

NEVILLE COMMUNITIES HOME, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**NEVILLE COMMUNITIES HOME, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Neville Communities Home, Inc.
Cambridge, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Neville Communities Home, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities 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 Neville Communities Home, Inc. as of December 31, 2022 and 2021, and the results of its operations 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Neville Communities Home, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022 Neville Communities Home, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Substantial Doubt about the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 16 to the financial statements, the entity's significant historical operating losses and large current liabilities raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Neville Communities Home, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 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 and *Government Auditing Standards*, we:

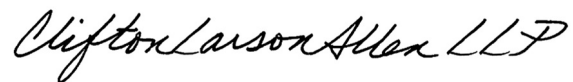
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Neville Communities Home, 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 Neville Communities Home, Inc.'s ability to continue as a going concern for a reasonable period of time.

Board of Directors
Neville Communities Home, Inc.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of Neville Communities Home, Inc.'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 Neville Communities Home, Inc.'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 Neville Communities Home, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Quincy, Massachusetts
May 31, 2023

NEVILLE COMMUNITIES HOME, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 636,573	\$ 493,193
Accounts Receivable - Residents	1,493,586	1,957,574
Accounts Receivable - Other	46,517	33,384
Prepaid Expenses and Other Current Assets	106,856	136,177
Total Current Assets	<u>2,283,532</u>	<u>2,620,328</u>
PROPERTY AND EQUIPMENT		
Building	12,143,229	12,143,229
Land Improvements	675,067	675,067
Building Improvements	2,246,922	2,236,472
Furniture and Equipment	2,883,929	2,899,108
Motor Vehicle	20,610	20,610
Construction in Progress	114,500	-
Total	<u>18,084,257</u>	<u>17,974,486</u>
Less: Accumulated Depreciation	<u>10,088,853</u>	<u>9,582,899</u>
Net Property and Equipment	<u>7,995,404</u>	<u>8,391,587</u>
OTHER ASSETS		
Restricted Cash	41,758	41,682
Right-of-Use Assets - Financing	168,603	-
Software, Net	4,075	1,771
Total Other Assets	<u>214,436</u>	<u>43,453</u>
Total Assets	<u><u>\$ 10,493,372</u></u>	<u><u>\$ 11,055,368</u></u>

NEVILLE COMMUNITIES HOME, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities - Long-Term Debt	\$ 8,505,596	\$ 369,405
Current Lease Liability - Financing	63,831	-
Current Maturities - Capital Lease	-	25,044
Accounts Payable - Trade	1,032,746	1,884,169
Accrued Expenses	1,409,444	1,331,541
Deferred Revenue	47,106	402,622
Total Current Liabilities	<u>11,058,723</u>	<u>4,012,781</u>
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Unamortized Deferred Financing		
Costs and Current Maturities	-	8,478,986
Long-Term Lease Liability - Financing, Net of Current Portion	111,363	-
Capital Lease Obligation, Net of Current Portion	-	19,201
Due to Related Parties	1,138,151	580,901
Total Long-Term Liabilities	<u>1,249,514</u>	<u>9,079,088</u>
Total Liabilities	12,308,237	13,091,869
NET ASSETS		
Without Donor Restrictions	<u>(1,814,865)</u>	<u>(2,036,501)</u>
Total Liabilities and Net Assets	<u><u>\$ 10,493,372</u></u>	<u><u>\$ 11,055,368</u></u>

See accompanying Notes to Financial Statements.

NEVILLE COMMUNITIES HOME, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND SUPPORT		
Patient Service Revenue	\$ 16,093,456	\$ 14,956,400
Investment Income	188	122
Federal and State Relief Grant Revenue	1,091,098	625,589
Other Revenue	<u>27,185</u>	<u>26,559</u>
Total Revenue and Support	17,211,927	15,608,670
OPERATING EXPENSES		
Salaries and Benefits	10,875,380	10,127,676
Medical Supplies and Drugs	807,342	792,297
Insurance and Other	3,762,302	3,839,507
COVID-19 Expenses	223,628	521,716
Provision for Bad Debts	300,000	629,000
Depreciation and Amortization	618,046	571,129
Interest	<u>403,593</u>	<u>406,975</u>
Total Operating Expenses	16,990,291	16,888,300
Income (Loss) from Operations	221,636	(1,279,630)
NONOPERATING REVENUE AND EXPENSE		
Gain on Forgiveness of Debt	<u>-</u>	<u>1,803,594</u>
Total Nonoperating Revenues and Expenses	<u>-</u>	<u>1,803,594</u>
CHANGE IN NET ASSETS	221,636	523,964
Net Assets - Beginning of Year	<u>(2,036,501)</u>	<u>(2,560,465)</u>
NET ASSETS - END OF YEAR	<u><u>\$ (1,814,865)</u></u>	<u><u>\$ (2,036,501)</u></u>

See accompanying Notes to Financial Statements.

NEVILLE COMMUNITIES HOME, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 221,636	\$ 523,964
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	560,889	571,129
Amortization of Deferred Financing Costs	26,561	26,564
Amortization of Right-of-Use Assets	57,157	
Provision for Bad Debts	300,000	629,000
Gain on Forgiveness of Debt	-	(1,803,594)
(Increase) Decrease in Assets:		
Accounts Receivable - Residents	163,988	(801,283)
Accounts Receivable - Other	(13,133)	92,020
Prepaid Expenses	29,321	(15,924)
(Decrease) Increase in Liabilities:		
Accounts Payable and Accrued Expenses	(782,573)	645,123
Deferred Revenue	(355,516)	81,661
Net Cash Provided (Used) by Operating Activities	<u>208,330</u>	<u>(51,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(91,483)	(170,033)
Purchases of Software	(4,891)	-
Purchases of Construction in Progress	(114,500)	-
Net Cash Used by Investing Activities	<u>(210,874)</u>	<u>(170,033)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Related Parties	557,250	-
Principal Payments on Long-Term Debt	(369,356)	(349,041)
Principal Payments on Finance Leases	(41,894)	-
Principal Payments on Capital Lease	-	(19,871)
Net Cash Provided (Used) by Financing Activities	<u>146,000</u>	<u>(368,912)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	143,456	(590,285)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>534,875</u>	<u>1,125,160</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 678,331</u></u>	<u><u>\$ 534,875</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u><u>\$ 349,290</u></u>	<u><u>\$ 369,832</u></u>
SUPPLEMENTAL DISCLOSURES OF INVESTING TRANSACTIONS		
Change in Property, Plant, and Equipment	\$ (4,729)	\$ 201,245
Less: Acquisition of Property under Capital Lease (Noncash)	-	(31,212)
Add: Transfer of Capital Lease Assets to Right-of-Use Assets	96,212	-
Cash Paid for Property, Plant, and Equipment	<u><u>\$ 91,483</u></u>	<u><u>\$ 170,033</u></u>

See accompanying Notes to Financial Statements.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Neville Communities Home, Inc. (the Nursing Home) is a 501(c)(3) nonprofit corporation organized under the laws of the Commonwealth of Massachusetts that owns and operates a 112-bed skilled nursing facility located in Cambridge, Massachusetts. Neville Communities, Inc. is the sole corporate member of the Nursing Home.

A summary of the Nursing Home's significant accounting policies follows:

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions includes assets set aside by the board of directors for future use.

Net Assets With Donor Restrictions – 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. 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.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, other than endowment and similar funds, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of time restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions.

**NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Presentation (Continued)

Contributions, including pledges receivable which are unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of property, plant, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenue of the net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Standards of Accounting and Financial Reporting

The Nursing Home follows the accounting guidance in the audit and accounting guide, *Health Care Entities*, which is in conformity with the recommendations of the American Institute of Certified Public Accountants.

Patient Service Revenue

Private patient service revenue is reported at the estimated net realizable amounts. Third-party payor revenues are recorded as indicated in Note 2. All other revenue is recognized on the accrual basis of accounting.

Occupancy Percentages

During the years ended December 31, 2022 and 2021, the occupancy percentages and the percentages of residents covered under the Medicaid and Medicare programs for the nursing facility were as follows:

	<u>2022</u>	<u>2021</u>
Total Occupancy	92%	89%
Medicaid	56%	59%
Medicare	25%	25%

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Federal and State Relief Grant Revenue

During 2022, the Nursing Home received federal and state grants to provide funding to respond to the COVID-19 pandemic as follows:

Federal Provider Relief Fund Grants – The Nursing Home received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services (HHS). The Nursing Home received PRF payments in the amount of \$-0- and \$418,017 during the years ended December 31, 2022 and 2021, respectively. Revenues recognized totaling \$313,673 and \$353,125 are included in Federal and State Relief Grant Revenue on the statements of activities and changes net assets during 2022 and 2021, respectively. The remaining balance of \$313,673 received in 2021 was included in Deferred Revenue on the statement of financial position at December 31, 2021. The PRF payments have terms and conditions that the Nursing Home is required to follow, and these funds are subject to reporting requirements and audit. The PRF payments are subject to potential recoupment by HHS if it is determined that the funds were not spent in accordance with the terms and conditions. Management believes the amounts have been determined to be revenue and deferred revenue are appropriately classified as of December 31, 2022 and 2021.

State COVID-19 Testing Grant – The Nursing Home received payments from EOHHS which amounted to \$333,648 and \$201,917, and recognized those payments as revenues during 2022 and 2021, respectively. The revenues recognized are included in Federal and State Relief Grant Revenue on the statements of activities and changes in net assets. The grant payments received are to offset COVID-19 testing costs incurred by the Nursing Home. Management believes the amounts have been recognized appropriately as of December 31, 2022 and 2021.

American Rescue Plan Act (ARPA) Funds – The Nursing Home received ARPA funds from the Commonwealth of Massachusetts which amounted to \$195,915 during the year ended December 31, 2022 and recognized those payments as revenue during the year. The revenues recognized are included in Federal and State Relief Grant Revenue on the statements of activities. The payments received are subject to restrictions on the time period and types of expenses that these payments can be spent on. The Nursing Home's spending on these payments is subject to reporting requirements. Management believes the amounts have been recognized appropriately as of December 31, 2022.

Workforce Recruitment and Retention Grant – The Nursing Home received payments from the Commonwealth of Massachusetts which amounted to \$247,862 during the year ended December 31, 2022. The revenues recognized are included in Federal and State Relief Grant Revenue on the statements of activities. The payments received are subject to restrictions on the time period and types of expenses that these payments can be spent on. The Nursing Home's spending on these payments is subject to reporting requirements. Management believes the amounts have been recognized appropriately as of December 31, 2022.

**NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Federal and State Relief Grant Revenue (Continued)

State Isolation Space Grant – The Nursing Home received payments from EOHHS related to the establishment and maintenance of a COVID-19 isolation space. The Nursing Home received grant payments in the amount of \$70,547, and recognized those payments as revenues during 2021. The revenues recognized are included in Federal and State Relief Grant Revenue on the statements of activities and changes in net assets. The grant payments received do not have any conditions or restrictions on how or when they are to be spent. Management believes the amounts have been recognized appropriately as of December 31, 2022 and 2021.

Cash and Cash Equivalents

The Nursing Home considers all debt securities with original maturity dates of three months or less to be cash equivalents. Certificates of deposit are stated at cost, which approximates market value. The Nursing Home deposits its temporary cash investments in financial institutions.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts on the statement of cash flows:

	2022	2021
Cash and Cash Equivalents	\$ 636,573	\$ 493,193
Restricted Cash	41,758	41,682
Total Cash, Cash Equivalents and Restricted		
Cash Shown in Statement of Cash Flows	<u>\$ 678,331</u>	<u>\$ 534,875</u>

Restricted Cash

Restricted cash includes assets held by the Nursing Home which have been restricted by board designation (see Note 3).

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. The allowance is estimated from historical performance and projections of trends. Credit is extended to customers and collateral is not required. The Nursing Home determines delinquent accounts based on individual facts and circumstances. Historically, the Nursing Home has not charged interest on accounts that are deemed to be delinquent.

Property and Equipment

Property and equipment are recorded at cost. Assets with an estimated useful life of more than one year and a historical cost in excess of \$300 are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

**NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment (Continued)

The Nursing Home reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For assets that are to be held and used, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than the carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows, or internal and external appraisals, as applicable. At December 31, 2022 and 2021, no impairment loss has been recognized.

Construction in Progress

Construction in progress costs are deferred until the projects are completed. When the planned projects are completed, the construction in progress costs are capitalized and depreciated over the life of the project. Construction in progress is included in property and equipment on the consolidated statement of financial position.

Leases

The Nursing Home determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) asset – operating and lease liability – operating, and finance leases are included in ROU asset – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Nursing Home's right to use an underlying asset for the lease term and lease liabilities represent the Nursing Home's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Nursing Home will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Nursing Home has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Nursing Home has elected to use the discount rate implicit in the lease for computing the present value of lease liabilities.

The Nursing Home has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Software

Software with a historical cost of \$264,506 and \$259,616 at December 31, 2022 and 2021, respectively, is amortized over a three-year period using the straight-line method. Accumulated amortization amounted to \$260,431 and \$257,845 as of December 31, 2022 and 2021, respectively. Amortization charged to operations amounted to \$2,587 and \$11,769 for 2022 and 2021, respectively. The remaining estimated amortization to be charged to operations for the next year three years is 2023: \$1,630; 2024: \$1,630; and 2025: \$815.

Deferred Financing Costs

Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method and is reflected as a component of interest expense. Amortization for the years ended December 31, 2022 and 2021 totaled \$26,561 and \$26,564, respectively.

Promotional Advertising

Promotional advertising expenses approximated \$2,500 and \$975 for the years ended December 31, 2022 and 2021, respectively. Promotional advertising costs are expensed when incurred.

Labor Force

The Nursing Home has a concentration of labor supply in employees working under a union collective bargaining agreement, which represents approximately 53% of the work force. The collective bargaining agreement covering these employees is in force for a period of five years through June 30, 2025.

Income Taxes

The Nursing Home has been granted exempt status relative to federal and state corporate income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3) and applicable state statutes; accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Nursing Home's income tax returns are subject to review and examination by federal and state authorities. The Nursing Home is not aware of any activities that would jeopardize its tax-exempt status.

Measure of Operations

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of nursing home services are reported as revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Functional Expenses

The financial statements contain certain categories of expenses that attributable to one or more program or supporting functions of the Nursing Home. Expenses are directly allocated to program or support services whenever possible. Other shared expenses are allocated based on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and occupancy, which are allocated on a square footage basis, salaries and benefits, which are allocated on a basis of estimated time and effort, and information technology, which is allocated based on estimates of time and cost of the specific technology utilized. See Note 7 for the natural classification detail of expenses by function.

New Accounting Pronouncement

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

The Nursing Home adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Nursing Home has elected to adopt the package of practical expedients available in the year of adoption. The Nursing Home has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Nursing Home's ROU assets.

The Nursing Home elected the available practical expedients to account for its existing capital lease as a finance lease under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the Nursing Home elected the hindsight practical expedient to determine the lease term for the existing lease. The election of the hindsight practical expedient did not result in a change to the lease term for the existing lease and the useful life of the corresponding leasehold improvements.

**NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

New Accounting Pronouncement (Continued)

As a result of the adoption of the new lease accounting guidance, the Nursing Home recognized on January 1, 2022 a lease liability at the carrying amount of the capital lease obligations on December 31, 2021, of \$20,633 and a right-of-use asset at the carrying amount of the capital lease asset of \$19,687. The difference between the additional lease assets and lease liabilities, had no material impact.

The standard had a material impact on the balance sheets but did not have an impact on the income statements, nor statements of cash flows. The Nursing Home's accounting for finance leases remained substantially unchanged.

Subsequent Events

In preparing these financial statements, the Nursing Home has evaluated events and transactions for potential recognition or disclosure through May 31, 2023, the date the financial statements were issued.

NOTE 2 PATIENT SERVICE REVENUE

Patient service revenue is reported at the amount that reflects the consideration to which the Nursing Home expects to be entitled in exchange for providing resident care. 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 Nursing Home bills the residents and third-party payors several days after the end of the month that services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Nursing Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Nursing Home 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 in our facility receiving skilled nursing services. The Nursing Home measures the performance obligation from admission into the facility, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge.

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

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid – Standard Payments to Nursing Facilities

The Nursing Home receives reimbursement from the Commonwealth of Massachusetts under a standard rate of reimbursement payment system for the care and services rendered to publicly aided patients pursuant to regulations promulgated by the Center for Health Information and Analysis. Under the regulations, current year rates are a combination of actual base year costs blended with industry standards adjusted for inflation. The base year costs are subject to audit and could result in a retroactive rate adjustment for the current year.

Medicare – Prospective Payment System

The Nursing Home receives reimbursement for the care of certain patients under the federally sponsored Medicare prospective payment system (PPS) through an insurance intermediary under a patient driven payment model. The federal rates utilize facility case-mix resident assessment data, completed by the skilled nursing facility (SNF), to assign patients into the SNF Patient Driven Patient Model (PDPM) using the underlying complexity and clinical needs of a patient as a basis for reimbursement. SNFs must complete the resident assessments according to a specific time schedule designed for Medicare payment. SNFs that do not comply with this requirement will be paid at a default payment (the lowest of the federal rates) for the days of a patient's care for which the SNF is not in compliance.

The PPS program mandates the implementation of fee schedules for SNF therapy services to residents not in a covered Part A stay and to nonresidents who receive outpatient rehabilitation services from the SNF. The Centers for Medicare and Medicaid Services imposed a limit for both physical therapy (including speech therapy) and occupational therapy services, except for certain medical conditions. Program is administered by the Centers for Medicare and Medicaid Services (CMS).

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Nursing Home compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Nursing Home. In addition, the contracts the Nursing Home has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Nursing Home historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2022 and 2021.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Nursing Home estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2022 and 2021. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Nursing Home has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Method of reimbursement (fee for service or capitation)
- The Nursing Home's line of business that provided the service

**NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

For the years ended December 31, 2022 and 2021, the Nursing Home recognized revenue of \$16,093,456 and \$14,956,400, respectively from goods and services that transfer to the patient over a period of time.

The opening and closing contracted balances were as follows:

	Accounts Receivable
Balance as of January 1, 2021	\$ 1,785,291
Balance as of December 31, 2021	1,957,574
Balance as of December 31, 2022	1,493,586

NOTE 3 RESTRICTED CASH

Restricted cash consists of the following as of December 31:

	2022	2021
Operating Reserve	\$ 9,717	\$ 9,715
Capital Reserve	32,041	31,967
Total	<u>\$ 41,758</u>	<u>\$ 41,682</u>

The board has established the following designated reserves:

Operating Reserve

The operating reserve is intended to provide an internal source of funds for situations such as sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the Nursing Home for operating reserves to be used and replenished within a reasonable period of time. The operating reserve fund is defined as a designated fund set aside by action of the board. The operating reserve will be reviewed and adjusted in response to both internal and external changes.

Capital Reserve

The capital reserve is intended to provide a ready source of funds for improvements to buildings, leaseholds, grounds, furniture, fixtures, or equipment necessary for the effective operation of the Nursing Home. The capital reserve fund is defined as a designated fund set aside by action of the board. The capital reserve will be reviewed and adjusted in response to both internal and external changes. During 2021, the Nursing Home utilized a portion of the capital reserve for operations.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable – residents are comprised of the following at December 31:

	2022	2021
Private Patients	\$ 603,875	\$ 774,849
Medicare Patients	571,183	500,957
Publicly-Aided Patients	512,761	1,090,650
Allowance for Uncollectibles	(194,233)	(408,882)
Accounts Receivable	<u>\$ 1,493,586</u>	<u>\$ 1,957,574</u>

NOTE 5 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Nursing Home to concentrations of credit risk consist principally of the following:

Cash and Cash Equivalents

The Nursing Home maintains its cash balances and reserves in bank deposit accounts, which, at times may exceed federally insured limits. Accounts at these financial institutions are insured up to \$250,000 per depositor by the Federal Deposit Insurance Corporation (FDIC). Although the accounts may exceed the FDIC coverage, the Nursing Home has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Nursing Home is not exposed to any significant credit risk with respect to cash balances.

Accounts Receivable

The Nursing Home extends unsecured credit to its private patients and patients covered under third-party payor arrangements. Accounts receivable from private patients and third-party payors totaled \$1,493,586 at December 31, 2022. See Note 2 and Note 4 for details of third-party payor arrangements and receivable balances, respectively.

Major Customers

For the year ended December 31, 2022, approximately 39% and 37% of the skilled nursing facility's patient service revenue was received from the Medicare and Medicaid programs, respectively.

NOTE 6 TAX-DEFERRED ANNUITY PLAN

The Nursing Home entered into a tax-deferred annuity plan qualified under Section 403(b) of the IRC. The plan is funded by elective deferral contributions made by the employees. The Nursing Home has elected not to make a matching contribution for the years ended December 31, 2022 and 2021.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 FUNCTIONAL EXPENSES

The Nursing Home provides nursing care to residents within its geographic area. The Nursing Home allocates their expenses by functional classification. The table below presents expenses by both their nature and function for the years ended December 31, 2022 and 2021:

December 31, 2022			
	Program	Management and General	Total
Salaries and Benefits	\$ 9,082,571	\$ 1,792,809	\$ 10,875,380
Medical Supplies and Drugs	807,342	-	807,342
Insurance and Other	2,380,504	1,381,798	3,762,302
COVID-19 Expenses	223,628	-	223,628
Provision for Bad Debts	-	300,000	300,000
Depreciation and Amortization	594,739	23,307	618,046
Interest	388,285	15,308	403,593
Total	<u>\$ 13,477,069</u>	<u>\$ 3,513,222</u>	<u>\$ 16,990,291</u>

December 31, 2021			
	Program	Management and General	Total
Salaries and Benefits	\$ 8,506,185	\$ 1,621,491	\$ 10,127,676
Medical Supplies and Drugs	792,297	-	792,297
Insurance and Other	2,398,127	1,441,380	3,839,507
COVID-19 Expenses	521,716	-	521,716
Provision for Bad Debts	-	629,000	629,000
Depreciation and Amortization	549,591	21,538	571,129
Interest	391,626	15,349	406,975
Total	<u>\$ 13,159,542</u>	<u>\$ 3,728,758</u>	<u>\$ 16,888,300</u>

NOTE 8 RELATED PARTY TRANSACTIONS

The Nursing Home has entered into the following transactions with related parties:

Related Party Advances and Loans

Related party advances and loans that bear no interest and have no fixed repayment terms are as follows at December 31:

	2022	2021
Due to Related Party:		
Neville Communities, Inc.	\$ 580,901	\$ 580,901
Neville Assisted Living Limited Partnership	557,250	-
	<u>\$ 1,138,151</u>	<u>\$ 580,901</u>

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8 RELATED PARTY TRANSACTIONS (CONTINUED)

Reimbursements to and from Affiliates

The Nursing Home reimburses Neville Place, a related party, for water used for its laundry. The amount of water expense to Neville Place was \$25,236 for each of 2022 and 2021. The amount owed to Neville Place totaled \$-0- and \$25,236 at December 31, 2022 and 2021, respectively, which was included in Accrued Expenses and Account Payable on the statement of financial position as of December 31, 2021.

Asset Management Fees

During 2022 and 2021, the Nursing Home expensed \$124,886 and \$125,325, respectively, to Neville Communities, Inc., the parent, in connection with the services performed related to the management of the project. The contract is renewable annually. The outstanding balance as of December 31, 2022 amounted to \$173,040, of which \$67,952 has been included in Accounts Payable and \$105,088 has been included in Accrued Expenses. The outstanding balance as of December 31, 2021 amounted to \$157,420, of which \$52,330 has been included in Accounts Payable and \$105,090 has been included in Accrued Expenses.

NOTE 9 PROPERTY AND EQUIPMENT

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	40 Years
Land Improvements	20 Years
Building Improvements	5 Years
Furniture and Equipment	3 to 10 Years
Motor Vehicle	5 Years

Depreciation expense charged to operations was \$558,302 and \$559,360 for 2022 and 2021, respectively.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10 LONG-TERM DEBT

The Nursing Home is obligated under long-term debt as follows at December 31:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Massachusetts Development Finance Agency (MDFA) Revenue Bonds, issued July 1, 2013, interest at 3.95%, payable in monthly installments of principal and interest of \$59,887, maturing on July 31, 2023 (2013 Bonds), secured by property located at 640 Concord Avenue, Cambridge, MA 02138.	\$ 8,521,091	\$ 8,890,447
Less: Unamortized Deferred Financing Costs	<u>(15,495)</u>	<u>(42,056)</u>
Total Long-Term Debt, Net of Unamortized Deferred Financing Costs	8,505,596	8,848,391
Less: Current Maturities	<u>8,505,596</u>	<u>369,405</u>
Long-Term Debt, Net	<u><u>\$ -</u></u>	<u><u>\$ 8,478,986</u></u>

The 2013 Bonds are collateralized by the Nursing Home's leasehold interest in the land and improvements thereon. The 2013 Bonds are guaranteed by Neville Communities, Inc. The 2013 Bonds require the Nursing Home, on a consolidated basis with Neville Communities, Inc. and Subsidiaries (the Group), to meet certain financial covenants. As of December 31, 2022 and during all quarters of 2022, the Group was not in compliance with one or more of the financial covenants. Management obtained waivers from the lender for the year ended December 31, 2022 and for the first quarter of 2023.

During the year ended December 31, 2021, the Nursing Home recognized a gain on forgiveness of debt totaling \$1,803,594 related to the forgiveness of its loan under the Paycheck Protection Program (PPP).

Interest expense incurred on the 2013 Bonds totaled \$349,290 and \$363,316 for 2022 and 2021, respectively. Interest expense incurred on the PPP Loan totaled \$-0- and \$6,270 for 2022 and 2021, respectively.

Following are maturities of long-term debt as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	<u>\$ 8,505,596</u>
Total	<u><u>\$ 8,505,596</u></u>

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 LEASES

The Nursing Home leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027, and certain leases provide for renewal options on a monthly basis. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. The Nursing Home has elected to use the discount rate implicit in the leases for computing the present value of lease liabilities.

The following table provides relevant quantitative information concerning the Nursing Home's leases:

Lease Cost

Finance Lease Cost:

Amortization of Right-of-Use Assets	\$ 57,157
Interest on Lease Liabilities	23,262

Other Information

Cash Paid for Amounts Included in the

Measurement of Lease Liabilities:

Operating Cash Flows from Finance Leases	23,262
Financing Cash Flows from Finance Leases	41,894

Right-of-Use Assets Obtained in Exchange for New

Finance Lease Liabilities: 223,602

Weighted-Average Remaining Lease Term - Finance Leases 2.8 years

Weighted-Average Discount Rate - Finance Leases 14.6%

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

<u>Year Ending December 31,</u>	<u>Finance</u>
2023	\$ 78,467
2024	69,576
2025	30,405
2026	17,940
2027	2,990
Undiscounted Cash Flows	199,378
(Less) Imputed interest	(24,184)
Total Present Value	<u>\$ 175,194</u>
Short-Term Lease Liabilities	\$ 63,831
Long-Term Lease Liabilities	111,363
	<u>\$ 175,194</u>

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 12 NET ASSETS WITHOUT DONOR RESTRICTIONS

The composition of net assets without donor restrictions is as follow at December 31:

	2022	2021
Without Donor Restrictions	\$ (1,856,623)	\$ (2,078,183)
Board-Designated Purpose Restrictions:		
Operating Reserve	9,717	9,715
Capital Reserve	32,041	31,967
Total	<u>\$ (1,814,865)</u>	<u>\$ (2,036,501)</u>

NOTE 13 BELOW MARKET AGREEMENT

The Nursing Home leases land in Cambridge, Massachusetts (nursing home facility site) pursuant to an operating lease agreement with The Neville Nursing Home Trust, a related party, of which the trustee is Cambridge Public Health Commission. The agreement is a 99-year ground lease for a base rent of \$1 per year. The lease expires December 31, 2098. At all times during the entire term of the lease, the Nursing Home covenants to have a minimum of 75% of the nursing home beds therein available to serve public payor patients. The Nursing Home met this covenant for 2022 and 2021. In June of 2001, the fair market value of this lease was appraised at \$1,904,000. Rent expense, including donated rent, is recorded in the amount of \$20,000 for each of 2022 and 2021.

NOTE 14 COMMITMENTS AND CONTINGENCIES

A significant portion of the Nursing Home's net revenues and accounts receivable are derived from services reimbursable under the Medicaid and the Medicare programs. There are numerous health care reform proposals being considered on the federal and state levels. The Nursing Home cannot predict at this time whether any of these proposals will be adopted or, if adopted and implemented, what effect such proposals would have on the Nursing Home.

A significant portion of the Nursing Home's revenues are derived from services reimbursable under the Medicaid program, (See Note 2). The base year costs utilized in calculating the Medicaid prospective rates are subject to audit which could result in a retroactive rate adjustment for all years in which that base year's costs are used in calculating the prospective rates. It is not possible at this time to determine whether the Nursing Home will be audited or if a retroactive rate adjustment would result.

A portion of the Nursing Home's revenues are derived from services under the Medicare program, (see Note 2). Under the program, some cost report cost centers are subject to potential for an audit for a period of three years from the date of issuance of a Notification of Provider Reimbursement by the Medicare Administrative Contractor (MAC). It is not possible at this time to determine whether the Nursing Homes filed cost reports will be audited. The Nursing Home's Medicare Claims are also subject to audit or medical review by the MAC. It is not possible at this time to determine whether the Nursing Home's claims will be subjected to post payment review by the MAC or if a retroactive rate adjustment would result.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 15 AVAILABLE RESOURCES AND LIQUIDITY

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

	2022	2021
Cash and Cash Equivalents	\$ 636,573	\$ 493,193
Accounts Receivable - Residents	1,493,586	1,957,574
Accounts Receivable - Other	46,517	33,384
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 2,176,676</u>	<u>\$ 2,484,151</u>

Certain other board-designated assets are designated for future capital expenditures and an operating reserve. These assets limited to use, which are more fully described in Note 3, are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary.

NOTE 16 GOING CONCERN UNCERTAINTY

The accompanying financial statements were prepared on a going concern basis, which contemplates continuity of operations, realization of assets and settlement of liabilities in the ordinary course of business. However, given the circumstances relating thereto, including the Nursing Home's continued covenant defaults, leveraged financial position, and reported negative net assets, such realization of assets and settlement of liabilities may be uncertain. As noted in the accompanying financial statements, the Nursing Home's current liabilities exceed current assets by \$8,775,191 and total liabilities exceed total assets by \$1,814,865. The Nursing Home's future financial position maybe further exacerbated by any resurgence and or continuing effects of COVID -19, as discussed in Note 17. These factors create substantial doubt about the Nursing Home's ability to continue as a going concern.

The Nursing Home's ability to continue as a going concern is dependent upon and among other things, including Management's ability to increase and maintain overall occupancy while containing operating expenses, generate future profitable operations and sufficient cash flow from operations to meet its obligations and capital asset expenditure requirements, create and implement new program opportunities, comply with or modify the terms of the Nursing Home's existing Bank financing arrangements or the ability to secure new financing arrangements or raise alternative funding for operations. Management has implemented measures to decrease operating expenses and increase occupancy during 2023 and 2024. In addition, management is actively pursuing a refinancing of its debt.

The financial statements do not include any adjustments that might be necessary if the Nursing Home is unable to continue as a going concern.

NEVILLE COMMUNITIES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 17 COVID-19 IMPACT

In 2020, the World Health Organization declared the spread of Coronavirus (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. In response to the pandemic and in an effort to supplement lost revenues and support increased costs incurred to secure personal protective equipment, the federal and state governments issued stimulus payments to skilled nursing facilities. See Note 1 for information on funding received by the Nursing Home in 2022 and 2021.

COVID-19 may also impact various parts of the Nursing Home's 2023 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes that the Nursing Home is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2022.



**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**

Board of Directors
Neville Communities Home, Inc.
Cambridge, Massachusetts

We have audited, in accordance with the 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 Neville Communities Home, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neville Communities Home, Inc.'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 Neville Communities Home, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Neville Communities Home, Inc.'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

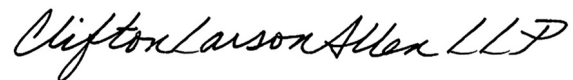
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neville Communities Home, Inc.'s financial statements are free from 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Quincy, Massachusetts
May 31, 2023