# *THE MARTIN AND EDITH STEIN HOSPICE*

## *FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT*
## *FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022*

CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

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***FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT***
***FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022***
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CERINI & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Boards of Trustees of
The Martin and Edith Stein Hospice
Somerset, New Jersey

***Opinion***

We have audited the accompanying financial statements of the Martin and Edith Stein Hospice (hereinafter "Hospice"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Hospice as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Other Matters***

As discussed in Note 11 to the financial statements, during the year ended December 31, 2023, Hospice adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 842, Leases, resulting in a prior period adjustment for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the Organization other than with respect to the adjustment(s), and accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole. The financial statements of the Organization for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on June 30, 2023.


Cerini & Associates, LLP • 3340 Veterans Memorial Highway • Bohemia, NY 11716
phone 631.582.1600 • fax 631.582.1714 • www.ceriniandassociates.com

*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 Hospice's ability to continue as a going concern for one year after the date that the financial statements are issued.

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hospice'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 Hospice'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.

Cerini & Associates LLP

Bohemia, New York
June 27, 2024

## *STATEMENTS OF FINANCIAL POSITION*

| *DECEMBER 31,* | | *2023* | | *2022* |
|---|---|---|---|---|
| **CURRENT ASSETS:** | | | | |
| Cash and cash equivalents | $ | 313,578 | $ | 68,076 |
| Accounts receivable, patients, net of allowance | | 454,215 | | 417,448 |
| Due from affiliates | | 20,215 | | 18,349 |
| Prepaid expenses and other assets | | 18,579 | | 11,250 |
| **TOTAL CURRENT ASSETS** | | 806,587 | | 515,123 |
| Right- of-use asset - lease agreement with affiliate | | 19,820 | | 97,777 |
| Right-of-use asset - finance lease | | - | | 1,181 |
| **TOTAL ASSETS** | $ | 826,407 | $ | 614,081 |
| **CURRENT LIABILITIES:** | | | | |
| Accounts payable and accrued expenses | $ | 322,547 | $ | 152,241 |
| Lease liability - finance lease | | - | | 1,318 |
| Right-of-use liability - due to affiliate | | 21,014 | | 103,132 |
| Due to affiliates | | 375,282 | | 92,028 |
| **TOTAL CURRENT LIABILITIES** | | 718,843 | | 348,719 |
| **NET ASSETS:** | | | | |
| Without donor restrictions | | 107,564 | | 265,362 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 826,407 | $ | 614,081 |

## *STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022*

| | 2023 | 2022 |
|---|---|---|
| **REVENUE:** | | |
| Revenue and support: | | |
| Net patient service revenue | $ 4,352,698 | $ 3,975,154 |
| Donations and other revenue | 262 | 438 |
| Contributions from Foundation | 377,368 | 9,766 |
| **TOTAL REVENUE** | 4,730,328 | 3,985,358 |
| **EXPENSES:** | | |
| Program | 3,787,815 | 3,946,319 |
| General and administrative | 1,026,538 | 468,821 |
| Fundraising | 73,773 | 223,665 |
| **TOTAL EXPENSES** | 4,888,126 | 4,638,805 |
| **CHANGE IN NET ASSETS** | (157,798) | (653,447) |
| Net assets, beginning of year, as restated | 265,362 | 918,809 |
| Net assets, end of year, as restated | $ 107,564 | $ 265,362 |

## *STATEMENT OF FUNCTIONAL EXPENSES*
## *FOR THE YEAR ENDED DECEMBER 31, 2023*

| | Program | General and Administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 1,984,713 | $ 603,231 | $ - | $ 2,587,944 |
| Employee benefits | 419,102 | 127,381 | - | 546,483 |
| Management fees | - | 105,000 | 45,000 | 150,000 |
| Patient and residential | 1,173,887 | - | - | 1,173,887 |
| Office expenses | 8,499 | 63,748 | 12,750 | 84,997 |
| Professional fees | - | 68,912 | - | 68,912 |
| Rent expense | 61,055 | 3,392 | 3,392 | 67,839 |
| Miscellaneous operating expenses | 33,572 | 30,215 | 3,357 | 67,143 |
| Advertising | 30,913 | 21,639 | 9,274 | 61,826 |
| Bad debt expense | 48,884 | - | - | 48,884 |
| Insurance | 27,190 | 3,020 | - | 30,210 |
| Amortization | - | - | - | - |
| **TOTAL EXPENSES** | $ 3,787,815 | $ 1,026,538 | $ 73,773 | $ 4,888,126 |

## *STATEMENT OF FUNCTIONAL EXPENSES*
## *FOR THE YEAR ENDED DECEMBER 31, 2022*

| | Program | General and Administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 2,081,838 | $ 115,657 | $ 115,658 | $ 2,313,153 |
| Employee benefits | 487,631 | 27,090 | 27,091 | 541,812 |
| Management fees | - | 152,090 | 56,409 | 208,499 |
| Patient and residential | 1,185,099 | - | - | 1,185,099 |
| Office expenses | 5,875 | 44,069 | 8,814 | 58,758 |
| Professional fees | - | 58,254 | - | 58,254 |
| Rent expense | 64,989 | 3,611 | 3,611 | 72,210 |
| Miscellaneous operating expenses | 70,201 | 3,900 | 3,900 | 78,001 |
| Advertising | 26,048 | 18,234 | 7,814 | 52,096 |
| Bad debt expense | - | 36,595 | - | 36,595 |
| Insurance | 24,270 | 2,697 | - | 26,967 |
| Amortization | 368 | 6,623 | 368 | 7,359 |
| **TOTAL EXPENSES** | $ 3,946,319 | $ 468,821 | $ 223,665 | $ 4,638,805 |

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

## *STATEMENTS OF CASH FLOWS*
## *FOR THE YEARS ENDED DECEMBER 31,*

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in net assets | $ (157,798) | $ (653,447) |
| Adjustments to Reconcile Change in Net Income to Net Cash Provided by/ Used in Operating Activities: | | |
| Amortization expense | - | 7,359 |
| Bad debt expense | 48,884 | 36,595 |
| Non cash lease expense | (82,118) | - |
| Changes in Operating Assets and Liabilities: | | |
| Accounts receivable, patients, net of allowance | (85,651) | 47,379 |
| Due from affiliates | (1,866) | (1,023) |
| Prepaid expenses and other current assets | (7,329) | 839 |
| Due to affiliates | 283,254 | 39,913 |
| Finance lease asset | (137) | (7,734) |
| Right- of-use asset - lease agreement with affiliate | 77,957 | - |
| Accounts payable and accrued expenses | 170,306 | (38,226) |
| **NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES** | 245,502 | (568,345) |
| Net increase/(decrease) in cash and cash equivalents | 245,502 | (568,345) |
| Cash and cash equivalents, beginning of year | 68,076 | 636,421 |
| Cash and cash equivalents, end of year | $ 313,578 | $ 68,076 |

## NOTE 1 – NATURE OF THE ORGANIZATION

The Martin and Edith Stein Hospice (hereinafter "Hospice") was incorporated under the New Jersey nonprofit law in January 2005. Hospice was established to operate a patient and family centered hospice program to provide interdisciplinary services for the palliation and management of terminal illness in central New Jersey.

Hospice is a membership organization, whose sole member is the Martin and Edith Stein Assisted Living Residence, Inc. ("Stein AL"). Stein AL, as the sole member has the ability to:

- Amend, revise or restate Hospice's bylaws;
- Dissolve, divide, convert, or liquidate Hospice;
- Approve Hospice's annual budget;
- Approve any debt issuance by Hospice;
- Approve the transfer of Hospice's assets; and
- Approve the election, re-election, or removal of Hospice's Board of Trustees.

Stein AL's sole member is The Oscar and Ella Wilf Campus for Senior Living, Inc. (hereinafter "Campus"). The operations of Campus, including Hospice, are presented in a separate report on a consolidated basis.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding Hospice's financial statements. The financial statements and notes are representations of Hospice's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America ("US GAAP") and have been consistently applied in the preparation of the financial statements.

Use of Estimates:
The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities and classification of reported expenses. Actual results may differ from those estimates.

Basis of Presentation:
Hospice's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") guidance on reporting information regarding its financial position and activities for not-for-profit organizations.

Under that guidance, Hospice is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accordingly, the net assets of Hospice, and changes therein, are classified and reported as follows:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. 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, 2023 and 2022, the governing board has not made such designation.

- *With donor restrictions* – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of Hospice or the passage of time, or stipulations that they be maintained permanently by Hospice. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Hospice has no restricted net assets for both years ended December 31, 2023 and 2022.

Cash and Cash Equivalents:
For financial-reporting purposes, Hospice considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts receivable, patients, net of allowance:
Accounts receivable are based upon the amount management believes it will collect from outstanding balances. Hospice considers receivables past due or delinquent when payments have not been received in a timely manner. Hospice uses the allowance method to determine uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and managements' analysis of specific account balances. The receivables were also analyzed in accordance with the new accounting standard adopted by Hospice in 2023 – Accounting Standard Codification ("ASC") 326 *Financial Instruments – Credit losses* (see below for additional information). Under the new standard, Hospice must consider not only historical loss information and current conditions when estimating its allowance but also reasonable and supportable forecasts about future conditions. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The allowance for doubtful accounts was $48,884 and $10,758 as of December 31, 2023 and 2022, respectively.

Patient Service Revenue:
Patient service revenue is reported at the amount that reflects the consideration at to which Hospice expects to be entitled in exchange for providing patient services and care. Patient services includes monthly fees, health care services, and patient and other services on the statement of operations and changes in net assets.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Generally, Hospice bills the patient monthly for services and third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Hospice. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. Hospice 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 patients receiving skilled nursing or other services within the facility or commencement of services to the point when Hospice is no longer required to provide services to that patient. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the patients and customers in a retail setting and Hospice does not believe it is required to provide additional goods or services related to that sale.

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

Net patient service revenue is reported at estimated net realizable amounts from patients, 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. For the years ended December 31, 2023 and 2022, net patient service revenue was derived from billings to Medicare, Medicaid, and commercial insurance carriers. 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.

Property and Equipment, net of Accumulated Depreciation:
Property and equipment are stated at cost, net of accumulated depreciation. Hospice capitalizes items with a cost of $1,000 or higher and a useful life of greater than one year. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the estimated useful life of the asset or the remaining term of the lease, whichever is shorter.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Estimated useful lives are as follows:

| | |
|---|---|
| Equipment | 5 – 15 years |

Hospice evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. As of December 31, 2023 and 2022, all of Hospice's long-lived assets and equipment were fully depreciated.

Income Taxes:
Hospice is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Hospice has determined that it has registered in all states where it is required to be registered. Hospice may be subject to federal income tax on any unrelated business income. Hospice evaluated its activities for any unrelated business income and for any uncertain tax positions and has determined that neither existed for the years ended December 31, 2023 and 2022.

Functional Allocation of Expenses:
Functional expenses for shared costs have been allocated between program services and support services based on an analysis of personnel time, space utilized, and other equitable bases for the related activities.

The allocation methodologies utilized for Hospice's major expenses are as follows:

| **Expense** | **Method of Allocation** |
|---|---|
| Salaries | Time and effort |
| Payroll taxes and employee benefits | Based upon salaries |
| Rent | Square footage utilized |
| Utilities | Square footage utilized |
| Patient and residential | Time and effort |

Recently Adopted Accounting Pronouncements:
Effective for the year ended December 31, 2023, Hospice was required to adopt ASC Topic 326, *Measurement of Credit Losses on financial Instruments,* for all assets held at amortized cost basis. Under this accounting approach, Hospice has to record an estimate of all expected credit losses. The allowance for credit losses will be a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. The Organization adopted the new standard and noted no additional impact on the valuation allowance for the year ended December 31, 2023.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

During the year ended December 31, 2022, Hospice adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, Leases (*Topic 842) Section A – Leases: Amendments to The FASB Accounting Standards Codification* using the modified retrospective approach. Under ASU 2016-02, Hospice is required to recognize leases on its statement of financial position and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; and ASU 2018-11, Targeted Improvements.

The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. However, as this lease is a related party transaction, the ROU liability is recorded as a right-of-use liability – due to affiliate and the ROU asset is recorded as right-of-use asset – lease agreement with affiliate.

In accordance with ASC 842, for all operating leases, Hospice has recognized an amount right-of-use liability – due to affiliate, and a right-of-use asset – lease agreement with affiliate at the commencement date. The right-of-use liability – due to affiliate was calculated based on the present value of the lease payments not yet paid, discounted using an appropriate discount rate at the commencement date. The right-of-use liability – due to affiliate will be initially equal to the present value of the fair market value of the rented space over the period that the related party has the right to the Foundation of the Oscar and Ella Wilf Campus for Senior Living, Inc.'s ("Foundation") facility. Under this approach, amortization of the right-of-use asset – lease agreement with affiliate is recorded on the straight-line basis over the term of the right to use term, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the use of the property, in which case that basis will be used.

The right-of-use asset – lease agreement with affiliate, at any given time, is measured as the ROU asset balance at the beginning of the period, adjusted by the current-period right-of-use asset – lease agreement with affiliate amortization, which is calculated as the value of the current-period lease payment adjusted by the amortization of the straight line lease payment. Changes in present value discount on operating leases are charged to the respective rental income based upon the nature of the ROU asset that gave rise to the discount. See Note 7 for additional information on rent expense.

## NOTE 3 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditures within one year of the statement of financial position are as follows as of December 31,:

| | 2023 | 2022 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $ 313,578 | $ 68,076 |
| Accounts receivable, residents, net | 454,215 | 417,448 |
| Due from affiliates | 20,215 | 18,349 |
| Financial assets available to meet general expenditures over the next twelve months | $ 788,008 | $ 503,873 |

Hospice monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash and cash equivalents are available to meet current expenditure needs.

## NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31,:

| | 2023 | 2022 |
|---|---|---|
| Equipment | $ 51,972 | $ 51,972 |
| Less: accumulated depreciation | (51,972) | (51,972) |
| Total property and equipment, net | $ - | $ - |

## NOTE 5 – PENSION PLANS

Hospice participates in the Campus' retirement plan, which is a 401(k) plan covering eligible employees of Hospice as well as several other related entities. Hospice may elect to contribute 25% of employee contributions up to 4% of compensation. There were no contributions to the 401(k) for the years ended December 31, 2023 or 2022.

## NOTE 6 – CONCENTRATIONS OF RISK

Cash and cash equivalents:

Hospice maintains cash and cash equivalents, which, at times, may exceed federally insured limits. Due to recent bank failures and other uncertainties affecting the banking sector, there may be greater financial and liquidity risk for uninsured deposits impacted by these bank failures. Hospice has not experienced any losses from maintaining cash and cash equivalents in excess of federally insured limits. Although the Federal Deposit Insurance Corporation ("FDIC") has taken significant steps surrounding any potential future failures and their impacts on uninsured deposits in terms of both guarantees and the ability to access funds timely. Management believes it is not subject to any significant credit risk on its cash accounts and cash equivalents.

## NOTE 6 – CONCENTRATIONS OF RISK *(continued)*

Revenue:
The composition of net patient service revenue by payors are for the following as of December 31,:

| | 2023 | 2022 |
|---|---|---|
| Medicare | $ 3,788,053 | $ 3,458,390 |
| Medicaid | 76,280 | 9,964 |
| Private insurance and other | 488,365 | 506,800 |
| Total | $ 4,352,698 | $ 3,975,154 |

For both years ended December 31, 2023 and 2022, Medicare consisted of 87% of total net patient service revenue.

Accounts receivable, patients, net of allowance:
The composition of accounts receivable patients, net of allowance, by payor is the following as of December 31,:

| | 2023 | 2022 |
|---|---|---|
| Medicare | $ 400,100 | $ 346,515 |
| Medicaid | 12,732 | 245 |
| Private insurance and other | 90,267 | 81,446 |
| Subtotal | 503,099 | 428,206 |
| Less: allowance for doubtful accounts | (48,884) | (10,758) |
| Total | $ 454,215 | $ 417,448 |

For the years ended December 31, 2023 and 2022, Medicare consisted of 88% and 83% of total accounts receivable, patients, net of allowance, respectively.

## NOTE 7 – RELATED PARTY TRANSACTIONS

The Jewish Home and Healthcare Center (hereinafter "JHHC")
Hospice utilizes JHHC, a facility related through common board membership, for the provision of services to its Medicaid patients pursuant to a March 2005 agreement ("the Agreement"). Under the terms of the Agreement, reimbursements to JHHC for the use of its facilities and other services are at JHHC's regular Medicaid billing rates. In March 2007, the operations of JHHC were leased to an unrelated, for-profit entity under a long-term lease. The new operator of the JHHC verbally agreed to abide by the terms of the Agreement. Amounts due from and to JHHC at December 31, 2023 and 2022 for reimbursement of excess payments and for services provided totaled $3,998 and ($4,463), respectively, and are included in accounts payable and accrued expenses.

## NOTE 7 – RELATED PARTY TRANSACTIONS *(continued)*

Hospice bills Medicaid for room and board services provided to Medicaid patients at 95% of the nursing home's contractual Medicaid rate, less the residents' portion. Hospice pays the nursing home facility 100% of its contractual Medicaid rate, less the residents' portion.

Under the terms of the agreement, the nursing home facility is responsible for collecting the residents' portion of the room and board. The agreement is renewable for one-year periods. The agreement also provides for Hospice to reimburse the nursing home facility at the rate of $5 per day for each Hospice bed day through August 31, 2013, and $10 a day from September 1, 2013. For the years ended December 31, 2023 and 2022, this fee totaled $6,637 and $6,740, respectively, and is included in patient and residential on the statement of functional expenses. There have been no changes to the rate since September 1, 2013.

Foundation

On April 1, 2019, Hospice ("lessee") signed a 5-year rental agreement with the Foundation ("lessor") The rental agreement, which is set to expire on April 1, 2024, calls for monthly payments of $72,000, with yearly 3% escalations. On April 1, 2024, Foundation signed another 5-year lease with Hospice, which calls for yearly rent expense of $90,000. For the years ended December 31, 2023, and 2022, Hospice paid $67,839 and $72,000 relating to the rented space. The amount due to Foundation is included in right-of-use liability – due to affiliate on the statement of financial position.

Other:

Throughout the course of the year, the Oscar and Ella Wilf Campus for Senior Living ("Campus") provides certain financial and management consulting services to Hospice. The amounts paid for management services to Campus was $150,000 and $208,499, respectively for the years ended December 31, 2023 and 2022. These amounts are eliminated upon consolidation.

Due to/from affiliates:

During the course of the year, Hospice engages in several transactions with related entities. The amounts due/from related parties are expected to be paid within one year. These amounts are eliminated upon consolidation.

## NOTE 7 – RELATED PARTY TRANSACTIONS *(continued)*

The following represents amounts due to/(from) affiliates as of December 31,:

| | 2023 | 2022 |
|---|---|---|
| Foundation | $ (12,412) | $ 11,409 |
| The Oscar and Ella Wilf Campus for Senior Living, Inc. | (336,402) | (74,112) |
| The Martin and Edith Stein Assisted Living Residence, Inc. | 1,862 | 562 |
| Wilf at Home | (8,115) | (11,538) |
| Due to affiliates, net | $ (355,067) | $ (73,679) |
| | | |
| Due from affiliates | $ 20,215 | $ 18,349 |
| Due to affiliates | (375,282) | (92,028) |
| Due to affiliates, net | $ (355,067) | $ (73,679) |

## NOTE 8 – COMMITMENTS AND CONTINGENCIES

Laws and regulations governing the Medicare program are complex and subject to interpretation. Hospice 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.

## NOTE 9 – ENDOWMENT

Hospice and Foundation are financially interrelated organizations. Foundation has a permanent endowment, with a historic value of $250,000, whereby 5% of the three-year average value of the fund is to be used to support Hospice each year. In addition, during the year ended December 31, 2023, the grantor allowed for an additional $70,000 to be released and provided to Hospice to help fund Hospice’s palliative care program. There were no additional releases from the endowment during the year ended December 31, 2022. For the years ended December 31, 2023 and 2022, the amount disbursed to Hospice from the endowed funds were $87,715 and $17,537, respectively.

Foundation relies on total return strategy in which investment returns are achieved through both capital appreciation and current year. Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Management, after reviewing the gift instrument and the relevant state law regarding the prudent management of endowment funds, has determined that all of the investment income from the fund, including unrealized appreciation, is currently available to support the activities of Hospice.

## NOTE 10 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2023, there were two prior period adjustments to correct opening balances, which had a cumulative impact resulting in a decrease in net assets of $255,353 as of January 1, 2022. The following represents additions (subtractions) to the beginning net assets for the year ended December 31, 2022:

| | Unrestricted | Restricted | Total |
|---|---|---|---|
| Net assets, beginning of year | $ 924,162 | $ 250,000 | $ 1,174,162 |
| To correctly adopt ASC 842 | (5,353) | - | (5,353) |
| To correctly state endowed funds | - | (250,000) | (250,000) |
| Net assets, beginning of year, as restated | $ 918,809 | $ - | $ 918,809 |

## NOTE 11 – SUBSEQUENT EVENTS

Hospice has evaluated all subsequent events and transactions between January 1, 2024 and June 27, 2024, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.