

Audited Financial Statements

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.

August 31, 2022 and 2021

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B BETRO AND COMPANY, P.C.

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INDEPENDENT AUDITORS' REPORT

February 15, 2023

Trustees of The King's Daughters and Sons
Home for the Aged in Norfolk County, Inc.
Wrentham, MA 02093

Opinion

We have audited the accompanying financial statements of The King's Daughters and Sons Home for the Aged in Norfolk County, Inc. (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of The King's Daughters and Sons Home for the Aged in Norfolk County, Inc. as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The King's Daughters and Sons Home for the Aged in Norfolk County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The King's Daughters and Sons Home for the Aged in Norfolk County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The King's Daughters and sons Home for the Aged in Norfolk County, Inc.'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 Kings Daughters and Sones Home for the Aged in Norfolk County, Inc.'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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Operating Expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BETRO AND COMPANY, P.C.
Certified Public Accountants

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 543,460	\$ 887,362
Accounts receivable	118,679	47,682
Investments	7,458,489	8,182,428
Due from affiliate	26,037	25,368
Prepaid expenses	113,404	51,378
Total current assets	<u>8,260,069</u>	<u>9,194,218</u>
 PROPERTY, PLANT AND EQUIPMENT		
Land	22,061	22,061
Building and improvements	7,932,229	7,708,949
Furniture and fixtures	864,621	843,749
Vehicles	51,242	51,242
	<u>8,870,153</u>	<u>8,626,001</u>
Less: accumulated depreciation	<u>6,322,937</u>	<u>5,995,242</u>
Total property, plant and equipment	<u>2,547,216</u>	<u>2,630,759</u>
 Total assets	\$ <u>10,807,285</u>	\$ <u>11,824,977</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 117,608	\$ 140,059
Resident payments received in advance	90,172	140,054
Total current liabilities	<u>207,780</u>	<u>280,113</u>
 Total liabilities	<u>207,780</u>	<u>280,113</u>
 NET ASSETS		
Without donor restrictions	10,581,802	11,517,204
With donor restrictions	17,703	27,660
Total net assets	<u>10,599,505</u>	<u>11,544,864</u>
 Total liabilities and net assets	\$ <u>10,807,285</u>	\$ <u>11,824,977</u>

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and gains:		
Occupancy revenues, net of vacancies of \$26,299 and \$166,834	\$ 3,339,110	\$ 3,140,181
Administrative fees	37,500	32,500
Supplemental and off site service income	129,211	474,888
Dividend and interest	197,588	170,512
Net realized gain on sales of securities	435,048	521,317
Net unrealized gains on securities	-	927,282
Donations	3,175	13,828
Total revenues and gains	<u>4,141,632</u>	<u>5,280,508</u>
Net assets released from restrictions		
Restrictions satisfied by payments	<u>15,007</u>	<u>2,568</u>
Total revenues, gains and other support	<u>4,156,639</u>	<u>5,283,076</u>
Expenses and losses:		
Operating expenses	3,270,530	3,061,529
Depreciation	327,695	323,119
Net unrealized loss on securities	1,349,044	-
Concessions	102,881	178,146
Investment fees	41,891	39,609
Total expenses and losses	<u>5,092,041</u>	<u>3,602,403</u>
Increase (decrease) in net assets without restrictions	<u>(935,402)</u>	<u>1,680,673</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Restrictions satisfied by payments	(15,007)	(2,568)
Donations	<u>5,050</u>	<u>3,687</u>
Increase (decrease) in net assets with restrictions	<u>(9,957)</u>	<u>1,119</u>
INCREASE (DECREASE) IN NET ASSETS	(945,359)	1,681,792
NET ASSETS, beginning of year	<u>11,544,864</u>	<u>9,863,072</u>
NET ASSETS, end of year	\$ <u>10,599,505</u>	\$ <u>11,544,864</u>

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS AND SONS HOME FOR THE AGED IN NORFOLK COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Program Services	Management and General	Fund- raising	Total
PAYROLL TAXES AND RELATED BENEFITS				
Employees health and dental insurance	\$ 137,083	\$ -	\$ -	\$ 137,083
Payroll taxes	149,068	-	-	149,068
Retirement plan contributions	32,291	-	-	32,291
TOTAL PAYROLL TAXES AND RELATED BENEFITS	318,442	-	-	318,442
ADMINISTRATION, OFFICE, AND DEPRECIATION				
Management fee	-	192,185	-	192,185
Administrator	-	119,493	-	119,493
Administrative payroll	-	105,849	-	105,849
Advertising and promotion	-	24,982	573	25,555
Office expenses	-	756	-	756
Professional fees	-	14,750	-	14,750
Recruitment	-	19,513	-	19,513
Payroll processing	-	24,391	-	24,391
Telephone	-	8,981	-	8,981
Legal fees	-	689	-	689
Education and training	-	4,443	-	4,443
Postage	-	1,277	-	1,277
Dues and subscriptions	-	6,796	-	6,796
Investment fees	-	41,891	-	41,891
Consulting fees	-	13,581	-	13,581
Repairs and maintenance - office equipment	-	1,018	-	1,018
Depreciation	327,695	-	-	327,695
Bad debt expense	-	5,630	-	5,630
Bank charges	-	371	-	371
TOTAL ADMINISTRATION, OFFICE, AND DEPRECIATION	327,695	586,596	573	914,864
OPERATING AND MAINTENANCE				
Contract repairs	150,640	-	-	150,640
Janitor and maintenance payroll	69,656	-	-	69,656
Miscellaneous repairs and maintenance	15,661	-	-	15,661
Grounds expense	15,639	-	-	15,639
Snow removal	13,171	-	-	13,171
Maintenance supplies	9,055	-	-	9,055
Cleaning supplies	11,798	-	-	11,798
Trash removal	4,779	-	-	4,779
HVAC repairs and maintenance	4,791	-	-	4,791
Decorating supplies	3,627	-	-	3,627
TOTAL OPERATING AND MAINTENANCE	298,817	-	-	298,817
UTILITIES				
Electricity	69,677	-	-	69,677
Gas	21,307	-	-	21,307
Sewage treatment	19,483	-	-	19,483
Water and sewer	12,028	-	-	12,028
TOTAL UTILITIES	122,495	-	-	122,495
TAXES AND INSURANCE				
Real estate taxes	38,729	-	-	38,729
Insurance	64,417	-	-	64,417
Miscellaneous taxes and permits	12,254	-	-	12,254
TOTAL TAXES AND INSURANCE	115,400	-	-	115,400
SOCIAL SERVICES				
Social worker wages	12,549	-	-	12,549
TOTAL SOCIAL SERVICES	12,549	-	-	12,549
MEDICAL SERVICES				
Nurses wages	1,269,143	-	-	1,269,143
Medical supplies	41,529	-	-	41,529
Physician expense	6,000	-	-	6,000
Compliance costs	(37,881)	-	-	(37,881)
TOTAL MEDICAL SERVICES	1,278,791	-	-	1,278,791
DIETARY				
Dietary wages	309,819	-	-	309,819
Food	127,022	-	-	127,022
Dietary supplies and expenses	23,407	-	-	23,407
TOTAL DIETARY	460,248	-	-	460,248
ACTIVITIES				
Activities wages	75,403	-	-	75,403
Activities expenses	20,247	-	-	20,247
Automobile expense	9,022	-	-	9,022
Therapeutic animal expense	346	-	-	346
TOTAL ACTIVITIES	105,018	-	-	105,018
PERSONAL SERVICES				
Hairdresser	11,949	-	-	11,949
Laundry	1,543	-	-	1,543
TOTAL PERSONAL SERVICES	13,492	-	-	13,492
CONCESSIONS				
Concessions	102,881	-	-	102,881
TOTAL CONCESSIONS	102,881	-	-	102,881
TOTAL FUNCTIONAL EXPENSES	\$ 3,155,828	\$ 586,596	\$ 573	\$ 3,742,997

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS AND SONS HOME FOR THE AGED IN NORFOLK COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services	Management and General	Fund- raising	Total
PAYROLL TAXES AND RELATED BENEFITS				
Employees health and dental insurance	\$ 116,570	\$ -	\$ -	\$ 116,570
Payroll taxes	141,492	-	-	141,492
Retirement plan contributions	25,255	-	-	25,255
TOTAL PAYROLL TAXES AND RELATED BENEFITS	283,317	-	-	283,317
ADMINISTRATION, OFFICE, AND DEPRECIATION				
Management fee	-	186,360	-	186,360
Administrator	-	111,628	-	111,628
Administrative payroll	-	83,208	-	83,208
Advertising and promotion	-	24,929	739	25,668
Office expenses	-	191	-	191
Professional fees	-	7,977	-	7,977
Recruitment	-	14,977	-	14,977
Payroll processing	-	19,712	-	19,712
Telephone	-	9,152	-	9,152
Education and training	-	2,624	-	2,624
Postage	-	1,368	-	1,368
Investment fees	-	39,609	-	39,609
Dues and subscriptions	-	4,839	-	4,839
Consulting fees	-	12,912	-	12,912
Repairs and maintenance - office equipment	-	949	-	949
Depreciation	323,119	-	-	323,119
Bank charges	-	271	-	271
TOTAL ADMINISTRATION, OFFICE, AND DEPRECIATION	323,119	520,706	739	844,564
OPERATING AND MAINTENANCE				
Contract repairs	148,492	-	-	148,492
Janitor and maintenance payroll	68,054	-	-	68,054
Miscellaneous repairs and maintenance	34,121	-	-	34,121
Grounds expense	16,780	-	-	16,780
Snow removal	11,374	-	-	11,374
Maintenance supplies	8,885	-	-	8,885
Cleaning supplies	11,635	-	-	11,635
Trash removal	4,443	-	-	4,443
HVAC repairs and maintenance	4,950	-	-	4,950
Decorating supplies	2,317	-	-	2,317
TOTAL OPERATING AND MAINTENANCE	311,051	-	-	311,051
UTILITIES				
Electricity	70,244	-	-	70,244
Gas	22,261	-	-	22,261
Sewage treatment	18,464	-	-	18,464
Water and sewer	12,627	-	-	12,627
TOTAL UTILITIES	123,596	-	-	123,596
TAXES AND INSURANCE				
Real estate taxes	36,432	-	-	36,432
Insurance	49,391	-	-	49,391
Miscellaneous taxes and permits	13,228	-	-	13,228
TOTAL TAXES AND INSURANCE	99,051	-	-	99,051
SOCIAL SERVICES				
Social worker wages	17,372	-	-	17,372
TOTAL SOCIAL SERVICES	17,372	-	-	17,372
MEDICAL SERVICES				
Nurses wages	1,172,009	-	-	1,172,009
Medical supplies	47,497	-	-	47,497
Physician expense	6,000	-	-	6,000
Compliance costs	(30,738)	-	-	(30,738)
TOTAL MEDICAL SERVICES	1,194,768	-	-	1,194,768
DIETARY				
Dietary wages	293,018	-	-	293,018
Food	118,140	-	-	118,140
Dietary supplies and expenses	20,610	-	-	20,610
TOTAL DIETARY	431,768	-	-	431,768
ACTIVITIES				
Activities wages	89,374	-	-	89,374
Activities expenses	7,445	-	-	7,445
Automobile expense	2,779	-	-	2,779
TOTAL ACTIVITIES	100,023	-	-	100,023
PERSONAL SERVICES				
Hairdresser	18,157	-	-	18,157
Laundry	590	-	-	590
TOTAL PERSONAL SERVICES	18,747	-	-	18,747
CONCESSIONS				
Concessions	178,146	-	-	178,146
TOTAL CONCESSIONS	178,146	-	-	178,146
TOTAL FUNCTIONAL EXPENSES	\$ 3,080,958	\$ 520,706	\$ 739	\$ 3,602,403

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (945,359)	\$ 1,681,792
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	327,695	323,119
Gains on sale of securities	(435,048)	(521,317)
Unrealized (gains) losses on securities	1,349,044	(927,282)
Investment bond premium amortization	10,541	3,226
(Increase) decrease in:		
Accounts receivable	(70,997)	(11,806)
Prepaid expenses	(62,027)	(36,442)
Increase (decrease) in:		
Accounts payable and accrued expenses	(22,451)	(25,520)
Resident payments received in advance	(49,882)	48,688
Net cash flows provided by operating activities	<u>101,516</u>	<u>534,458</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(244,152)	(166,323)
Purchase of investments	(1,261,639)	(1,300,478)
Proceeds from sale of investments	<u>1,061,041</u>	<u>1,485,792</u>
Net cash flows provided by (used in) investing activities	<u>(444,750)</u>	<u>18,991</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in due from affiliate	(668)	8,000
Forgiveness of long-term debt-PPP loan	<u>-</u>	<u>(354,715)</u>
Net cash flows used in financing activities	<u>(668)</u>	<u>(346,715)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(343,902)	206,734
CASH AND CASH EQUIVALENTS, beginning of year	<u>887,362</u>	<u>680,628</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>543,460</u>	\$ <u>887,362</u>

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The King's Daughters and Sons Home for the Aged in Norfolk County, Inc. (the "Home") is presented to assist in understanding the Home's financial statements. The financial statements and notes are the representation of the Home's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the financial statements.

Nature of Organization

The King's Daughters and Sons Home for the Aged in Norfolk County, Inc. is a not-for-profit organization located in Wrentham, Massachusetts, which provides for the care and comfortable support of the aged. The Organization's revenues are primarily derived from occupancy revenues received from residents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Home considers all highly liquid debt instruments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments to the estimates used are made prospectively based on such periodic evaluation.

Accounts Receivable

Accounts receivable consists of monthly fees due from residents. The Home considers accounts receivable to be fully collectible; accordingly, there is no allowance for doubtful accounts as of August 31, 2022 and 2021. If amounts become uncollectible, they will be charged to a bad debt expense account. For the years ended August 31, 2022 and 2021, bad debt expense was \$5,630 and \$0, respectively.

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position.

The Home has adopted FASB ASC 820, *Fair Value Measurements and Disclosures* (formerly, SFAS No. 157) for financial assets and financial liabilities. This pronouncement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It does not require any new fair value measurements but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information.

Property, Plant and Equipment

Property, plant, and equipment are recorded on the books of the Home at cost and depreciated over their estimated useful lives using the straight-line method of depreciation. For the years ended August 31, 2022 and 2021, depreciation expense was \$327,695 and \$323,119, respectively.

Income Taxes

The Home is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from both federal and state income taxation.

The Home has adopted FASB ASC 740-10, *Income Taxes* ("FASB ASC 740-10", formerly FASB Interpretation No. 48). Management feels the Home has not taken any tax positions that would require disclosure in accordance with FASB ASC 740-10. Governing authorities generally can operate with a three-year statute of limitations to examine previously filed information returns. The Home has filed its information returns timely, and management believes any potential change due to audit would not have a material effect on the financial statements.

Advertising

Advertising costs are expensed when incurred. For the years ended August 31, 2022 and 2021, advertising costs incurred and expensed were \$25,555 and \$25,668, respectively.

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

Expenses by functional expense category for August 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Program services	\$ 3,155,828	\$ 3,080,958
Management and general	586,596	520,706
Fundraising	<u>573</u>	<u>739</u>
Total	<u>\$ 3,742,997</u>	<u>\$ 3,602,403</u>

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Home.

Basis of Presentation

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statement of Not-for-Profit Entities*. The Home has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspect of the Home's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of financial assets (Note 7).

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Home provides up to a maximum of 6 sick/personal days per year to employees. Also, the Home has a schedule of annual vacation to employees based on length of employment: 6 months, 1 week; 1-5 years, 2 weeks; 5-15 years, 3 weeks; over 15 years, 4 weeks. The Home has decided that it is not cost beneficial to accrue the anticipated liability related to these employee benefits.

Comparative Data

The amounts shown for the year ended August 31, 2021 in the accompanying financial statements are included to provide a basis for comparison with 2022 and present summarized totals only. Accordingly, the 2021 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Home's financial statements for the year ended August 31, 2021, from which the summarized information was derived.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue guidance in US GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Revenue from contributions and investment income are not impacted by this new standard. The Home adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using a modified retrospective method. The adoption of ASU 2014-09 did not have an impact on the Home's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Home adopted ASU 2018-08 with a date of the initial application of July 1, 2020, using a modified prospective method.

The adoption of ASU 2018-08 did not have a significant impact on the Home's financial position, results of operation, or cash flows. The Home has evaluated contributions received and has determined that there is no change as a result of the adoption of the standard.

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by ASC 958-60, *Not-for-Profit-Revenue Recognition* ("ASC 958-605"). The Home reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction. Conditional promises to give are not recorded as contributions until they become unconditional; that is, when the barrier has been overcome and the right of release/ right of return no longer exists.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") Issued *Accounting Standards Update 2016-02, Leases (Topic 842)*. Under the amendments in this ASU, a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This ASU was originally effective for fiscal years beginning after December 15, 2019. In July 2019, the FASB approved a proposal to defer, for one year, the implementation of this ASU for nonpublic companies and in May 2020, the FASB approved an additional one year deferral. This ASU will now be effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Home does not have any leases for the year ended August 31, 2022.

2. CONCENTRATION OF CREDIT RISK

The Home maintains its cash in bank deposit accounts which, at times, may exceed the Federal Deposit Insurance Corporation up to \$250,000. Cash balances at August 31, 2022 and 2021 exceeded the insured limit by \$63,506 and \$304,678, respectively.

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3. INVESTMENTS

Investments consist of the following as of August 31:

	2022		2021	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 2,368,751	\$ 4,687,492	\$ 2,012,351	\$ 5,158,580
Corporate bonds	1,048,214	1,010,217	1,151,654	1,292,222
Government bonds	395,661	385,832	400,982	436,824
Municipal obligations	81,779	90,653	81,779	100,986
Mutual funds	<u>1,481,414</u>	<u>1,284,295</u>	<u>1,103,948</u>	<u>1,193,816</u>
	<u>\$ 5,375,819</u>	<u>\$ 7,458,489</u>	<u>\$ 4,750,714</u>	<u>\$ 8,182,428</u>

The following tabulation summarizes the relationship between carrying values and fair values of investment assets, including money market cash accounts.

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Carrying Value</u>
Balance at beginning of year	<u>\$4,997,341</u>	<u>\$ 8,429,055</u>	3,431,714
Balance at end of year	<u>\$5,469,011</u>	<u>\$ 7,551,682</u>	2,082,671
Unrealized depreciation for the year			<u>\$ (1,349,043)</u>

For purposes of determining the realized gains and losses on a sale, the cost of securities sold is based on the average cost of all shares of each such security held at the dates of sale. As of August 31, 2022 and 2021, sales proceeds and gross realized gains and losses on securities classified as available for sale were:

	<u>Sale Proceeds</u>	<u>Gross Realized Gains</u>	<u>Gross Realized Losses</u>	<u>Net Realized Gains</u>
2022	<u>\$ 1,061,041</u>	<u>\$ 445,611</u>	<u>(\$ 10,563)</u>	<u>\$ 435,048</u>
2021	<u>\$ 1,485,792</u>	<u>\$ 689,467</u>	<u>(\$ 168,150)</u>	<u>\$ 521,317</u>

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3. INVESTMENTS (continued)

Under GAAP for fair value measurements, a three-tier hierarchy to prioritize the assumptions, referred to as inputs, is used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Home's own assumptions in determining the fair value of investments)

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Equity securities are generally valued at the official closing price of, or the last reported sales price on, the exchange or market on which such securities are traded. The fair values for corporate bonds and government bonds are based primarily on quoted market prices, where available. If quoted market prices are not available, fair market values are based on quoted market values of comparable instruments. Mutual funds are generally valued at their net asset values based on quoted market prices of underlying securities.

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3. INVESTMENTS (Continued)

The fair value of assets measured on a recurring basis at August 31, 2022 is as follows:

	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Equity securities				
Basic industries	\$ 131,359	\$ -	\$ -	\$ 131,359
Business products and services	897,722	-	-	897,722
Capital goods	855,598	-	-	855,598
Consumer goods	475,529	-	-	475,529
Consumer services	280,580	-	-	280,580
Energy	446,415	-	-	446,415
Financials	460,367	-	-	460,367
Industrial electronics	524,810	-	-	524,810
Information Technology	84,412	-	-	84,412
Other assets	120,550	-	-	120,550
Foreign equities	263,480	-	-	263,480
Transportation	55,050	-	-	55,050
Utilities	91,620	-	-	91,620
Corporate bonds	-	1,010,217	-	1,010,217
Government bonds	-	385,832	-	385,832
Municipal obligations	-	90,653	-	90,653
Mutual funds	1,284,295	-	-	1,284,295
Totals	<u>\$ 5,971,787</u>	<u>\$ 1,486,702</u>	<u>\$ -</u>	<u>\$ 7,458,489</u>

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3. INVESTMENTS (continued)

The fair value of assets measured on a recurring basis at August 31, 2021 is as follows:

	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Equity securities				
Basic industries	\$ 182,612	\$ -	\$ -	\$ 182,612
Business products and services	1,133,922	-	-	1,133,922
Capital goods	748,122	-	-	748,122
Consumer goods	537,188	-	-	537,188
Consumer services	281,021	-	-	281,021
Energy	277,444	-	-	277,444
Financials	477,870	-	-	477,870
Industrial electronics	612,892	-	-	612,892
Information Technology	112,864	-	-	112,864
Other assets	182,015	-	-	182,015
Industrials	80,157	-	-	80,157
Foreign equities	381,827	-	-	381,827
Transportation	64,714	-	-	64,714
Utilities	85,932	-	-	85,932
Corporate bonds	-	1,292,222	-	1,292,222
Government bonds	-	436,824	-	436,824
Municipal obligations	-	100,986	-	100,986
Mutual funds	1,193,816	-	-	1,193,816
Totals	<u>\$ 6,352,396</u>	<u>\$ 1,830,032</u>	<u>\$ -</u>	<u>\$ 8,182,428</u>

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3. INVESTMENTS (continued)

Change in investments for the year ended August 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investments, beginning of the year	\$ 8,182,428	\$ -	\$ 8,182,428
Investment return:			
Investment income, net of fees	156,622	-	156,622
Net appreciation (realized and unrealized)	(913,996)	-	(913,996)
Total investment return	(757,374)	-	(757,374)
Appropriation of investment assets			
Money market transfers	(153,435)	-	(153,435)
Transfers to cash account	120,000	-	120,000
Total appropriation of investment assets	(33,435)	-	(33,435)
Investments, end of year	\$ 7,458,489	\$ -	\$ 7,458,489

Change in investments for the year ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investments, beginning of the year	\$ 6,922,369	\$ -	\$ 6,922,369
Investment return:			
Investment income, net of fees	130,783	-	130,783
Net appreciation (realized and unrealized)	1,448,599	-	1,448,599
Total investment return	1,579,382	-	1,579,382
Appropriation of investment assets			
Money market transfers	199,323	-	199,323
Transfers to cash account	120,000	-	120,000
Total appropriation of investment assets	319,323	-	319,323
Investments, end of year	\$ 8,182,428	\$ -	\$ 8,182,428

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AUGUST 31, 2022 AND 2021

4. MANAGEMENT FEES

The Home is obligated under a management agreement with Rogerson Communities to pay management fees calculated as 5.5% of the total revenues. The management fees charged to operations total \$192,185 and \$186,360 during the years ended August 31, 2022 and 2021, respectively.

5. SUPPLEMENTAL CASH FLOW INFORMATION

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments purchased with original maturities of three months or less. Cash paid for interest during the years ended August 31, 2022 and 2021 was \$0 and \$0, respectively.

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AUGUST 31, 2022 AND 2021

6. NET ASSETS WITH DONOR RESRICTIONS

Net assets with donor restrictions were as follows for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Activities for residents	\$ -	\$ 9,611
Bird sanctuary	79	79
Therapeutic animals	-	345
Window treatments	442	442
Employee appreciation fund	-	-
Concessions	16,113	16,113
Capital improvements	1,069	1,069
Total	<u>\$ 17,703</u>	<u>\$ 27,660</u>

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purpose or the passage of time for the years ended August 31, as follows:

	<u>2022</u>	<u>2021</u>
Activities for residents	\$ 14,661	\$ -
Bird sanctuary	-	-
Therapeutic animals	346	425
Window treatments	-	-
Employee appreciation fund	-	2,143
Concessions	-	-
Capital improvements	-	-
Total	<u>\$ 15,007</u>	<u>\$ 2,568</u>

THE KING'S DAUGHTERS AND SONS HOME
FOR THE AGED IN NORFOLK COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Home's financial assets at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 543,460	\$ 887,362
Accounts receivable	118,676	47,682
Prepaid expenses	113,404	51,378
Investments	<u>7,458,489</u>	<u>8,182,428</u>
Total financial assets at year-end	<u>8,234,032</u>	<u>9,168,850</u>
Less those unavailable for general expenditures within one year,		
Refundable admission fees	90,172	140,054
Net assets with donor restrictions	17,703	27,660
Less net assets with purpose restrictions to be met in less than one year	<u>-</u>	<u>-</u>
Total amounts not available to be used within one year	<u>107,875</u>	<u>167,714</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$ 8,126,157</u>	<u>\$ 9,001,136</u>

The Home manages its liquidity and reserves following these guiding principles: operating within a range of financial soundness and stability, maintaining sufficient liquid assets to fund operating needs, and maintaining sufficient reserves to provide reasonable assurance that any long-term obligations will be satisfied. The Home anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. In addition, the Home maintains an investment portfolio that is not subject to any constraints that may limit the Home's ability to respond to changes in market conditions.

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8. PAYCHECK PROTECTION PROGRAM

On April 16, 2020, the Home (the "Borrower"), was granted a loan (the "Loan") from Eastern Bank in the aggregate amount of \$354,715, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, which was in the form of a Note dated April 28, 2020 issued by the Borrower, was to mature on April 28, 2022 and bore interest at a rate of 1.00% per annum, payable monthly commencing on November 28, 2020. The Note was prepayable by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan could only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the Loan could be forgiven if they are used for qualifying expenses as described in the CARES Act. The Home received forgiveness of the entire \$354,715 in principal on February 10, 2021 and recognized the proceeds as income in the 2021 statement of activities.

9. RELATED PARTY TRANSACTIONS

Due from Affiliate

The Home provides maintenance, housekeeping, laundry, and administrative services to residents of Pond Home Community, Inc. (the "Community") and common paymaster services to the Community's management. Due from affiliate for the years ended December 31, 2022 and 2021 was \$26,037 and \$25,368, respectively.

Related Entity Not Consolidated

The Community has not been consolidated in the financial statements; the following is a summary of its financial position and changes in net assets as of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 4,078,391	\$ 3,926,198
Property, plant, and equipment	4,951,921	5,275,382
Other assets	<u>35,159</u>	<u>35,150</u>
Total assets	<u>\$ 9,065,471</u>	<u>\$ 9,236,730</u>
Current liabilities	\$ 362,681	\$ 295,395
Other liabilities	<u>16,852,893</u>	<u>16,852,893</u>
Total liabilities	<u>\$ 17,714,774</u>	<u>\$ 17,148,288</u>
Net Assets (Deficit)	<u>\$ (8,649,303)</u>	<u>\$ (7,911,558)</u>
Revenue	<u>\$ 1,126,748</u>	<u>\$ 1,090,583</u>
Change in Net Assets	<u>\$ (737,745)</u>	<u>\$ (442,372)</u>

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10. DATE OF MANAGEMENT'S REVIEW

For purposes of inclusion in the financial statements, management has concluded that subsequent events after the Statement of Financial Position date have been evaluated through February 15, 2023, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures. As of the date these financial statements were available to be issued, the Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's operations or cash flows in the near term.

SUPPLEMENTARY INFORMATION

THE KING'S DAUGHTERS AND SONS HOME
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SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
PAYROLL TAXES AND RELATED BENEFITS		
Employees health and dental insurance	\$ 137,083	\$ 116,570
Payroll taxes	149,068	141,492
Retirement plan contributions	32,291	25,255
	<u>318,442</u>	<u>283,317</u>
ADMINISTRATION AND OFFICE		
Management fee	192,185	186,360
Administrator	119,493	111,628
Administrative payroll	105,849	83,208
Advertising and promotion	25,555	25,668
Office expenses	756	12,864
Professional fees	14,750	7,977
Recruitment	19,513	14,977
Payroll processing	24,391	19,712
Telephone	8,981	9,152
Legal fees	689	-
Education and training	4,443	2,624
Postage	1,277	1,368
Dues and subscriptions	6,796	4,839
Consulting fees	13,581	12,912
Repairs and maintenance - office equipment	1,018	949
Bad debt expense	5,630	-
Bank charges	371	271
	<u>545,278</u>	<u>494,509</u>
OPERATING AND MAINTENANCE		
Contract repairs	150,640	148,492
Janitor and maintenance payroll	69,656	68,054
Miscellaneous repairs and maintenance	15,661	34,121
Grounds expense	15,639	16,780
Snow removal	13,171	11,374
Maintenance supplies	9,055	8,885
Cleaning supplies	11,798	11,635
Trash removal	4,779	4,443
HVAC repairs and maintenance	4,791	4,950
Decorating supplies	3,627	2,317
	<u>\$ 298,817</u>	<u>\$ 311,051</u>

See independent auditors' report.

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SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
UTILITIES		
Electricity	\$ 69,677	\$ 57,571
Gas	21,307	22,261
Sewage treatment	19,483	18,464
Water and sewer	12,028	12,627
	<u>122,495</u>	<u>110,923</u>
TAXES AND INSURANCE		
Real estate taxes	38,729	36,432
Insurance	64,417	49,391
Miscellaneous taxes and permits	12,254	13,228
	<u>115,400</u>	<u>99,051</u>
SOCIAL SERVICES		
Social worker wages	12,549	17,372
MEDICAL SERVICES		
Nurses wages	1,269,143	1,172,009
Medical supplies	41,529	47,497
Physician expense	6,000	6,000
Compliance costs	(37,881)	(30,738)
	<u>1,278,791</u>	<u>1,194,768</u>
DIETARY		
Dietary wages	309,819	293,018
Food	127,022	118,140
Dietary supplies and expenses	23,407	20,610
	<u>460,248</u>	<u>431,768</u>
ACTIVITIES		
Activities wages	75,403	89,374
Activities expenses	20,247	7,445
Automobile expense	9,022	2,779
Therapeutic animal expense	346	425
	<u>105,018</u>	<u>100,023</u>
PERSONAL SERVICES		
Hairdresser	11,949	18,157
Laundry	1,543	590
	<u>13,492</u>	<u>18,747</u>
Total operating expenses	\$ <u>3,270,530</u>	\$ <u>3,061,529</u>

See independent auditors' report.