

THE MARTIN AND EDITH STEIN HOSPICE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020



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**THE MARTIN AND EDITH STEIN HOSPICE
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Martin and Edith Stein Hospice
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 Hospice, which comprise the balance sheets as of December 31, 2021 and 2020, 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 Hospice as of December 31, 2021 and 2020, 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 Hospice 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.

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 Hospice's ability to continue as a going concern for one year after the date the financial statements are available to be 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 The Martin and Edith Stein 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 The Martin and Edith Stein 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.

Board of Trustees
The Martin and Edith Stein Hospice

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

Plymouth Meeting, Pennsylvania
July 11, 2022

**THE MARTIN AND EDITH STEIN HOSPICE
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 636,421	\$ 888,281
Accounts Receivable, Patients, Net of Allowance of \$5,607 as of 2021 and 2020, Respectively	501,422	392,046
Prepaid Expenses	12,089	9,509
Due from Affiliates	17,326	3,633
Total Current Assets	1,167,258	1,293,469
INTEREST IN NET ASSETS OF THE FOUNDATION	250,000	250,000
INVESTMENTS HELD BY THE FOUNDATION	-	401,076
EQUIPMENT, NET	-	1,525
Total Assets	\$ 1,417,258	\$ 1,946,070
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 190,469	\$ 168,329
Due to Affiliates	52,115	432,662
Total Current Liabilities	242,584	600,991
NET ASSETS		
Net Assets Without Donor Restrictions	924,674	1,095,079
Net Assets With Donor Restrictions	250,000	250,000
Total Net Assets	1,174,674	1,345,079
Total Liabilities and Net Assets	\$ 1,417,258	\$ 1,946,070

See accompanying Notes to Financial Statements.

**THE MARTIN AND EDITH STEIN HOSPICE
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
REVENUE		
Net Patient Service Revenues	\$ 4,659,095	\$ 4,302,198
Grant Revenue from Foundation	13,033	17,111
Realized and Unrealized Gains (Losses)	-	59,388
Federal COVID Grant Revenue	431,370	700,513
Donations and Other Revenue	6,111	29,601
Total Revenue	5,109,609	5,108,811
OPERATING EXPENSES		
Patient Care, Nursing	3,203,862	3,290,924
General and Administrative	1,675,076	1,815,668
Total Operating Expenses	4,878,938	5,106,592
OTHER EXPENSES		
Contributions to Related Parties	401,076	-
Total Other Expenses	401,076	-
REVENUES IN EXCESS OF (LESS THAN) EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(170,405)	2,219
Net Assets - Beginning of Year	1,345,079	1,342,860
NET ASSETS - END OF YEAR	\$ 1,174,674	\$ 1,345,079

See accompanying Notes to Financial Statements.

**THE MARTIN AND EDITH STEIN HOSPICE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (170,405)	\$ 2,219
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,525	2,888
Provision for Bad Debts	6,035	21,643
Realized and Unrealized (Gains) Losses	-	(59,388)
(Increase) Decrease in Assets:		
Accounts Receivable, Patients	(115,411)	302,811
Prepaid Expenses	(2,580)	(2,035)
Due from Related Party	(13,693)	(907)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	22,140	(264,679)
Due to/from Related Party	(380,547)	60,984
Net Cash Provided (Used) by Operating Activities	(652,936)	63,536
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sale (Purchase) of Investments	401,076	4,831
 NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(251,860)	68,367
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	888,281	819,914
 CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 636,421	\$ 888,281

See accompanying Notes to Financial Statements.

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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 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. The Corporation did not have any restricted cash at December 31, 2021 and 2020.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts, and was \$5,607 and \$5,607 at December 31, 2021 and 2020, respectively.

Interest in Net Assets of the Foundation

The Corporation and The Foundation of the Oscar and Ella Wilf Campus for Senior Living, Inc. (the Foundation) are financially interrelated organizations. The Corporation recognizes its rights to the assets held by the Foundation as interest in the net assets of the Foundation in the accompanying balance sheets unless the Foundation has been granted variance power. The Corporation adjusts that interest for its share of the change in the net assets of the Foundation as a change in net assets with donor restrictions in the accompanying statements of operations and changes in net assets. The endowment is for \$250,000 and is held by the Foundation, and up to 5% of the three-year average value of the fund is to be used to support the Corporation each year.

Investments

Investments in investments held by the Foundation are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law. Dividends are measured using the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the accompanying balance sheets are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying balance sheets could change materially in the near term.

Equipment

The Corporation capitalized all expenditures for 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:

Furniture and Fixtures	5 to 15 Years
Equipment	5 to 15 Years

The Corporation 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, 2021 and 2020.

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, 2021 and 2020, 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 MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. 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 statements of operations and changes in net assets as Net Assets Released from Restrictions. At December 31, 2021 and 2020, net assets with donor restrictions included \$250,000, which are perpetual in nature.

Future Accounting Pronouncements — ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporation's leasing activities. The Corporation will be required to adopt the guidance in ASU No. 2016-02 for the year ended December 31, 2022. The Corporation is evaluating the impact of adoption of ASU No. 2016-02 on its financial statements.

Advertising Costs

All costs related to marketing and advertising are expensed when incurred. Advertising expenses incurred by the Corporation for the years ended December 31, 2021 and 2020 were \$51,854 and \$65,507, respectively.

Revenues in Excess of (Less than) Expenses

The statements of operations and changes in net assets include the determination of revenue in excess of (less than) expenses. Changes in net assets without donor restrictions, which are excluded from the determination of revenues in excess of (less than) 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 HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

The Corporation 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 Corporation's financial statements.

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

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through July 11, 2022, 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, 2021 and 2020, the Corporation had a working capital of \$924,674 and \$701,325, respectively, and average days cash on hand of 48 and 64, 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:

	2021	2020
Financial Assets as of Year-End:		
Cash and Cash Equivalents	\$ 636,421	\$ 888,281
Investments	-	401,076
Accounts Receivable from:		
Residents / Patients	501,422	392,046
Affiliates	17,326	3,633
Total Financial Assets	\$ 1,155,169	\$ 1,685,036

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2021 and 2020, investments held by the Foundation for the Corporation at market value were \$-0- and \$401,076, respectively, and were comprised of mutual funds, common stock, and fixed income securities.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Corporation for identical assets. These generally provide the most reliable evidence and are used to measure fair value when available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2021 and 2020.

Mutual Funds – Valued at the net asset value (NAV) of shares (basis for trade) held by the Foundation at year-end.

Common Stock and Fixed Income Securities – Valued at closing price reported on the active market on which the individual securities are traded.

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides information for assets measured at fair value on a recurring basis as of December 31, 2020:

	Total	Level 1	Level 2	Level 3
Reported at Fair Value:				
Assets:				
Cash and Cash Equivalents	\$ 12,790	\$ 12,790	\$ -	\$ -
Fixed Income Securities	78,540	78,540	-	-
Common Stock	299,301	299,301	-	-
Mutual Funds	10,445	10,445	-	-
Total	<u>\$ 401,076</u>	<u>\$ 401,076</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 EQUIPMENT, NET

Equipment consisted of the following at December 31:

	2021	2020
Office Equipment	\$ 51,972	\$ 51,972
Less: Accumulated Depreciation	(51,972)	(50,447)
Total	<u>\$ -</u>	<u>\$ 1,525</u>

Depreciation expense charged to operations was \$1,525 and \$2,888 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 RELATED PARTY TRANSACTIONS

The Corporation utilizes The Jewish Home and Healthcare Center (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 operation of JHHC was leased to an unrelated, for-profit entity under a long-term lease. The new operator of the JHHC has verbally agreed to abide by the terms of the Agreement. Payments to the nursing home facility totaled \$72,641 and \$218,852 for the years ended December 31, 2021 and 2020, respectively. Amounts due to the nursing home facility at December 31, 2021 and 2020 for services provided totaled \$14,851 and \$2,962, respectively, and are included in accounts payable and accrued expenses. The Agreement allows the Corporation access to the nursing home facilities but does not guarantee it any specific availability of beds.

The Corporation 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. The Corporation pays the nursing home facility 100% of its contractual Medicaid rate, less the residents' portion.

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

Under the terms of the Agreement, the nursing home facility is responsible for collecting the residents' portion of the room and board. The Agreement was renewable for additional one-year periods. The Agreement also provides for the Corporation to reimburse the nursing home facility at the rate of \$5 per day for each Hospice bed day through August 30, 2013, and was increased to \$10 a day from September 1, 2013. This fee totaled \$3,580 and \$8,270 in 2021 and 2020, respectively, and is included on the statements of operations and changes in net assets.

During 2019, the Corporation began paying rent expense to the Foundation for its usage of office space. Annual rent expense of \$72,000, to be paid to the Foundation in equal installments each month, was determined based on estimated square footage of space used by the Corporation. There is no formal, signed agreement between the Corporation and the Foundation for this arrangement. Total rent expense for each of the years ended December 31, 2021 and 2020 was \$72,000.

From time to time, the Corporation receives and provides cash advances to entities affiliated through overlapping board of trustee members and management. The Corporation 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, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Due (to) from Related Parties:		
The Martin and Edith Stein		
Assisted Living Residence, Inc,	\$ 1,165	\$ 1,987
Wilf at Home	900	-
The Foundation of the Oscar and Ella Wilf		
Campus for Senior Living, Inc.	14,226	565
The Lena and David T. Wilents		
Senior Residence, Inc.	-	713
The Oscar and Ella Wilf Campus for		
Senior Living, Inc.	(51,080)	(432,294)
Total Due to Related Parties	<u>\$ (34,789)</u>	<u>\$ (429,029)</u>

During 2021 and 2020, \$13,033 and \$17,111, respectively, was transferred from the Foundation to cover cost of the Corporation from the endowment held by the Foundation for the Corporation's benefit.

During 2021, the Investments held by the Foundation on the balance sheet were moved to another investment advisor. These funds were no longer needed by the Corporation and were transferred back to the Foundation as a related party contribution of \$401,076 on the statements of operations.

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 NET PATIENT SERVICE REVENUE

Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Corporation 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 statements of operations. These amounts are due from patients, 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 Corporation bills the patients 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 the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Corporation 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. The Corporation measures the performance obligation from admission into the facility or commencement of services to the point when the Corporation is no longer required to provide services to that patient, which is generally at the time of discharge or completion of patient services. 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 (e.g., pharmaceuticals and medical equipment) and the Corporation does not believe it is required to provide additional goods or services related to that sale.

The Corporation 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 patients in accordance with the Corporation's policy and/or implicit price concessions provided to patients. The Corporation determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Corporation determines its estimate 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 or as years are no longer subject to such audits, review, and investigations. For the years ended December 31, 2021 and 2020, all net patient 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.

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 NET PATIENT SERVICE REVENUE (CONTINUED)

Patient Service Revenue (Continued)

The composition of net patient service revenues and receivables by major payors for the years ended December 31, 2021 and 2020 is as follows:

	Revenue	
	2021	2020
Medicare	\$ 4,302,499	\$ 3,917,391
Medicaid	55,204	103,484
Private Insurance and Other	301,392	281,323
Total	<u>\$ 4,659,095</u>	<u>\$ 4,302,198</u>

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor. Additionally, the portion of Medicaid from the Corporation does not represent direct Medicaid services provided. As previously stated in Note 5, The Corporation 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. The Corporation pays the nursing home facility 100% of its contractual Medicaid rate, less the residents' portion.

	Accounts Receivable	
	2021	2020
Medicare	\$ 403,191	\$ 351,447
Medicaid	-	18,768
Private Insurance and Other	103,838	27,438
Subtotal	507,029	397,653
Less: Allowance for Doubtful Accounts	(5,607)	(5,607)
Total	<u>\$ 501,422</u>	<u>\$ 392,046</u>

The composition of patient 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, 2021 and 2020:

Service Lines:	<u>2021</u>	<u>2020</u>
Client Care and Coordination	\$ 4,659,095	\$ 4,302,198
Total	<u>\$ 4,659,095</u>	<u>\$ 4,302,198</u>
Method of Reimbursement:		
Fee for Services	\$ 4,659,095	\$ 4,302,198
Total	<u>\$ 4,659,095</u>	<u>\$ 4,302,198</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	\$ 4,659,095	\$ 4,302,198
Total	<u>\$ 4,659,095</u>	<u>\$ 4,302,198</u>

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 NET PATIENT SERVICE REVENUE (CONTINUED)

Patient Service Revenue (Continued)

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

Balance at January 1, 2020	\$ 716,500
Balance at December 31, 2020	392,046
Balance at December 31, 2021	501,422

Financing Component

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

Contract Costs

The Corporation 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.

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 FUNCTIONAL EXPENSES

The Corporation provides nursing and health care services to patients. All categories of expenses that are not directly related to the Corporation'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, 2021 and 2020:

	Program Services	Management and General	Fundraising and Development	Total
<u>December 31, 2021</u>				
Grants and Other Assistance	\$ 404,219	\$ -	\$ -	\$ 404,219
Salaries and Wages	1,894,214	1,046,002	-	2,940,216
Employee Benefits	353,089	101,601	-	454,690
Patient and Residential	340,196	-	-	340,196
Professional Services	-	68,344	-	68,344
Office Supplies	-	222,158	-	222,158
Operating and Maintenance	511,290	72,000	-	583,290
Travel and Meetings	74,277	3,059	-	77,336
Insurance	-	22,815	-	22,815
Depreciation	-	1,525	-	1,525
Other Expenses	-	165,225	-	165,225
Totals	<u>\$ 3,577,285</u>	<u>\$ 1,702,729</u>	<u>\$ -</u>	<u>\$ 5,280,014</u>
<u>December 31, 2020</u>				
Grants and Other Assistance	\$ 17,111	\$ -	\$ -	\$ 17,111
Salaries and Wages	1,828,623	1,149,632	-	2,978,255
Employee Benefits	363,040	77,373	-	440,413
Patient and Residential	416,738	-	-	416,738
Professional Services	-	67,355	-	67,355
Office Supplies	-	202,838	-	202,838
Operating and Maintenance	594,528	72,000	-	666,528
Travel and Meetings	48,407	1,884	-	50,291
Insurance	-	17,758	-	17,758
Depreciation	-	2,888	-	2,888
Other Expenses	-	246,417	-	246,417
Totals	<u>\$ 3,268,447</u>	<u>\$ 1,838,145</u>	<u>\$ -</u>	<u>\$ 5,106,592</u>

NOTE 8 PENSION PLAN

The Corporation participates in the JHHC salary deferral 401(k) plan covering eligible employees. The Corporation 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, 2021 and 2020.

THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 CONCENTRATIONS OF CREDIT RISK

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

The Corporation maintains cash accounts and certificates of deposit, which, at times, may exceed federally insured limits. The Corporation 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.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Compliance

Laws and regulations governing the Medicare and Medicaid program are complex and subject to interpretation. The Corporation 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 and Medicaid 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 Corporation. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect to the Corporation's financial position.

NOTE 11 FEDERAL COVID GRANT REVENUE

Paycheck Protection Program Loan

In May 2020, the Corporation obtained a loan totaling \$417,500 (the 2020 PPP Loan) pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. Proceeds from the loan were only used for payroll, rent, utilities, and interest on mortgages and existing debt and other allowable costs under the Paycheck Protection Program (the PPP Loan) of the Coronavirus Aid, Relief, and Economic Security Act (the Cares Act).

**THE MARTIN AND EDITH STEIN HOSPICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 FEDERAL COVID GRANT REVENUE (CONTINUED)

Paycheck Protection Program Loan (Continued)

During 2020, the Corporation completed and submitted the PPP Loan Forgiveness application and received notification on January 15, 2021 that the \$417,500 PPP Loan was approved for full forgiveness by the U.S. Small Business Administration (SBA). Therefore, the Corporation recognized the entire amount of proceeds of the 2020 PPP Loan as Federal COVID Grant Revenue on the Statements of Operations and Changes in Net Assets at December 31, 2020.

In January 2021, the Corporation applied for and received additional funding under the PPP in the amount of \$431,370 (the 2021 PPP Loan). The Corporation applied for forgiveness of this loan in 2021 and will retain the documentation to substantiate expenses permissible under the program. In September 2021, the Corporation received formal forgiveness from the SBA for the entire obligation under the 2021 PPP Loan and recognized the entire amount of proceeds of the 2021 PPP Loan as Federal COVID Grant Revenue on the Statements of Operations and Changes in Net Assets as of December 31, 2021.

The forgiveness of these loans are subject to review by the SBA for 6 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 CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Corporation was \$283,013. The PRF's are subject to certain restrictions on eligible expenses or uses and reporting requirements. At December 31, 2020, the Corporation recognized \$283,013 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, 2020.

**THE MARTIN AND EDITH STEIN HOSPICE
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
PATIENT CARE, NURSING		
Medical Director	\$ 71,201	\$ 61,311
Registered Nurse Salaries	707,123	732,624
Registered Nurses, on Call	190,094	61,098
Home Health Aide Salaries	641,474	680,624
Chaplain and Social Work Salaries	281,051	283,537
Benefits and Payroll Taxes	375,533	389,166
Pharmacy Expense	124,450	132,122
Other Medical Expenses	389,983	479,371
Nursing Home Room and Board	340,044	409,221
Nursing Home, Other Charges	152	7,517
Other	82,757	54,333
	\$ 3,203,862	\$ 3,290,924
GENERAL AND ADMINISTRATIVE		
Salaries	\$ 1,045,628	\$ 1,130,846
Benefits and Payroll Taxes	81,064	84,610
Rent	72,000	72,000
Liability Insurance	22,815	17,758
Advertising and Marketing	51,854	65,507
Professional Fees	68,344	67,355
Communications	3,030	4,725
Licenses and Fees	45,578	25,451
Office Expense	100,019	86,801
Provision for Bad Debts	6,035	21,643
Depreciation	1,525	2,888
Transfers to Affiliates	1,085	810
Other Administrative Expenses	176,099	235,274
	\$ 1,675,076	\$ 1,815,668
Total Patient Care, Nursing		
Total General and Administrative		