MARIAN MANOR, INC.

TAUNTON, MASSACHUSETTS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

CONTENTS

LIVINGSTON & HAYNES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

WELLESLEY | WARE

40 Grove Street | Wellesley, MA 02482
TEL: 781-237-3339 | FAX: 781-237-3606

Established 1936

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Marian Manor, Inc. ("the Home") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marian Manor, Inc. as of December 31, 2020 and 2019, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

The accompanying financial statements have been prepared assuming that the Home will continue as a going concern. As discussed in Note A to the financial statements, the Home has suffered recurring significant reductions in patient service revenue and adult day care revenue, has a net deficiency in net assets, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are 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.

Livingston + Haynes, P.C.

Wellesley, Massachusetts
May 6, 2021

MARIAN MANOR, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents	$ 1,258,443	$ 53,099
Due from the Diocese	-	50,000
Patient accounts receivable, less allowances for uncollectible accounts of $63,000 and $40,000 at December 31, 2020 and 2019, respectively	1,101,161	1,224,719
Other receivable	60,746	-
Inventories of supplies	22,344	32,451
Prepaid expenses	46,587	50,134
TOTAL CURRENT ASSETS	2,489,281	1,410,403
Property and equipment:		
Land and land improvements	76,872	76,872
Building and building improvements	3,801,887	3,851,481
Equipment	1,250,067	1,245,185
Vehicles	52,000	52,000
Construction in progress	-	725
	5,180,826	5,226,263
Less allowances for depreciation and amortization	4,113,387	4,013,523
	1,067,439	1,212,740
Restricted cash	99,078	36,696
Other assets	482	965
TOTAL ASSETS	$ 3,656,280	$ 2,660,804

LIABILITIES AND NET ASSETS (DEFICIT)

	2020	2019
Accounts payable	$ 441,948	$ 1,618,710
Custodial funds	99,078	36,696
Due to affiliates	3,113,732	3,145,629
Accrued expenses	895,307	668,354
Current portion of long-term debt	18,656	-
TOTAL CURRENT LIABILITIES	4,568,721	5,469,389
Long-term debt, less current portion	558,013	-
TOTAL LIABILITIES	5,126,734	5,469,389
Net assets (deficit) without donor restrictions	(1,470,454)	(2,808,585)
TOTAL NET ASSETS (DEFICIT)	(1,470,454)	(2,808,585)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 3,656,280	$ 2,660,804

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Revenue and other support:		
Patient service revenue (net of contractual allowances and discounts)	$ 8,914,584	$ 8,948,021
Adult day care revenue	236,740	528,372
COVID-19 related relief revenue	1,689,682	-
Payroll Protection Program grant	1,066,876	-
Forgiveness of debt income	119,598	130,620
Interest income	2,406	704
Donations	4,767	3,210
Other	20,422	34,279
TOTAL REVENUE AND OTHER SUPPORT	12,055,075	9,645,206
Expenses:		
Program services:		
Health services	9,598,912	9,409,357
Adult day care	270,173	592,939
TOTAL PROGRAM SERVICES EXPENSES	9,869,085	10,002,296
Supporting services:		
Management and general	847,859	851,151
TOTAL SUPPORTING SERVICES EXPENSES	847,859	851,151
TOTAL EXPENSES	10,716,944	10,853,447
CHANGES IN NET ASSETS (DEFICIT)	1,338,131	(1,208,241)
Net assets (deficit) at beginning of year	(2,808,585)	(1,600,344)
NET ASSETS (DEFICIT) AT END OF YEAR	$ (1,470,454)	$ (2,808,585)

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				
	PROGRAM SERVICES			SUPPORTING SERVICES	
	Health Services	Adult Day Care	Total Program Services	Management and General	Total
Salaries and wages	$ 5,170,191	$ 127,489	$ 5,297,680	$ 278,681	$ 5,576,361
Payroll taxes	425,902	14,732	440,634	22,957	463,591
Employee benefits	610,747	29,852	640,599	32,920	673,519
Office expenses	-	4,810	4,810	77,233	82,043
Travel	-	23,461	23,461	7,936	31,397
Professional fees	-	-	-	24,854	24,854
Provision for bad debts	54,290	-	54,290	-	54,290
Depreciation and amortization	94,493	7,252	101,745	45,966	147,711
Interest	7,252	-	7,252	-	7,252
Advertising	-	1,140	1,140	12,451	13,591
Occupancy	156,558	10,569	167,127	100,400	267,527
Supplies and other	568,883	-	568,883	-	568,883
Purchased services	1,609,229	17,539	1,626,768	13,377	1,640,145
Food	277,923	15,553	293,476	-	293,476
Management fee	-	15,000	15,000	225,400	240,400
User fee	256,168	-	256,168	-	256,168
COVID-19 testing	295,262	-	295,262	-	295,262
Miscellaneous	72,014	2,776	74,790	5,684	80,474
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	$ 9,598,912	$ 270,173	$ 9,869,085	$ 847,859	$ 10,716,944

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019				
	PROGRAM SERVICES			SUPPORTING SERVICES	
	Health Services	Adult Day Care	Total Program Services	Management and General	Total
Salaries and wages	$ 4,789,637	$ 272,558	$ 5,062,195	$ 264,491	$ 5,326,686
Payroll taxes	371,728	21,677	393,405	20,527	413,932
Employee benefits	607,694	46,686	654,380	33,558	687,938
Office expenses	-	4,348	4,348	80,043	84,391
Travel	-	121,059	121,059	6,640	127,699
Professional fees	-	-	-	48,551	48,551
Provision for bad debts	22,891	-	22,891	-	22,891
Depreciation and amortization	97,292	7,252	104,544	53,075	157,619
Interest	-	-	-	-	-
Advertising	-	2,914	2,914	44,660	47,574
Occupancy	162,447	13,557	176,004	104,176	280,180
Supplies and other	478,522	-	478,522	-	478,522
Purchased services	2,271,631	33,123	2,304,754	13,422	2,318,176
Food	298,100	51,208	349,308	-	349,308
Management fee	-	15,000	15,000	174,392	189,392
User fee	282,842	-	282,842	-	282,842
COVID-19 testing	-	-	-	-	-
Miscellaneous	26,573	3,557	30,130	7,616	37,746
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	$ 9,409,357	$ 592,939	$ 10,002,296	$ 851,151	$ 10,853,447

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets (deficit)	$ 1,338,131	$ (1,208,241)
Adjustments to reconcile changes in net assets (deficit) to net cash provided (used) by operating activities:		
Depreciation and amortization	147,711	157,619
Provision for bad debts	54,290	22,891
Forgiveness of debt income	(119,598)	(130,620)
Loss on disposal of property and equipment	45,166	-
(Increase) decrease in:		
Patient accounts receivable	69,268	(193,119)
Other receivable	(60,746)	-
Inventories of supplies	10,107	(15,040)
Prepaid expenses	3,547	(4,231)
Increase (decrease) in:		
Accounts payable	(423,453)	454,912
Due to affiliates	(276,897)	83,371
Accrued expenses and custodial funds	289,335	115,774
TOTAL ADJUSTMENTS	(261,270)	491,557
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,076,861	(716,684)
Cash flows from investing activities:		
Decrease in due from the Diocese	-	50,681
Purchases of property and equipment	(47,093)	(49,953)
Funds paid back by affiliates	-	75,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(47,093)	75,728
Cash flows from financing activities:		
Principal payments of long-term debt	(7,042)	-
Funds advanced from affiliates	245,000	594,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	237,958	594,000
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,267,726	(46,956)
Cash, cash equivalents, and restricted cash at beginning of year	89,795	136,751
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 1,357,521	$ 89,795

See accompanying notes to financial statements.

MARIAN MANOR, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Supplemental disclosures of cash flow information:		
Noncash operating and investing transactions:		
Decrease in due from Diocese used to reduce accounts payable	$ 50,000	$ -
Noncash investing and financing transactions:		
Debt obligations incurred in reduction of accounts payable	$ 583,711	$ -
Cash paid during the year for:		
Income taxes	$ -	$ -
Interest	$ 6,051	$ -

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:

	2020	2019
Cash and cash equivalents	$ 1,258,443	$ 53,099
Restricted cash	99,078	36,696
	$ 1,357,521	$ 89,795

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, 2020, the Home had a decrease in patient service revenue of $33,437, a decrease in adult day care revenue of $291,632, and at December 31, 2020, the Home had a negative working capital of $2,079,440. To date in 2021, the Home has continued to experience a further decrease in patient service revenue and adult day care revenue as well as negative working capital. Whether and when the Home can attain an increase in patient service revenue and adult day care revenue and a positive working capital is uncertain. Management of the Home is developing a plan to increase its patient service revenue through increased marketing efforts. In addition, management has implemented expense controls and has closed down the adult day care program subsequent to year-end in order to save costs. Management believes that this combination of managing expenses and producing additional revenue from increased marketing efforts will maximize the Home's ability to remain in business.

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

Accrual Basis

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

Use of Estimates

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Net assets (deficit), revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets (deficit) 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, 2020 and 2019.

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.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of property and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenue of the net assets (deficit) without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenue of the net assets (deficit) with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Functional Allocation of Expenses

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

The financial statements report certain categories that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, insurance, and occupancy which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

Patient Service Revenue and Adult Day Care Revenue

Patient service revenue is primarily derived from services rendered to patients for inpatient nursing care. Adult day care revenue is primarily derived from services rendered to individuals attending daily sessions at Bethany House. The services provided by the Home have no fixed duration and can be terminated by the individual, 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 and adult day care revenue, the Home identifies the patient's or individual'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 and adult day care revenue is reported at the estimated net realizable amounts that reflects the consideration to which the Home expects to be entitled in exchange for providing individual, resident and patient care. These amounts are due from residents, patients, individuals, third-party payors (including health insurers and government programs), and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue and Adult Day Care Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by the Home. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Home believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to individuals, residents and patients receiving skilled nursing and adult day care services. The Home considers daily services provided to residents of the skilled nursing facility and daily services to the individuals in the adult day care program 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. For adult day care services, the Home measures the performance obligation as adult day care services are provided to the individuals at Bethany House.

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 - Prospective Payment System

Through September 30, 2019, the Home received reimbursement for the care of certain patients under the federally sponsored Medicare prospective payment system ("PPS") through an insurance intermediary. The federal rates utilize facility case-mix resident assessment data, completed by the skilled nursing facility ("SNF"), to assign patients into Resource Utilization Groups ("RUG"). 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.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue and Adult Day Care Revenue (Continued)

Medicare - Prospective Payment System (Continued)

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").

Effective October 1, 2019, the Medicare Reimbursement System underwent a significant change in methodology and implemented a patient driven payment model ("PDPM"). The PDPM payment system operates similar to PPS in that patients are assigned standard rates of payment for their specific needs. Under PDPM, therapy minutes are removed as the primary basis for payment and instead, uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Therapy services to residents not in a covered Part A stay remain the same.

Adult Day Care Services

The Home receives reimbursement for the care of the individuals in the adult day care program. Under the program, the Home receives a per diem amount that combines all components of service costs, both administrative and direct care. The Home is reimbursed based on a base rate according to their payor status (private or Medicaid).

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.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue and Adult Day Care Revenue (Continued)

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 patient 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, 2020 and 2019. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

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

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

For the years ended December 31, 2020 and 2019, the Home recognized revenue of $9,151,324 and $9,476,393, respectively, from goods and services that transfer to the patients or individuals over a period of time.

Cash and Cash Equivalents

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

Restricted Cash

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

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

Inventories of Supplies

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

Property and Equipment

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

The estimated useful lives of these assets are as follows:

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

Other Assets

Other assets are comprised of an external website purchased 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.

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 (2017-2019) or expected to be taken in the Home's 2020 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, 2020 and 2019.

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 or include uninsured investments in money market mutual funds. 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, 2020 and 2019, revenue from the Medicare programs accounted for approximately 22% and 15%, respectively, of the Home's patient service revenue. For the years ended December 31, 2020 and 2019, revenue from Medicaid programs accounted for approximately 58% and 66%, respectively, of the Home's patient service revenue. For the years ended December 31, 2020 and 2019, revenue from Medicaid programs accounted for approximately 53% of the Home's adult day care 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 2020 net patient service revenue decreased $16,364 and 2019 net patient service revenue increased $664 due to prior-year retroactive adjustments in excess of amounts previously estimated.

At December 31, 2019, the Home had funds on deposit with the Roman Catholic Bishop of Fall River ("the Diocese"), a related entity, that were not insured (refer to Note D). Management does not believe there is any risk of loss to these deposits.

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 contribute annually 3% of its December 31, 2015 salaries to the Plan in 12 monthly installments.

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, 2020 and 2019, the Home made pension contributions to the Plan of approximately $129,400. The Home has determined that its contributions represent more than 5% of total contributions to the Plan during the years ended December 31, 2020 and 2019. The Home owes $10,782 and $97,035, respectively, for these contributions at December 31, 2020 and 2019, which are included in accounts payable on the statements of financial position. During 2020, the Diocese forgave $119,598 of the amounts owed to the Diocese for these contributions from 2020 and prior years. This amount is included as revenue in the statements of activities at December 31, 2020. There were no amounts forgiven during the year ended December 31, 2019. 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 G.)

NOTE D - RELATED PARTY TRANSACTIONS

Included in due from the Diocese on the statements of financial position are funds on deposit with the Diocese which totaled $-0- and $50,000 at December 31, 2020 and 2019, respectively. During 2020, the $50,000 was used to pay off old outstanding invoices that the Home owed the Diocese.

During the years ended December 31, 2020 and 2019, the Home purchased accounting and management services in the approximate amounts of $240,400 and $189,400, respectively, from the Diocese's Office of Diocesan Health Facilities ("DHFO"), a related organization. At December 31, 2020 and 2019, the Home owed approximately $-0- and $47,300, respectively, for these services which is included in due to affiliates on the statements of financial position. During 2020 and 2019, DHFO forgave $-0- and $130,620, respectively, of management fees that the Home owed. These amounts are included as revenue in the statements of activities at December 31, 2020 and 2019.

During the years ended December 31, 2020 and 2019, the Home purchased various property and malpractice insurance and medical coverage for its employees in the aggregate amounts of approximately $439,300 and $441,900, respectively, through the Diocese. The Home owed at December 31, 2020 and 2019 approximately $121,800 and $784,600, respectively, for this insurance coverage for the current and prior years, which is included in accounts payable and 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 M for more information on this loan. During the years ended December 31, 2020 and 2019, the Home made principal payments on this loan of $7,042 and $-0-, respectively, and incurred interest expense of $7,252 and $-0-, respectively. At December 31, 2020 and 2019, the Home had accrued interest expense related to these loans of $1,201 and $-0-, respectively. These amounts are included in accrued expenses on the statements of financial position.

The Home is responsible for paying to the Diocese 1% of employees' gross salaries for short-term disability insurance and life insurance. For the years ended December 31, 2020 and 2019, the Home's contributions for short-term disability and life insurance approximated $50,100 and $45,700, respectively. The Home owed approximately $3,700 and $24,000 for these contributions for the years ended December 31, 2020 and 2019, respectively, which is included in accounts payable 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 $55,800 and $67,100 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Home owed $158,716 and $309,318, 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 $2,300 and $6,900 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Home is owed $606 and $10,166, respectively, for these services for the current and prior years, which are included in due to affiliates on the statements of financial position.

NOTE D - RELATED PARTY TRANSACTIONS (Continued)

During the years ended December 31, 2020 and 2019, the Home was loaned $245,000 and $594,000, respectively, to meet its short-term cash needs by its affiliates. During 2020 and 2019, the Home did not make any repayments related to these loans to its affiliates. At December 31, 2020 and 2019, the Home owed $2,937,000 and $2,692,000, respectively, to these affiliates. Currently, there are no repayment terms and the affiliates are not charging interest on the loans. The short-term loans are included in due to affiliates on the statements of financial position.

During prior years, the Home had loaned one of its affiliates monies on a short-term basis to allow this organization to meet its cash needs. During the years ended December 31, 2020 and 2019, the Home did not loan any additional monies to this affiliate. There were no repayment terms and the Home was not charging interest on the loan. During the years ended December 31, 2020 and 2019, the affiliate repaid the Home $-0- and $75,000, respectively, related to this loan. At December 31, 2020 and 2019, the affiliate did not owe any amounts to the Home.

The amounts in due to affiliates at December 31, 2020 and 2019 are as follows:

	2020	2019
Office of Diocesan Health Facilities:		
Services and other	$ 1,745	$ 41,889
Funds advanced to the Home	136,000	136,000
Our Lady's Haven of Fairhaven, Inc.:		
Services and other	(726)	(1,226)
Funds advanced to the Home	75,000	75,000
Sacred Heart Home:		
Services and other	159,659	269,251
Funds advanced to the Home	551,000	551,000
Madonna Manor, Inc.:		
Services and other	-	(1,838)
Funds advanced to the Home	43,000	43,000
Catholic Memorial Home, Inc.:		
Services and other	16,054	145,553
Funds advanced to the Home	2,132,000	1,887,000
	$ 3,113,732	$ 3,145,629

NOTE E - OPERATING LEASES

The Home leases equipment under noncancelable operating leases which expire at various dates through January 2023. For the years ended December 31, 2020 and 2019, rental expense for these operating leases was $6,452 and $6,769, respectively.

NOTE E - OPERATING LEASES (Continued)

The following is a schedule of future minimum lease payments required under the above noncancelable operating leases as of December 31, 2020:

2021	$ 6,294
2022	6,294
2023	524
2024	-
2025	-
	$ 13,112

NOTE F - ADVERTISING COSTS

The Home expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Help wanted advertising	$ 8,831	$ 37,575
Advertising - promotional	4,760	9,999
	$ 13,591	$ 47,574

NOTE G - 403(b) PLAN

On August 1, 2010, the Home joined the Diocesan Separately-Incorporated Entities Voluntary 403(b) 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. During the years ended December 31, 2020 and 2019, the Home incurred administrative costs of $-0- and $1,266, respectively, to the Diocese for administering the Plan. As of December 31, 2020 and 2019, the Home owed the Diocese $-0- and $311, respectively, for these costs. These amounts are included in accounts payable and accrued expenses on the statements of financial position.

NOTE H - ACCRUED EXPENSES

At December 31, 2020 and 2019, accrued expenses consist of:

	2020	2019
Accrued salaries	$ 183,925	$ 162,381
Accrued paid time off	210,067	173,338
Accrued user fee	156,376	203,784
Accrued payroll taxes	13,430	12,981
Accrued insurance	5,893	90,795
Accrued National Government Services accelerated payment	230,520	-
Other accrued expenses	95,096	25,075
	$ 895,307	$ 668,354

During 2020, the Home received from National Government Services an accelerated payment due to COVID-19. The Home is expected to pay this amount back during 2021.

NOTE I - ACCOUNTS RECEIVABLE

At December 31, 2020 and 2019, accounts receivable consists of:

	2020	2019
Private patients	$ 286,521	$ 392,044
Medicare patients	485,266	192,927
Medicaid patients	392,374	679,748
Allowance for uncollectible accounts	(63,000)	(40,000)
	$ 1,101,161	$ 1,224,719

NOTE J - OTHER ASSETS

At December 31, 2020 and 2019, other assets consist of:

	2020	2019
Website costs	$ 1,447	$ 1,447
Less: accumulated amortization of website costs	(965)	(482)
	$ 482	$ 965

NOTE J - OTHER ASSETS (Continued)

During 2019, the Home replaced their website and capitalized $1,447 of new website costs. Amortization expense for the website for the years ended December 31, 2020 and 2019 was $483 and $482, respectively.

Future amortization expense for the years ending December 31 is as follows:

2021	$ 482
2022	-
2023	-
2024	-
2025	-
	$ 482

NOTE K - PROPERTY AND EQUIPMENT

For the years ended December 31, 2020 and 2019, depreciation and amortization of property and equipment amounted to $147,228 and $157,137, respectively.

NOTE L - 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 former employee of the Home had filed an age discrimination claim with the Massachusetts Commission Against Discrimination ("MCAD"). The claim alleges that the Home took several disciplinary actions against the employee, motivated by a discriminatory animus based on her age. The employee also listed in her claim several other employees that she claims were terminated because of their age. The parties filed position statements with the MCAD.

The Home denied that the employee was discriminated against and set out specific explanations for each of the disciplinary actions. The Home also denied that the other employees referenced were terminated because of their age.

A probable cause hearing was held in July of 2018. Additional information was provided to the MCAD investigator as requested after the hearing. The Home was still awaiting a determination by the MCAD investigator of whether there was probable cause for the claim to go forward. The Home denied that it discriminated against the employee or retaliated against her in any way, and had strenuously opposed her complaints. However, the Home negotiated with the employee and in November 2019, the employee agreed to a settlement offer of $25,000. Management negotiated the terms of release and a document was executed in February 2020. There has been no formal dismissal from the MCAD but it is expected this will occur in the future. The $25,000 settlement was covered by the Home's insurer and, therefore, no provision for loss has been made in these financial statements.

NOTE L - 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 this 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. 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 medical malpractice claims. Through December 31, 2020, 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, 2020 and 2019.

NOTE M - 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:

	2020	2019
2.5% unsecured loan payable to the Diocese in monthly payments of $2,619, including interest, through June 2045	$ 576,669	$ -
Less current portion	18,656	-
	$ 558,013	$ -

NOTE M - LONG-TERM DEBT (Continued)

The amount of aggregate annual principal installments of long-term debt for each of the five years succeeding December 31, 2020 are as follows:

Year Ending December 31,	
2021	$ 18,656
2022	17,675
2023	18,122
2024	18,580
2025	19,050

NOTE N - 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 has a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

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

	2020	2019
Cash and cash equivalents	$ 1,258,443	$ 53,099
Due from the Diocese	-	50,000
Patient accounts receivable	1,101,161	1,224,719
Other receivable	60,746	-
	$ 2,420,350	$ 1,327,818

NOTE O - 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, 2022 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. Including accrued interest, the maximum potential amount of future (undiscounted) payments under this guarantee would be $728,343, which is the amount that DHFO has borrowed on the line of credit through December 31, 2020. DHFO is current with its debt payments as of December 31, 2020 and it is not expected that the Homes will need to honor this guarantee. Therefore, no amounts have been accrued on the statements of financial position related to the guarantee.

NOTE P - PAYROLL PROTECTION PROGRAM GRANT

On April 16, 2020, the Home was advanced funds of $1,066,876 under the federal Payroll Protection Program to use to fund payroll, rent, utilities, and interest on existing debt. If the funds are not used for these specified purposes, then the funds become a two-year loan with an interest rate of 1%. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the Payroll Protection Program.

The Home had treated these funds as a conditional governmental grant and had recorded them as a liability and recognized grant revenues once the funds were used for the specified purposes of the grant. As of December 31, 2020, the entire $1,066,876 had been used for those specified purposes and, therefore, the Home recognized the entire $1,066,876 as revenue on the statements of activities. Subsequent to year end, on April 1, 2021, the Home was granted forgiveness for the entire $1,066,876 by the Small Business Administration.

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. Specific to the Home, COVID-19 has had an impact on various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, shortages of health care personnel, and loss of revenue due to reductions in certain revenue streams. Management believes 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, 2020.

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

As described in Note P, on April 1, 2021, the Home received forgiveness on its Payroll Protection Program loan.

On April 1, 2021, Bethany House Adult Day Care Center was officially closed by the Commonwealth of Massachusetts' Division of Health Care Facility Licensure and Certification.

The Home has evaluated the impact of all other subsequent events through May 6, 2021, the date the financial statements were available to be issued, and has determined that there were no other subsequent events requiring adjustment or disclosure in the financial statements.