

SACRED HEART HOME  
NEW BEDFORD, MASSACHUSETTS  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2022 AND 2021

## CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT .....	1-2
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES .....	4
STATEMENTS OF FUNCTIONAL EXPENSES .....	5-6
STATEMENTS OF CASH FLOWS .....	7-8
NOTES TO FINANCIAL STATEMENTS .....	9-27

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sacred Heart Home  
New Bedford, Massachusetts

**Opinion**

We have audited the accompanying financial statements of Sacred Heart Home (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 Sacred Heart Home 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.

**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.

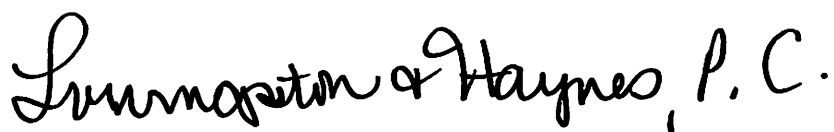
### **Auditors' Responsibilities for the Audit of the Financial Statements**

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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Wellesley, Massachusetts  
May 18, 2023

SACRED HEART HOME  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,616,580	\$ 5,084,628
Patient accounts receivable, less allowances for uncollectible accounts of \$27,000 and \$76,000 at December 31, 2022 and 2021, respectively	1,270,287	1,248,020
Other receivable	550	42,057
Interest receivable	-	456
Inventories of supplies	43,599	27,271
Due from affiliates	1,470,426	1,421,310
Prepaid expenses	<u>63,236</u>	<u>59,070</u>
TOTAL CURRENT ASSETS	8,464,678	7,882,812
Property and equipment:		
Land and land improvements	1,175,500	1,162,250
Building and building improvements	6,321,187	6,289,073
Equipment	1,276,643	1,276,643
Vehicles	112,794	112,794
Construction in progress	<u>2,925</u>	<u>2,925</u>
	8,889,049	8,843,685
Less allowances for depreciation and amortization	<u>6,715,972</u>	<u>6,474,609</u>
	2,173,077	2,369,076
Restricted cash	55,891	135,813
Investments	986,248	1,176,418
Other assets	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 11,679,894</u>	<u>\$ 11,564,119</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 474,026	\$ 604,954
Custodial funds	55,891	135,813
Due to affiliates	2,662	-
Accrued expenses	694,885	1,093,599
Current portion of long-term debt	<u>33,402</u>	<u>32,578</u>
TOTAL CURRENT LIABILITIES	1,260,866	1,866,944
Long-term debt, less current portion	<u>365,822</u>	<u>399,224</u>
TOTAL LIABILITIES	1,626,688	2,266,168
Net assets without donor restrictions	<u>10,053,206</u>	<u>9,297,951</u>
TOTAL NET ASSETS	<u>10,053,206</u>	<u>9,297,951</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,679,894</u>	<u>\$ 11,564,119</u>

See accompanying notes to financial statements.

SACRED HEART HOME  
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)	\$ 13,328,602	\$ 14,072,543
COVID-19 related relief revenue	1,126,434	684,154
Investment return, net	(141,595)	206,488
Donations	7,092	4,101
Gain on disposal of property and equipment	-	71,317
Other	<u>343,680</u>	<u>402,280</u>
TOTAL REVENUE AND OTHER SUPPORT	14,664,213	15,440,883
Expenses:		
Program services: health services	12,759,873	13,281,905
Supporting services: management and general	<u>1,149,085</u>	<u>1,148,998</u>
TOTAL EXPENSES	<u>13,908,958</u>	<u>14,430,903</u>
CHANGES IN NET ASSETS	755,255	1,009,980
Net assets at beginning of year	<u>9,297,951</u>	<u>8,287,971</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,053,206</u>	<u>\$ 9,297,951</u>

See accompanying notes to financial statements.

SACRED HEART HOME  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022		
	PROGRAM SERVICES	SUPPORT SERVICES	Total
	Health Services	Management and General	
Salaries and wages	\$ 6,917,563	\$ 373,615	\$ 7,291,178
Payroll taxes	548,897	29,646	578,543
Employee benefits	838,031	45,262	883,293
Office expenses	-	131,798	131,798
Travel	-	19,576	19,576
Professional fees	-	38,510	38,510
Provision for bad debts	34,780	-	34,780
Depreciation and amortization	228,358	13,005	241,363
Interest	10,356	-	10,356
Advertising	-	11,799	11,799
Occupancy	468,011	20,378	488,389
Supplies and other	556,699	-	556,699
Purchased services	2,393,339	18,286	2,411,625
Food	338,550	-	338,550
Management fee	-	417,236	417,236
User fee	89,633	-	89,633
Covid-19 testing	262,170	-	262,170
Miscellaneous	73,486	29,974	103,460
<b>TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES</b>	<b><u>\$ 12,759,873</u></b>	<b><u>\$ 1,149,085</u></b>	<b><u>\$ 13,908,958</u></b>

See accompanying notes to financial statements.

SACRED HEART HOME  
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2021		
	PROGRAM SERVICES	SUPPORT SERVICES	Total
	Health Services	Management and General	
Salaries and wages	\$ 7,271,632	\$ 383,544	\$ 7,655,176
Payroll taxes	552,164	29,124	581,288
Employee benefits	867,367	45,749	913,116
Office expenses	-	111,523	111,523
Travel	-	20,986	20,986
Professional fees	-	52,609	52,609
Provision for bad debts	48,814	-	48,814
Depreciation and amortization	232,672	13,308	245,980
Interest	15,252	-	15,252
Advertising	-	13,048	13,048
Occupancy	450,664	19,622	470,286
Supplies and other	541,646	-	541,646
Purchased services	1,911,273	21,383	1,932,656
Food	353,888	-	353,888
Management fee	-	417,236	417,236
User fee	105,798	-	105,798
Covid-19 testing	886,005	-	886,005
Miscellaneous	44,730	20,866	65,596
<b>TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES</b>	<b><u>\$ 13,281,905</u></b>	<b><u>\$ 1,148,998</u></b>	<b><u>\$ 14,430,903</u></b>

See accompanying notes to financial statements.



SACRED HEART HOME  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ 755,255	\$ 1,009,980
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	241,363	245,980
Gain on disposal of property and equipment	-	(71,317)
Amortization of bond premiums	-	99
Provision for bad debts	34,780	48,814
Unrealized (gains) losses on investments	222,238	(116,689)
Realized gains on investments	(24,547)	(77,626)
(Increase) decrease in:		
Patient accounts receivable	(57,047)	477,151
Other receivable	41,507	35,267
Interest receivable	456	142
Inventories of supplies	(16,328)	(6,861)
Due from affiliates	(49,116)	(13,555)
Prepaid expenses	(4,166)	10,986
Increase (decrease) in:		
Accounts payable	(130,928)	(186,512)
Due to affiliates	2,662	(15,159)
Accrued expenses and custodial funds	(478,636)	(306,229)
	(217,762)	24,491
NET CASH PROVIDED BY OPERATING ACTIVITIES	537,493	1,034,471
Cash flows from investing activities:		
Purchase of investments	(372,967)	(431,659)
Sales and redemption of investments	365,446	425,585
Proceeds from disposal of property and equipment, net of selling expenses of \$-0- and \$26,304, respectively	-	278,696
Purchases of property and equipment	(45,364)	(113,858)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(52,885)	158,764
Cash flows from financing activities:		
Principal payments of long-term debt	(32,578)	(357,334)
Funds paid back to affiliates	-	(606,000)
NET CASH USED BY FINANCING ACTIVITIES	(32,578)	(963,334)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	452,030	229,901
Cash, cash equivalents, and restricted cash at beginning of year	5,220,441	4,990,540
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	\$ 5,672,471	\$ 5,220,441

See accompanying notes to financial statements.

SACRED HEART HOME  
 STATEMENTS OF CASH FLOWS (CONTINUED)  
 FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ 10,423	\$ 15,966

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:

	2022	2021
Cash and cash equivalents	\$ 5,616,580	\$ 5,084,628
Restricted cash	55,891	135,813
	\$ 5,672,471	\$ 5,220,441

See accompanying notes to financial statements.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Sacred Heart Home (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 New Bedford, Massachusetts and provides services primarily to residents of the region. The significant accounting policies followed by the Home are described below.

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.

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 Home and changes therein are classified and reported as follows:

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

*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.

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

Revenues are reported as increases in net assets without donor restriction, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities, other than endowments and similar funds, are reported as increases or decreases in net assets without donor restriction 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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 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 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.

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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

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.

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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

*Medicare - Patient Driven Payment Model (Continued)*

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”).

*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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

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)

For the years ended December 31, 2022 and 2021, the Home recognized revenue of \$13,328,602 and \$14,072,543, 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	\$1,773,985
Balance as of December 31, 2021	\$1,248,020
Balance as of December 31, 2022	\$1,270,287

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. The cash equivalents, in Note F - Investments, are not considered cash and cash equivalents in the statements of cash flows since these amounts are managed by outside investment advisers and are not considered available for operating cash flows.

Restricted Cash

The restricted cash belongs to residents and employees of the Home. The residents' funds represent amounts on deposit to be used for residents' personal needs. The employees' funds represent amounts on deposit that belong to the employees to use as they determine. The funds are not available for use by the Home. The related liabilities are included as custodial funds on the statements of financial position.

Investments

The Home records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Investment return, net is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

The Home utilizes various methods to measure the fair value of its investments on a recurring basis. Accounting principles generally accepted in the United States of America establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. Assets utilizing Level 1 inputs include the Home's publicly-traded equity securities. Valuation of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.
- Level 2 - Other significant observable inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from independent market sources. These observable inputs include quoted prices for similar investments, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. Assets utilizing Level 2 inputs include the Home's corporate obligations. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.
- Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability based upon the best information available in the circumstances.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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 adjusts its 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.



SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories of Supplies

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

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	15-25 years
Building and building improvements	10-50 years
Equipment	3-10 years
Vehicles	4 years

Other Assets

Other assets consist 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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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.

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 18% 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 52% and 58%, 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 net patient service revenue increased \$11,885 and 2021 net patient service revenue decreased \$10,578 due to prior-year retroactive adjustments in excess of amounts previously estimated.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

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.

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 \$242,800 and \$234,400, 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 \$20,816 and \$19,656, respectively, for these contributions at December 31, 2022 and 2021 which is 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 provided 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 I.)

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

**NOTE D - RELATED PARTY TRANSACTIONS**

During each of the years ended December 31, 2022 and 2021, the Home purchased accounting and management services in the approximate amount of \$417,200 from the Diocese's Office of Diocesan Health Facilities ("DHFO"), a related organization.

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 \$633,500 and \$623,100, respectively, through the Diocese. Included in accounts payable and accrued expenses on the statements of financial position are amounts due relating to these insurance policies for the current and prior years of approximately \$73,300 and \$79,000 for the years ended December 31, 2022 and 2021, respectively.

During 2020, the Diocese converted \$798,773 of the amounts owed related to these insurance policies into a loan from the Diocese. See Note N for more information on this loan. During 2022 and 2021, the Home made principal payments on this loan of \$32,578 and \$357,334, respectively, and incurred interest expense of \$10,356 and \$15,252, respectively. At December 31, 2022 and 2021, the Home had accrued interest expense related to this loan of \$833 and \$900, respectively. These amounts are included in accrued expenses on the statements of financial position.

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 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 \$33,500, respectively. There were no amounts owed to the Diocese 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 \$51,633 from this former related workers' compensation group. This amount is included in other revenue in the statements of activities.

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 \$215,300 and \$177,800 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the Home is owed \$246,926 and \$214,794, respectively, for these services for the current and prior years, which are included in due from affiliates and due to affiliates on the statements of financial position.

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 \$43,600 and \$35,300 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the Home owed \$1,102 and \$11,796, respectively, for these services for the current and prior years, which are included in due from affiliates and due to affiliates on the statements of financial position.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE D - RELATED PARTY TRANSACTIONS (Continued)

In prior years, the Home was loaned funds to meet its short-term cash needs by one of its affiliates. During 2022 and 2021, the Home repaid this affiliate for this loan in the amounts of \$-0- and \$606,000, respectively. At December 31, 2022 and 2021, no additional amounts were owed to this affiliate. There were no repayment terms and the affiliate did not charge interest on the loan. The short-term loan was included in due to affiliates on the statements of financial position.

At December 31, 2022 and 2021, affiliates of the Home owed the Home \$1,227,000 for short-term loans made to these affiliates to allow these organizations to meet their cash needs. Currently, there are no repayment terms and the Home is not charging interest on the loans. During 2022 and 2021, the Home did not receive any repayments on these loans. The short-term loans are included in due from affiliates on the statements of financial position.

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

	<u>2022</u>	<u>2021</u>
Marian Manor, Inc.:		
Services and other	\$ 156,794	\$ 164,151
Funds advanced from the Home	551,000	551,000
Catholic Memorial Home, Inc.:		
Services and other	-	9,005
Funds advanced from the Home	-	-
Office of Diocesan Health Facilities:		
Services and other	-	5,549
Funds advanced from the Home	-	-
Our Lady's Haven of Fairhaven, Inc.:		
Services and other	86,632	15,605
Funds advanced from the Home	<u>676,000</u>	<u>676,000</u>
	<u>\$ 1,470,426</u>	<u>\$ 1,421,310</u>

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

	<u>2022</u>	<u>2021</u>
Catholic Memorial Home, Inc.:		
Services and other	\$ 886	\$ -
Funds advanced to the Home	-	-
Office of Diocesan Health Facilities:		
Services and other	1,776	-
Funds advanced to the Home	<u>-</u>	<u>-</u>
	<u>\$ 2,662</u>	<u>\$ -</u>

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

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:

	2022	2021
Help wanted advertising	\$ 8,958	\$ 7,828
Advertising - promotional	2,841	5,220
	\$ 11,799	\$ 13,048

NOTE F - INVESTMENTS

Investments, at fair values, are as follows at December 31, 2022 and 2021:

	2022		2021	
	Cost	Market Value	Cost	Market Value
Cash equivalents	\$ 178,311	\$ 178,311	\$ 131,506	\$ 131,506
Marketable debt securities	-	-	50,071	50,851
Marketable equity securities	650,104	807,937	614,770	994,061
	\$ 828,415	\$ 986,248	\$ 796,347	\$1,176,418

Investment return, net consists of the following at December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 66,354	\$ 22,871
Realized gains on investments	24,547	77,626
Investment advisory fees	(10,258)	(10,698)
Unrealized gains (losses) on investments	(222,238)	116,689
Investment return, net	\$ (141,595)	\$ 206,488

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE G - FAIR VALUE MEASUREMENTS

The following table illustrates the classification of the Home's assets within the fair value hierarchy at December 31, 2022 and 2021:

	2022			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 178,311	\$ -	\$ -	\$ 178,311
Marketable debt securities:				
Corporate obligations	-	-	-	-
Total marketable debt securities	-	-	-	-
Marketable equity securities:				
Communication services	43,837	-	-	43,837
Consumer discretionary	55,453	-	-	55,453
Consumer staples	51,179	-	-	51,179
Energy	42,292	-	-	42,292
Financials	121,855	-	-	121,855
Health care	85,129	-	-	85,129
Industrials	101,600	-	-	101,600
Information technology	214,041	-	-	214,041
Materials	33,812	-	-	33,812
Real Estate	16,154	-	-	16,154
Utilities	42,585	-	-	42,585
Total marketable equity securities	807,937	-	-	807,937
	<u>\$ 986,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 986,248</u>

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE G - FAIR VALUE MEASUREMENTS (Continued)

	2021			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 131,506	\$ -	\$ -	\$ 131,506
Marketable debt securities:				
Corporate obligations	-	50,851	-	50,851
Total marketable debt securities	-	50,851	-	50,851
Marketable equity securities:				
Communication services	70,020	-	-	70,020
Consumer discretionary	103,237	-	-	103,237
Consumer staples	37,318	-	-	37,318
Energy	31,980	-	-	31,980
Financials	149,461	-	-	149,461
Health care	74,832	-	-	74,832
Industrials	141,850	-	-	141,850
Information technology	296,040	-	-	296,040
Materials	27,845	-	-	27,845
Real Estate	28,555	-	-	28,555
Utilities	32,923	-	-	32,923
Total marketable equity securities	994,061	-	-	994,061
	<u>\$ 1,125,567</u>	<u>\$ 50,851</u>	<u>\$ -</u>	<u>\$ 1,176,418</u>

NOTE H - ACCRUED EXPENSES

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

	2022	2021
Accrued salaries	\$ 278,981	\$ 286,231
Accrued paid time off	308,255	365,646
Accrued user fee	24,066	25,845
Accrued payroll taxes	21,072	21,110
Accrued insurance	13,757	13,119
Accrued National Government Services accelerated payment	-	324,346
Other accrued expenses	48,754	57,302
	<u>\$ 694,885</u>	<u>\$ 1,093,599</u>

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



SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE I - 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 J - ACCOUNTS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Private patients	\$ 483,125	\$ 410,912
Medicare patients	214,845	215,839
Medicaid patients	599,317	697,269
Allowance for uncollectible accounts	<u>(27,000)</u>	<u>(76,000)</u>
	<u>\$ 1,270,287</u>	<u>\$ 1,248,020</u>

NOTE K - 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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

**NOTE L - PROPERTY AND EQUIPMENT**

For the years ended December 31, 2022 and 2021, depreciation and amortization of property and equipment amounted to \$241,363 and \$245,498, respectively.

In November 2020, the Home signed a purchase and sale agreement to sell land, a building and associated equipment located in New Bedford for \$315,000. At December 31, 2020, the transaction had not yet closed. During the year ended December 31, 2021, the Home completed the sale of the land, building, and equipment which had a cost of \$207,379 for \$305,000 less selling expenses of \$26,304 for a total gain on disposal of \$71,317. This gain is included on the statements of activities as gain on disposal of property and equipment.

**NOTE M - 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.

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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE N - LONG-TERM DEBT

On July 1, 2020, the Home obtained a loan from the Diocese in exchange for paying off old outstanding invoices that were owed to the Diocese. The loan payable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
2.5% unsecured loan payable to the Diocese in monthly payments of \$3,583, including interest, through July 2033	\$ 399,224	\$ 431,802
Less current portion	<u>33,402</u>	<u>32,578</u>
	<u>\$ 365,822</u>	<u>\$ 399,224</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:

<u>Year Ending December 31,</u>	
2023	\$ 33,402
2024	34,246
2025	35,112
2026	36,000
2027	36,911

NOTE O - 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, investments, 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.

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

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE O - LIQUIDITY AND AVAILABILITY (Continued)

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:

	2022	2021
Cash and cash equivalents	\$ 5,616,580	\$ 5,084,628
Investments	986,248	1,176,418
Patient accounts receivable	1,270,287	1,248,020
Other receivable	550	42,057
Due from affiliates	1,470,426	1,421,310
	\$ 9,344,091	\$ 8,972,433

NOTE P - 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 Q - 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.

SACRED HEART HOME  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2022 AND 2021

NOTE R - 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 S - 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.