

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	4
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
SCHEDULES OF OPERATING EXPENSES	19



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, 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 Assisted Living Residence, Inc., 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 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.

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 GAAS. 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 ASSISTED LIVING RESIDENCE, INC.
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 96,617	\$ 120,021
Accounts Receivable, Residents, Net of Allowance of \$6,925 and \$6,478 as of 2021 and 2020, respectively.	103,924	74,587
Accounts Receivable, Other	640	6,090
Due from Affiliates	11,019	12,139
Restricted Cash, Residents' Personal Needs	3,067	2,452
Prepaid Expenses and Other Current Assets	50,090	44,098
Total Current Assets	265,357	259,387
RESTRICTED CASH		
Residents' Deposits	238,328	292,013
PROPERTY AND EQUIPMENT, NET		
	8,520,022	8,713,198
Total Assets	\$ 9,023,707	\$ 9,264,598
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Bonds Payable	\$ 650,000	\$ 615,000
Accounts Payable and Accrued Expenses	190,172	399,625
Due to Affiliates	118,087	69,158
Residents' Personal Needs	2,967	2,452
Total Current Liabilities	961,226	1,086,235
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Portion	2,540,000	3,190,000
Residents' Deposits	238,328	292,013
Total Long-Term Liabilities	2,778,328	3,482,013
Total Liabilities	3,739,554	4,568,248
NET ASSETS WITHOUT DONOR RESTRICTIONS		
	5,284,153	4,696,350
Total Liabilities and Net Assets	\$ 9,023,707	\$ 9,264,598

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUE		
Net Resident Service Revenues	\$ 4,321,396	\$ 4,922,657
Federal COVID Grant Revenue	673,187	1,151,459
Other Revenue	120,933	140,884
Total Revenue	<u>5,115,516</u>	<u>6,215,000</u>
OPERATING EXPENSES		
Patient Care, Nursing	2,561,815	2,098,632
Dietary	1,307,981	1,299,321
Housekeeping	354,979	316,541
Property Operating Costs	610,676	520,819
Recreation and Activities	316,252	285,112
Marketing	100,933	264,861
Depreciation	561,017	543,286
General and Administrative	1,099,288	1,637,136
Total Operating Expenses	<u>6,912,941</u>	<u>6,965,708</u>
LOSS FROM OPERATIONS	(1,797,425)	(750,708)
OTHER EXPENSES		
Interest Expense	50,125	75,666
Provision for Bad Debts	3,170	43,857
Total Other Expenses	<u>53,295</u>	<u>119,523</u>
REVENUES (LOSSES) IN EXCESS (DEFICIT) OF EXPENSES AND CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,850,720)	(870,231)
TRANSFERS BETWEEN AFFILIATES	<u>2,438,523</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	587,803	(870,231)
Net Assets Without Donor Restrictions - Beginning of Year	<u>4,696,350</u>	<u>5,566,581</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 5,284,153</u>	<u>\$ 4,696,350</u>

See accompanying Notes to Financial Statements.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 587,803	\$ (870,231)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	561,016	543,286
Provision for Bad Debts	3,170	43,857
(Increase) Decrease in Assets:		
Accounts Receivable, Residents	(32,607)	(42,719)
Accounts Receivable, Other	5,450	(5,080)
Due from Affiliates	1,120	5,360
Prepaid Expenses and Other Current Assets	(5,992)	3,560
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(209,453)	103,014
Due to Affiliates	48,929	37,742
Net Cash Provided (Used) by Operating Activities	959,436	(181,211)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant, and Equipment	(367,840)	(361,651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond Repayment	(615,000)	(585,000)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(23,404)	(1,127,862)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	120,021	1,247,883
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 96,617	\$ 120,021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 50,125	\$ 75,666
Change in Residents' Deposits and Personal Needs	\$ (53,685)	\$ (90,406)

See accompanying Notes to Financial Statements.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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, 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 Facility does not have any net assets with donor restrictions at December 31, 2021 and 2020.

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 Facility's leasing activities. The Facility will be required to adopt the guidance in ASU No. 2016-02 for the year ended December 31, 2022. The Facility is evaluating the impact of adoption of ASU No. 2016-02 on its financial statements.

Revenues in Excess of Expenses

The statement of operations and changes in net assets includes the determination of revenues in excess of expenses. Changes in net assets without donor restrictions, which are excluded from the determination of revenues in excess (deficit) of 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, 2021 AND 2020**

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.

Subsequent Events

In preparing these financial statements, the Facility 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 Facility had a working capital (deficit) of \$(695,869) and \$(826,848), respectively, and average days cash on hand of 6 and 7, 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:

	<u>2021</u>	<u>2020</u>
Financial Assets as of Year-End:		
Cash and Cash Equivalents	\$ 96,617	\$ 120,021
Accounts Receivable from:		
Residents	103,924	74,587
Other	640	6,090
Total Financial Assets	<u>\$ 201,181</u>	<u>\$ 200,698</u>

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31 consists of the following:

	2021	2020
Land and Land Improvements	\$ 867,796	\$ 867,796
Buildings and Improvements	12,511,120	12,511,120
Furniture and Fixtures	1,804,275	1,764,195
Equipment	235,008	208,172
Kitchen Equipment	1,937,292	1,636,367
Automotive Equipment	74,289	74,289
Total	17,429,780	17,061,939
Less: Accumulated Depreciation	(8,909,758)	(8,348,741)
Property and Equipment, Net	\$ 8,520,022	\$ 8,713,198

Depreciation expense charged to operations was \$561,016 and \$543,286 for the years ended December 31, 2021 and 2020, 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. 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, 2021 and 2020.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 BONDS PAYABLE (CONTINUED)

Bonds payable consists of the following:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Bonds due on November 1, 2030, annual payments in amounts ranging from \$615,000 to \$760,000 with a variable interest rate	\$ 3,190,000	\$ 3,805,000
Less: Current Portion	<u>650,000</u>	<u>615,000</u>
Bonds Payable, Net of Current Portion	<u>\$ 2,540,000</u>	<u>\$ 3,190,000</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, 2021 and 2020. 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>
2022	\$ 650,000
2023	685,000
2024	720,000
2025	760,000
2026	<u>375,000</u>
Total	<u>\$ 3,190,000</u>

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 in hand financial covenant at December 31, 2021. Management has obtained a waiver for the missed covenant as of December 31, 2021.

No interest expense was capitalized for the years ended December 31, 2021 and 2020.

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, 2021 and 2020, as follows:

	2021	2020
Due (to) from Related Parties		
The Martin and Edith Stein Hospice	\$ (1,165)	\$ (1,987)
Wilf Transport	(5,390)	(1,892)
Wilf at Home	(3,288)	2,441
The Oscar and Ella Wilf Campus For Senior Living, Inc.	(105,580)	(62,019)
The Lena and David T. Wilentz Senior Residence, Inc.	8,009	8,536
The Foundation of the Oscar and Ella Wilf Campus for Senior Living, Inc.	346	(2,098)
Due to Related Parties	\$ (107,068)	\$ (57,019)

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, 2021 AND 2020

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, 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020 is as follows:

	Revenue	
	2021	2020
Medicaid	\$ 715,314	\$ 386,354
Private Insurance and Other	3,606,082	4,536,303
Total	<u>\$ 4,321,396</u>	<u>\$ 4,922,657</u>

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

	Accounts Receivable	
	2021	2020
Medicaid	\$ 90,912	\$ 46,940
Private Insurance and Other	17,937	34,125
Subtotal	108,849	81,065
Less: Allowance for Doubtful Accounts	(4,925)	(6,478)
Total	<u>\$ 103,924</u>	<u>\$ 74,587</u>

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, 2021 and 2020:

	2021	2020
Service Lines:		
Assisted Living	\$ 4,255,656	\$ 4,910,657
Respite Care	65,740	12,000
Total	<u>\$ 4,321,396</u>	<u>\$ 4,922,657</u>
Method of Reimbursement:		
Fee for Services	\$ 4,321,396	\$ 4,922,657
Retail Sales / Other	-	-
Total	<u>\$ 4,321,396</u>	<u>\$ 4,922,657</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	\$ 4,321,396	\$ 4,922,657
Sales at Point in Time	-	-
Total	<u>\$ 4,321,396</u>	<u>\$ 4,922,657</u>

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 NET RESIDENT SERVICE REVENUE (CONTINUED)

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

Balance at January 1, 2020	\$	75,725
Balance at December 31, 2020		74,587
Balance at December 31, 2021		103,924

Financing Component

The Facility has elected the practical expedient allowed under FASB 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, 2021 AND 2020

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, 2021 and 2020:

	Program Services	Management and General	Fundraising and Development	Total
<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	156,746	-	340,819
Operating and Maintenance	338,063	37,563	-	375,626
Travel and Meetings	10,959	9,935	-	20,894
Interest	45,113	5,013	-	50,126
Insurance	76,820	8,536	-	85,356
Depreciation	504,915	56,102	-	561,017
Other Expenses	36,300	131,628	-	167,928
Totals	<u>\$ 5,747,460</u>	<u>\$ 1,218,776</u>	<u>\$ -</u>	<u>\$ 6,966,236</u>
<u>December 31, 2020</u>				
Salaries and Wages	\$ 2,806,831	\$ 984,842	\$ -	\$ 3,791,673
Employee Benefits	708,381	96,894	-	805,275
Patient and Residential	518,173	6,305	-	524,478
Professional Services	80,335	157,496	-	237,831
Office Supplies	112,921	195,151	-	308,072
Operating and Maintenance	302,727	33,636	-	336,363
Travel and Meetings	9,584	9,447	-	19,031
Interest	68,099	7,567	-	75,666
Insurance	60,696	6,744	-	67,440
Depreciation	488,957	54,329	-	543,286
Other Expenses	91,264	284,852	-	376,116
Totals	<u>\$ 5,247,968</u>	<u>\$ 1,837,263</u>	<u>\$ -</u>	<u>\$ 7,085,231</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, 2021 or 2020.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 May 2020, the Facility obtained a loan totaling \$660,000 (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).

During 2020, the Facility completed and submitted the PPP Loan Forgiveness application and received notification subsequent to year-end, on January 19, 2021, that the \$660,000 PPP Loan was approved for full forgiveness by the U.S. Small Business Administration (SBA). Therefore, the Facility 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 as of December 31, 2020.

In January 2021, the Facility applied for and received additional funding under the PPP in the amount of \$673,187 (the 2021 PPP Loan). The Facility applied for forgiveness of this loan in 2021 and will retain 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 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 the PPP loans is subject to review by the SBA for 6 years.

THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 FEDERAL COVID GRANT REVENUE (CONTINUED)

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 Facility was \$491,459. The PRF's are subject to certain restrictions on eligible expenses or uses and reporting requirements. At December 31, 2020, the Facility recognized \$491,459 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 ASSISTED LIVING RESIDENCE, INC.
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
PATIENT CARE, NURSING		
Supervisor Salary	\$ 389,746	\$ 277,203
LPN Salary	797,565	704,949
CNA Salary	755,926	690,159
Employee Benefits	441,535	361,379
Agency Staff	38,862	12,477
Nursing Supplies	138,181	52,465
Total Patient Care, Nursing	\$ 2,561,815	\$ 2,098,632
DIETARY		
Dietary Salary and Food	\$ 620,347	\$ 644,892
Employee Benefits	140,953	139,359
Supplies	546,681	515,070
Total Dietary	\$ 1,307,981	\$ 1,299,321
HOUSEKEEPING		
Housekeeping Salary	\$ 259,258	\$ 217,041
Employee Benefits	58,908	46,902
Housekeeping Supplies	36,813	52,598
Total Housekeeping	\$ 354,979	\$ 316,541
PROPERTY OPERATING COSTS		
Maintenance Payroll	\$ 89,416	\$ 71,803
Employee Benefits	20,317	15,516
Utilities	208,660	212,692
Cable	43,672	29,279
Disposal	46,224	45,376
Repairs	86,537	56,635
Landscaping	115,850	89,518
Total Property Operating Costs	\$ 610,676	\$ 520,819
RECREATION AND ACTIVITIES		
Recreation Salary	\$ 204,467	\$ 186,929
Employee Benefits	46,458	40,395
Religious Salaries and Consultants	26,782	13,924
Resident Functions	10,959	9,584
Supplies	27,586	34,280
Total Recreation and Activities	\$ 316,252	\$ 285,112
MARKETING	\$ 100,933	\$ 264,861
DEPRECIATION	\$ 561,017	\$ 543,286

**THE MARTIN AND EDITH STEIN ASSISTED LIVING RESIDENCE, INC.
SCHEDULES OF OPERATING EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
GENERAL AND ADMINISTRATIVE		
Salaries	\$ 477,973	\$ 855,452
Employee Benefits	108,603	184,860
Office Supplies	34,352	39,694
Telephone	17,134	16,030
Insurance and Accounting	92,256	73,440
Legal and Other Professional Fees	23,449	22,806
Data Processing	71,341	44,650
Licenses and Fees	11,776	14,883
Other Administrative Expenses	262,404	385,321
Total General and Administrative	<u>\$ 1,099,288</u>	<u>\$ 1,637,136</u>