**NEW COMMUNITY HEALTH CARE, INC**
**(A Nonprofit Organization)**
**Financial Statements**
**December 31, 2022 and 2021**
**With Independent Auditor's Report**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
New Community Health Care, Inc.:

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of New Community Health Care, Inc. (the "Organization") (a Nonprofit Organization), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities and changes in net deficiency, cash flows and functional expenses for the years then ended and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New Community Health Care, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Notes 2 and 6, the Organization adopted Accounting Standards Codification 842, *Leases.* Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

WithumSmith+Brown, PC

September 15, 2023

**New Community Health Care, Inc.**
**Statements of Financial Position**
**December 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 352,214 | $ 390,212 |
| Patient services receivable, net of allowances of approximately $946,000 and $788,000 in 2022 and 2021, respectively | 935,365 | 891,708 |
| Funds held for patient needs | 31,992 | 31,607 |
| Prepaid expenses and other current assets | 66,909 | 72,769 |
| Total current assets | 1,386,480 | 1,386,296 |
| Property and equipment, net | 149,041 | 98,010 |
| Right-of-use assets - operating, net | 1,158,172 | - |
| Due from affiliate | 333,691 | 333,691 |
| | $ 3,027,384 | $ 1,817,997 |
| **Liabilities and Net Deficiency** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 1,837,259 | $ 1,332,254 |
| Funds held for patient needs | 30,010 | 31,607 |
| Current portion of lease liabilities - operating | 992,073 | - |
| Due to affiliates, current portion | 150,000 | 150,000 |
| Medicare payable | 42,485 | 66,417 |
| Total current liabilities | 3,051,827 | 1,580,278 |
| Medicare payable, net of current portion | - | 43,038 |
| Lease liabilities - operating, net of current portion | 166,099 | - |
| Due to affiliates, net of current portion | 5,637,061 | 4,893,190 |
| Total liabilities | 8,854,987 | 6,516,506 |
| Net deficiency without donor restrictions | (5,827,603) | (4,698,509) |
| | $ 3,027,384 | $ 1,817,997 |

The Notes to Financial Statements are an integral part of these statements.

**New Community Health Care, Inc.**
**Statements of Activities and Changes in Net Deficiency**
**Years Ended December 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| **Revenues** | | |
| Net patient service revenue | | |
| Medicaid | $ 7,811,975 | $ 6,978,415 |
| Medicare | 230,664 | 448,237 |
| Hospice | 271,358 | 381,658 |
| Patient | 518,620 | 404,756 |
| | 8,832,617 | 8,213,066 |
| Paycheck protection program loan forgiveness | - | 1,156,063 |
| Provider relief funds | 173,501 | 415,699 |
| Shared savings and other | 567,071 | 424,816 |
| | 9,573,189 | 10,209,644 |
| **Operating expenses** | | |
| Program | 9,344,997 | 8,440,212 |
| General and administrative | 1,357,286 | 1,321,882 |
| | 10,702,283 | 9,762,094 |
| **Changes in net deficiency without restrictions** | (1,129,094) | 447,550 |
| **Net deficiency without restrictions** | | |
| Beginning of year | (4,698,509) | (5,146,059) |
| End of year | $ (5,827,603) | $ (4,698,509) |

The Notes to Financial Statements are an integral part of these statements.

**New Community Health Care, Inc.**
**Statements of Cash Flows**
**Years Ended December 31, 2022 and 2021**

| | 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| Changes in net deficiency without restrictions | $ (1,129,094) | $ 447,550 |
| Adjustments to reconcile changes in net deficiency without restrictions to net cash used in operating activities | | |
| Depreciation and amortization | 52,511 | 62,948 |
| Amortization of right-of-use assets - operating | 984,367 | - |
| Gain on disposal of property and equipment | (15,725) | - |
| Paycheck protection program loan forgiveness | - | (1,156,063) |
| Changes in operating assets and liabilities | | |
| Patient services receivable | (43,657) | (73,299) |
| Prepaid expenses and other current assets | 5,860 | (20,423) |
| Funds held for patient needs | (1,597) | (80,583) |
| Accounts payable and accrued expenses | 505,005 | 505,037 |
| Lease liabilities - operating | (984,367) | - |
| Medicare payable | (66,970) | (88,153) |
| Net cash used in operating activities | (693,667) | (402,986) |
| **Investing activities** | | |
| Proceeds from sale of automobiles | 17,638 | - |
| Purchase of property and equipment | (105,455) | (16,935) |
| Net cash used in investing activities | (87,817) | (16,935) |
| **Financing activities** | | |
| Change in due to/from affiliates | 743,871 | (500,878) |
| Net cash provided by (used in) financing activities | 743,871 | (500,878) |
| Net change in cash and restricted cash | (37,613) | (920,799) |
| **Cash and restricted cash** | | |
| Beginning of year | 421,819 | 1,342,618 |
| End of year | $ 384,206 | $ 421,819 |
| **Supplemental disclosure of cash flow information** | | |
| Initial adoption of Topic 842 | | |
| Increases to | | |
| Right-of-use assets - operating | $ 2,142,539 | $ - |
| Lease liabilities - operating | (2,142,539) | - |
| | $ - | $ - |
| **Reconciliation of cash and restricted cash to the statements of financial position** | | |
| Statements of financial position presentation | | |
| Cash | $ 352,214 | $ 390,212 |
| Funds held for patient needs | 31,992 | 31,607 |
| Total cash and restricted cash per statements of cash flows | $ 384,206 | $ 421,819 |

The Notes to Financial Statements are an integral part of these statements.

## New Community Health Care, Inc.
## Statements of Functional Expenses
## Years Ended December 31, 2022 and 2021

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Program | General and Administrative | Total | Program | General and Administrative | Total |
| Personnel costs | $ 6,315,301 | $ 597,271 | $ 6,912,572 | $ 5,486,957 | $ 607,753 | $ 6,094,710 |
| Rent | 899,771 | 99,974 | 999,745 | 900,104 | 100,012 | 1,000,116 |
| Insurance | 287,566 | 31,952 | 319,518 | 248,655 | 27,628 | 276,283 |
| Professional fees | - | 167,067 | 167,067 | - | 145,719 | 145,719 |
| Utilities | 186,294 | 20,699 | 206,993 | 169,269 | 18,808 | 188,077 |
| Management fees | - | 150,000 | 150,000 | - | 150,000 | 150,000 |
| Maintenance and repairs | 116,276 | 12,920 | 129,196 | 132,280 | 14,698 | 146,978 |
| Security | 304,772 | 33,863 | 338,635 | 296,518 | 32,946 | 329,464 |
| Interest | - | 455 | 455 | - | 173 | 173 |
| Depreciation and amortization | 47,260 | 5,251 | 52,511 | 56,653 | 6,295 | 62,948 |
| Inspection fees | 7,134 | - | 7,134 | 4,531 | - | 4,531 |
| Medical supplies and other | 769,932 | - | 769,932 | 753,439 | - | 753,439 |
| Office expense | - | 99,589 | 99,589 | - | 102,184 | 102,184 |
| Patient meals and travel | 410,379 | - | 410,379 | 391,806 | - | 391,806 |
| Computer charges | - | 97,379 | 97,379 | - | 95,026 | 95,026 |
| Tuition refunds | 312 | - | 312 | - | - | - |
| Miscellaneous administrative | - | 40,866 | 40,866 | - | 20,640 | 20,640 |
| | $ 9,344,997 | $ 1,357,286 | $ 10,702,283 | $ 8,440,212 | $ 1,321,882 | $ 9,762,094 |

The Notes to Financial Statements are an integral part of these statements.

## 1. NATURE OF THE ORGANIZATION

New Community Health Care, Inc. (the "Organization") was incorporated in the State of New Jersey in 1983 to oversee the operations of a 180-bed extended health care facility located in Newark, New Jersey, and began operations in January 1986. The Organization's medical professionals are committed to delivering the highest quality of care with compassion. In addition to operating the 180-bed facility, the Organization provides additional services which include customized care by a multidisciplinary team, specialized care and structured activities for Alzheimer's/Dementia residents, an Alzheimer's/Dementia support group, psychological and psychiatric services, wound care, nephrology, access to primary care physicians including geriatricians, administration and management of medications, specialized dietary plans directed by physicians and registered dieticians, rehabilitation services, physical, occupational, speech and audiology therapies, dentistry, podiatry, ophthalmology and audiology.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America.

The classification of the Organization's net assets and its revenues, gains and expenses is based on the existence or absence of donor or other imposed restrictions as follows:

**Net assets (deficiencies) without donor restrictions:** Net assets (deficiencies) that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets (deficiencies) may be used at the discretion of the Organization's management and the board of directors.

**Net assets (deficiencies) with donor restrictions:** Net assets (deficiencies) subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net deficiency.

There are no net assets (deficiencies) with donor restrictions as of December 31, 2022 and 2021.

### Functional Expenses

The costs of providing the Organization's program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Costs that are directly related to a specific program or general and administrative are directly charged to their functional category. Certain costs have been allocated among the program and supporting services based on a percentage of use determined by management to reflect the benefit received. The percentage of use is primarily determined by cost allocation techniques such as time and effort and square footage.

**Patient Services Receivable**

The collection of receivables from third-party payors and patients is the Organization's primary source of cash for operations and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts and patient accounts for which the primary insurance payor has paid, but patient responsibility amounts (deductibles and copayments) remain outstanding. Patient receivables from third-party payors are carried at a net amount determined by the original charge for the service provided, less an estimate made for explicit price concessions provided to third-party payors. Receivables due directly from patients are carried at the original charge for the service provided less discounts provided under the Organization's charity care policy; less amounts covered by third-party payors taking into consideration the patient's ability to pay based on historical experience.

Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts and subsequently each patient's ability to pay. For patient services receivable associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts. For receivables associated with self-pay patients, including patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Organization adjusts for implicit price concessions in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates, if negotiated, and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against patient service revenue.

**Net Patient Service Revenue**

The Organization receives reimbursements for services rendered to qualified patients from the Division of Medical Assistance and Health Services of the Department of Human Services of the State of New Jersey (Medicaid and Medicare). The Organization received on average approximately 84% and 73% of its gross revenues for the years ended December 31, 2022 and 2021, respectively, from the aforementioned federal and state agencies. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include predetermined fee schedules and discounted charges. Service fees are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors, which are subject to audit by administrating agencies. These adjustments are accrued on an estimated basis and are adjusted in future periods as final settlements are determined.

The Organization recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided or on the basis of discounted rates if negotiated or provided by policy. On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable to pay for the services provided. Thus, the Organization records a significant adjustment to revenue for implicit price concessions related to uninsured patients in the period the services are provided.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured or underinsured patients financial assistance, by either policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any explicit price concession, financial assistance and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

The Organization provides care to certain patients under Medicaid and Medicare payment arrangements. Laws and regulations governing the Medicaid and Medicare programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

**Property and Equipment**
The Organization provides depreciation and amortization on leasehold improvements and furniture, fixtures and equipment and vehicles using the straight-line method over the following estimated useful lives of the assets as follows:

| Description | Estimated Life (Years) |
|---|---|
| Leasehold improvements | * |
| Furniture, fixtures and equipment | 5 - 10 |
| Vehicles | 3 - 10 |

* Estimated useful life of the assets or life of lease, whichever is shorter.

When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend the useful lives are capitalized.

**Valuation of Long-Lived Assets**
In accordance with the accounting standards related to impairment or disposal of long-lived assets, the Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Management has determined that no impairment was necessary for the periods presented in these financial statements.

**Income Taxes**
The Organization is exempt from federal income taxes as an organization described under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization is also exempt from state income taxes. Accordingly, no provision for income taxes has been recorded in these financial statements. The Organization had no unrecognized tax benefits at December 31, 2022 and 2021 and has incurred no interest or penalties related to income taxes for the periods presented in the financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Significant estimates included in these financial statements include management's best estimate of the valuation allowance which offsets patient services receivable.

**Advertising**

Advertising is expensed as incurred and approximated $8,400 and $2,600 for the years ended December 31, 2022 and 2021, respectively.

**Concentration of Credit Risk**

The Organization has significant cash balances at financial institutions which throughout the year may exceed the federally insured limit of $250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

**Concentration of Labor**

The Organization has certain employees (service and maintenance employees, patient activities assistants, certified nursing assistants and licensed practical nurses) that are covered by a collective bargaining agreement with a union covering the period March 26, 2017 through March 25, 2020. On May 27, 2022, a memorandum of understanding was executed, where both parties operate under the new terms covering the period May 29, 2022 through May 28, 2025.

As of December 31, 2022, approximately 66% of the employees are covered under the collective bargaining agreement.

**Accounting Pronouncements Adopted in the Current Year**

*Leases*

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for one of the Organization's lease obligations. The Organization adopted the new standard effective January 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs.

Upon adoption, the Organization recognized approximately $2,143,000 in right-of-use ("ROU") assets related to its leased property. Corresponding lease liabilities of approximately $2,143,000 were also recognized. There was no cumulative effect of applying the new standard, and accordingly, there was no adjustment to retained earnings upon adoption.

## 3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, the Organization's liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

| | 2022 | 2021 |
|---|---|---|
| Financial assets | | |
| Cash | $ 352,214 | $ 390,212 |
| Patient services receivable, net | 935,365 | 891,708 |
| Funds held for patient needs | 31,992 | 31,607 |
| | 1,319,571 | 1,313,527 |
| Less: Amounts not available to be used within one year or subject to restriction | | |
| Funds held for patient needs | (30,010) | (31,607) |
| Financial assets available to meet general expenditures over the next 12 months | $ 1,289,561 | $ 1,281,920 |

The Organization regularly monitors liquidity required to meets its operating needs and commitments. The Organization is dependent upon the continued financial support of New Community Corporation ("NCC") through its favorable credit terms and willingness to provide working capital, as necessary.

## 4. PROPERTY AND EQUIPMENT

As of December 31, property and equipment are summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| Leasehold improvements | $ 470,860 | $ 470,860 |
| Furniture, fixtures and equipment | 1,287,475 | 1,182,020 |
| Vehicles | 55,852 | 74,968 |
| | 1,814,187 | 1,727,848 |
| Less: Accumulated depreciation and amortization | 1,665,146 | 1,629,838 |
| Property and equipment, net | $ 149,041 | $ 98,010 |

Depreciation and amortization expense included as a charge to support and revenues amounted to $52,511 and $62,948 in 2022 and 2021, respectively.

## 5. PATIENT SERVICES RECEIVABLE, NET

Patient services receivable, net consist of the following at December 31:

| | 2022 | 2021 |
|---|---|---|
| Medicaid | $ 1,339,152 | $ 1,257,759 |
| Medicare | 115,853 | 67,172 |
| Private patients | 323,924 | 264,542 |
| Hospice | 102,480 | 89,797 |
| | 1,881,409 | 1,679,270 |
| Less: Allowance for doubtful accounts | 946,044 | 787,562 |
| | $ 935,365 | $ 891,708 |

## 6. RELATED PARTY TRANSACTIONS

**Relationships**
The Organization is related to NCC, New Community Urban Renewal Corporation ("NCURC"), New Community Harmony House Corp. ("NCHH") and other affiliates through common management, administrative staff and board members.

**Transactions**
The following is a summary of expense transactions charged by affiliates for the years ended December 31:

| **NCURC** | 2022 | 2021 |
|---|---|---|
| Rent | $ 996,917 | $ 996,917 |

| | 2022 | 2021 |
|---|---|---|
| **NCC** | | |
| Management fee | $ 150,000 | $ 150,000 |
| Security contract | 338,635 | 329,464 |
| Insurance | 91,916 | 102,116 |
| Computer | 35,837 | 35,837 |
| Repairs and maintenance | 22,563 | 7,280 |
| | $ 638,951 | $ 624,697 |

NCURC has title to the land and facilities operated by the Organization. In March 1984, NCURC leased the facilities to the Organization for forty years. Charges for rent are based on the cash requirements of NCURC and shall be sufficient to pay amounts due under the mortgages payable as well as all fees and other charges.

The following is a summary of income transactions charged to affiliates for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| **NCHH** | | |
| Rental income (1) | $ 83,400 | $ 83,400 |
| **Other affiliates** | | |
| Rental income (1) | $ 52,600 | $ 52,600 |

The Organization rents certain common areas to NCHH as a tenant at will.

(1) The rental income amounts for both years have been included in other income.

**Amounts Due**

Amounts due from affiliate as of December 31 consist of:

| | 2022 | 2021 |
|---|---|---|
| New Community Harmony House Corporation (b) | $ 333,691 | $ 333,691 |

Amounts due to affiliates as of December 31 consist of:

| | 2022 | 2021 |
|---|---|---|
| New Community Urban Renewal Corporation (a) | $ 1,871,220 | $ 2,021,633 |
| New Community Corporation (b) | 3,915,841 | 3,021,557 |
| | $ 5,787,061 | $ 5,043,190 |

(a) Amounts due to NCURC are unsecured and non-interest bearing and are required to be repaid at a rate of no less than $150,000 per year.

(b) Amounts due from (to) related parties are noninterest bearing and not subject to a definitive repayment schedule. Accordingly, the balances have been classified as noncurrent in the statements of financial position.

**Economic Dependency**

The Organization is dependent upon the continued financial support of NCC through its debt financing, favorable credit terms and willingness to provide working capital, as necessary.

## 7. MEDICAL MALPRACTICE INSURANCE

The Organization has medical malpractice insurance coverage on an occurrence basis underwritten by a commercial insurance company. At December 31, 2022, primary coverage is $1,000,000 per occurrence and $3,000,000 in the aggregate. In addition, the Organization has an umbrella policy for $3,000,000.

## 8. PATIENT SERVICE REVENUE

Net patient service revenue disaggregated by payor is as follows for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| Medicaid | $ 7,811,975 | $ 6,978,415 |
| Medicare | 230,664 | 448,237 |
| Private patients | 518,620 | 404,756 |
| Hospice | 271,358 | 381,658 |
| | $ 8,832,617 | $ 8,213,066 |

## 9. RIGHT OF USE ASSETS/LEASE LIABILITIES

The Organization leases land and its facility from NCURC under a 40-year lease expiring on February 29, 2024 currently requiring monthly payments of $83,076. Charges for rent are based on the cash requirements of NCURC and shall be sufficient to pay amounts due under the mortgages payable as well as all fees and other charges.

The Organization utilized the risk-free rates for 2022 as published by the US Department of Treasury as the discount rate in computing the net present value of its required future lease payments. The weighted average discount rate used in estimating the net present value of the operating lease is 0.78%. The weighted average remaining lease term is 1.17. The lease will expire on February 28, 2024.

Lease expense amounted to $996,917 for each of the years ended December 31, 2022 and 2021,

The classifications of lease liabilities are summarized as follows on December 31:

| | 2022 | 2021 |
|---|---|---|
| Current | $ 992,073 | $ - |
| Non-current | 166,099 | - |
| | $ 1,158,172 | $ - |

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2022:

| | |
|---|---|
| 2023 | $ 996,917 |
| 2024 | 166,153 |
| Gross payments due | 1,163,070 |
| Less: Discount to net present value | (4,898) |
| | $ 1,158,172 |

The minimum rental commitments related non-cancelable leases previously reported in the 2021 financial statements as required by ASC Topic 840 are as follows:

| | |
|---|---|
| 2022 | $ 996,917 |
| 2023 | 996,917 |
| 2024 | 166,153 |
| | $ 2,159,987 |

## 10. CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY ACT

**Paycheck Protection Program Loan**

On April 20, 2020, the Organization received a loan from a financial institution through the Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the amount of $1,156,063. The loan may be forgiven upon a review by the financial institution of the Organization's use of the loan proceeds in accordance with the CARES Act. If the financial institution determines that the criteria for debt forgiveness has not been met, the loan matures two years from the date of the loan and interest accrues at 1% per year. Any such debt forgiveness would be recognized at the time that the financial institution completed the aforementioned review and approved the forgiveness of the loan. During the year ended December 31, 2021, the Organization was informed that its application for forgiveness of $1,156,063 of the PPP loan was approved. Accordingly, the Organization has recorded it as forgiveness of debt in 2021.

**Accelerated and Advance Payment Program**

During 2020, the Organization's request for accelerated and advance payment for Medicare providers and supplies was approved in the amount of approximately $197,608. The Organization has one year from receipt of the advance before recoupment begins. Medicare will begin recoupment by withholding payment from every remittance advice ("RA") up to 25% of the full RA amount for 11 months or until the balance is repaid. If a balance remains after 11 months, Medicare will withhold payment up to 50% of the full RA for six more months as needed. If there is still a remaining open balance, the Medicare administrative contractor will send a request for repayment.

As of December 31, 2022, the remaining Medicare liability for the accelerated and advance payment program of $42,485 was current and fully paid during 2023.

**CARES Act Provider Relief Fund**

During 2021 and 2020, the Organization received stimulus payments from the U.S. Department of Health and Human Services CARES Act Provider Relief Fund ("PRF") totaling $589,200 and $1,070,293, respectively. The stimulus payments were appropriated to reimburse eligible health care providers for health care-related expenses or lost revenues attributable to the 2019 novel coronavirus ("COVID-19"). PRF payments are not loans and, therefore, are not subject to repayment. As a condition of receiving distributions, providers must agree to certain terms and conditions.

Because PRF payments are conditioned upon having incurred health care-related expenses or lost revenues that are attributable to COVID-19, and because noncompliance with the terms and conditions is grounds for recoupment by the US Department of Health and Human Services of some or all of the payments, PRF payments are recorded as conditional contributions. Contribution revenue is recognized to the extent that health care-related expenses or lost revenues have been incurred and not reimbursed from other sources. Accordingly, the Organization recognized PRF grant revenue in the amount of $173,501 and $415,699 for the years ended December 31, 2022 and 2021, respectively, in the statements of activities and changes in net deficiency. Deferred PRF grant revenue amounted to $-0- and $173,501 as of December 31, 2022 and 2021, respectively, and are recorded under the accounts payable and accrued expenses account in the statements of financial position.

## 11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of September 15, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.