Consolidated Ness Healthcare NFP

Financial Statements and Independent Auditor's Report

December 31, 2022

Consolidated Ness Healthcare NFP
Single Audit Report
Year Ended December 31,2022

Table of Contents

Independent Auditor's Report

To the Board of Trustees of
Ness Healthcare NFP

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ness Healthcare NFP (the Entity), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ness Healthcare NFP as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Ness Healthcare NFP 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ness Healthcare NFP's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 and *Government 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

GGM ASSOCIATES INC
HEALTHCARE CONSULTANTS
CPA

- Identify and assess the risks of material misstatement of the consolidated 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 Ness Healthcare NFP'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ness Healthcare NFP'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, on our consideration of Ness Healthcare NFP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ness Healthcare NFP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ABC Organization's internal control over financial reporting and compliance.

GGM Associates Inc.

Chicago, Illinois
January 24, 2024

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

Consolidated Ness Healthcare NFP
Statement of Financial Position
December 31,2022

Current Assets	
Cash and cash equivalents	$ 2,784,786
Patient accounts receivable, net	910,968
Other receivables	701
Inventory	96,340
Prepaid expenses	55,026
Total Current Assets	3,847,821
Non-Current Assets	
Cash and cash equivalents restricted by debt agreements	2,474,390
Property and equipment, net	17,300,978
Goodwill, net	1,636,160
Total Non-Current Assets	21,411,528
Total Assets	25,259,349
Liabilities and Net Deficit	
Current Liabilities	
Accounts payable	741,062
Accrued expenses	492,381
Accrued interest	1,536,407
Notes payable	149,900
PPP loan	1,364,700
Current portion of long-term debt	545,000
Total Current Liabilities	4,829,450
Non-current Liabilities	
Long-term debt, net of current portion	29,518,270
Total Liabilities	34,347,720
Net Deficit	
Without donor restrictions	(9,088,371)
Total Liabilities and Net Deficit	$ 25,259,349

See the notes to the financial statements below.

Consolidated Ness Healthcare NFP
Statement of Activities
Year Ended December 31, 2022

Revenues and Support Without Donor Restrictions	
Patient service revenue	$ 15,717,642
Rental income	37,998
Other revenue	3,324,031
Total Revenues and Support Without Donor Restrictions	19,079,671
Revenues and Support from Grants	
Grant revenue	2,669,278
Total Revenues and Support from Grants	2,669,278
Total Revenue	21,748,949
Expenses	
Program Services:	
Acute inpatient services	17,152,073
Partial hospitalization and outpatient	2,304,288
Total Program Services	19,456,361
Supporting Services:	
General and administrative	1,110,788
Total Supporting Services	1,110,788
Total Expenses	20,567,418
Other Income/(Loss)	
Gain on PPP loan forgiveness	2,280,000
Other income	652,573
Total Other Income/(Loss)	2,932,573
Change In Net Deficit	
Excess of revenue over expenses	$ 4,114,104
Net Deficit, beginning of year	(13,202,475)
Net Deficit, end of year	$ (9,088,371)

See the notes to the financial statements below.

Consolidated Ness Healthcare NFP
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Supporting Services	
	Acute Inpatient Services	Partial Hospitalization and Outpatient	Total Program Services	General and Administrative	Total Expenses
Salaries	$ 7,807,807	$ 1,345,394	$ 9,153,201	$ 388,337	$ 9,541,538
Payroll taxes	619,205	103,325	722,530	30,456	752,986
Employee benefits	267,302	160,587	427,889	4,925	432,814
Total Personnel Expenses	8,694,314	1,609,306	10,303,620	423,718	10,727,338
Agency/outside medical	1,066,502	86,072	1,152,574	4,918	1,157,492
Amortization	356,890	4,181	361,071	6,576	367,647
Bad debt expense	-	(6,025)	(6,025)	-	(6,025)
Bank fees	-	384	384	7,424	7,808
Bed tax	139,997	1,640	141,637	2,579	144,216
Contract services	116,506	1,365	117,871	2,147	120,018
Clinical supplies	-	3,555	3,555	-	3,555
Depreciation	561,533	12,193	573,726	10,346	584,072
Dietary	373,789	4,767	378,556	6,887	385,443
Dues and subscriptions	1,377	1,011	2,388	25	2,413
Education and training	5,968	1,784	7,752	109	7,862
Housekeeping	240,249	3,315	243,564	4,427	247,991
Human resources	-	-	-	62,143	62,143
Insurance	842,281	9,867	852,148	15,519	867,667
Interest	1,978,928	23,182	2,002,110	36,461	2,038,571
IT expense	105,378	21,381	126,759	174,507	301,266
Lab	7,965	93	8,058	147	8,205
Lease	7,541	88	7,629	10,580	18,209
Line of credit fees	-	3,000	3,000	9,131	12,131
Management fees	-	-	-	-	-
Marketing	-	-	-	13,618	13,618
Medical director	934,490	328,547	1,263,037	17,218	1,280,255
Medical supplies	25,211	5,456	30,667	808	31,475
Miscellaneous	30,275	730	31,005	10,301	41,306
Office expense	205,169	5,593	210,762	23,885	234,647
Patient	29,083	341	29,424	536	29,960
Pharmacy management	616,363	7,220	623,583	11,356	634,939
Professional fees	-	40,558	40,558	240,724	281,282
Rent	-	20,000	20,000	-	20,000
Repairs and maintenance	216,140	4,578	220,718	3,982	224,700
Travel	57,525	2,598	60,123	1,060	61,183
Utilities	538,599	107,508	646,107	9,924	656,031
Total Expenses	$ 17,152,073	$ 2,304,288	$ 19,456,361	$ 1,111,057	$ 20,567,418

Consolidated Ness Healthcare NFP
Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	$ 4,114,104
Adjustments to reconcile deficit in net assets to net cash provided by operating activities:	
Depreciation	584,072
Amortization	367,646
Gain on PPP loan forgiveness	(2,280,000)
Gain on debt forgiveness	(3,000,109)
Gain on AP settlement	(652,573)
Changes in:	
Patient accounts receivable	(446,812)
Other receivables	465,053
Inventory	-
Prepaid expenses	82,721
Accounts payable	59,963
Accrued expenses	55,027
Accrued interest	(84)
Management fee payable	(682,099)
Net cash provided by operating activities	(1,333,091)
Cash flows from investing activities:	
Purchase of fixed assets	(34,135)
Net cash used by investing activities	(34,135)
Cash flows from financing activities:	
Principal repayments on bond payable	(500,001)
Net cash used in financing activities	(500,001)
Decrease in cash and cash equivalents and restricted cash	$ (1,867,227)
Cash and cash equivalents and restricted cash:	
Beginning of year	7,126,403
End of year	$ 5,259,176
Reconciliation of cash and cash equivalents and restricted cash:	
Cash and cash equivalents	$ 2,784,786
Restricted deposits and funded reserves	2,474,390
Total cash and cash equivalents and restricted cash	$ 5,259,176

See the notes to the financial statements below.

NOTE 1. NATURE OF ORGANIZATION

Ness Healthcare NFP (the "Entity") was incorporated in 2015 as an Illinois nonprofit corporation. The Entity was created to establish and maintain residential care facilities, hospitals, and treatment centers designated to meet the physical, emotional, recreational, social, and other similar needs of the elderly, mentally and physically disabled individuals, and individuals suffering from chemical dependency and addiction.

During November 2016, the Entity purchased an acute care and residential behavioral healthcare center, known as Northlake Behavioral Health System ("Northlake"), comprised of 140 licensed beds and located in Mandeville, Louisiana. Northlake originally opened in. The Entity is subject to economic fluctuations in the healthcare industry and the geographic area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The Entity prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recorded as the related obligations are incurred.

Financial Statement Presentation

The Entity is required to report information regarding its financial position and operations according to two net asset classes. Accordingly, the net assets of the Entity and changes therein, are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed restrictions or stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Entity and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and as an increase in net assets without donor restrictions.

For the year ended December 31, 2022, there were no net assets with donor restrictions.

Excess of Expenses over Revenue

The statement of activities includes excess of expenses over revenue as the performance indicator. Certain changes in net assets may be excluded from the performance indicator in accordance with industry practice.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Overdraft

Cash in non-interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the accounts may exceed this limit; however, the Entity believes it is not exposed to any significant credit risk on cash.

Patient Service Revenue and Accounts Receivable

Patient service revenue and accounts receivable are reported at estimated net realizable amounts from patients, Medicare, Medicaid, the State of Louisiana, and other commercial third-party payors for services rendered. The Entity's agreements with third-party payors provide for payments equal to the established rates and therefore, contractual allowances or discounts are not applicable to the Entity. Occasionally, certain third-party payors deny payment for charges they deem as medically unnecessary or for other reasons. These denied charges are then billed to the state in accordance with the Entity's cooperative endeavor agreement with the Louisiana Department of Health and Hospitals, Office of Behavioral Health ("OBH"). The cooperative endeavor agreement is in effect to provide safety net services to those requiring inpatient mental health treatment from across the State of Louisiana.

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection experience and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Entity generally does not charge interest on past due accounts. Patient receivables are written off against the allowance for doubtful accounts when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Patient service revenue may be subject to audits or examination by government agencies or contractors. Such audits and examinations may result in adjustments due to varying interpretation of medical provisions of contract terms. No provision for possible adjustments has been made in the accompanying financial statements, because in the opinion of management, such adjustment, if any, would not have a material effect on the financial statements.

Grant Income

Grants and contracts revenue is received from federal and other sponsors. It may represent either an exchange transaction for an equivalent benefit in return or a nonexchange transaction in which the resources provided are for the benefit of The Entity, or the funding organization's mission. Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred. Grant revenue awards from federal sponsors for the year ending December 31, 2022 were $2,669,278.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Rental Income

The Entity leases facility space on a monthly basis to various charitable and government organizations. Rental income is recognized at the completion of the month.

Other Income

Other income includes property management income and vending machine income. The entity recognizes property management fees and vending services in the year services/goods are performed/provided.

Inventory

Inventories consist of supplies and food and are carried as the lower of cost or market using the first-in first-out method.

Cash and Cash Equivalents Restricted by Debt Agreements

Cash and cash equivalents restricted by debt agreements is comprised of cash and cash equivalents held by a trustee or authority to fund the current portion of debt service, interest, renovation account, and a liquidity support fund.

Property and Equipment

Property and equipment are carried at cost, or if donated, the approximate fair value at the date of donation, less accumulated depreciation. The Entity capitalizes all expenditures for property and equipment greater than $1,000. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gains or losses is included in the change in net assets. Repairs and maintenance are expensed when incurred. The estimated useful lives of property and equipment are as follows:

Building and Improvements	39 years
Furniture and Equipment	5-10 years

Goodwill

Goodwill represents the excess of cost over the fair value of the assets acquired and is a result of the purchase of Northlake during November 2016. The Entity reviewed the value of goodwill and determined there was no impairment as of December 31, 2022. Goodwill is amortized over 10 years. Amortization expense for the year ended December 31, 2022 was $272,693 and is included in depreciation and amortization expense on the statement of activities. Total accumulated amortization is $1,090,773.

Deferred Financing Costs

Deferred financing costs and issue discounts are amortized using the effective interest method and charged to operations as interest expense over the term of the related debt. As of December 31, 2022, gross deferred financing costs and issue discounts were $1,285,381 and $216,348, respectively. Amounts amortized to interest expense for deferred financing costs and issue discounts for the year ended December 31, 2022, were $81,238 and $13,715, respectively.

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

NOTE 3. INCOME TAXES

The Entity is a 501(c)(3) organization exempt from Federal income tax under the Internal Revenue Code. The Entity is, however, subject to tax on business income unrelated to its exempt purpose. The Entity is not classified as a private foundation under Section 509(a)(1).

The Entity believes that is has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The Entity's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The information returns for the periods ended December 31, 2017 through 2019 are open for tax examination by the Internal Revenue Service.

NOTE 4. AVAILABLE RESOURCES AND LIQUIDITY

The Entity regularly monitors liquidity requirements to ensure that an on-going operating needs and other contractual commitments are met. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to the Entity include financial assets consisting of receivables.

In addition to financial assets available to meet general expenditures over the next 12 months, the Entity operates with a budget and anticipates maintaining sufficient reserves to cover any budgeted losses. Timing of revenue receipt also ensures the availability of necessary operational funds. The Entity expects to expend all net assets with donor restrictions within one year therefore such amounts have not been deducted from total financial assets to arrive at total financial assets available to meet cash needs for general expenditures within one year.

Total financial assets held by the Entity and the amount of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures were as follows as of December 31, 2022:

	2022
Patient accounts receivable, net	$910,968
Other receivables	701
Total Financial Assets Available to Meet Cash Needs for General Expenditures within one year	$911,669

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

NOTE 5. PATIENT SERVICE REVENUE AND ACCOUNTS RECEIVABLE

Patient service revenue by payor class was as follows for the year ended December 31, 2022:

Medicare	3%
Medicaid	27%
State of Louisiana	66%
Other third-party payors	4%
	100%

Gross patient receivables by payor class was as follows as of December 31, 2022:

Medicare	9%
Medicaid	23%
State of Louisiana	55%
Other third-party payors	13%
	100%

NOTE 6. PROPERTY AND EQUIPMENT

As of December 31, 2022, property and equipment consist of the following:

	2022
Land	$ 425,197
Building and Improvements	20,020,333
Furniture and Equipment	2,345,523
Construction in Progress	-
Gross Property and Equipment	22,791,053
Less: Accumulated Depreciation	(5,490,075)
Property and Equipment, Net	$ 17,300,978

For the year ended December 31, 2022, depreciation expense was $584,072.

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

NOTE 7. LONG-TERM DEBT

As of December 31, 2022, long-term debt was comprised of the following:

Illinois Finance Authority Revenue Bonds, Series 2016A	
6.250% Term Bond Due November 1, 2036	$ 11,295,000
6.3750% Term Bond Due November 1, 2046	18,325,000
Illinois Finance Authority Revenue Bonds, Series 2016B	
10.000% Term Bond Due November 1, 2024	1,145,000
Subordinate Notes	800,000
Liquidity Support Fund	3,000,000
	34,565,000
Current Portion of Long-Term Debt	(545,000)
Deferred Finance Costs, Net of Accumulated Amortization	(1,285,328)
Original Issue Discount, Net of Accumulated Amortization	(216,348)
Subordinate Notes forgiveness	(3,000,000)
	$ 29,518,270

Revenue Bonds

During November 2016, the Illinois Finance Authorized issued $29,620,000 and $1,870,000 principal amount of Revenue Bonds Series A and B (the “Series 2016 Bonds”), respectively. The proceeds of the Series 2016 Bonds were loaned to the entity to acquire, equip, and renovate Northlake, establish a debt service reserve fund, provide working capital, and pay certain expenses incurred in connection with the issuance of the Series 2016 Bonds.

The Series 2016 Bonds are collateralized by the real property, gross revenue, and related other debt funds of the Entity. Interest payments are due semi-annually until maturity. Principal payments are due annually, commencing in November 2021. The Entity is required to maintain certain financial debt covenants and reporting requirements. The Entity is required to maintain 30 days cash on hand at the end of each quarter. The Entity was not in compliance with these covenants as of December 31, 2022. The Entity has been notified by the Trustee of the Bondholders that there have been violations of the covenants and there has been negotiations between the parties for the Entity’s waiver request. No such waiver has been granted by the bondholders as of the date of the report.

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

NOTE 7. LONG-TERM DEBT - continued

Other Debt

Simultaneously with the issuance of the Series 2016 Bonds, the Entity secured a subordinate note of $800,000 for working capital. The subordinate note is secured by all funds and accounts established per the terms of the debt and is subordinate to the Series 2016 Bonds. Interest on the subordinate note accrues at a rate of 13% per annum and is due semi-annually beginning on May 1, 2017. Principal payments are due annually commencing on November 1, 2020 and is scheduled to mature November 2021. The subordinate notes are limited to being repaid as The Entity is required to maintain certain financial debt covenants and reporting requirements. The Entity is required to maintain 30 days cash on hand at the end of each quarter. The Entity was not in compliance with these covenants as of December 31, 2022, thus no repayments on the subordinate note was made for the year ending December 31, 2022.

During November 2016, the Entity entered into a Liquidity Support Agreement with MBH of Louisiana Holdings, LLC, and UMB Bank, N.A, Trustee of the Series 2016 Bonds, to borrow$3,000,000. As part of the agreement, $3,000,000 was deposited into a separate Liquidity Support Fund. If the Entity fails to make debt service payments on the Series 2016 Bonds, the Liquidity Support Fund will to be used to pay debt service on the Series 2016 Bonds before any money in the related debt service reserve fund and related working capital fund are used. Interest accrues at a rate of 1.95% compounded annually and is due in arrears on each January 1st. The principal balance is due the earlier of (i) the date the Series 2016 Bonds are paid in full, or (ii) certain financial covenant ratios are met by the Entity. The Liquidity Support Agreement is subordinate to the Series 2016 Bonds. During 2018 MBH of Louisiana Holdings, LLC filed for bankruptcy, as of December 31, 2022 The Entity believes MBH of Louisiana Holdings, LLC no longer has a claim for the Liquidity Support Fund and has recognized a gain on debt forgiveness of $3,000,000 on The Statement of Activities.

Interest expense incurred by the Entity for the year ended December 31, 2022 was $2,038,571.

Aggregate annual maturities of the debt are as follows for the years ending December 31:

2023	$	545,000
2024		600,000
2025		660,000
2026		700,000
2027 and thereafter		29,060,000
	$	31,565,000

The Entity is required to maintain certain financial and nonfinancial debt covenants and reporting requirements. The requirements for certain loan covenants and reporting requirements of the reviewed financial statements were not met for the year ended December 31, 2022. The Entity is working towards a resolution with their lenders regarding these requirements for the reviewed financial statements.

Paycheck Protection Program Loan

The Entity received a loan from First Savings Bank in the amount of $4,214,700 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to notes dated April 13, 2020 and March 18, 2021, and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. For the year ended December 31, 2022 The Entity was notified that $2,000,000 of the loan and $280,000 of interest was forgiven. The Entity recognized a gain on PPP loan forgiveness on The Statement of Activities The loan may be repaid at any time with no prepayment penalty.

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

NOTE 8. MEDICAL MALPRACTICE INSURANCE

During 2022, the Entity maintained claims-made basis professional liability insurance with a per- claim limit of $1,000,000 and aggregate annual limit of $3,000,000 with a commercial carrier. The Entity is liable for a deductible up to $5,000 for each claim.

NOTE 9. MANAGEMENT AGREEMENT

During June 2016, the Entity entered into a management agreement with MBH Management - Northlake, LLC (the "Manager"). The Entity retained the Manager to supervise, manage, and operate Northlake. Prior to the Entity's acquisition of Northlake, the Manager was already operating Northlake. The management agreement is effective for a term of five years. The management agreement will automatically renew for five-year terms, unless terminated by either party. Management fees range from 4% to 6% of gross revenue annually, and the Manager is eligible to receive bonus payments approximating $300,000 upon meeting certain revenue projections. During 2018 The Manager filed for bankruptcy protection and no has not managed the property since then. For the year ended December 31, 2022, The Entity recognized a gain on unpaid management fees of $652,573 on the Statement of Activities. The Entity believes no claims can be brought against The Entity for payment of unpaid management fees.

NOTE 10. SUBSEQUENT EVENTS

In preparing these financial statements, the Entity has evaluated events and transactions for potential recognition or disclosure through January 24, 2024, there were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.

Consolidated Ness Healthcare NFP
Supplementary Schedule of Expenditures of Federal Awards
Year Ended December 31,2022

Cluster title/Federal grantor/Subagency/Project title	Pass-through Entity	Assistance Listing Number	Sponsor Award Number	Federal Expenditures
Department of Health and Human Services				
Substance Abuse and Mental Health Services Administration				
Section 223 Demonstration Programs to Improve Community Mental Health Services.		93.829	1H79SM083113-01	$ 1,975,519
Substance Abuse and Mental Health Services Administration				
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	1H79TI084697-01	35,185
			Grand Total	**$ 2,010,704**

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

NOTE 1. Organization and scope of operations

Ness Healthcare NFP is a not-for-profit corporation organized under the laws of the state of Illinois, whose charter establishes a Board of Trustees to oversee the implementation of its mission to offer medically directed psychiatric services for the diagnosis, treatment, care, protection, and rehabilitation as indicated for individuals admitted with psychiatric/substance abuse disorders in fulfillment of its role as a private provider of mental health to those meeting admission criteria. All federal expenditures of the Entity are included in the scope of this U.S. Office of Management and Budget (OMB) Circular Single Audit Report. The Substance Abuse and Mental Health Services Administration (SAMHSA) has been designated as the Entity's cognizant agency.

NOTE 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying supplementary schedule of federal awards (the Schedule) summarizes the expenditures of the Entity and its subsidiaries under programs of the federal government for the year ended December 31, 2022. Since the Schedule presents only a selected portion of the operations of the Entity, it is not intended to, and does not, present the consolidated financial position, changes in net assets, or cash flows of the Entity.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the Entity and agencies and departments of the federal government and all subawards to the Entity by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. Complete Assistance Listing (AL) numbers and pass-through numbers are provided on the Schedule when available.

Expenditure and Revenue Recognition

The Schedule presents the expenditures of individual programs on the accrual basis of accounting. All program outlays, including accrued expenditures and capital outlays, are reported as expenditures. Related revenues (which are not presented in the Schedule or herein) are recognized up to award amounts for consolidated financial statement and program reporting. Award reporting periods do not necessarily coincide with the fiscal reporting period of the Entity. Negative amounts presented in the Schedule represent adjustments, in the normal course of business, to expenditures reported in prior years.

Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees of
Ness Healthcare NFP

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States , the consolidated financial statements of Ness Healthcare NFP (the Entity), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Ness Healthcare NFP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the Ness Healthcare NFP's internal control. Accordingly, we do not express an opinion on the effectiveness of Ness Healthcare NFP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ness Healthcare NFP's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GGM Associates Inc.

Chicago, Illinois
January 24, 2024

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance

To the Board of Trustees of
Ness Healthcare NFP

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ness Healthcare NFP's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Ness Healthcare NFP's major federal programs for the year ended December 31, 2022. Ness Healthcare NFP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ness Healthcare NFP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ness Healthcare NFP and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ness Healthcare NFP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Ness Healthcare NFP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ness Healthcare NFP's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ness Healthcare NFP's compliance with the requirements of each major federal program.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Ness Healthcare NFP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ness Healthcare NFP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ness Healthcare NFP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

GGM Associates Inc.

Chicago, Illinois
January 2024, 2024

GGM ASSOCIATES, INC
5683 North Lincoln Avenue
Chicago, IL 60659

Ness Healthcare NFP

Schedule of Findings and Questioned Costs

Year ended December 31, 2022

(1) Summary of Auditors' Results

a. Type of report issued on whether the consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles: Unmodified.

b. Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: No
- Significant deficiencies: None reported.

c. Noncompliance material to the consolidated financial statements: No

d. Internal control deficiencies over major program disclosed by the audit:

- Material weaknesses: No
- Significant deficiencies: None reported.

e. Type of report issued on compliance for major program: Unmodified.

f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): No

g. Major program:

i. Section 223 Demonstration Programs to Improve Community Mental Health Services.

h. Dollar threshold used to distinguish between Type A and Type B programs:

i. Not applicable

i. Auditee qualified as a low-risk auditee: No

(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with Government Auditing Standards

a. None

(3) Findings and Questioned Costs Relating to Federal Awards

a. None