

OUR LADY'S HAVEN OF FAIRHAVEN, INC.

FAIRHAVEN, MASSACHUSETTS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Our Lady's Haven of Fairhaven, Inc.
Fairhaven, Massachusetts

Opinion

We have audited the accompanying financial statements of Our Lady's Haven of Fairhaven, Inc. (a nonprofit organization) ("the Home"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, 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 Our Lady's Haven of Fairhaven, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Home 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.

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

The accompanying financial statements have been prepared assuming that the Home will continue as a going concern. As discussed in Note A to the financial statements, the Home has suffered recurring significant reductions in revenues, has a net deficiency in net assets, and has stated that substantial doubt exists about the Home's 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 A. 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 the Home's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

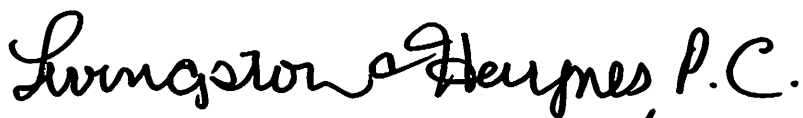
Auditors' Responsibilities for the Audit of the Financial Statements

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 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 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 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 the Home's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Home'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

A handwritten signature in black ink that reads "Livingston & Haynes, P.C." The signature is written in a cursive, flowing style.

Wellesley, Massachusetts
May 18, 2023

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS		
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 528,674	\$ 1,394,175
Patient accounts receivable, less allowances for uncollectible accounts of \$25,000 and \$50,000 at December 31, 2022 and 2021, respectively	854,199	832,804
Inventories of supplies	34,267	30,055
Due from affiliates	76,627	77,138
Prepaid expenses	<u>39,139</u>	<u>36,983</u>
TOTAL CURRENT ASSETS	1,532,906	2,371,155
Property and equipment:		
Land and land improvements	146,088	140,088
Building and building improvements	2,488,550	2,471,244
Equipment	836,325	801,862
Vehicles	<u>60,008</u>	<u>60,008</u>
	3,530,971	3,473,202
Less allowances for depreciation and amortization	<u>3,037,742</u>	<u>2,954,919</u>
	493,229	518,283
Restricted cash	29,965	35,500
Other assets	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,056,100</u>	<u>\$ 2,924,938</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts payable	\$ 364,295	\$ 262,712
Accrued expenses	610,885	756,349
Custodial funds	29,965	35,500
Due to affiliates	2,638,218	2,702,422
Current portion of long-term debt	<u>20,688</u>	<u>20,178</u>
TOTAL CURRENT LIABILITIES	3,664,051	3,777,161
Long-term debt, less current portion	<u>573,009</u>	<u>593,697</u>
TOTAL LIABILITIES	4,237,060	4,370,858
Net assets (deficit) without donor restrictions	<u>(2,180,960)</u>	<u>(1,445,920)</u>
TOTAL NET ASSETS (DEFICIT)	<u>(2,180,960)</u>	<u>(1,445,920)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 2,056,100</u>	<u>\$ 2,924,938</u>

See accompanying notes to financial statements.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenue and other support:		
Patient service revenue (net of contractual allowances and discounts)	\$ 7,802,404	\$ 6,673,924
COVID-19 related relief revenue	562,762	342,065
Payroll Protection Program grant	-	1,321,480
Donations	3,545	8,148
Interest income	7,576	2,646
Other	<u>99,475</u>	<u>257,761</u>
TOTAL REVENUE AND OTHER SUPPORT	8,475,762	8,606,024
Expenses:		
Program services: health services	8,445,176	7,615,984
Supporting services: management and general	<u>765,626</u>	<u>784,981</u>
TOTAL EXPENSES	<u>9,210,802</u>	<u>8,400,965</u>
CHANGES IN NET ASSETS (DEFICIT)	(735,040)	205,059
Net assets (deficit) at beginning of year	<u>(1,445,920)</u>	<u>(1,650,979)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (2,180,960)</u>	<u>\$ (1,445,920)</u>

See accompanying notes to financial statements.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		
	PROGRAM SERVICES	SUPPORTING SERVICES	
	Health Services	Management and General	Total
Salaries and wages	\$ 4,197,624	\$ 245,252	\$ 4,442,876
Payroll taxes	328,266	19,179	347,445
Employee benefits	511,551	29,888	541,439
Office expenses	-	107,670	107,670
Travel	-	5,197	5,197
Professional fees	-	29,177	29,177
Provision for bad debts (recovery)	113,845	-	113,845
Depreciation and amortization	71,539	11,284	82,823
Interest	15,076	-	15,076
Advertising	-	8,624	8,624
Occupancy	274,068	39,152	313,220
Supplies and other	351,333	-	351,333
Purchased services	1,503,959	21,048	1,525,007
Food	234,691	-	234,691
Management fee	-	236,998	236,998
User fee	570,757	-	570,757
COVID-19 testing	217,475	-	217,475
Miscellaneous	54,992	12,157	67,149
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	<u>\$ 8,445,176</u>	<u>\$ 765,626</u>	<u>\$ 9,210,802</u>

See accompanying notes to financial statements.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2021		
	PROGRAM SERVICES	SUPPORTING SERVICES	
	Health Services	Management and General	Total
Salaries and wages	\$ 4,043,692	\$ 236,901	\$ 4,280,593
Payroll taxes	326,622	19,135	345,757
Employee benefits	579,365	33,942	613,307
Office expenses	-	109,443	109,443
Travel	-	3,997	3,997
Professional fees	-	24,226	24,226
Provision for bad debts (recovery)	(196)	-	(196)
Depreciation and amortization	69,297	12,841	82,138
Interest	17,126	-	17,126
Advertising	-	10,763	10,763
Occupancy	259,501	37,071	296,572
Supplies and other	286,894	-	286,894
Purchased services	872,457	16,229	888,686
Food	193,116	-	193,116
Management fee	-	258,543	258,543
User fee	560,901	-	560,901
COVID-19 testing	375,555	-	375,555
Miscellaneous	31,654	21,890	53,544
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	<u>\$ 7,615,984</u>	<u>\$ 784,981</u>	<u>\$ 8,400,965</u>

See accompanying notes to financial statements.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets (deficit)	\$ (735,040)	\$ 205,059
Adjustments to reconcile changes in net assets (deficit) to net cash provided (used) by operating activities:		
Depreciation and amortization	82,823	82,138
Provision for bad debts (recovery)	113,845	(196)
(Increase) decrease in:		
Patient accounts receivable	(135,240)	(4,263)
Other receivable	-	64,654
Inventories of supplies	(4,212)	(1,702)
Due from affiliates	511	(2,864)
Prepaid expenses	(2,156)	8,081
Increase (decrease) in:		
Accounts payable	101,583	(101,289)
Accrued expenses and custodial funds	(150,999)	(108,847)
Due to affiliates	<u>131,953</u>	<u>(16,837)</u>
TOTAL ADJUSTMENTS	<u>138,108</u>	<u>(81,125)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(596,932)	123,934
Cash flows from investing activities:		
Purchases of property and equipment	<u>(57,769)</u>	<u>(30,322)</u>
NET CASH USED BY INVESTING ACTIVITIES	(57,769)	(30,322)
Cash flows from financing activities:		
Funds paid back to affiliates	(196,157)	(199,343)
Principal payments of long-term debt	<u>(20,178)</u>	<u>(89,112)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(216,335)</u>	<u>(288,455)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(871,036)	(194,843)
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,429,675</u>	<u>1,624,518</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 558,639</u>	<u>\$ 1,429,675</u>

See accompanying notes to financial statements.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ 15,116	\$ 17,198

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 528,674	\$ 1,394,175
Restricted cash	<u>29,965</u>	<u>35,500</u>
	<u>\$ 558,639</u>	<u>\$ 1,429,675</u>

See accompanying notes to financial statements.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Our Lady's Haven of Fairhaven, Inc. ("the Home") is a non-profit corporation founded for the purpose of maintaining and operating a nursing and rehabilitation center for the aged and infirm. The Home is located in Fairhaven, Massachusetts and provides services primarily to residents of the region. The significant accounting policies followed by the Home are described below.

Going Concern

The financial statements have been prepared on a going concern basis. The going concern basis assumes that the Home will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

As indicated in the accompanying financial statements, during the year ended December 31, 2022, the Home had a decrease in total revenue and support of \$130,262, a decrease in net assets (deficit) of \$735,040 and at December 31, 2022, the Home had a negative working capital of \$2,131,145. To date in 2023, the Home has continued to experience a further decrease in total revenue and support and a negative working capital. Whether and when the Home can attain an increase in total revenue and support and a positive working capital is uncertain. Management of the Home is developing a plan to increase its patient service revenue through increased marketing efforts. In addition, management has implemented expense controls. Management believes that this combination of managing expenses and producing additional revenue from increased marketing efforts will maximize the Home's ability to remain in business.

Management has concluded that the combination of these uncertainties casts substantial doubt upon the Home's ability to continue as a going concern within one year from issuance of these financial statements. Therefore, the Home may be unable to realize its assets and discharge its liabilities in the normal course of operations. The financial statements do not include any adjustments that might be necessary should the Home be unable to continue as a going concern.

Accrual Basis

The financial statements of the Home have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Use of 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Net assets (deficit) without donor restrictions - Net assets (deficit) available for use in general operations and not subject to donor-imposed stipulations.

Net assets (deficit) with donor restrictions - Net assets (deficit) 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.

The Home had no net assets (deficit) with donor restrictions at December 31, 2022 and 2021.

Revenues are reported as increases in net assets (deficit) without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets (deficit) without donor restriction. 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 (deficit) without donor restriction unless their use is restricted by explicit donor stipulations. Expirations of time restrictions on net assets (deficit) (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 (deficit) as net assets (deficit) released from restrictions.

Contributions, including 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 and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the net assets (deficit) without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenue of the net assets (deficit) 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.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Home recognizes governmental grants once there is reasonable assurance that any conditions attached to the grant will be met and the grant will be received. Once there is reasonable assurance that the conditions will be met, the grant is recognized on a systematic basis over the periods in which the Home recognizes as expenses the related costs for which the grants are intended to compensate. Thus, the Home would initially record the governmental grant as a deferred income liability and then reduce the liability and recognize revenue as the Home recognized the related cost to which the grant relates.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements 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 financial statements report certain categories that are attributed 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 depreciation and amortization, insurance, and occupancy which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

Patient Service Revenue

Patient service revenue is primarily derived from services rendered to patients for inpatient nursing care. The services provided by the Home have no fixed duration and can be terminated by the patient or the Home at any time and, therefore, each treatment is its own stand-alone contract.

In order to recognize the patient service revenue, the Home identifies the patient's contract, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract, and recognizes revenue when (or as) the Home satisfies a performance obligation.

Patient service revenue is reported at the estimated net realizable amount that reflects the consideration to which the Home expects to be entitled in exchange for providing resident and patient care. These amounts are due from residents, patients, third-party payors (including health insurers and government programs), and others for services rendered and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by the Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The 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 and patients receiving skilled nursing services. The Home considers daily services provided to residents of the skilled nursing facility as separate performance obligations and measures these on a monthly basis, or upon move-out within the month, whichever is shorter. For nursing home residents, the Home measures the performance obligation from admission into the Home, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge.

The Home determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. The Home determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical evidence.

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 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 – Patient Driven Payment Model

The Home receives reimbursement for the care of certain patients under the federally sponsored Medicare program 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 SNF Patient Driven Payment Model (“PDPM”) using the underlying complexity and clinical needs of a patient as a basis for reimbursement. SNF’s must complete the resident assessments according to a specific time schedule designed for Medicare payment. SNF’s 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 Medicare 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. The Program is administered by the Centers for Medicare and Medicaid Services (“CMS”).

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

Other

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

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 Home's 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 Home. In addition, the contracts the 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 Home's 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.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The 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. See Note B for additional revenue recognized due to changes in its contractual adjustments 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 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)

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

For the years ended December 31, 2022 and 2021, the Home recognized revenue of \$7,802,404 and \$6,673,924, respectively, from goods and services that transfer to the patients over a period of time.

The opening and closing contracted balances were as follows:

	<u>Accounts Receivable</u>
Balance as of January 1, 2021	\$828,345
Balance as of December 31, 2021	\$832,804
Balance as of December 31, 2022	\$854,199

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in bank, and short-term highly liquid investments, with maturities at purchase of less than three months.

Restricted Cash

The restricted cash belongs to residents of the Home and represents funds on deposit to be used for residents' personal needs. It is not available for use by the Home. The related liability is included in custodial funds on the statements of financial position.

Accounts Receivable

The Home carries its accounts receivable at cost less an allowance for uncollectible accounts. On a periodic basis, the Home evaluates its accounts receivable and establishes an allowance for uncollectible accounts, based on a history of past write-offs and collections and current conditions when deemed necessary. The Home determines delinquent accounts based on individual facts and circumstances. Historically, the Home has not charged interest on accounts that are deemed to be delinquent.

Inventories of Supplies

Inventories of supplies are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost at the date of acquisition or, if donated, at the market value on the date of the gift less accumulated depreciation and amortization. Maintenance repairs and minor renewals are expensed as incurred and renewals and betterments are capitalized. When an asset is retired or disposed of, the related costs and allowances for depreciation or amortization are removed from the accounts and any gain or loss on the disposition is reflected in the statements of activities. Provision for depreciation and amortization is made on the straight-line method by annual charges to the statements of activities calculated to absorb the costs over the estimated useful lives of the assets.

The estimated useful lives of these assets are as follows:

Land and land improvements	20 years
Building and building improvements	20-40 years
Equipment	3-10 years
Vehicles	4 years

Other Assets

Other assets at December 31, 2022 and 2021 consists of an external website developed by the Home. The website is used by the Home for advertising purposes only. The costs associated with the website application and infrastructure development of the website were capitalized and are being amortized over a period of three years - the estimated useful life of the website.

Income Taxes

The Home is classified as a public charity exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Home recognizes the tax benefit from any uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the tax position. Any tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. Management has analyzed the Home's tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open years (2019-2021) or expected to be taken in the Home's 2022 tax returns. The Home identifies its major tax jurisdictions as U.S. Federal and the Commonwealth of Massachusetts; however, the Home is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The Home also follows the policy to recognize interest and penalties related to unrecognized tax benefits (if any) in income tax expense. No such interest and penalties have been recorded as of December 31, 2022 and 2021.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk

The Home manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by them to be creditworthy. At times, amounts on deposit may exceed FDIC insured limits. To date, the Home has not experienced losses in any of these accounts.

NOTE B - CONCENTRATIONS AND RISKS

The Home grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The primary third-party payor is the Commonwealth of Massachusetts.

For the years ended December 31, 2022 and 2021, revenue from the Medicare programs accounted for approximately 13% and 14%, respectively, of the Home's patient service revenue. For the years ended December 31, 2022 and 2021, revenue from Medicaid programs accounted for approximately 55% and 51%, respectively, of the Home's patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2022 and the 2021 net patient service revenue decreased \$11,791 and \$5,462, respectively, due to prior-year retroactive adjustments in excess of amounts previously estimated.

NOTE C - PENSION PLAN

The Home participates with other related and affiliated non-profit organizations in a multiemployer, contributory, defined-benefit plan.

Effective December 31, 2015, the Diocese froze the Plan to new entrants and froze future benefit accruals for all current participants under the Plan. The Plan covered substantially all lay employees who were eligible to participate in the Plan prior to the Plan freeze. As of January 1, 2018, the Plan is requiring that the Home make a monthly contribution that is billed by the Plan.

The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to a multiemployer plan, generally the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers on a case by case basis.
- c. If a participating entity chooses to stop participating in a multiemployer plan, the participating entity may be required to pay the multiemployer plan an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE C - PENSION PLAN (Continued)

The plan that the Home participates in is the Retirement Plan for Full-Time Lay Employees of Roman Catholic Bishop of Fall River, Corporation Sole ("the Plan"). Benefits under the Plan are provided through a pension plan administered by the Diocese. For the years ended December 31, 2022 and 2021, the Home made pension contributions to the Plan of approximately \$150,800 and \$149,000, respectively. The Home has determined that its contributions represent more than 5% of total contributions to the Plan during the years ended December 31, 2022 and 2021. The Home owes \$13,240 and \$12,502 for these contributions at December 31, 2022 and 2021, respectively, which are included in accounts payable on the statements of financial position. Accumulated plan benefit information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the Plan and is not reflected in the accompanying statements of financial position.

The Plan provides retirement payments to employees on the basis of the credits earned by those participating employees. To the extent that the Plan is underfunded, if at all, future contributions by the Home to the Plan may or may not be affected depending upon how the Plan decides to handle the underfunding. At this time, based on the Home's understanding of the Plan, the Home is not responsible for the underfunded status of the Plan because, presently, the Plan does not require withdrawing participants to pay a withdrawal liability or other penalty. As of January 1, 2017, the Plan included assets equal to 58.1% of the present value of accumulated benefits.

In replacement of the Plan, the Home's employees can contribute to a 403(b) Plan (refer to Note F.)

NOTE D - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, the Home purchased accounting and management services in the approximate amounts of \$237,000 and \$258,500, respectively, from the Diocese's Office of Diocesan Health Facilities ("DHFO"), a related organization. At December 31, 2022 and 2021, the Home did not owe any amounts for these services.

During the years ended December 31, 2022 and 2021, the Home purchased various property and malpractice insurance and medical coverage for its employees in the aggregate amounts of approximately \$387,100 and \$430,000, respectively, through the Diocese. The Home owed at December 31, 2022 and 2021 approximately \$53,000 and \$57,700, respectively, for this insurance coverage, which is included in accounts payable and accrued expenses on the statements of financial position.

During 2020, the Diocese converted \$655,625 of the amounts owed related to these insurance policies into a loan from the Diocese. See Note L for more information on this loan. In the prior year, the Home also had another loan with the Diocese from a previous year that helped to fund a capital project. During the years ended December 31, 2022 and 2021, the Home made principal payments on both loans of \$20,178 and \$89,112, respectively, and incurred interest expense of \$15,076 and \$17,126, respectively. At December 31, 2022 and 2021, the Home had accrued interest expense related to these loans of \$1,237 and \$1,277, respectively. These amounts are included in accrued expenses on the statements of financial position.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE D - RELATED PARTY TRANSACTIONS (Continued)

Through June 30, 2021, the Home was responsible for paying to the Diocese 1% of employees' gross salaries for short-term disability insurance and life insurance. After June 30, 2021, the Home paid this short-term disability insurance and life insurance to an unrelated entity. For the years ended December 31, 2022 and 2021, the Home's contributions for short-term disability and life insurance that were paid to the Diocese approximated \$-0- and \$18,500, respectively. No amounts were owed by the Home for these contributions for the years ended December 31, 2022 and 2021.

In prior years, the Home had joined with other organizations engaged in Catholic health and welfare services in the Diocese of Fall River and had established a not-for-profit association of employers to constitute a workers' compensation self-insurance group. Subsequently, the Home changed its workers' compensation provider to an unrelated entity. During 2021, the Home received a distribution of \$28,685 from this former related workers' compensation group. This amount is included in other revenue in the statements of activities.

Certain personnel employed by related entities performed services for the Home. The applicable salaries and benefits of these employees are reimbursed by the Home. The value of these services approximated \$73,400 and \$47,300 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the Home owed \$90,175 and \$17,938, respectively, for these services for the current and prior years, which are included in due to affiliates and due from affiliates on the statements of financial position.

Employees of the Home also provided services to related entities. The applicable salaries and benefits of these employees are reimbursed by the related entities. The value of these services approximated \$13,500 and \$-0- for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, \$2,834 and \$-0-, respectively, were owed to the Home for these services, which are included in due to affiliates on the statements of financial position.

In prior years, the Home was loaned funds to meet its short-term cash needs by its affiliates. At December 31, 2022 and 2021, the Home owed \$2,476,000 and \$2,672,157 to these affiliates, respectively. Currently, there are no repayment terms and the affiliates are not charging interest on the loans. During 2022 and 2021, \$196,157 and \$199,343, respectively, of repayments were made on these loans. The short-term loans are included in due to affiliates on the statements of financial position.

At December 31, 2022 and 2021, an affiliate of the Home owed the Home \$75,000 for a short-term loan made to this affiliate to allow the organization to meet its cash needs. Currently, there are no repayment terms and the Home is not charging interest on the loan. The short-term loan is included in due from affiliates on the statements of financial position.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE D - RELATED PARTY TRANSACTIONS (Continued)

The amounts in due from affiliates at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Office of Diocesan Health Facilities:		
Services and other	\$ -	\$ 2,514
Funds advanced from the Home	-	-
Madonna Manor, Inc.:		
Services and other	1,175	-
Funds advanced from the Home	-	-
Marian Manor, Inc.:		
Services and other	452	(376)
Funds advanced from the Home	<u>75,000</u>	<u>75,000</u>
	<u>\$ 76,627</u>	<u>\$ 77,138</u>

The amounts in due to affiliates at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Office of Diocesan Health Facilities:		
Services and other	\$ 953	\$ -
Funds advanced to the Home	-	-
Catholic Memorial Home, Inc.:		
Services and other	74,633	16,053
Funds advanced to the Home	1,800,000	1,800,000
Sacred Heart Home:		
Services and other	86,632	15,605
Funds advanced to the Home	676,000	676,000
Madonna Manor, Inc.:		
Services and other	-	(1,393)
Funds advanced to the Home	<u>-</u>	<u>196,157</u>
	<u>\$ 2,638,218</u>	<u>\$ 2,702,422</u>

NOTE E - ADVERTISING COSTS

The Home expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Help wanted advertising	\$ 6,910	\$ 8,360
Advertising - promotional	<u>1,714</u>	<u>2,403</u>
	<u>\$ 8,624</u>	<u>\$ 10,763</u>

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE F - 403(b) PLAN

On August 1, 2010, the Home joined the Roman Catholic Bishop of Fall River 403(b) Retirement Plan (the "Plan"). The Home participates with other related and affiliated non-profit organizations in this defined contribution deferred savings plan. The Plan is being administered by the Diocese. The Plan is based on total compensation and qualifies under Section 403(b) of the Internal Revenue Service Code. All employees are eligible to participate immediately upon employment at the Home. The Home is not making matching contributions to the Plan.

NOTE G - ACCRUED EXPENSES

At December 31, 2022 and 2021, accrued expenses consist of:

	<u>2022</u>	<u>2021</u>
Accrued salaries	\$ 181,205	\$ 171,560
Accrued paid time off	209,724	200,707
Accrued user fee	143,806	151,573
Accrued payroll taxes	13,587	12,563
Accrued insurance	7,018	6,697
Accrued National Government Services accelerated payment	-	112,135
Other accrued expenses	<u>55,545</u>	<u>101,114</u>
	<u>\$ 610,885</u>	<u>\$ 756,349</u>

During 2020, the Home received from National Government Services an accelerated payment due to COVID-19. The Home paid this amount back in 2022 and 2021.

NOTE H - ACCOUNTS RECEIVABLE

At December 31, 2022 and 2021, accounts receivable consists of:

	<u>2022</u>	<u>2021</u>
Private patients	\$ 370,402	\$ 376,129
Medicare patients	168,310	160,320
Medicaid patients	340,487	346,355
Allowance for uncollectible accounts	<u>(25,000)</u>	<u>(50,000)</u>
	<u>\$ 854,199</u>	<u>\$ 832,804</u>

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE I - OTHER ASSETS

At December 31, 2022 and 2021 other assets consist of:

	<u>2022</u>	<u>2021</u>
Website costs	\$ 1,447	\$ 1,447
Less: accumulated amortization of website costs	<u>(1,447)</u>	<u>(1,447)</u>
	<u>\$ -</u>	<u>\$ -</u>

Amortization expense for the website for the years ended December 31, 2022 and 2021 was \$-0- and \$482, respectively.

NOTE J - PROPERTY AND EQUIPMENT

For the years ended December 31, 2022 and 2021, depreciation and amortization of property and equipment amounted to \$82,823 and \$81,656, respectively.

NOTE K - COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Home is, from time to time, involved in various legal matters. It is the Home's opinion that any potential settlements would not be material to the accompanying financial statements.

A significant portion of the 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 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 Home.

A significant portion of the Home's revenues are derived from services reimbursable under the Medicaid program (see Note B). 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 Home will be audited or if a retroactive rate adjustment would result.

A significant portion of the Home's revenues are derived from services under the Medicare program (see Note B). Under this 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 Fiscal Intermediary ("FI"). It is not possible at this time to determine whether the Home's filed cost reports will be audited. The Home's Medicare claims are also subject to audit or medical review by the FI. It is not possible at this time to determine whether the Home's claims will be subjected to post payment review by the FI or if a retroactive rate adjustment would result.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

The Home purchases professional and general liability insurance to cover medical malpractice claims. Through December 31, 2022, the Home was covered by a claims-made basis policy. There are known claims and incidents that may result in the assertion of additional claims and there may be claims from unknown incidents that may be asserted arising from services provided to patients. Based on historical evidence, the Home believes that a reserve for claims from unknown incidents is not necessary, and as such, no reserve has been accrued in the financial statements as of December 31, 2022 and 2021.

NOTE L - LONG-TERM DEBT

At December 31, 2022 and 2021, long-term debt, all of which is payable to the Diocese, consists of the following:

	<u>2022</u>	<u>2021</u>
2.5% unsecured loan payable to the Diocese in monthly payments of \$2,941, including interest, through November 2044	\$ 593,697	\$ 613,875
Less current portion	<u>20,688</u>	<u>20,178</u>
	<u>\$ 573,009</u>	<u>\$ 593,697</u>

The amount of aggregate annual principal installments of long-term debt for each of the five years succeeding December 31, 2022 are as follows:

Year Ending December 31,

2023	\$ 20,688
2024	21,211
2025	21,748
2026	22,297
2027	22,861

NOTE M - LIQUIDITY AND AVAILABILITY

The Home regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Home has various sources of liquidity at its disposal including cash and cash equivalents and short-term loans from the other related nursing homes.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Home considers all expenditures related to its ongoing activities of health services as well as the conduct of services undertaken to support those activities to be general expenditures.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE M - LIQUIDITY AND AVAILABILITY (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Home has a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 528,674	\$ 1,394,175
Patient accounts receivable	854,199	832,804
Due from affiliates	<u>76,627</u>	<u>77,138</u>
	<u>\$ 1,459,500</u>	<u>\$ 2,304,117</u>

NOTE N - GUARANTEE LIABILITIES

The Home along with the other four Diocesan Nursing Homes have guaranteed a \$1,500,000 revolving line of credit that DHFO has with a bank. The DHFO revolving line of credit has interest only payments through April 10, 2025 when all accrued interest and principal payments are due. The Homes would be obligated to perform under this guarantee if DHFO failed to pay principal and interest payments to the bank when due. At December 31, 2022, DHFO did not have an outstanding balance on the line of credit. Therefore, no amounts have been accrued on the statements of financial position related to the guarantee.

NOTE O - PAYROLL PROTECTION PROGRAM GRANT

On February 1, 2021, the Home was advanced funds of \$1,321,480 under the federal Payroll Protection Program to use to fund payroll, rent, utilities, and interest on existing debt. If the funds are not used for these specified purposes, then the funds become a two-year loan with an interest rate of 1%. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the Payroll Protection Program.

The Home had treated these funds as a conditional governmental grant and recorded them as a liability and recognized grant revenues once the funds were used for the specified purposes of the grant. As of December 31, 2021, the entire \$1,321,480 had been used for those specified purposes and, therefore, the Home recognized the entire \$1,321,480 as revenue on the statements of activities. On July 31, 2021, the Home was granted forgiveness for the entire \$1,321,480 by the Small Business Administration.

OUR LADY'S HAVEN OF FAIRHAVEN, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE P - COVID-19

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (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 to secure personal protective equipment, the federal and state governments issued stimulus payments to skilled nursing facilities. These amounts are included in the statement of activities as COVID-19 related relief revenue.

COVID-19 may also impact various parts of the Home's 2022 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 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.

NOTE Q - RECLASSIFICATIONS

Certain balances in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications had no impact on the statements of financial position, statements of activities, statements of functional expenses or statements of cash flows.

NOTE R - SUBSEQUENT EVENTS

The Home has evaluated the impact of all subsequent events through May 18, 2023, the date the financial statements were available to be issued, and has determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.