency:		
Asthma and Environment	\$ 80,530	\$ 130,118
Maternity Outreach	30,229	41,250
Early Childhood:		
Home Based Socialization	489,949	413,497
Advocacy	24,062	6,682
Administrative and Development	<u>7,402</u>	<u>10,960</u>
Total	<u>\$ 725,123</u>	<u>\$ 602,507</u>

Temporarily restricted net assets are available for the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Home Health Agency:		
General Nursing	\$ 5,346	\$ 5,346
Asthma and Environment	126,854	72,384
Maternity Outreach	41,021	26,250
Early Childhood:		
Home Based Socialization	251,087	241,619
Advocacy	12,885	32,847
Administrative and Development	6,737	4,139
Earnings on Endowments	-	8,774
Capital Campaign (Note 2G)	<u>193,057</u>	<u>286,008</u>
Total	<u>\$ 636,987</u>	<u>\$ 677,367</u>

**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

As of December 31, 2017 and 2016, permanently restricted net assets consist of the following:

	2017	2016
The Doyle Endowment	\$ 100,000	\$ 100,000
The McInerney Endowment	92,300	92,300
Total	\$ 192,300	\$ 192,300

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. During the year ended December 31, 2017, the Agency appropriated more than 7 percent of the endowment fund’s fair value after considering the necessary prudent factors as outlined in NYPMIFA.

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. In accordance with the Agency’s policy noted at Note 2D, deficiencies of this nature are reported in 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, 2017 and 2016, 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, 2017:

	Temporarily Restricted	Permanently Restricted	Total Endowment Investments
Endowment net assets, beginning of year	\$ 8,774	\$ 192,300	\$ 201,074
Investment activity:			
Unrealized gain on investments	29,140	-	29,140
Total investment activity	29,140	-	29,140
Earnings appropriated for expenditure	(37,914)	-	(37,914)
Endowment net assets, end of year	\$ -	\$ 192,300	\$ 192,300



**LITTLE SISTERS OF THE ASSUMPTION FAMILY HEALTH SERVICE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

Changes in endowment net assets consisted of the following for year ended December 31, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 12,125	\$ 192,300	\$ 204,425
Investment activity:			
Unrealized gain on investments	8,896	-	8,896
Total investment activity	8,896	-	8,896
Earnings appropriated for expenditure	(12,247)	-	(12,247)
Endowment net assets, end of year	\$ 8,774	\$ 192,300	\$ 201,074

Endowment net assets are included with investments on the accompanying statements of financial position as of December 31, 2017 and 2016.

**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, 2017 and 2016. Under the Annuity Plan, an employee becomes eligible at any time 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 – 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 \$1,058,000 and \$680,000 as of December 31, 2017 and 2016, respectively. This excess includes outstanding checks. Cash accounts with participating banks are insured up to \$250,000 per depositor.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through June 21, 2018, the date the financial statements were available to be issued.