

**THE MARTIN AND EDITH STEIN
ASSISTED LIVING RESIDENCE, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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YEARS ENDED DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Martin and Edith Stein Assisted Living Residence, Inc.
Somerset, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Martin and Edith Stein Assisted Living Residence, Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Martin and Edith Stein Assisted Living Residence, Inc., as of December 31, 2022 and 2021, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Martin and Edith Stein Assisted Living Residence, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Notes 1 and 13 to the financial statements, in 2022, The Martin and Edith Stein Assisted Living Residence, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Martin and Edith Stein Assisted Living Residence, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Martin and Edith Stein Assisted Living Residence, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Martin and Edith Stein Assisted Living Residence, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Trustees
The Martin and Edith Stein Assisted Living Residence, Inc.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
June 30, 2023

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	As Restated 2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 67,537	\$ 96,617
Accounts Receivable, Residents, Net of Allowance of \$46,196 and \$4,925 as of 2022 and 2021, Respectively.	331,420	103,924
Accounts Receivable, Other	1,490	640
Due from Affiliates	19,998	11,019
Restricted Cash, Residents' Personal Needs	3,438	3,067
Prepaid Expenses and Other Current Assets	37,804	50,090
Total Current Assets	461,687	265,357
RESTRICTED CASH		
Residents' Deposits	218,151	238,328
PROPERTY AND EQUIPMENT, NET		
	8,368,500	8,520,022
RIGHT-OF-USE ASSETS – FINANCE LEASES		
	13,920	21,887
Total Assets	\$ 9,062,258	\$ 9,045,594
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Bonds Payable	\$ 685,000	\$ 650,000
Current Portion of Lease Liability – Finance Leases	8,189	7,884
Accounts Payable and Accrued Expenses	498,645	190,172
Due to Affiliates	157,021	118,087
Residents' Personal Needs	2,170	2,967
Total Current Liabilities	1,351,025	969,110
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Portion	1,855,000	2,540,000
Long-Term Lease Liabilities – Finance Leases (Less Current Maturities)	6,349	14,538
Residents' Deposits	218,151	238,328
Total Long-Term Liabilities	2,079,500	2,792,866
Total Liabilities	3,430,525	3,761,976
NET ASSETS WITHOUT DONOR RESTRICTIONS		
	5,631,733	5,283,618
Total Liabilities and Net Assets	\$ 9,062,258	\$ 9,045,594

See accompanying Notes to Financial Statements.

**THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	As Restated 2021
REVENUE		
Net Resident Service Revenues	\$ 4,812,198	\$ 4,321,396
Federal COVID Grant Revenue	174,258	673,187
Other Revenue	141,396	120,933
Total Revenue	5,127,852	5,115,516
OPERATING EXPENSES		
Patient Care, Nursing	3,012,186	2,561,815
Dietary	1,306,086	1,307,981
Housekeeping	404,645	354,979
Property Operating Costs	702,124	610,676
Recreation and Activities	432,043	316,252
Marketing	100,971	100,933
Depreciation	598,811	561,017
General and Administrative	1,179,201	1,090,848
Total Operating Expenses	7,736,067	6,904,501
LOSS FROM OPERATIONS	(2,608,215)	(1,788,985)
OTHER EXPENSES		
Interest Expense	55,045	51,133
Provision for Bad Debts	46,692	3,170
Amortization	7,967	7,967
Total Other Expenses	109,704	62,270
DEFICIT OF REVENUE OVER EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(2,717,919)	(1,851,255)
TRANSFERS BETWEEN AFFILIATES	3,066,034	2,438,523
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	348,115	587,268
Net Assets Without Donor Restrictions - Beginning of Year	5,283,618	4,696,350
Cumulative Effect of FASB ASC 842	-	535
Net Assets Without Donor Restrictions - Beginning of Year, 2021 As Restated	5,283,618	4,696,885
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 5,631,733	\$ 5,283,618

See accompanying Notes to Financial Statements.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	As Restated 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 348,115	\$ 587,268
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	598,811	561,016
Amortization of ROU Assets	7,967	7,967
Provision for Bad Debts	46,692	3,170
(Increase) Decrease in Assets:		
Accounts Receivable, Residents	(275,356)	(32,607)
Accounts Receivable, Other	(850)	5,450
Due from Affiliates	(8,979)	1,120
Prepaid Expenses and Other Current Assets	12,286	(5,992)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	308,473	(209,293)
Due to Affiliates	38,934	48,929
Net Cash Provided by Operating Activities	1,076,093	967,028
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant, and Equipment	(447,289)	(367,840)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Bond Repayment	(650,000)	(615,000)
Payments on Finance Leases	(7,884)	(7,592)
Net Cash Used by Financing Activities	(657,884)	(622,592)
 NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(29,080)	(23,404)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	96,617	120,021
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 67,537	\$ 96,617
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	\$ 55,045	\$ 51,133
Change in Residents' Deposits and Personal Needs	\$ (20,177)	\$ (53,685)
Equipment Received in Exchange for Finance Lease	\$ -	\$ 29,854

See accompanying Notes to Financial Statements.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Martin and Edith Stein Assisted Living Residence, Inc. (the Corporation or the Facility) was incorporated under the New Jersey nonprofit law in December 1999 for the purpose of building and operating a 90-bed assisted living facility in Somerset, New Jersey. The Facility began operations on May 22, 2003.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents represent cash in bank accounts and other liquid investments with original maturities of less than three months at the date of purchase. The carrying amount reported in the balance sheets for cash and cash equivalents approximates its fair value. Cash received for deposits from residents and cash held by the Facility for residents' personal needs are considered to be restricted in nature. This restricted cash is not included in the restricted cash reported on the statement of cash flows as there are offsetting liabilities recorded on the balance sheet for these amounts.

Residents' Deposits

Resident deposits are security deposits on the rental units to the Facility by residents upon move-in. The Facility records these deposits as a liability.

Property and Equipment

The Facility capitalized all expenditures for property and equipment with costs over \$1,000 and an estimated life greater than one year. The cost of maintenance and repairs are charged against operations as incurred. Property and equipment is stated at cost or at fair value at the date of donation.

Depreciation is computed on the straight-line method over the following estimated useful lives:

Land Improvements	10 to 40 Years
Buildings and Improvements	5 to 40 Years
Furniture and Fixtures	5 to 15 Years
Equipment	5 to 15 Years

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The Facility records impairment loss on property and equipment when events and circumstances indicate that it is probable that assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimation process, no impairment losses have been recorded as of December 31, 2022 and 2021.

Net Assets

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

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At December 31, 2022 and 2021, the governing board has not made this designation.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Facility does not have any net assets with donor restrictions at December 31, 2022 and 2021.

Leases

The Facility determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating leases and lease liabilities – operating leases, and finance leases are included in right-of-use (ROU) assets – finance leases and lease liabilities – finance leases, on the balance sheets.

ROU assets represent the Facility's right to use an underlying asset for the lease term and lease liabilities represent the Facility's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Facility will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For individual lease contracts that do not provide information about the discount rate implicit in the lease, the Facility elects to use its incremental borrowing rate of 3.80% as the discount rate for computing the present value of lease liabilities (see Note 12). The Facility has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2016-02

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases the transparency of and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Facility adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the earliest comparative period presented, using a modified retrospective approach, with certain practical expedients available. As a result, the Facility recognized a change in accounting principle for leases (see Note 13).

New Accounting Pronouncements – ASU 2020-07

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide users of financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized. Contributed nonfinancial assets are to be presented as a separate line item in the statements of operations, apart from contributions of cash and other financial assets.

The Facility adopted the requirements of the guidance and applied the provisions of this standard using a retrospective approach to each period presented. The adoption of this accounting standard did not have an impact on the financial position or the changes in net assets. There were no material nonfinancial asset contributions received by the Facility during the years ended December 31, 2022 and 2021.

Deficit of Revenue over Expenses

The statements of operations and changes in net assets includes the determination of the deficit of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from the determination of the deficit of revenue over expenses, consistent with industry practice, include permanent transfers of assets to and from subsidiaries for other than goods and services and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Facility is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes.

The Facility follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Facility's financial statements.

The Facility's tax returns are subject to review by the taxing authorities.

Reclassification

Certain amounts on the 2021 financial statements were reclassified to conform to the current financial statement presentation.

Subsequent Events

In preparing these financial statements, the Facility has evaluated events and transactions for potential recognition or disclosure through June 30, 2023, the date the financial statements were issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of December 31, 2022 and 2021, the Facility had a working (deficit) of \$(889,338) and \$(703,753), respectively, and average days cash on hand of 3 and 6, respectively.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are as follows:

	2022	2021
Financial Assets as of Year-End:		
Cash and Cash Equivalents	\$ 67,537	\$ 96,617
Accounts Receivable from:		
Residents	331,420	103,924
Other	1,490	640
Total Financial Assets	\$ 400,447	\$ 201,181

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31 consists of the following:

	<u>2022</u>	<u>2021</u>
Land and Land Improvements	\$ 951,875	\$ 867,796
Buildings and Improvements	12,511,120	12,511,120
Furniture and Fixtures	1,814,640	1,804,275
Equipment	274,629	235,008
Kitchen Equipment	2,250,516	1,937,292
Automotive Equipment	<u>74,289</u>	<u>74,289</u>
Total	17,877,069	17,429,780
Less: Accumulated Depreciation	<u>(9,508,569)</u>	<u>(8,909,758)</u>
Property and Equipment, Net	<u>\$ 8,368,500</u>	<u>\$ 8,520,022</u>

Depreciation expense charged to operations was \$598,811 and \$561,016 for the years ended December 31, 2022 and 2021, respectively.

NOTE 4 BONDS PAYABLE

In November 2001, the New Jersey Economic Development Authority (NJEDA) issued \$15,475,000 of variable rate, tax exempt revenue bonds (Geriatric Services Housing Corporation – CNJJHA Assisted Living Project – Series 2001) to help pay for a portion of the estimated costs to construct, equip, and staff the Facility.

Under the terms of the bond indenture agreement and the loan agreement between the Corporation and NJEDA the bonds require monthly payments at variable rates pegged to the market as determined by the remarketing agent on a weekly basis. The maximum variable interest rate may not exceed 10% per annum as long as the Letter of Credit (see below) is in effect. During the years ended December 31, 2022 and 2021, the interest rate ranged from 0.25% to 3.50% and 0.20% to 0.30%, respectively. Under certain conditions the Corporation can elect to convert the bonds to a fixed interest rate. Monthly deposits of an amount equal to one-twelfth of the principal payment to be made the following November must be made into the debt service fund. The bonds mature in November 2030.

Repayment of the bonds is guaranteed by both an irrevocable letter of credit (see following) and the Foundation (the Guarantor), an entity affiliated with the Corporation, through common board of trustee members and management. Due to the achievement of stabilization, as defined, the Guarantor's liability under the guarantee is limited to \$1,500,000 at each of the years ended December 31, 2022 and 2021.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 BONDS PAYABLE (CONTINUED)

Bonds payable consists of the following:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Bonds due on November 1, 2030, annual payments in amounts ranging from \$615,000 to \$760,000 with a variable interest rate	\$ 2,540,000	\$ 3,190,000
Less: Current Portion	<u>685,000</u>	<u>650,000</u>
Bonds Payable, Net of Current Portion	<u><u>\$ 1,855,000</u></u>	<u><u>\$ 2,540,000</u></u>

The irrevocable letter of credit noted above was obtained from a commercial bank in the amount of \$15,691,727 to secure repayment of the bond principal and a portion of the interest and to enhance the marketability of the bonds. The letter of credit was due to expire in November 2011. In 2011, the Corporation was notified by the commercial bank that the letter of credit would not be renewed. On August 10, 2011, the Corporation entered into a letter of credit and reimbursement agreement with a commercial bank to provide an alternate credit facility for the original letter of credit. The face amount of this letter of credit is \$12,250,000, which is made up of principal in the amount of \$12,055,000 and interest of \$195,000. Any drawdowns on the letter of credit are due on demand. If not paid within 120 days, the draw down can be refinanced and converted to a term loan with the commercial bank at the prevailing market terms for similar term loans. The letter of credit is secured by substantially all assets of the Corporation and a compensating balance arrangement.

The letter of credit can be withdrawn at the option of the bank if the Facility elects to convert the bonds to a fixed interest rate and expires on August 9, 2024. There are no amounts outstanding under the letter of credit at December 31, 2022 and 2021. The letter of credit agreement contains a number of financial and nonfinancial covenants, which require the Corporation and the Guarantor to maintain certain financial ratios and attain other performance targets. Due to the letter of credit, the bonds are appropriately classified as long term.

Scheduled principal repayments of the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 685,000
2024	720,000
2025	760,000
2026	375,000
Total	<u><u>\$ 2,540,000</u></u>

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 BONDS PAYABLE (CONTINUED)

Under the Bond Indenture, the Facility must comply with various financial covenants, the most restrictive of which require maintaining a debt service coverage ratio of 1.25 and at least 75 days' cash on hand. The Facility represented that it is not in compliance with the days cash on hand financial covenant at December 31, 2022. Management has obtained a waiver for the missed covenant as of December 31, 2022.

No interest expense was capitalized for the years ended December 31, 2022 and 2021.

NOTE 5 RELATED PARTY TRANSACTIONS

From time to time, the Facility receives and provides cash advances to entities affiliated through overlapping board of trustee members and management. The Facility had outstanding unsecured, noninterest-bearing cash advances to and from related entities that there are no set repayment terms, repayment is expected within one year as of December 31, 2022 and 2021, as follows:

	2022	2021
Due (to) from Related Parties		
The Martin and Edith Stein Hospice	\$ (561)	\$ (1,165)
Wilf Transport	(5,415)	(5,390)
Wilf at Home	(12,976)	(3,288)
The Oscar and Ella Wilf Campus For Senior Living, Inc.	(127,789)	(105,580)
The Lena and David T. Wilentz Senior Residence, Inc.	10,573	8,009
The Foundation of the Oscar and Ella Wilf Campus for Senior Living, Inc.	(855)	346
Due to Related Parties	\$ (137,023)	\$ (107,068)

NOTE 6 NET RESIDENT SERVICE REVENUE

Resident Service Revenue

Resident service revenue is reported at the amount that reflects the consideration to which the Facility expects to be entitled in exchange for providing resident services and care. Resident services includes monthly fees, health care services, and resident and other services on the statements of operations. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Facility bills the residents monthly for services and third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 NET RESIDENT SERVICE REVENUE (CONTINUED)

Resident Service Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by the Facility. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Facility believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents receiving skilled nursing or other services within the facility. The Facility measures the performance obligation from admission into the facility or commencement of services to the point when the Facility is no longer required to provide services to that resident, which is generally at the time of discharge or termination of the resident contract.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (e.g., pharmaceuticals and medical equipment) and the Facility does not believe it is required to provide additional goods or services related to that sale.

The Facility determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured residents in accordance with the Facility's policy and/or implicit price concessions provided to residents. The Facility determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Facility determines its estimate of implicit price concessions based on its historical collection experience.

Net resident service revenue is reported at estimated net realizable amounts from residents, third-party payors, and others for services rendered. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, review, and investigations. For the years ended December 31, 2022 and 2021, all net resident service revenue was derived from billings to Medicare, Medicaid, and commercial insurance companies. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Performance obligations are determined based on the nature of the services provided by the Facility. Revenue for performance obligations.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 NET RESIDENT SERVICE REVENUE (CONTINUED)

Resident Service Revenue (Continued)

The composition of net resident service revenues and receivables by major payors for the years ended December 31, 2022 and 2021 is as follows:

	Revenue	
	2022	2021
Medicaid	\$ 986,779	\$ 715,314
Private Insurance and Other	3,825,419	3,606,082
Total	\$ 4,812,198	\$ 4,321,396

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

	Accounts Receivable	
	2022	2021
Medicaid	\$ 137,838	\$ 90,912
Private Insurance and Other	239,778	17,937
Subtotal	377,616	108,849
Less: Allowance for Doubtful Accounts	(46,196)	(4,925)
Total	\$ 331,420	\$ 103,924

The composition of resident care service revenue based on its service lines, method of reimbursement, and timing of revenue recognition are as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Service Lines:		
Assisted Living	\$ 4,723,176	\$ 4,255,656
Respite Care	89,022	65,740
Total	\$ 4,812,198	\$ 4,321,396
Method of Reimbursement:		
Fee for Services	\$ 4,812,198	\$ 4,321,396
Total	\$ 4,812,198	\$ 4,321,396
Timing of Revenue and Recognition:		
Services Transferred Over Time	\$ 4,812,198	\$ 4,321,396
Total	\$ 4,812,198	\$ 4,321,396

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 NET RESIDENT SERVICE REVENUE (CONTINUED)

The opening and closing balances in Accounts Receivable were as follows:

Balance at January 1, 2021	\$ 74,587
Balance at December 31, 2021	103,924
Balance at December 31, 2022	331,420

Financing Component

The Facility has elected the practical expedient allowed under FASB Accounting Standards Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Facility's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less.

Contract Costs

The Facility has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs with an amortization period of under one year are expensed as they are incurred.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

The Facility grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements.

The Facility maintains cash accounts and certificates of deposit, which, at times, may exceed federally insured limits. The Facility has not experienced any losses from maintaining cash accounts and certificates of deposit in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts and certificates of deposit.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 FUNCTIONAL EXPENSES

The Facility provides residential and health care services to residents. All categories of expenses that are not directly related to the Facility's program are allocated to one or more management and administrative functions based on estimates of time and effort involved.

The functional allocation of these expenses related to these services is as follows for the years ended December 31, 2022 and 2021:

	Program Services	Management and General	Fundraising and Development	Total
<u>December 31, 2022</u>				
Salaries and Wages	\$ 3,602,936	\$ 668,546	\$ -	\$ 4,271,482
Employee Benefits	821,127	119,831	-	940,958
Patient and Residential	569,450	45,919	-	615,369
Professional Services	135,236	127,564	-	262,800
Office Supplies	132,775	196,866	-	329,641
Operating and Maintenance	391,111	43,457	-	434,568
Travel and Meetings	17,294	13,581	-	30,875
Interest	48,896	6,149	-	55,045
Insurance	90,835	10,093	-	100,928
Depreciation and Amortization	538,930	67,848	-	606,778
Other Expenses	76,867	120,460	-	197,327
Total	<u>\$ 6,425,457</u>	<u>\$ 1,420,314</u>	<u>\$ -</u>	<u>\$ 7,845,771</u>
<u>December 31, 2021</u>				
Salaries and Wages	\$ 3,144,616	\$ 508,382	\$ -	\$ 3,652,998
Employee Benefits	713,946	108,450	-	822,396
Patient and Residential	572,147	44,878	-	617,025
Professional Services	120,508	151,543	-	272,051
Office Supplies	184,073	148,306	-	332,379
Operating and Maintenance	338,063	37,563	-	375,626
Travel and Meetings	10,959	9,935	-	20,894
Interest	45,113	6,021	-	51,134
Insurance	76,820	8,536	-	85,356
Depreciation and Amortization	504,915	64,069	-	568,984
Other Expenses	36,300	131,628	-	167,928
Total	<u>\$ 5,747,460</u>	<u>\$ 1,219,311</u>	<u>\$ -</u>	<u>\$ 6,966,771</u>

NOTE 9 PENSION PLAN

The Facility participates in the JHHC salary deferral 401(k) plan covering eligible employees. The Facility may elect to contribute 25% of employee contributions up to 4% of compensation. There were no contributions to the 401(k) plan for the years ended December 31, 2022 or 2021.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 COMMITMENTS AND CONTINGENCIES

Compliance

Laws and regulations governing the Medicare program are complex and subject to interpretation. The Facility believes it is in compliance with all other applicable laws and regulations and is not aware of any other current pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

Other

There are various legal actions that can occur in the ordinary course of business, and management is not aware of any such matters that would have a material effect on the financial condition or results of operations of the Facility. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect to the Facility's financial position.

NOTE 11 FEDERAL COVID GRANT REVENUE

Paycheck Protection Program Loan

In January 2021, the Facility applied for and received additional funding under the Paycheck Protection Program (PPP) in the amount of \$673,187. The Facility applied for forgiveness of this loan in 2021 and retained the documentation to substantiate expenses permissible under the program. In September 2021, the Facility received formal forgiveness from the SBA for the entire obligation under the PPP Loan and recognized the entire amount of proceeds as Federal COVID Grant Revenue on the statements of operations and changes in net assets as of December 31, 2021.

The forgiveness of the PPP loans is subject to review by the SBA for six years.

Provider Relief Funds

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) Provider Relief Fund (PRF). Total grant funds approved and received by the Facility was \$174,258. The PRFs are subject to certain restrictions on eligible expenses or uses and reporting requirements. At December 31, 2022, the Facility recognized \$174,258 as Federal COVID Grant Revenue on the statements of operations and changes in net assets in the performance indicator. Management believes eligible expenses or uses and reporting requirements were met with respect to the distributed grant funds and therefore the amounts have been recognized appropriately as of December 31, 2022.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 LEASES

The Facility leases equipment under a long-term, noncancelable lease agreement. The lease expires in 2024 and provides for renewal options. In the normal course of business, it is expected that this lease will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Facility's finance lease:

<u>Lease Cost</u>	<u>2022</u>	<u>2021</u>
Finance Lease Costs:		
Amortization of Right-of-Use Assets	\$ 7,967	\$ 7,967
Interest on Lease Liabilities	716	1,008
Total Lease Costs	<u>\$ 8,683</u>	<u>\$ 8,975</u>
 <u>Other Information</u>		
Cash Paid For Amounts Included in the		
Measurement of Lease Liabilities:		
Operating Cash Flows From Finance Leases	\$ 716	\$ 1,008
Financing Cash Flows From Finance Leases	7,884	7,592
Right-of-Use Assets Obtained In Exchange For		
New Finance Lease Liabilities:	-	29,854
Weighted-Average Remaining Lease Term - Finance Leases	1.7 years	2.7 years
Weighted-Average Discount Rate - Finance Leases	3.80%	3.80%

The Facility classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Finance Lease</u>
2023	\$ 8,600
2024	6,450
Total Lease Payments	15,050
(Less): Interest	(512)
Present Value of Lease Liabilities	<u>\$ 14,538</u>

At December 31, 2022, there are no lease payments related to options to extend lease terms that are reasonably certain to be exercised or minimum lease payments for leases that have been signed but not yet commenced.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 CHANGE IN ACCOUNTING FOR LEASES

During the year ended December 31, 2022, the Facility adopted FASB issued ASU 2016-02, *Leases (Topic 842)*. Previously, capital leases had not been recognized on the Facility's balance sheets. As a result of the adoption of the new lease accounting guidance, the Facility recognized on January 1, 2021 a lease liability of \$30,014, which represents the present value of the remaining finance lease payments of \$23,650, discounted using the Facility's incremental borrowing rate, and a right-of-use asset of \$29,854, which represents the finance lease liability. The difference between the additional lease assets and lease liabilities was recorded as an adjustment to retained earnings.

The standard had a material impact on the balance sheets as well as the statements of operations and statements of cash flows. The following table presents the change in accounting for leases for total assets, liabilities, net assets, expenses, and cash flows:

	Total Assets
Total Assets, as	
Originally Reported - December 31, 2021	\$ 9,023,707
Change in Accounting for Leases, Right-of-Use Assets – Finance Leases	21,887
Total Assets, as as Restated - December 31, 2021	<u>\$ 9,045,594</u>

	Total Current Liabilities
Total Current Liabilities, as	
Originally Reported - December 31, 2021	\$ 961,226
Change in Accounting for Leases, Current Portion of Lease Liabilities – Finance Leases	7,884
Total Current Liabilities, as as Restated - December 31, 2021	<u>\$ 969,110</u>

	Total Long-Term Liabilities
Total Long-Term Liabilities, as	
Originally Reported - December 31, 2021	\$ 2,778,328
Change in Accounting for Leases, Long-Term Lease Liabilities – Finance Leases	14,538
Total Long-Term Liabilities, as as Restated - December 31, 2021	<u>\$ 2,792,866</u>

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 13 CHANGE IN ACCOUNTING FOR LEASES (CONTINUED)

	Total Net Assets
Total Net Assets, as	
Originally Reported - December 31, 2021	\$ 5,284,153
Change in Accounting for Leases, Deficit of Revenue over Expenses	(535)
Total Net Assets, as	
as Restated - December 31, 2021	\$ 5,283,618

	Total Expenses
Total Expenses, as	
Originally Reported - December 31, 2021	\$ 6,966,236
Change in Accounting for Leases, General and Administrative Expense	(8,440)
Interest Expense	1,008
Amortization Expense	7,967
Total Expenses, as	
as Restated - December 31, 2021	\$ 6,966,771

	Cash Flows
Net Cash Provided by Operating Activities, as	
Originally Reported - December 31, 2021	\$ 959,436
Change in Accounting for Leases, Increase in Net Assets	\$ (535)
Amortization of ROU Assets	7,967
Accounts Payable and Accrued Expenses	160
Net Cash Provided by Operating Activities, as	
as Restated - December 31, 2021	\$ 967,028

Net Cash Used by Financing Activities, as	
Originally Reported - December 31, 2021	\$ (615,000)
Change in Accounting for Leases, Payments on Finance Leases	(7,592)
Net Cash Used by Financing Activities, as	
as Restated - December 31, 2021	\$ (622,592)

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
PATIENT CARE, NURSING		
Supervisor Salary	\$ 289,470	\$ 389,746
LPN Salary	873,738	797,565
CNA Salary	1,121,571	755,926
Employee Benefits	512,694	441,535
Agency Staff	79,211	38,862
Nursing Supplies	135,502	138,181
Total Patient Care, Nursing	<u>\$ 3,012,186</u>	<u>\$ 2,561,815</u>
 DIETARY		
Dietary Salary and Food	\$ 653,110	\$ 620,347
Employee Benefits	146,555	140,953
Supplies	506,421	546,681
Total Dietary	<u>\$ 1,306,086</u>	<u>\$ 1,307,981</u>
 HOUSEKEEPING		
Housekeeping Salary	\$ 303,101	\$ 259,258
Employee Benefits	68,015	58,908
Housekeeping Supplies	33,529	36,813
Total Housekeeping	<u>\$ 404,645</u>	<u>\$ 354,979</u>
 PROPERTY OPERATING COSTS		
Maintenance Payroll	\$ 151,398	\$ 89,416
Employee Benefits	33,973	20,317
Utilities	240,440	208,660
Cable	26,160	43,672
Disposal	52,118	46,224
Repairs	97,434	86,537
Landscaping	100,601	115,850
Total Property Operating Costs	<u>\$ 702,124</u>	<u>\$ 610,676</u>
 RECREATION AND ACTIVITIES		
Recreation Salary	\$ 251,963	\$ 204,467
Employee Benefits	56,539	46,458
Religious Salaries and Consultants	72,135	26,782
Resident Functions	17,294	10,959
Supplies	34,112	27,586
Total Recreation and Activities	<u>\$ 432,043</u>	<u>\$ 316,252</u>
 MARKETING	<u>\$ 100,971</u>	<u>\$ 100,933</u>
 DEPRECIATION	<u>\$ 598,811</u>	<u>\$ 561,017</u>

**THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
SCHEDULES OF OPERATING EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
GENERAL AND ADMINISTRATIVE		
Salaries	\$ 534,016	\$ 477,973
Employee Benefits	119,831	108,603
Office Supplies	36,287	25,912
Telephone	27,446	17,134
Insurance and Accounting	107,828	92,256
Legal and Other Professional Fees	24,590	23,449
Data Processing	80,156	71,341
Licenses and Fees	17,505	11,776
Other Administrative Expenses	231,542	262,404
Total General and Administrative	\$ 1,179,201	\$ 1,090,848