MARIAN MANOR, INC.

TAUNTON, MASSACHUSETTS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023 AND 2022

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Established 1936

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Marian Manor, Inc.
Taunton, Massachusetts

Opinion
We have audited the accompanying financial statements of Marian Manor, Inc. (a nonprofit organization) ("the Home"), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 Marian Manor, Inc. as of December 31, 2023 and 2022, 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 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.

Livingston + Haynes, P.C.

Wellesley, Massachusetts
April 29, 2024

MARIAN MANOR, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Cash and cash equivalents	$ 16,753	$ -
Patient accounts receivable, less allowance for credit losses of $20,000 and $25,000 at December 31, 2023 and 2022, respectively	876,969	610,173
Inventories of supplies	22,474	20,970
Prepaid expenses	42,136	43,562
TOTAL CURRENT ASSETS	958,332	674,705
Property and equipment:		
Land and land improvements	88,623	88,623
Building and building improvements	3,358,911	3,345,629
Equipment	1,291,501	1,221,212
Vehicles	52,000	52,000
Construction in progress	6,227	10,444
	4,797,262	4,717,908
Less allowances for depreciation and amortization	3,936,516	3,831,580
	860,746	886,328
Restricted cash	21,319	16,130
TOTAL ASSETS	$ 1,840,397	$ 1,577,163

LIABILITIES AND NET ASSETS (DEFICIT)

	2023	2022
Bank overdraft	$ -	$ 248,707
Accounts payable	784,151	699,538
Custodial funds	21,319	16,130
Due to affiliates	2,371,562	3,004,771
Accrued expenses	610,694	514,913
Current portion of long-term debt	23,729	18,534
TOTAL CURRENT LIABILITIES	3,811,455	4,502,593
Long-term debt, less current portion	484,889	505,497
TOTAL LIABILITIES	4,296,344	5,008,090
Net assets (deficit) without donor restrictions	(2,455,947)	(3,430,927)
TOTAL NET ASSETS (DEFICIT)	(2,455,947)	(3,430,927)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 1,840,397	$ 1,577,163

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Revenue and other support:		
Patient service revenue (net of contractual allowances and discounts)	$ 7,954,496	$ 6,255,656
COVID-19 related relief revenue	34,656	517,386
Interest income	358	485
Donations	966	6,915
Other	117,881	90,696
TOTAL REVENUE AND OTHER SUPPORT	8,108,357	6,871,138
Expenses:		
Program services: health services	8,188,574	7,379,407
Supporting services: management and general	831,803	808,674
TOTAL EXPENSES	9,020,377	8,188,081
CHANGES IN NET ASSETS (DEFICIT)	(912,020)	(1,316,943)
Net assets (deficit) at beginning of year	(3,430,927)	(2,113,984)
Transfer of net assets from an affiliate	1,887,000	-
NET ASSETS (DEFICIT) AT END OF YEAR	$ (2,455,947)	$ (3,430,927)

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023		
	PROGRAM SERVICES	SUPPORTING SERVICES	
	Health Services	Management and General	Total
Salaries and wages	$ 3,323,442	$ 310,261	$ 3,633,703
Payroll taxes	249,782	23,318	273,100
Employee benefits	470,366	43,911	514,277
Office expenses	-	81,849	81,849
Travel	-	8,058	8,058
Professional fees	-	58,909	58,909
Provision for bad debts	10,074	-	10,074
Depreciation and amortization	124,036	16,873	140,909
Interest	12,812	-	12,812
Advertising	-	11,592	11,592
Occupancy	305,832	34,917	340,749
Supplies and other	318,360	-	318,360
Purchased services	2,514,671	9,107	2,523,778
Food	214,660	-	214,660
Management fee	-	225,400	225,400
User fee	602,706	-	602,706
COVID-19 testing	-	-	-
Miscellaneous	41,833	7,608	49,441
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	$ 8,188,574	$ 831,803	$ 9,020,377

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2022		
	PROGRAM SERVICES	SUPPORTING SERVICES	
	Health Services	Management and General	Total
Salaries and wages	$ 3,248,892	$ 289,838	$ 3,538,730
Payroll taxes	256,916	22,920	279,836
Employee benefits	457,967	40,856	498,823
Office expenses	-	105,050	105,050
Travel	-	6,681	6,681
Professional fees	-	28,420	28,420
Provision for bad debts	11,116	-	11,116
Depreciation and amortization	117,477	17,047	134,524
Interest	13,272	-	13,272
Advertising	-	16,861	16,861
Occupancy	259,365	29,612	288,977
Supplies and other	277,740	-	277,740
Purchased services	1,882,959	11,268	1,894,227
Food	169,284	-	169,284
Management fee	-	206,617	206,617
User fee	444,843	-	444,843
COVID-19 testing	190,750	-	190,750
Miscellaneous	48,826	33,504	82,330
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	$ 7,379,407	$ 808,674	$ 8,188,081

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Changes in net assets (deficit)	$ (912,020)	$ (1,316,943)
Adjustments to reconcile changes in net assets (deficit) to net cash used by operating activities:		
Depreciation and amortization	140,909	134,524
Provision for bad debts	10,074	11,116
(Increase) decrease in:		
Patient accounts receivable	(276,870)	89,652
Inventories of supplies	(1,504)	(3,067)
Prepaid expenses	1,426	(2,614)
Increase (decrease) in:		
Accounts payable	84,613	347,368
Due to affiliates	178,791	(7,027)
Accrued expenses and custodial funds	100,970	(124,245)
TOTAL ADJUSTMENTS	238,409	445,707
NET CASH USED BY OPERATING ACTIVITIES	(673,611)	(871,236)
Cash flows from investing activities:		
Purchases of property and equipment	(115,327)	(19,784)
NET CASH USED BY INVESTING ACTIVITIES	(115,327)	(19,784)
Cash flows from financing activities:		
Principal payments of long-term debt	(15,413)	(16,588)
(Decrease) increase in bank overdraft	(248,707)	248,707
Funds advanced from affiliates	1,075,000	55,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	810,880	287,119
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	21,942	(603,901)
Cash, cash equivalents, and restricted cash at beginning of year	16,130	620,031
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 38,072	$ 16,130

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Supplemental disclosures of cash flow information:		
Noncash operating and financing transactions:		
Transfer of net assets from an affiliate used to reduce due to affiliates	$ 1,887,000	$ -
Cash paid during the year for:		
Income taxes	$ -	$ -
Interest	$ 10,774	$ 12,217

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:

	2023	2022
Cash and cash equivalents	$ 16,753	$ -
Restricted cash	21,319	16,130
	$ 38,072	$ 16,130

See accompanying notes to financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Marian Manor, 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 Taunton, 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 were 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, 2023, the Home had a decrease in net assets (deficit) of $912,020 and at December 31, 2023, the Home had a negative working capital of $2,853,123. To date in 2024, the Home has continued to experience a further decrease in net assets and negative working capital. Whether and when the Home can attain an increase in net assets (deficit) and a positive working capital is uncertain. Management of the Home is developing a plan to continue to increase its total revenue and support 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.

New Accounting Pronouncement

Allowance for Credit Losses

On January 1, 2023, the Home adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities that management does not intend to sell or believes that it is more likely than not they will be required to sell. The Home adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and the adoption did not have a material effect on reported assets, liabilities, or net assets (deficit). There are additional disclosures that are required under the ASU and these are included in this Note A and in Note I.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (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, 2023 and 2022.

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 are reported as increases or decreases in net assets (deficit) without donor restriction unless their use is restricted by explicit donor stipulations or law. 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.

Revenue Recognition and Operations

Under accounting standards, revenue may be earned under exchange transactions or contribution transactions as follows:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Operations (Continued)

Earned Support

Exchange transactions are measured via a principles-based process. Exchange transactions are under arrangements that are one year or less in length. The Home's exchange transactions involve patient service revenue.

Contributed Support

Grants and contributions are considered contributed support. In connection with conditional grants and other conditional funding for which funding sources have a right of return or right of release, the Home recognizes the related revenue after it has overcome any applicable barriers thereby entitling the Home to the assets transferred or promised. Amounts received prior to overcoming the applicable barriers are reported as deferred revenues in the statements of financial position.

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 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 financial 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 the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable would be 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.

Contributions of Nonfinancial Assets

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 other nonfinancial assets are recorded at their estimated fair value.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Operations (Continued)

Contributions of Nonfinancial Assets (Continued)

The Home's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the Home to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Patient Service Revenue

Patient service revenue is primarily derived from services rendered to residents for inpatient nursing care. The services provided by the Home have no fixed duration and can be terminated by the resident 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 resident'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 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, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Home bills the residents and third-party payors several days after the end of the month that services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the 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 in the Home 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. 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, discounts provided to uninsured residents in accordance with the Home's policy, and/or implicit price concessions provided to residents. The Home determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical evidence. The Home determines its estimate of implicit price concessions based on its historical collection experience.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

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

Medicaid - Standard Payments to Nursing Facilities

The 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 residents pursuant to regulations promulgated by the Center for Health Information and Analysis. Under the regulations, current year rates are a combination of actual base year costs blended with industry standards adjusted for inflation. The base year costs are subject to audit and could result in a retroactive rate adjustment for the current year.

Medicare - Prospective Payment System

The Home receives reimbursement for the care of certain residents under the federally sponsored Medicare prospective payment system ("PPS") through an insurance intermediary under a patient driven payment model ("PDPM"). The federal rates utilize facility case-mix resident assessment data, completed by the skilled nursing facility ("SNF"), to assign patients into a Resident Classification System ("RCS") 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 PPS program mandates the implementation of fee schedules for SNF therapy services to residents not in a covered Part A stay and to nonresidents who receive outpatient rehabilitation services from the SNF. The Centers for Medicare and Medicaid Services imposed a limit for both physical therapy (including speech therapy) and occupational therapy services, except for certain medical conditions. 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.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the 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. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2023 and 2022.

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 adjustments to revenue recognized due to changes in its contractual adjustments for the years ended December 31, 2023 and 2022. 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, resident) have different reimbursement/payment methodologies
- Length of the patient's service
- Geography of the service location
- Method of reimbursement (fee for service)
- Nursing Home's line of business that provided the service (for example, skilled nursing, rehabilitation services, etc.)

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

For the years ended December 31, 2023 and 2022, the Home recognized revenue of $7,954,496 and $6,255,656, respectively, from goods and services that transfer to the patients or individuals over a period of time.

The opening and closing contracted balances were as follows:

	Accounts Receivable
Balance as of January 1, 2022	$710,941
Balance as of December 31, 2022	$610,173
Balance as of December 31, 2023	$876,969

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank, cash on hand, and short-term highly liquid investments, with maturities at purchase of less than three months. Bank overdrafts were reclassed to liabilities and included as bank overdrafts on the statements of financial position.

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.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Home carries its accounts receivable at estimated net realizable value when there is an unconditional right to consideration.

Management provides reserves for credit losses for its accounts receivable. These reserves are based on an analysis of historical trends of collection activity adjusted for current conditions and forecasts. These estimates are impacted by a number of factors, including changes in the economy and demographic or competitive changes in the Home's areas of operation. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account is considered uncollectible when all efforts to collect the account have been exhausted. Interest is not charged on accounts receivable.

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.

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

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.

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 (2020-2022) or expected to be taken in the Home's 2023 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, 2023 and 2022.

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 insured limits. To date, the Home has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are from governmental agencies.

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, 2023 and 2022, revenue from the Medicare programs accounted for approximately 17% and 21%, respectively, of the Home's patient service revenue. For the years ended December 31, 2023 and 2022, revenue from Medicaid programs accounted for approximately 49% and 48%, 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 2023 and 2022 net patient service revenue decreased $58,070 and $14,525, 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.

NOTE C - PENSION PLAN (Continued)

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, 2023 and 2022, the Home made pension contributions to the Plan of approximately $138,800 and $135,000, respectively. The Home has determined that its contributions represent more than 5% of total contributions to the Plan during the years ended December 31, 2023 and 2022. The Home owes $46,265 and $23,132, respectively, for these contributions at December 31, 2023 and 2022, 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, 2023 and 2022, the Home purchased accounting and management services in the approximate amounts of $225,400 and $206,600, respectively, from the Diocese's Office of Diocesan Health Facilities ("DHFO"), a related organization. At December 31, 2023 and 2022, the Home owed $56,350 and $-0-, respectively, for these services, which is included in due to affiliates on the statements of financial position.

During the years ended December 31, 2023 and 2022, the Home purchased various property and malpractice insurance and medical coverage for its employees in the aggregate amounts of approximately $355,000 and $322,300, respectively, through the Diocese. The Home owed at December 31, 2023 and 2022 approximately $393,700 and $269,700, respectively, for this insurance coverage for the current and prior years, which is included in accrued expenses on the statements of financial position.

During 2020, the Diocese converted $583,711 of the amounts owed related to these insurance policies into a loan from the Diocese. See Note L for more information on this loan. During the years ended December 31, 2023 and 2022, the Home made principal payments on this loan of $15,413 and $16,588, respectively, and incurred interest expense of $12,812 and $13,272, respectively. At December 31, 2023 and 2022, the Home had accrued interest expense related to this loan of $4,219 and $2,181, respectively. These amounts are included in accrued expenses on the statements of financial position.

Certain personnel employed by related entities perform services for the Home. The applicable salaries and benefits of these employees are reimbursed by the Home. The value of these services approximated $147,000 and $119,600 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Home owed $307,617 and $163,468, respectively, for these services for the current and prior years, which are included in due to 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 $32,100 and $8,460 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Home is owed $34,001 and $1,749, respectively, for these services for the current and prior years, which are included in due to affiliates on the statements of financial position.

During the years ended December 31, 2023 and 2022, the Home was loaned $1,075,000 and $55,000, respectively, to meet its short-term cash needs by its affiliates. During 2023 and 2022, there were no repayments made on these loans by the Home. In addition, during the year ended December 31, 2023, the Board of Directors of one of the affiliates voted to transfer net assets to the Home to reduce a loan that had previously been given by the affiliate to the Home in the amount of $1,887,000. Since the affiliates are inter-related and there is no present intention to pay back the funds, this has been recorded on the statements of activities as a transfer of net assets from an affiliate and the due to affiliates was reduced by the same amount. At December 31, 2023 and 2022, the Home owed $2,021,000 and $2,833,000 to these affiliates, respectively, which is included in due to affiliates on the statements of financial position.

NOTE D - RELATED PARTY TRANSACTIONS (Continued)

The amounts in due to affiliates at December 31, 2023 and 2022 are as follows:

	2023	2022
Office of Diocesan Health Facilities:		
Services and other	$ 48,334	$ 588
Funds advanced to the Home	75,000	75,000
Our Lady's Haven of Fairhaven, Inc.:		
Services and other	455	452
Funds advanced to the Home	75,000	75,000
Sacred Heart Home:		
Services and other	196,169	156,794
Funds advanced to the Home	551,000	551,000
Madonna Manor, Inc.:		
Services and other	70,491	5,734
Funds advanced to the Home	-	-
Catholic Memorial Home, Inc.:		
Services and other	35,113	8,203
Funds advanced to the Home	1,320,000	2,132,000
	$ 2,371,562	$ 3,004,771

NOTE E - ADVERTISING COSTS

The Home expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Help wanted advertising	$ 8,131	$ 11,838
Advertising - promotional	3,461	5,023
	$ 11,592	$ 16,861

NOTE F - 403(b) PLAN

The Home has 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, 2023 and 2022, accrued expenses consist of:

	2023	2022
Accrued salaries	$ 148,403	$ 138,333
Accrued paid time off	147,476	153,672
Accrued user fee	169,878	124,195
Accrued payroll taxes	10,742	10,358
Accrued insurance	29,926	13,009
Other accrued expenses	104,269	75,346
	$ 610,694	$ 514,913

NOTE H - ACCOUNTS RECEIVABLE

At December 31, 2023 and 2022, accounts receivable consists of:

	2023	2022
Private patients	$ 431,785	$ 240,337
Medicare patients	152,071	150,190
Medicaid patients	313,113	244,646
Allowance for credit losses	(20,000)	(25,000)
	$ 876,969	$ 610,173

NOTE I - ALLOWANCE FOR CREDIT LOSSES

The Home's accounts receivable primarily consists of amounts due from patient services provided. An allowance for credit losses related to these accounts receivable is established based upon historical collection rates by the age of the receivable and is adjusted for reasonable expectations of future collection performance, net of estimated recoveries. The Home periodically assesses its methodologies for estimating credit losses in consideration of actual experience, trends, and changes in the overall economic environment.

NOTE I - ALLOWANCE FOR CREDIT LOSSES (Continued)

The Home's accounts receivable and allowance for credit losses were as follows as of December 31, 2023 and 2022:

	2023	2022
Accounts receivable	$ 896,969	$ 635,173
Allowance for credit losses	(20,000)	(25,000)
Accounts receivable, net	$ 876,969	$ 610,173

The following summarizes the activity in the allowance for credit losses for the years ended December 31, 2023 and 2022:

	Accounts Receivable
Allowance for credit losses, December 31, 2021	$ 85,000
Write-offs charged against the allowance	(72,036)
Recoveries collected	920
Provision for expected credit losses	11,116
Allowance for credit losses, December 31, 2022	25,000
Write-offs charged against the allowance	(15,075)
Recoveries collected	-
Provision for expected credit losses	10,075
Allowance for credit losses, December 31, 2023	$ 20,000

NOTE J - PROPERTY AND EQUIPMENT

For the years ended December 31, 2023 and 2022, depreciation and amortization of property and equipment amounted to $140,909 and $134,524, 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.

NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)

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 the program, cost reports are subject to 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 will be audited or if a retroactive rate adjustment would result.

The Home purchases professional and general liability insurance to cover professional liability claims. Through December 31, 2023, the Home was covered by an occurrence-based policy. The Home is not aware of any known claims and incidents; however, there may be claims from unknown incidents, that have been or may be asserted arising from services provided to residents. 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, 2023 and 2022.

NOTE L - LONG-TERM DEBT

At December 31, 2023 and 2022, long-term debt, all of which is payable to the Diocese, consists of the following:

	2023	2022
2.5% unsecured loan payable to the Diocese in monthly payments of $2,619, including interest, through June 2044	$ 508,618	$ 524,031
Less current portion	23,729	18,534
	$ 484,889	$ 505,497

NOTE L - LONG-TERM DEBT (Continued)

The amount of aggregate annual principal installments of long-term debt for each of the five years succeeding December 31, 2023 are as follows:

Year Ending December 31,	
2024	$ 23,729
2025	19,524
2026	20,017
2027	20,524
2028	21,043

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.

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.

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:

	2023	2022
Cash and cash equivalents	$ 16,753	$ -
Patient accounts receivable	876,969	610,173
	$ 893,722	$ 610,173

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, 2023, 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 - SUBSEQUENT EVENTS

The Home has evaluated the impact of all subsequent events through April 29, 2024, 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.