SACRED HEART HOME

NEW BEDFORD, MASSACHUSETTS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

CONTENTS

LIVINGSTON & HAYNES, P.C.
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Established 1936

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Sacred Heart Home ("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 Sacred Heart Home as of December 31, 2020 and 2019, 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.

Livingston + Haynes, P.C.

Wellesley, Massachusetts
May 6, 2021

SACRED HEART HOME
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents	$ 4,874,801	$ 954,911
Patient accounts receivable, less allowances for uncollectible accounts of $296,000 and $255,000 at December 31, 2020 and 2019, respectively	1,773,985	2,260,520
Other receivable	77,324	-
Interest receivable	598	598
Inventories of supplies	20,410	21,255
Due from affiliates	1,407,755	1,540,342
Prepaid expenses	70,056	71,830
TOTAL CURRENT ASSETS	8,224,929	4,849,456
Property and equipment:		
Land and land improvements	1,162,250	1,259,250
Building and building improvements	6,128,303	6,130,332
Equipment	1,266,893	1,388,610
Vehicles	112,794	89,860
Construction in progress	59,587	725
	8,729,827	8,868,777
Less allowances for depreciation and amortization	6,229,111	6,107,596
	2,500,716	2,761,181
Land, building and equipment held for sale	207,379	-
Restricted cash	115,739	70,933
Investments	976,128	851,296
Other assets	482	965
TOTAL ASSETS	$ 12,025,373	$ 8,533,831

LIABILITIES AND NET ASSETS

	2020	2019
Accounts payable	$ 791,466	$ 2,635,102
Custodial funds	115,739	70,933
Due to affiliates	621,159	837,676
Accrued expenses	1,419,902	868,749
Current portion of long-term debt	25,530	-
TOTAL CURRENT LIABILITIES	2,973,796	4,412,460
Long-term debt, less current portion	763,606	-
TOTAL LIABILITIES	3,737,402	4,412,460
Net assets without donor restrictions	8,287,971	4,121,371
TOTAL NET ASSETS	8,287,971	4,121,371
TOTAL LIABILITIES AND NET ASSETS	$ 12,025,373	$ 8,533,831

See accompanying notes to financial statements.

SACRED HEART HOME
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)	$ 14,569,332	$ 15,520,317
COVID-19 related relief revenue	3,352,924	-
Payroll Protection Program grant	1,812,370	-
Forgiveness of debt income	174,632	-
Investment return, net	132,276	185,634
Donations	7,236	8,981
Other	281,363	292,918
TOTAL REVENUE AND OTHER SUPPORT	20,330,133	16,007,850
Expenses:		
Program services: health services	14,773,744	14,960,065
Supporting services: management and general	1,389,789	1,305,500
TOTAL EXPENSES	16,163,533	16,265,565
CHANGES IN NET ASSETS	4,166,600	(257,715)
Net assets at beginning of year	4,121,371	4,379,086
NET ASSETS AT END OF YEAR	$ 8,287,971	$ 4,121,371

See accompanying notes to financial statements.

SACRED HEART HOME
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	PROGRAM SERVICES	SUPPORT SERVICES	
	Health Services	Management and General	Total
Salaries and wages	$ 8,176,462	$ 481,583	$ 8,658,045
Payroll taxes	770,103	45,358	815,461
Employee benefits	1,025,843	60,421	1,086,264
Office expenses	-	121,108	121,108
Travel	-	47,763	47,763
Professional fees	-	30,582	30,582
Provision for bad debts	142,799	-	142,799
Depreciation and amortization	214,705	43,845	258,550
Interest	9,925	-	9,925
Advertising	-	13,786	13,786
Occupancy	391,559	99,150	490,709
Supplies and other	741,374	-	741,374
Purchased services	2,312,924	26,455	2,339,379
Food	418,039	-	418,039
Management fee	-	417,236	417,236
User fee	38,713	-	38,713
Covid-19 testing	481,043	-	481,043
Miscellaneous	50,255	2,502	52,757
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	$ 14,773,744	$ 1,389,789	$ 16,163,533

See accompanying notes to financial statements.

SACRED HEART HOME
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019		
	PROGRAM SERVICES	SUPPORT SERVICES	
	Health Services	Management and General	Total
Salaries and wages	$ 8,609,299	$ 445,102	$ 9,054,401
Payroll taxes	707,308	36,568	743,876
Employee benefits	1,116,351	57,716	1,174,067
Office expenses	-	126,222	126,222
Travel	-	26,528	26,528
Professional fees	-	77,082	77,082
Provision for bad debts	78,673	-	78,673
Depreciation and amortization	202,516	44,572	247,088
Interest	-	-	-
Advertising	-	25,460	25,460
Occupancy	394,952	100,009	494,961
Supplies and other	719,270	-	719,270
Purchased services	2,563,385	21,582	2,584,967
Food	491,702	-	491,702
Management fee	-	330,575	330,575
User fee	44,953	-	44,953
Covid-19 testing	-	-	-
Miscellaneous	31,656	14,084	45,740
TOTAL EXPENSES AS PRESENTED ON THE STATEMENTS OF ACTIVITIES	$ 14,960,065	$ 1,305,500	$ 16,265,565

See accompanying notes to financial statements.

SACRED HEART HOME
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets	$ 4,166,600	$ (257,715)
Adjustments to reconcile changes in net assets to		
net cash provided by operating activities:		
Depreciation and amortization	258,550	247,088
Loss on disposal of property and equipment	538	12,642
Forgiveness of debt income	(174,632)	-
Amortization of bond premiums	927	2,039
Provision for bad debts	142,799	78,673
Unrealized gains on investments	(90,530)	(150,226)
Realized gains on investments	(26,953)	(22,086)
(Increase) decrease in:		
Patient accounts receivable	343,736	(679,177)
Other receivable	(77,324)	1,100
Interest receivable	-	719
Inventories of supplies	845	529
Due from affiliates	132,587	(37,828)
Prepaid expenses	1,774	(5,774)
Increase (decrease) in:		
Accounts payable	(870,231)	1,499,309
Due to affiliates	22,483	76,031
Accrued expenses and custodial funds	595,959	184,841
TOTAL ADJUSTMENTS	260,528	1,207,880
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,427,128	950,165
Cash flows from investing activities:		
Purchase of investments	(293,328)	(258,956)
Sales and redemption of investments	285,052	521,787
Funds advanced to affiliates	-	(105,000)
Proceeds from sale of property and equipment	450	-
Funds paid back by affiliates	-	166,000
Purchases of property and equipment	(205,969)	(315,843)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(213,795)	7,988
Cash flows from financing activities:		
Principal payments of long-term debt	(9,637)	-
Funds paid back to affiliates	(239,000)	(295,000)
Funds advanced from affiliates	-	95,000
NET CASH USED BY FINANCING ACTIVITIES	(248,637)	(200,000)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	3,964,696	758,153
Cash, cash equivalents, and restricted cash at beginning of year	1,025,844	267,691
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 4,990,540	$ 1,025,844

See accompanying notes to financial statements.

SACRED HEART HOME
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Supplemental disclosures of cash flow information:		
Noncash investing and financing transactions:		
Debt obligations incurred in reduction of accounts payable	$ 798,773	$ -
Cash paid during the year for:		
Income taxes	$ -	$ -
Interest	$ 8,281	$ -

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	$ 4,874,801	$ 954,911
Restricted cash	115,739	70,933
	$ 4,990,540	$ 1,025,844

See accompanying notes to financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Sacred Heart Home (the "Home") is a non-profit corporation founded for the purpose of maintaining and operating a nursing and rehabilitation center for the aged and infirm. The Home is located in New Bedford, Massachusetts and provides services primarily to residents of the region. The significant accounting policies followed by the Home are described below.

Accrual Basis

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

Use of Estimates

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

Basis of Presentation

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

> *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed stipulations.
>
> *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Home had no net assets with donor restrictions at December 31, 2020 and 2019.

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Functional Allocation of Expenses

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

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

Patient Service Revenue

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

Patient service 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 resident and patient care. These amounts are due from residents, patients, third-party payors (including health insurers and government programs), and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations.

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

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

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

Medicaid - Standard Payments to Nursing Facilities

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

Medicare - 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 (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.

Other

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

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Service Revenue (Continued)

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Home estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. See Note B for additional revenue recognized due to changes in its contractual adjustments for the years ended December 31, 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 $14,569,332 and $15,520,317, respectively, from goods and services that transfer to the patients over a period of time.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in bank, and short-term highly liquid investments, with maturities at purchase of less than three months. The cash equivalents, in Note G - Investments, are not considered cash and cash equivalents in the statements of cash flows since these amounts are managed by outside investment advisers and are not considered available for operating cash flows.

Restricted Cash

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

Investments

The Home records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Investment return, net is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities (refer to Note G).

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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

Level 1 - Quoted prices in active markets for identical assets or liabilities. Assets utilizing Level 1 inputs include the Home's publicly-traded equity securities. Valuation of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

Level 2 - Other significant observable inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from independent market sources. These observable inputs may include quoted prices for similar investments, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. Assets utilizing Level 2 inputs include the Home's corporate obligations. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions about the assumptions a market participant would use in pricing an asset or liability based upon the best information available in the circumstances.

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

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

Accounts Receivable

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories of Supplies

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

Property and Equipment

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

The estimated useful lives of these assets are as follows:

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

Land, building and Equipment Held for Sale

The Home has signed a purchase and sale agreement to sell land, a building and the associated equipment that is located in New Bedford. The land, building and equipment held for sale represents the cost of that land, building and equipment.

Other Assets

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

Income Taxes

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

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 17% 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 59% and 60%, 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 2020 net patient service revenue decreased $940 and 2019 net patient service revenue increased $70,272 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 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 $232,800. 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 $19,404 and $135,825, respectively, for these contributions at December 31, 2020 and 2019 which is included in accounts payable on the statements of financial position. During 2020, the Diocese forgave $174,632 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 provided retirement payments to employees on the basis of the credits earned by those participating employees. To the extent that the Plan is underfunded, if at all, future contributions by the Home to the Plan may or may not be affected depending upon how the Plan decides to handle the underfunding. At this time, based on the Home's understanding of the Plan, the Home is not responsible for the underfunded status of the Plan because, presently, the Plan does not require withdrawing participants to pay a withdrawal liability or other penalty. As of January 1, 2017, the Plan included assets equal to 58.1% of the present value of accumulated benefits.

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

NOTE D - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, the Home purchased accounting and management services in the approximate amounts of $417,200 and $330,600, respectively, from the Diocese's Office of Diocesan Health Facilities ("DHFO"), a related organization.

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 $587,200 and $692,400, respectively, through the Diocese. Included in accounts payable and accrued expenses on the statements of financial position are amounts due relating to these insurance policies for the current and prior years of approximately $153,900 and $1,234,500 for the years ended December 31, 2020 and 2019, respectively.

During 2020, the Diocese converted $798,773 of the amounts owed related to these insurance policies into a loan from the Diocese. See Note O for more information on this loan. During 2020, the Home made principal payments on this loan of $9,637 and incurred interest expense of $9,925. At December 31, 2020, the Home had accrued interest expense related to this loan of $1,644. This is 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 $78,200 and $80,800, respectively. The Home owes approximately $5,600 and $35,200 for these contributions for the years ended December 31, 2020 and 2019, respectively, which is included in accounts payable and accrued expenses 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 $184,900 and $183,300 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Home is owed $180,113 and $349,239, respectively, for these services for the current and prior years, which are included in due from affiliates and due to affiliates on the statements of financial position.

Certain personnel employed by related entities performed services for the Home. The applicable salaries and benefits of these employees are reimbursed by the Home. The value of these services approximated $43,700 and $39,200 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Home owed $4,574 and $28,255, respectively, for these services for the current and prior years, which are included in due from affiliates and due to affiliates on the statements of financial position.

During the years ended December 31, 2020 and 2019, the Home was loaned by affiliates $-0- and $95,000, respectively, to meet its short-term cash needs. At December 31, 2020 and 2019, the Home owed $606,000 and $845,000 to these affiliates, respectively. Currently, there are no repayment terms and the affiliates are not charging interest on the loans. During 2020 and 2019, the Home made $239,000 and $295,000, respectively, in repayments on these loans. The short-term loans are included in due from affiliates and 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 loaned $-0- and $105,000, respectively, on a short-term basis to its affiliates to allow these organizations to meet their cash needs. Currently, there are no repayment terms and the Home is not charging interest on the loans. During the years ended December 31, 2020 and 2019, the Home received $-0- and $166,000 in repayments on these loans, respectively. At December 31, 2020 and 2019, the affiliates owed the Home $1,227,000 for these loans. The short-term loans are included in due from affiliates on the statements of financial position.

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

	2020	2019
Madonna, Manor, Inc.:		
Services and other	$ 12,527	$ -
Marian Manor, Inc.:		
Services and other	159,659	269,251
Funds advanced from the Home	551,000	551,000
Our Lady's Haven of Fairhaven, Inc.:		
Services and other	8,569	44,091
Funds advanced from the Home	676,000	676,000
	$ 1,407,755	$ 1,540,342

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

	2020	2019
Catholic Memorial Home, Inc.:		
Services and other	$ 11,697	$ 11,276
Funds advanced to the Home	606,000	606,000
Office of Diocesan Health Facilities:		
Services and other	3,462	(5,689)
Funds advanced to the Home	-	95,000
Madonna Manor, Inc.:		
Services and other	-	(12,911)
Funds advanced to the Home	-	144,000
	$ 621,159	$ 837,676

NOTE E - OPERATING LEASES

The Home leases equipment under noncancelable operating leases which expire at various dates through August 2025. For the years ended December 31, 2020 and 2019, rental expense for these operating leases was $8,403 and $14,613, 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	$ 11,231
2022	9,523
2023	8,120
2024	8,120
2025	5,414
	$ 42,408

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	$ 9,462	$ 19,265
Advertising - promotional	4,324	6,195
	$ 13,786	$ 25,460

NOTE G - INVESTMENTS

Investments, at fair values, are as follows at December 31, 2020 and 2019:

	2020		2019	
	Cost	Market Value	Cost	Market Value
Cash equivalents	$ 75,270	$ 75,270	$ 79,307	$ 79,307
Marketable debt securities	100,960	104,141	101,887	103,317
Marketable equity securities	536,516	796,717	497,250	668,672
	$ 712,746	$ 976,128	$ 678,444	$ 851,296

NOTE G - INVESTMENTS (Continued)

Investment return, net consists of the following at December 31, 2020 and 2019:

	2020	2019
Interest and dividends	$ 22,598	$ 21,489
Realized gains on investments	26,953	22,086
Investment advisory fees	(7,805)	(8,167)
Unrealized gains on investments	90,530	150,226
Investment return, net	$ 132,276	$ 185,634

NOTE H - FAIR VALUE MEASUREMENTS

The following table illustrates the classification of the Home's assets within the fair value hierarchy at December 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 75,270	$ -	$ -	$ 75,270
Marketable debt securities:				
Corporate obligations	-	104,141	-	104,141
Total marketable debt securities	-	104,141	-	104,141
Marketable equity securities:				
Communication services	78,361	-	-	78,361
Consumer discretionary	61,238	-	-	61,238
Consumer staples	39,950	-	-	39,950
Energy	25,937	-	-	25,937
Financials	118,962	-	-	118,962
Health care	65,088	-	-	65,088
Industrials	107,762	-	-	107,762
Information technology	215,248	-	-	215,248
Materials	30,285	-	-	30,285
Real Estate	25,822	-	-	25,822
Utilities	28,064	-	-	28,064
Total marketable equity securities	796,717	-	-	796,717
	$ 871,987	$ 104,141	$ -	$ 976,128

NOTE H - FAIR VALUE MEASUREMENTS (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 79,307	$ -	$ -	$ 79,307
Marketable debt securities:				
Corporate obligations	-	103,317	-	103,317
Total marketable debt securities	-	103,317	-	103,317
Marketable equity securities:				
Communication services	75,966	-	-	75,966
Consumer staples	44,527	-	-	44,527
Consumer discretionary	36,372	-	-	36,372
Energy	20,969	-	-	20,969
Financials	118,938	-	-	118,938
Health care	54,482	-	-	54,482
Industrials	83,206	-	-	83,206
Materials	32,227	-	-	32,227
Information technology	155,769	-	-	155,769
Utilities	16,670	-	-	16,670
REIT's and others	29,546	-	-	29,546
Total marketable equity securities	668,672	-	-	668,672
	$ 747,979	$ 103,317	$ -	$ 851,296

NOTE I - ACCRUED EXPENSES

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

	2020	2019
Accrued salaries	$ 268,530	$ 266,393
Accrued paid time off	344,394	354,002
Accrued user fee	26,718	34,151
Accrued payroll taxes	19,970	21,641
Accrued insurance	11,921	169,697
Accrued National Government Services accelerated payment	644,513	-
Other accrued expenses	103,856	22,865
	$ 1,419,902	$ 868,749

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 in 2021.

NOTE J - 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 paid the Diocese administrative costs of $-0- and $2,654, respectively, for administering the Plan. As of December 31, 2020 and 2019, the Home owed the Diocese $-0- and $1,350, respectively, for these costs. These amounts are included in accounts payable and accrued expenses on the statements of financial position.

NOTE K - ACCOUNTS RECEIVABLE

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

	2020	2019
Private patients	$ 947,114	$ 1,043,430
Medicare patients	427,325	289,077
Medicaid patients	695,546	1,183,013
Allowance for uncollectible accounts	(296,000)	(255,000)
	$ 1,773,985	$ 2,260,520

NOTE L - 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

During 2019, the Home 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.

NOTE L - OTHER ASSETS (Continued)

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

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

NOTE M - PROPERTY AND EQUIPMENT

For the years ended December 31, 2020 and 2019, depreciation and amortization of property and equipment amounted to $258,067 and $246,606, respectively.

In November 2020, the Home signed a purchase and sale agreement to sell land, a building and associated equipment located in New Bedford for $315,000. At December 31, 2020, the transaction had not yet closed and the land, building and equipment were listed on the statements of financial position as land, building and equipment held for sale and had a balance of $207,379 at December 31, 2020.

NOTE N - COMMITMENTS AND CONTINGENCIES

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

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

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

A significant portion of the Home's revenues are derived from services under the Medicare program (see Note B). Under this program, 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.

NOTE N - COMMITMENTS AND CONTINGENCIES (Continued)

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 O - 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 $3,583, including interest, through June 2045	$ 789,136	$ -
Less current portion	25,530	-
	$ 763,606	$ -

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	$ 25,530
2022	24,187
2023	24,799
2024	25,426
2025	26,069

NOTE P - LIQUIDITY AND AVAILABILITY

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

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

NOTE P - LIQUIDITY AND AVAILABILITY (Continued)

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:

	2020	2019
Cash and cash equivalents	$ 4,874,801	$ 954,911
Investments	976,128	851,296
Patient accounts receivable	1,773,985	2,260,520
Other receivable	77,324	-
Due from affiliates	1,407,755	1,540,342
	$ 9,109,993	$ 5,607,069

NOTE Q - 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 R - PAYROLL PROTECTION PROGRAM GRANT

On April 16, 2020, the Home was advanced funds of $1,812,370 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 $1,812,370 had been used for those specified purposes and, therefore, the Home recognized the entire $1,812,370 as revenue on the statements of activities. Subsequent to year end, on January 6, 2021, the Home was granted forgiveness for the entire $1,812,370 by the Small Business Administration.

NOTE S - 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 T - 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 U - SUBSEQUENT EVENTS

As described in Note R, on January 6, 2021, the Home received forgiveness on its Payroll Protection Program loan.

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.