

**REPORT OF THE TREASURER
2021 Annual House of Delegates**

Report 2

Presented by: Mark Adams, MD, MBA, FACR
Treasurer

Referred to: Reference Committee on Reports of Officers
and Administrative Matters

In accordance with the Bylaws of the Medical Society of the State of New York, Article VI, Officers, Section B, Duties, the following audited financial statements herewith presented to members of the 2021 House of Delegates:

The Medical Society of the State of New York for the year ended December 31, 2020

Medical Society of the State of New York Political Action Committee (MSSNYPAC) for the year ended December 31, 2020.

The Medical, Educational and Scientific Foundation of New York, Inc. (MES FOUNDATION) for the year ended December 31, 2020

The Empire State Medical, Scientific and Educational Foundation, Inc. (EMPIRE FOUNDATION) for the year ended December 31, 2020

Respectfully submitted,

Mark Adams, MD, MBA, FACR
Treasurer

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

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Michael C. Allen & Co., CPA's PLLC

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Medical Society of the State of New York
Westbury, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Medical Society of the State of New York (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Society of the State of New York as of December 31, 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of financial position by fund and activities by fund on pages 16-17, 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 was 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2021, on our consideration of the Medical Society of the State of New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Medical Society of the State of New York's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Medical Society of the State of New York's internal control over financial reporting and compliance.

Michael C. Allen & Co., CPA's PLLC

MICHAEL C. ALLEN & CO., CPA'S PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Lake Success, New York
August 12, 2021



MEDICAL SOCIETY OF THE STATE OF NEW YORK

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Cash		\$ 1,125,638
Accounts receivable		136,266
State contracts receivable		940,874
Prepaid expenses		78,526
Security deposits		67,470
Investments		
Building Fund	\$13,700,663	
All other	<u>5,291,462</u>	
		18,992,125
Property and equipment, at cost - net of accumulated depreciation and amortization of \$629,597		<u>35,454</u>
TOTAL ASSETS		<u>\$21,376,353</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses		\$ 169,765
Deferred membership dues		981,316
Other deferred income and liabilities		<u>1,169,914</u>
TOTAL LIABILITIES		<u>2,320,995</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions		
Undesignated	\$18,377,407	
Investment in property and equipment	<u>35,454</u>	
		18,412,861
With donor restrictions		<u>642,497</u>
TOTAL NET ASSETS		<u>19,055,358</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$21,376,353</u>

See notes to the financial statements.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Dues	\$ 2,767,575	\$ -	\$ 2,767,575
Advertising income	25,396	-	25,396
Investment income	754,195	9,870	764,065
Commissions	15,017	-	15,017
Administrative fees-Empire State Foundation	250,000	-	250,000
Administrative fees-Other	105,850	-	105,850
MLMIC marketing agreement	1,000,000	-	1,000,000
Rental income	72,901	-	72,901
Workshops	67,272	-	67,272
Committee for Physicians' Health revenue	1,094,668	-	1,094,668
State and other grant income	193,691	-	193,691
Other income	254,253	-	254,253
	<u>6,600,818</u>	<u>9,870</u>	<u>6,610,688</u>
TOTAL REVENUE			
EXPENSES			
Program services:			
Membership services	2,236,440	13,182	2,249,622
Scientific and educational activities	161,245	-	161,245
Conventions and meetings	413,375	-	413,375
Communications	498,132	-	498,132
Committee for Physicians' Health expense	1,093,211	-	1,093,211
State and other grant expense	193,427	-	193,427
	<u>4,595,830</u>	<u>13,182</u>	<u>4,609,012</u>
TOTAL PROGRAM SERVICES			
Supporting services:			
Management and general	2,016,339	477	2,016,816
	<u>2,016,339</u>	<u>477</u>	<u>2,016,816</u>
TOTAL EXPENSES	<u>6,612,169</u>	<u>13,659</u>	<u>6,625,828</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(11,351)	(3,789)	(15,140)
OTHER CHANGES			
Unrealized gain on investments, net	1,263,585	32,965	1,296,550
	<u>1,263,585</u>	<u>32,965</u>	<u>1,296,550</u>
CHANGE IN NET ASSETS	1,252,234	29,176	1,281,410
NET ASSETS AT BEGINNING OF YEAR	<u>17,160,627</u>	<u>613,321</u>	<u>17,773,948</u>
NET ASSETS AT END OF YEAR	<u>\$18,412,861</u>	<u>\$ 642,497</u>	<u>\$19,055,358</u>

See notes to the financial statements.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services						Management And General	Total
	Membership Services	Scientific And Educational Activities	Conventions And Meetings	Communications	Committee For Physicians Health Program	Other Grants		
Salaries and wages	\$ 1,503,642	\$ 59,213	\$ 148,032	\$ 330,836	\$ 770,991	\$ 92,093	\$ 664,396	\$ 3,569,203
Payroll taxes and benefits	290,970	30,814	41,273	106,944	156,803	13,623	183,619	824,046
Office expenses	172,345	6,078	8,708	35,416	38,188	-	135,104	395,839
Professional services	974	-	-	-	4,000	-	105,628	110,602
Occupancy	225,949	4,182	7,949	23,032	109,129	-	487,624	857,865
Travel	32,319	60,958	181,700	404	14,100	-	3,141	292,622
Insurance	-	-	-	-	-	-	121,318	121,318
Depreciation and amortization	-	-	-	-	-	-	5,263	5,263
Other	23,423	-	25,713	1,500	-	87,711	310,723	449,070
TOTAL EXPENSES	<u>\$ 2,249,622</u>	<u>\$ 161,245</u>	<u>\$ 413,375</u>	<u>\$ 498,132</u>	<u>\$1,093,211</u>	<u>\$193,427</u>	<u>\$2,016,816</u>	<u>\$ 6,625,828</u>

See notes to the financial statements.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from membership dues	\$ 2,423,601
Cash received from tenants	66,826
Cash received from contracts grants	859,787
Cash received from MLMIC	1,000,000
Cash received from administrative charges	346,350
Other cash receipts	222,562
Cash paid to suppliers and employees	(6,759,114)
Interest received	355,320
Income taxes paid	<u>(2,592)</u>

NET CASH ABSORBED BY OPERATING ACTIVITIES (1,487,260)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(1,019)
Proceeds from the sale of investments	3,298,025
Purchase of investments	<u>(1,810,780)</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 1,486,226

NET DECREASE IN CASH (1,034)

CASH - BEGINNING 1,126,672

CASH - ENDING \$ 1,125,638

See notes to the financial statements.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

NOTE 1- ORGANIZATION AND NATURE OF ACTIVITIES

Medical Society of the State of New York (the "Society"), established in 1807 and operates as a New York State nonprofit organization.

The mission of the Society is to advance the health of the residents of New York State by promoting a favorable environment for the practice of medicine through advocacy, education and professional community for New York State physicians.

The Society is a non-profit organization of approximately 20,000 licensed physicians, medical residents, and medical students in New York State. Members participate in both the state society and in their local county medical societies. The Society strives to promote and maintain high standards in medical education and in the promotion of the practice of medicine in an effort to ensure that quality medical care is available to the public.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets subject to donor or grantor 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Society had \$642,497 of net assets with donor restrictions at December 31, 2020.

Revenue Recognition

The Society recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Society expects to be entitled to in exchange for those goods or services.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program service fees and payments under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed. Membership dues are recognized as revenue in the applicable membership period in the amount corresponding directly with the received value to the member when performance obligations are met.

Basis of Accounting

The accompanying financial statements of the Society have been prepared on an accrual basis of accounting in accordance with the U.S. generally accepted accounting principles ("US GAAP")

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, taxes and benefits, office, consultants, travel, depreciation and amortization and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Society is a non-profit organization as defined in Section 501 (c)(6) of the Internal Revenue Code and is exempt from Federal income taxes except on unrelated business income. The Society is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Society has charged against current operations Federal and New York State taxes of \$2,592 on its unrelated business income for the year ended December 31, 2020. At December 31, 2020 and for the year then ended, the Society had no uncertain income tax positions. Our previous three years tax returns remain subject to audit, however, no examination has been initiated or is in progress.

Cash Equivalents

For the purpose of the statement of cash flows, the Society considers all short-term liquid investments with maturities of three months or less to be cash equivalents.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Every effort is made to insure the integrity of such estimates.

Financial Risk

The Society maintains cash and cash equivalent accounts at one financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Society has a potential concentration of credit risk in that, at times, it maintains deposits with financial institutions in excess of amounts insured by FDIC. At December 31, 2020, the Society maintained cash balances that exceeded the FDIC insured amount by \$1,306,982.

Property And Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 -15 years. Maintenance and repairs that do not improve or extend the life of the assets and equipment purchased with state and other grant funds are charged to expense.

Accounts Receivable

The Society carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Society evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs, collections and current credit conditions. At December 31, 2020, no allowance for doubtful accounts was deemed necessary.

State Contracts Receivable

The Society carries its State contracts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Society evaluates its contracts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs, collections and current credit conditions. At December 31, 2020, no allowance for doubtful accounts was deemed necessary.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3- LIQUIDITY AND FUNDS AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$1,125,638
Operating investments	4,346,435
Accounts receivable	136,266
State contracts receivable	<u>940,874</u>
	<u>\$6,549,213</u>

At December 31, 2020, net assets with donor restrictions totaled \$642,497, of which, \$51,869, was included in cash.

NOTE 4- FUND INVESTMENTS

Investments are valued at fair value. Realized and unrealized gains or losses are determined by comparison of cost to proceeds and market values, respectively.

The following is a summary of cost and fair value of investments held at December 31, 2020.

	<u>Cost</u>	<u>Fair Value</u>
General - Building Fund	\$10,397,170	\$13,700,663
General Fund	4,014,112	4,687,652
Legal Fund	259,856	313,498
Bernstein Award Fund	142,764	142,764
Endowment Funds	<u>147,548</u>	<u>147,548</u>
Total	<u>\$14,961,450</u>	<u>\$18,992,125</u>

NOTE 5- FAIR VALUE MEASUREMENTS

The Society uses a three-level hierarchy, which prioritizes within the measurement of fair value, the use of market-based information over entity-specific information for fair value measurements. The three-level hierarchy is based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

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

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5- FAIR VALUE MEASUREMENTS (Continued)

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. The three-level hierarchy for fair value measurements categorizes the inputs follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the for the asset and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset. In these situations, the organization develops inputs using the best information available in the circumstances.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. At December 31, 2020, all investments were Level 1 inputs – quoted prices in active markets for identical assets.

	Quoted Prices in Active Markets for Identical Assets <u>Level 1</u>
General - Building Fund	
Cash and money market funds	\$ 2,448,422
Vanguard equity funds	7,115,999
Vanguard bond funds	<u>4,136,242</u>
	<u>13,700,663</u>
General - Operating Investments	
Vanguard equity funds	2,709,462
Vanguard bond funds	1,636,973
Deferred comp equity funds	<u>341,217</u>
	<u>4,687,652</u>
Endowment Funds	
Cash and money market funds	290,312
Vanguard equity funds	198,341
Vanguard bond funds	<u>115,157</u>
	<u>603,810</u>
	<u>\$18,992,125</u>

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6- PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and the estimated lives used in the computation of depreciation as of December 31, 2020.

	<u>Estimated Life - Years</u>	<u>Cost</u>
Furniture, fixtures and computer equipment	5 - 10	\$ 615,051
Leasehold improvements	15	<u>50,000</u>
		665,051
Less: accumulated depreciation and amortization		<u>629,597</u>
		<u>\$ 35,454</u>

Depreciation and amortization expense totaled \$5,263 for the year ended December 31, 2020

NOTE 7- STATE CONTRACTS RECEIVABLE

The Society received certain contracts from the New York State Department of Health and Health Research, Inc. The following is a summary of expenses, receipts and amounts receivable from these contracts as of December 31, 2020 and for the year then ended.

	<u>Contracts Receivable 1/1/2020</u>	<u>Expenses</u>	<u>Receipts</u>	<u>Contracts Receivable 12/31/2020</u>
Hospital Preparedness Prog. MSSNY/MLMIC Physician Wellness	\$ 10,217	\$ 67,047	\$ 50,095	\$ 27,169
Veterans Mental Health Grants	19,151	37,888	12,500	44,539
Woman's Health Grant	-	101,257	101,257	-
Committee for Physician's Health Contract C-33833GG	68,370	-	-	68,370
Committee for Physician's Health Contract C-33833GG	201,032	193,357	357,976	36,413
Health Contract C-33833GG	<u>-</u>	<u>764,383</u>	<u>-</u>	<u>764,383</u>
	<u>\$ 298,770</u>	<u>\$1,163,932</u>	<u>\$ 521,828</u>	<u>\$ 940,874</u>

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8- LEASE OBLIGATIONS

On December 3, 2019, a third lease extension and modification agreement was signed. This modification was effective on December 1, 2019 and expires on May 31, 2026. This modification includes a provision, whereby, at the Society's option, approximately 18% of the space would be recaptured by the Owner and the rent reduced accordingly. For the year ended December 31, 2020, the sublease income was \$72,901 and rent expense was \$437,428.

As of December 31, 2020, future annual base rents under this lease, which is being amortized on a straight line basis, are as follows:

2021	\$ 411,666
2022	424,016
2023	436,736
2024	449,839
2025	463,334
2026	198,352

On September 26, 2006, the Society entered into a 180 month noncancelable operating lease agreement for office space at 99 Washington Avenue, Albany, New York. The lease was effective on July 2, 2007 and expires in 2022. For the year ended December 31, 2020, rent expense was \$345,333.

As of December 31, 2020, future annual base rents under this lease, which is being amortized on a straight line basis, are as follows:

2021	\$ 312,461
2022	156,231

NOTE 9- LEGAL FUND

The Fund, which was created by the House of Delegates at the 1977 annual meeting, is to be used for activities which necessitate the use of legal assistance on matters of generic interest and was financed by allocating a portion of the dues income for legal assistance. These donor restricted net assets on December 31, 2020 were \$307,166.

NOTE 10- SPECIAL FUND

The Fund was created in 1975 to pursue an equitable malpractice program and was financed by an assessment of \$100 to each of the then active members of the Society. These donor restricted net assets on December 31, 2020 were \$15,803.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 11- ENDOWMENT FUNDS

Endowment funds of the Society consist of 4 individual funds established by donors to provide annual funding for specific activities.

At December 31, 2020, the net asset composition of the Society's endowment funds was as follows:

	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 51,500	\$ 51,500
Accumulated investment gains	<u>268,028</u>	<u>268,028</u>
Total	<u>\$319,528</u>	<u>\$319,528</u>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$321,022	\$321,022
Investment return, net of expenses	<u>(1,494)</u>	<u>(1,494)</u>
Endowment net assets at end of year	<u>\$319,528</u>	<u>\$319,528</u>

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 12- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose:

Legal Fund	\$307,166
Special Fund	<u>15,803</u>
	<u>322,969</u>

Endowments:

Subject to expenditure when a specified event occurs:

Restricted by donors for Educational programs	<u>319,528</u>
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Total	<u>\$642,497</u>
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NOTE 13- COVID RESPONSE

As a result of the spread of the COVID-19 Coronavirus during March 2020, economic uncertainties have arisen which could have impacted the Society's financial condition or its results of operations. The Society has adapted operations to keep its operations fully functional while protecting their workforce by encouraging employees to work remotely and to implement video conferencing to maintain a physical and virtual work environment. In January 2021, the Society applied for SBA Paycheck Protection Program funds of \$713,367 and this amount was received in February, 2021. As of the date of issuance of the financial statements, management further believes that the Society is taking appropriate actions to mitigate any potential negative impact. However, any further related financial effect and duration of this pandemic cannot be reasonably estimated at this time.

NOTE 14- SUBSEQUENT EVENTS

The third lease extension and modification agreement of the Westbury Office space, effective on December 1, 2019 included a provision, whereby, at the Society's option, approximately 18% of the space would be recaptured by the Owner and the rent reduced accordingly. In June 2021, the Society exercised its option which resulted in a reduction of rent expense of approximately \$6,000.

The Society has evaluated subsequent events through August 12, 2021, the date the financial statements were available to be issued, and, with the exception of the Society's application and receipt of the \$713,367 Paycheck Protection Program loan and the above noted rent reduction, has concluded that no such events or transactions occurred that would require recognition in the financial statements or disclosure herein.

SUPPLEMENTARY INFORMATION

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**SCHEDULE OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2020**

ASSETS	General Fund	Plant Fund	Restricted Funds					Eliminations	Total
			Legal Fund	Special Fund	Bernstein Memorial Fund	Bernstein Award Fund	Endowment Funds		
Cash	\$ 1,073,769	\$ -	\$ -	\$ 20,653	\$ 14,365	\$ -	\$ 16,851	\$ -	\$ 1,125,638
Accounts receivable (No allowance for doubtful accounts)	136,266	-	-	-	-	-	-	-	136,266
State contracts receivable (No allowance for doubtful accounts)	940,874	-	-	-	-	-	-	-	940,874
Prepaid expenses	78,526	-	-	-	-	-	-	-	78,526
Deposits	67,470	-	-	-	-	-	-	-	67,470
Due from other funds	13,182	-	-	-	-	-	-	(13,182)	-
Investments in marketable securities, at market (Note 4)	18,388,315	-	313,498	-	-	142,764	147,548	-	18,992,125
Property and equipment, at cost - net of accumulated depreciation and amortization of \$629,597 (Note 6)	-	35,454	-	-	-	-	-	-	35,454
TOTAL ASSETS	\$20,698,402	\$ 35,454	\$ 313,498	\$ 20,653	\$ 14,365	\$ 142,764	\$ 164,399	\$ (13,182)	\$21,376,353
LIABILITIES AND NET ASSETS									
LIABILITIES									
Accounts payable and accrued expenses	\$ 169,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,765
Deferred membership dues	981,316	-	-	-	-	-	-	-	981,316
Due to other funds	-	-	6,332	4,850	-	2,000	-	(13,182)	-
Other liabilities	1,169,914	-	-	-	-	-	-	-	1,169,914
TOTAL LIABILITIES	2,320,995	-	6,332	4,850	-	2,000	-	(13,182)	2,320,995
COMMITMENTS AND CONTINGENCIES									
NET ASSETS									
Without donor restrictions	18,377,407	35,454	-	-	-	-	-	-	18,412,861
With donor restrictions	-	-	307,166	15,803	14,365	140,764	164,399	-	642,497
TOTAL NET ASSETS	18,377,407	35,454	307,166	15,803	14,365	140,764	164,399	-	19,055,358
TOTAL LIABILITIES AND NET ASSETS	\$20,698,402	\$ 35,454	\$ 313,498	\$ 20,653	\$ 14,365	\$ 140,764	\$ 164,399	\$ (13,182)	\$21,376,353

See notes to the financial statements.

MEDICAL SOCIETY OF THE STATE OF NEW YORK

**SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED DECEMBER 31, 2020**

	Restricted Funds						Total
	General Fund	Plant Fund	Legal Fund	Special Fund	Bernstein Memorial Fund	Bernstein Award Fund	
REVENUE							
Dues	\$ 2,767,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,767,575
Advertising income	25,396	-	-	-	-	-	25,396
Investment income	754,195	-	9,362	2	2	445	764,065
Commissions	15,017	-	-	-	-	-	15,017
Administrative fees-Empire State Foundation	250,000	-	-	-	-	-	250,000
Administrative fees-Other	105,850	-	-	-	-	-	105,850
MLMIC marketing agreement	1,000,000	-	-	-	-	-	1,000,000
Rental income	72,901	-	-	-	-	-	72,901
Workshops	67,272	-	-	-	-	-	67,272
Committee for Physicians' Health revenue	1,094,668	-	-	-	-	-	1,094,668
Other state and federal grant income	193,691	-	-	-	-	-	193,691
Other	254,253	-	-	-	-	-	254,253
TOTAL REVENUE	6,600,818	-	9,362	2	2	445	6,610,688
EXPENSES							
Program services:							
Membership services	2,236,440	-	6,332	4,850	-	2,000	2,249,622
Scientific and educational activities	161,245	-	-	-	-	-	161,245
Conventions and meetings	413,375	-	-	-	-	-	413,375
Communications	498,132	-	-	-	-	-	498,132
Committee for Physicians' Health expense	1,093,211	-	-	-	-	-	1,093,211
Other state and federal grant expense	193,427	-	-	-	-	-	193,427
TOTAL PROGRAM SERVICES	4,595,830	-	6,332	4,850	-	2,000	4,609,012
Supporting services:							
General administration	2,011,076	5,263	477	-	-	-	2,016,816
TOTAL EXPENSES	6,606,906	5,263	6,809	4,850	-	2,000	6,625,828
CHANGE IN NET ASSETS FROM OPERATIONS BEFORE OTHER CHANGES	(6,088)	(5,263)	2,553	(4,848)	2	(1,555)	59
OTHER CHANGES							
Transfers - Equipment acquisitions	(1,019)	1,019	-	-	-	-	-
Unrealized gain on investments	1,263,585	-	32,965	-	-	-	1,296,550
CHANGE IN NET ASSETS	1,256,478	(4,244)	35,518	(4,848)	2	(1,555)	59
NET ASSETS AT BEGINNING OF YEAR	17,120,929	39,698	271,648	20,651	14,363	142,319	164,340
NET ASSETS AT END OF YEAR	\$18,377,407	\$ 35,454	\$307,166	\$ 15,803	\$ 14,365	\$ 140,764	\$ 164,399

See notes to the financial statements.

Michael C. Allen & Co., CPA's PLLC

www.michaelallencpa.com
Tax and Financial Consultants



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Medical Society of the State of New York
Westbury, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Medical Society of the State of New York (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Medical Society of the State of New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Society of the State of New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Society of the State of New York's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Society of the State of New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Society of the State of New York's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Medical Society of the State of New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Michael C. Allen & Co., CPA'S PLLC

**MICHAEL C. ALLEN & CO., CPA'S PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

**Lake Success, New York
August 12, 2021**



**MEDICAL SOCIETY OF THE STATE OF NEW YORK
POLITICAL ACTION COMMITTEE**

**INTERNALLY PREPARED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**MEDICAL SOCIETY OF THE STATE OF NEW YORK
POLITICAL ACTION COMMITTEE**

**INTERNALLY PREPARED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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MEDICAL SOCIETY OF THE STATE OF NEW YORK
POLITICAL ACTION COMMITTEE

BALANCE SHEET - INTERNALLY PREPARED
AS AT DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash	
Operating Fund	\$ 4,423
State Fund	<u>57,851</u>

TOTAL ASSETS	<u>\$ 62,274</u>
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LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES

Due to Medical Society of the State of New York	<u>\$ 55,271</u>
---	------------------

TOTAL CURRENT LIABILITIES	<u>55,271</u>
----------------------------------	---------------

FUND BALANCES

Operating Fund	(40,575)
State Fund	<u>47,578</u>

TOTAL FUND BALANCES	<u>7,003</u>
----------------------------	--------------

TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,274</u>
--	-------------------------

**MEDICAL SOCIETY OF THE STATE OF NEW YORK
POLITICAL ACTION COMMITTEE**

**STATEMENT OF REVENUE AND EXPENSES - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

REVENUE

Contributions		
State	\$120,543	
Operating	<u>30,114</u>	\$ 150,657
Interest		
State		4
Other income		
Operating		<u>5,000</u>
TOTAL REVENUE		<u>155,661</u>

EXPENSES

State Fund		
Bank and credit card charges	498	
Contributions	<u>87,111</u>	87,609
Operating Fund		
Administrative overhead	5,000	
Bank and credit card charges	193	
Dues, books and publications	377	
Fringe benefits	11,021	
Postage	197	
Rent	4,500	
Salary expense	48,829	
Stationery and supplies	371	
Telephone	1,580	
Travel expenses	<u>1,403</u>	
		<u>73,471</u>
TOTAL EXPENSES		<u>161,080</u>

EXCESS OF EXPENSES OVER REVENUE

\$ (5,419)

**MEDICAL SOCIETY OF THE STATE OF NEW YORK
POLITICAL ACTION COMMITTEE**

**STATEMENT OF CHANGES IN FUND BALANCES - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>State Fund</u>	<u>Operating Fund</u>	<u>Total</u>
FUND BALANCES AT BEGINNING OF YEAR	\$ 34,640	\$ (22,218)	\$ 12,422
REVENUE	120,547	35,114	155,661
EXPENSES	(87,609)	(73,471)	(161,080)
TRANSFERS	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 47,578</u>	<u>\$ (40,575)</u>	<u>\$ 7,003</u>

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**INTERNALLY PREPARED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**INTERNALLY PREPARED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**STATEMENT OF FINANCIAL POSITION - INTERNALLY PREPARED
AS OF DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash	\$ 515,941
Prepaid expenses	<u>979</u>

TOTAL CURRENT ASSETS 516,920

PROPERTY AND EQUIPMENT, at cost - net of
accumulated depreciation of \$10,678

-

TOTAL ASSETS \$ 516,920

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Due to Medical Society of the State of New York	\$ 42,076
Deferred revenue	<u>117,389</u>

TOTAL CURRENT LIABILITIES 159,465

NET ASSETS

Without donor restrictions	<u>357,455</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 516,920

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**STATEMENT OF ACTIVITIES - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>
REVENUE	
Membership and other contributions	\$ 7,260
Grant income:	
Physicians Foundation - Practice Transformation Initiative	20,138
Pfizer - Peer to Peer Program	27,795
Interest income	<u>91</u>
TOTAL REVENUE	<u>55,284</u>
EXPENSES	
Program Services:	
Physicians Foundation - Practice Transformation Initiative	20,138
Pfizer - Peer to Peer Program	<u>27,795</u>
Total Program Services	<u>47,933</u>
Supporting Services:	
Management and general	<u>4,622</u>
Total Supporting Services	<u>4,622</u>
TOTAL EXPENSES	<u>52,555</u>
CHANGE IN NET ASSETS	2,729
NET ASSETS AT BEGINNING OF YEAR	<u>354,726</u>
NET ASSETS AT END OF YEAR	<u><u>\$357,455</u></u>

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services			Management and General	Total
	Physicians Foundation PTI	Pfizer Peer To Peer	Total		
Salaries and wages	\$ 15,305	\$ 17,673	\$ 32,978	\$ -	\$ 32,978
Taxes and benefits	4,091	2,340	6,431	-	6,431
Consultants	-	4,250	4,250	-	4,250
Promotion	-	930	930	-	930
Accounting fees	-	-	-	3,000	3,000
Equipment	690	689	1,379	-	1,379
Travel	-	45	45	-	45
Insurance	-	-	-	1,469	1,469
Materials and printing	-	914	914	153	1,067
Conferences and meetings	<u>52</u>	<u>954</u>	<u>1,006</u>	<u>-</u>	<u>1,006</u>
Total expenses	<u>\$ 20,138</u>	<u>\$ 27,795</u>	<u>\$ 47,933</u>	<u>\$ 4,622</u>	<u>\$ 52,555</u>

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**STATEMENT OF CASH FLOWS - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 2,729
Adjustments to reconcile change in net assets to net cash absorbed by operating activities:	
Decrease in grant receivable	51,130
Decrease in prepaid expenses	1,469
Increase in amount due to Medical Society of the State of New York	40,701
Decrease in accounts payable	(16,000)
Increase in deferred revenue	<u>42,067</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>122,096</u>
NET INCREASE IN CASH	122,096
CASH AT BEGINNING OF YEAR	<u>393,845</u>
CASH AT END OF YEAR	<u><u>\$ 515,941</u></u>

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1- SUMMARY OF ACCOUNTING POLICIES

This summary of accounting policies of the Medical Educational and Scientific Foundation of New York, Inc. (Foundation) is presented to assist in understanding the Foundation's financial statements. These accounting policies conform to generally accepted accounting principles which have been consistently applied in the preparation of the financial statements.

Nature of Activities

The Foundation is a not-for-profit organization focused on developing and offering a wide range of post graduate educational programs for the physician community.

Net Assets

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets subject to donor or grantor 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2020, and for the year then ended, the Foundation had only net assets without donor restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash is received.

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1- SUMMARY OF ACCOUNTING POLICIES (continued)

Federal Income Taxes

The Foundation is a non-profit organization as defined in Section 501 (c)(3) of the Internal Revenue Code and is exempt from Federal income taxes except on unrelated business income. Thus it qualifies for the charitable contribution deduction under Internal Revenue Code sections 170(b)(1)(A)(vi). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Management has determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax return (Form 990-T) with the Internal Revenue Service. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Federal and New York State returns of non-profit organizations are generally open for examination for three (3) years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Financial Risk

The Foundation maintains cash accounts at one financial institution and is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2020, the Foundation maintained cash balances that exceeded the FDIC insured amount by \$265,941.

**MEDICAL EDUCATIONAL AND SCIENTIFIC
FOUNDATION OF NEW YORK, INC.**

**NOTES TO FINANCIAL STATEMENTS - INTERNALLY PREPARED
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 2- LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	<u>\$515,941</u>
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There were no net assets with donor restrictions at December 31, 2020.

NOTE 3- FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, taxes and benefits, consultants, travel, administrative fee and other, which are allocated on the basis of estimates of time and effort.

NOTE 4- SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events and transactions that occurred through April 18, 2021, the date the financial statements were prepared. As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which may negatively affect the Foundation. The related financial impact and duration of this pandemic cannot be reasonably estimated at this time.

***EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.***

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

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Michael C. Allen, CPA - Managing Partner

Gary M. Gittler, CPA - Partner
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Minesh B. Gandhi, CPA
Joseph Modifica, CPA, CFE
Edie Strauss, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Empire State Medical, Scientific
and Educational Foundation, Inc.
Westbury, New York

Opinion

We have audited the accompanying financial statements of Empire State Medical, Scientific and Educational Foundation, Inc., (a New York State nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities 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 Empire State Medical, Scientific and Educational Foundation, Inc. as of December 31, 2020, and the results of its operations 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Empire State Medical, Scientific and Educational Foundation, Inc. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Empire State Medical, Scientific and Educational Foundation, Inc.'s ability to continue as a going concern within one year after the date that 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Empire State Medical, Scientific and Educational Foundation, 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 Empire State Medical, Scientific and Educational Foundation, 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.

Michael C. Allen & Co., CPA's PLLC

MICHAEL C. ALLEN & CO., CPA'S PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Lake Success, New York
June 29, 2021



**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

Cash and cash equivalents	\$ 4,683,134
Accounts receivable	1,622,683
Prepaid expenses	153,537
Prepaid income taxes	32,003
Property and equipment net of \$139,560 accumulated depreciation	53,284
Security deposits	42,753
Other assets	299

TOTAL ASSETS \$ 6,587,693

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 294,986
Deferred SBA PPP revenue	487,927
Other deferred revenue	37,598

TOTAL LIABILITIES 820,511

NET ASSETS, undesignated, without donor restrictions 5,767,182

TOTAL LIABILITIES AND NET ASSETS \$ 6,587,693

See notes to the financial statements

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS

Medicaid, review contracts	\$ 717,290
Dispute resolution contract activity	6,160,260
Interest income	1,426
Other income	481
TOTAL REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS	<u>6,879,457</u>

EXPENSES

Payroll and related benefits, taxes and expenses	4,144,751
Physician advisor reviewers and other professional expenses	888,009
Administrative expenses	703,673
Computer maintenance and software	272,102
Rent expense	433,108
Depreciation expense	14,153
TOTAL EXPENSES	<u>6,455,796</u>

CHANGE IN NET ASSETS BEFORE PROVISION FOR INCOME TAXES 423,661

PROVISION FOR INCOME TAXES 23,131

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 400,530

NET ASSETS WITHOUT DONOR RESTRICTIONS - January 1, 2020 5,366,652

NET ASSETS WITHOUT DONOR RESTRICTIONS - December 31, 2020 \$ 5,767,182

See notes to the financial statements

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 400,530
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	14,153
(Increase) decrease in:	
Accounts receivable	(640,870)
Prepaid expenses	26,600
Prepaid taxes	23,131
Other assets	(299)
Increase (decrease) in:	
Accounts payable and accrued expenses	(7,794)
Deferred revenue	(16,787)
Total Adjustments	<u>(601,866)</u>

Net Cash Used By Operating Activities (201,336)

CASH FLOWS FROM FINANCING ACTIVITIES

SBA Paycheck Protection Program proceeds	<u>487,927</u>
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Net Cash Provided By Financing Activities 487,927

NET INCREASE IN CASH AND CASH EQUIVALENTS 286,591

CASH AND CASH EQUIVALENTS - January 1, 2020 4,396,543

CASH AND CASH EQUIVALENTS - December 31, 2020 \$ 4,683,134

Supplemental disclosures of cash flow information:

Cash paid during the year for:	
Interest expense	\$ -
Income taxes	<u><u>\$ -</u></u>

See notes to the financial statements

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Empire State Medical, Scientific and Educational Foundation, Inc. (the "Foundation") was established in 1960 as a New York State nonprofit corporation to be the peer review organization sponsored by the Medical Society of the State of New York ("MSSNY"), to perform utilization review and other health consulting functions under contracts with various governmental and private agencies and companies.

The Foundation services numerous contracts. The two most significant contracts are described below.

The Foundation has a review sub-contract with the Island Peer Review Organization, the New York State designated PRO. Under that arrangement, the Foundation reviews a combination of both regular inpatient hospital records and those records designated as cost-outliers. Together, the equivalent of almost 20,000 reviews are performed annually. The current contract has been renewed for the term February 1, 2021 through January 31, 2022. As in the past, the renewal contract is subject to cancellation at the discretion of the IPRO. However, management feels that such a possibility is highly unlikely, given the decades of positive relationship outcomes.

The Foundation also renders Dispute Resolution Services. During 2020, a majority of those activities were provided to the Northwell Health System effective, as amended, January 1, 2020 through December 31, 2022. While the dispute contract can be terminated by either Party with 90 days notice, all ongoing review activity shall be paid in full for all work completed as of the termination date.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Empire State Medical, Scientific and Educational Foundation, Inc. prepares its financial statements on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

At December 31, 2020 there are only net assets without donor restrictions.

Revenue Recognition

The Foundation recognizes revenue when control of the promised services are transferred to outside parties in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those services. Program case revenues are recognized in the applicable period in which the related services are performed in the amount corresponding directly with the received value to the client when performance obligations are met.

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no tax provision has been made for income taxes for the non-profit portion of its activities. Management had determined that the Foundation had no uncertain income tax positions. The previous three years tax returns remain subject to tax audit, however, no examination has been initiated or is in progress.

In 2020, certain contracts included work for for-profit entities, with these revenues aggregating 22% of gross company revenues. Their resulting proportionate net profit is considered Unrelated Business Income subject to Federal and New York State Income Tax. As such, for 2020 the net provision for Federal income tax was \$15,725 and for New York State income tax was \$7,406.

Accounts Receivable

No allowance for doubtful accounts has been provided for based on prior years' experience and Management's analysis of possible bad debts.

Contributed Services

During the year ended December 31, 2020 the value of contributed services meeting the requirements for recognition in the financial statements was not met and has not been recorded.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimates useful lives of assets (5 to 10 years). When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation is removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to expense as incurred.; significant renewals and betterments are capitalized. Leasehold improvements are provided a fifteen (15) year life. Depreciation expense for 2020 was \$14,153.

Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all short-term liquid investments with maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses on such accounts. The Foundation maintains its cash in deposit accounts at JP Morgan Chase Bank. The balances in these accounts exceed federally insured limits. At December 31, 2020, the Foundation exceeded the federally insured limit by \$4,432,984.

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Every effort is made to ensure the integrity of such estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 8. The schedule of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include payroll, taxes and benefits, administrative, rent, computer and depreciation, which are allocated on the basis of estimates of job function and time.

Note 3 - CONCENTRATIONS

As of December 31, 2020, the Foundation has total accounts receivable of \$1,622,683 of which \$203,193, or 12.52% is from one major customer, Northwell Health, Inc. and \$595,200 or 36.68% is from another major customer Island Peer Review Organization (IPRO).

Northwell Health, Inc. also accounts for 47.47% of the Foundation's operating revenues and IPRO accounts for 10.43% of the Foundation's operating revenue.

Note 4 - PROPERTY AND EQUIPMENT

The following is a summary of the Foundation's property and equipment at December 31, 2020:

Furniture and fixtures	\$ 72,003
Office equipment	99,851
Leasehold improvements	20,990
	<u>192,844</u>
Less: Accumulated depreciation	<u>(139,560)</u>
Net property and equipment	<u>\$ 53,284</u>

Note 5 - RELATED PARTY TRANSACTIONS

MSSNY provides certain executive and administrative staff support, and office overhead products and services to the Foundation on an ongoing basis. In return for this support, the Foundation provides MSSNY with fixed monthly payments to cover those costs, as well as variable periodic reimbursements of smaller incidental costs. During 2020, \$266,228 has been charged to the Foundation by MSSNY for office support and overhead allocation and periodic reimbursements.

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

<u>Description</u>	<u>Amount</u>
Accounts payable	\$ 36,332
Accrued expenses	1,427
Accrued payroll	31,626
Accrued payroll taxes	2,419
Accrued vacation pay	215,292
Flexible spending payable - Medical	6,223
Payroll withholding for dependent care - FSA	<u>1,667</u>
Total accounts payable and accrued expenses	<u>\$ 294,986</u>

Note 7 - LIQUIDITY AND FUNDS AVAILABILITY

The following table reflects the Foundation's financial assets as of December 31, 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations are due.

Financial assets:	
Cash and cash equivalents	\$ 4,683,134
Accounts receivable	<u>1,622,683</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,305,817</u>

Note 8 - FUNCTIONAL CLASSIFICATION OF EXPENSES

The Foundation's functional classification of expenses for the year ended December 31, 2020 is as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Payroll and related payroll expenses	\$ 3,724,556	\$ 420,195	\$ 4,144,751
Physician advisor reviewers and other professional expenses	888,009	-	888,009
Administrative expenses	634,840	68,833	703,673
Computer maintenance and software	245,251	26,851	272,102
Rent expense	390,741	42,367	433,108
Depreciation expense	11,200	2,953	14,153
Total expenses	<u>\$ 5,894,597</u>	<u>\$ 561,199</u>	<u>\$ 6,455,796</u>

**EMPIRE STATE MEDICAL, SCIENTIFIC
AND EDUCATIONAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 9 - DEFERRED SBA PPP REVENUE

The Foundation received \$487,927 of SBA Paycheck Protection Program funds during May 2020 of which management determined that the Foundation met the SBA repayment forgiveness requirements. As such, in January 2021, subsequent to its year ended December 31, 2020 the Foundation received forgiveness approval. This revenue is to then be recorded as tax-exempt income during its year ended December 31, 2021.

Note 10 - LEASE COMMITMENTS

The Foundation is leasing office space in Camillus, New York, for their upstate operations. On February 7, 2020, the lease was renewed with an effective date of March 1, 2020, with an expiration date of May 31 2022. The total remaining lease commitment subsequent to December 31, 2020 is \$126,582.

Beginning December 1, 2019, the Foundation entered into a lease agreement for the Westbury office. This lease was effective December 1, 2019 and expires on May 31, 2031. The total remaining lease commitment subsequent to December 31, 2020 is \$3,807,697.

As of December 31, 2020, future annual base rents under these leases are as follows:

2021	\$ 406,068
2022	363,447
2023	336,004
2024	346,084
2025	356,466
2026 and later	<u>2,126,210</u>
	<u>\$3,934,279</u>

Note 11 - COVID RESPONSE

As a result of the spread of the COVID-19 Coronavirus during March 2020, economic uncertainties have arisen which could have impacted the Foundation's financial condition or its results of operations. The Foundation has adapted operations to keep its operations fully functional while protecting their workforce by encouraging employees to work remotely and to implement video conferencing to maintain a physical and virtual work environment. The Foundation also received SBA Paycheck Protection Program funds of \$487,927. As of the date of issuance of the financial statements, management further believes that the Foundation is taking appropriate actions to mitigate any potential negative impact. However, any further related financial effect and duration of this pandemic cannot be reasonably estimated at this time.

Note 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2021, which is the date the financial statements were available to be issued and, with the exception of the forgiveness of the Foundation's SBA PPP loan, as described in Note 9, concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.