Combined Financial Statements and Supplementary Information

Christian Health Care Center and Affiliates
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

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Years Ended December 31, 2013 and 2012

Contents

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Report of Independent Auditors

The Board of Trustees
Christian Health Care Center

We have audited the accompanying combined financial statements of Christian Health Care Center and Affiliates (the "Center"), which comprise the combined balance sheets as of December 31, 2013 and 2012, and the related combined statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Christian Health Care Center and Affiliates at December 31, 2013 and 2012, and the combined results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining balance sheet as of December 31, 2013 and combining statement of operations and changes in net assets for the year then ended are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Ernst & Young LLP

April 10, 2014

Christian Health Care Center and Affiliates

Combined Balance Sheets

	December 31	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	**$ 7,520,294**	$ 4,448,082
Short-term investments	**6,663,626**	5,967,565
Assets limited to use, current portion	**1,111,740**	1,111,740
Accounts receivable, less allowances for uncollectibles of approximately $12,000 in 2013 and $13,000 in 2012	**8,282,637**	7,926,011
Prepaid expenses and other current assets	**862,335**	685,240
Total current assets	**24,440,632**	20,138,638
Assets limited to use, less current portion	**727,981**	727,981
Other assets	**2,003,612**	2,132,846
Deferred financing costs, net of accumulated amortization of approximately $499,000 in 2013 and $431,000 in 2012	**615,909**	651,621
Property, plant and equipment, net	**51,762,602**	50,804,956
Total assets	**$ 79,550,736**	$ 74,456,042
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 1,716,725**	$ 1,394,702
Accounts payable and accrued expenses	**3,878,318**	2,859,335
Accrued payroll	**2,993,686**	2,480,851
Accrued interest	**8,315**	11,119
Estimated amounts due to third-party payers, net	**439,420**	441,665
Total current liabilities	**9,036,464**	7,187,672
Benefits payable	**1,368,400**	1,399,000
Pension obligation and other liabilities	**12,148,799**	13,130,773
Long-term debt, less current portion	**29,446,865**	30,524,942
Total liabilities	**52,000,528**	52,242,387
Commitments and contingencies		
Net assets:		
Unrestricted	**25,607,009**	21,270,456
Temporarily restricted	**1,215,218**	215,218
Permanently restricted	**727,981**	727,981
Total net assets	**27,550,208**	22,213,655
Total liabilities and net assets	**$ 79,550,736**	$ 74,456,042

See accompanying notes.

Christian Health Care Center and Affiliates

Combined Statements of Operations

	Year Ended December 31	
	2013	**2012**
Revenue:		
Net patient service revenue less provision for bad debts	**$ 70,962,735**	$ 67,838,729
Other revenue	**858,210**	690,319
Investment income on debt service funds	**1,186**	263
Total revenue	**71,822,131**	68,529,311
Expenses:		
Salaries and wages	**41,309,468**	40,041,602
Employee benefits	**10,566,769**	10,088,858
Supplies and other	**15,758,701**	14,309,599
Interest and amortization	**412,262**	517,903
Depreciation and amortization	**3,372,434**	3,396,804
Total expenses	**71,419,634**	68,354,766
Income from operations	**402,497**	174,545
Investment income and net realized gains and losses	**323,850**	253,815
Estate bequests	**18,555**	183,757
Foundation fundraising and contributions, net of expenses	**1,053,800**	433,063
Net change in unrealized gains and losses on investments	**641,096**	459,276
Excess of revenue over expenses from continuing operations	**2,439,798**	1,504,456
Grant proceeds for capital expenditures	**118,925**	–
Change in pension liability to be recognized in future periods	**1,777,830**	(452,353)
Increase in unrestricted net assets	**$ 4,336,553**	$ 1,052,103

See accompanying notes.

Christian Health Care Center and Affiliates

Combined Statements of Changes in Net Assets

Years Ended December 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at January 1, 2012	$ 20,218,353	$ 215,218	$ 727,981	$ 21,161,552
Excess of revenue over expenses from continuing operations	1,504,456	–	–	1,504,456
Change in pension liability to be recognized in future periods	(452,353)	–	–	(452,353)
Increase in net assets	1,052,103	–	–	1,052,103
Balance at December 31, 2012	21,270,456	215,218	727,981	22,213,655
Excess of revenue over expenses from continuing operations	**2,439,798**	**–**	**–**	**2,439,798**
Grant proceeds for capital expenditures	**118,925**	**–**	**–**	**118,925**
Restricted contributions	**–**	**1,000,000**	**–**	**1,000,000**
Change in pension liability to be recognized in future periods	**1,777,830**	**–**	**–**	**1,777,830**
Increase in net assets	**4,336,553**	**1,000,000**	**–**	**5,336,553**
Balance at December 31, 2013	**$ 25,607,009**	**$ 1,215,218**	**$ 727,981**	**$ 27,550,208**

See accompanying notes.

Christian Health Care Center and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31 2013	2012
Operating activities		
Change in net assets	**$ 5,336,553**	$ 1,052,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,372,434**	3,396,804
Gain on disposal of asset	**–**	(1,936)
Amortization of financing costs	**68,907**	60,148
Net change in unrealized gains and losses on investments	**(641,096)**	(459,276)
Changes in operating assets and liabilities:		
Accounts receivable, net	**(356,626)**	685,590
Prepaid expenses and other current assets	**(177,095)**	63,188
Other assets	**129,234**	252,890
Accounts payable and accrued expenses, accrued payroll and accrued interest	**1,529,014**	121,569
Estimated amounts due to third-party payers, net	**(2,245)**	20,349
Benefits payable and pension obligation and other liabilities	**(1,012,574)**	1,425,881
Net cash provided by operating activities	**8,246,506**	6,617,310
Investing activities		
Purchases of property, plant and equipment, net	**(3,999,615)**	(3,406,471)
Purchase of short-term investments	**(54,965)**	(43,535)
Proceeds from disposal of asset	**1,185**	6,107
Net sales of assets limited to use	**–**	48,043
Net cash used in investing activities	**(4,053,395)**	(3,395,856)
Financing activities		
Payments of long-term debt	**(1,460,473)**	(1,448,159)
Payment of deferred financing costs	**(33,195)**	–
Proceeds from issuance of long-term debt	**372,769**	–
Net cash used in financing activities	**(1,120,899)**	(1,448,159)
Increase in cash and cash equivalents	**3,072,212**	1,773,295
Cash and cash equivalents at beginning of year	**4,448,082**	2,674,787
Cash and cash equivalents at end of year	**$ 7,520,294**	$ 4,448,082
Supplemental disclosure of cash flow information		
Cash paid for interest, excluding capital interest	**$ 346,159**	$ 531,732
Assets acquired under capital lease obligation	**$ 331,650**	$ –

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

Christian Health Care Center (the Center) consists of 298 skilled nursing beds (Heritage Manor), a 95-bed assisted living residence (Longview), a 39-bed congregate residence (Hillcrest), 40 senior residential housing units (Evergreen Court), a 40-bed long-term care behavioral management facility (Southgate), a 58-bed mental health facility (Ramapo Ridge) and several geriatric and mental health outpatient programs. Individuals associated with churches from the Reformed tradition founded the Center in 1911.

The accompanying combined financial statements include the Center, Holland Mutual Charitable Health Corporation (Holland Mutual), and the Christian Health Care Center Foundation, Inc. (the Foundation). The Center is the sole member of the Foundation, which was established to assist the Center in furtherance of its charitable mission. Holland Mutual was established to operate for the advancement of charitable health care issues and care as well as other charitable, religious, educational and scientific purposes. The Center and Holland Mutual are governed by boards which share several members. Due to the existence of common control through common board members, the financial statements of these entities have been combined. All significant intercompany and inter-entity balances and transactions have been eliminated in the accompanying combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, such as estimated uncollectibles for accounts receivable for services to patients, and liabilities, such as estimated settlements with third-party payers, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Cash Equivalents

The Center considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents, except for amounts included in short-term investments and assets limited to use. Included in cash and cash equivalents are amounts on deposit at financial institutions which exceed Federal Deposit Insurance Company limits. Management believes that the institutions are viable entities and minimal risk of loss exists.

1. Organization and Summary of Significant Accounting Policies (continued)

Receivables for Patient Care

Patient accounts receivable for which the Center receives payment under cost reimbursement, prospective payment formula or negotiated rates, which cover the majority of patient services at the Center, are stated at the estimated net realizable amounts from their respective payers, which are generally less than the established billing rates of the Center.

The amount of the allowance for uncollectibles is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators and/or anticipated collection amounts. Additions to the allowance for uncollectibles result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for uncollectibles.

Investments and Investment Income

Investment securities included in short-term investments and assets limited to use consist of cash and cash equivalents, certificates of deposit, equity securities, mutual funds, fixed income securities (government and corporate debt obligations) and an interest in a hedge fund. Investments in marketable securities are reported at fair value in the accompanying combined balance sheets. The fair value of marketable investments is determined by reference to quoted market prices. The Center's interest in a hedge fund limited partnership is reported based on the fund's net asset value derived from the application of the equity method of accounting. The Center's risk with respect to the hedge fund's investment activities, which may include securities lending, short sales, and trading in futures or other derivative products, is limited to the Center's capital balance with the fund. Donated investments are recorded at their fair value at the date of gift. All investments are classified as trading securities.

Investment income (including realized gains and losses on investments, interest, and dividends) and net change in unrealized gains and losses are included in the excess of revenue over expenses from continuing operations unless the income is restricted by donor or law. Investment income related to assets held by trustees under debt financing agreements is included in revenues from operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Assets Limited to Use

Assets limited to use include assets held by trustees under debt financing agreements, designated assets set aside by the Board of Trustees for other purposes and assets designated for specific purposes by donors.

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain financing and are amortized over the term of the related debt using the effective interest method. The Center paid approximately $33,000 in 2013 for such costs.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, except for donated property, plant and equipment, which are recorded at fair value at the date of donation. Assets acquired under capitalized leases are recorded at the present value of the lease payments at the inception of the lease. Annual provisions for depreciation and amortization of property, plant and equipment are computed using the straight-line method over the estimated useful lives of the assets or the lesser of the estimated useful life of the asset or lease term (ranging from 3 to 40 years).

Professional and General Liability

The Center maintains claims-made professional and general liability coverage through a commercial insurance carrier. Estimated incurred but not reported claims at December 31, 2013 and 2012 are immaterial to the combined financial statements. As a result of the adoption of Accounting Standards Update No. 2010-24 in 2011, at December 31, 2012, the Center recorded an estimated insurance recovery receivable and long-term insurance claim liability related to professional and general liabilities of approximately $350,000. No amounts were recorded at December 31, 2013.

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Center separately accounts for and reports donor restricted and unrestricted net assets. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than the donor or grantor.

Temporarily restricted net assets are those whose use is temporarily limited by the donors for a specific time period or purpose. Assets are released from restrictions when the funds have been used for the intended purpose. The Center reports contributions of temporarily restricted net assets for which the restriction was met in the year the contribution was made as increases in unrestricted net assets.

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. The Center follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it relates to its permanently restricted contributions and net assets, as enacted by the State of New Jersey in 2009.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payers, and others for service rendered and includes estimated retroactive adjustments for ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related service is rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

For uninsured patients that do not qualify for charity care, the Center recognizes revenue on the basis of discounted rates under the Center’s self pay patient policy.

1. Organization and Summary of Significant Accounting Policies (continued)

The components of patient service revenue for the years ended December 31, 2013 and 2012, net of contractual allowances and discounts (but before the provision for bad debts) and after the provision for bad debts, recognized from these major payor sources based on primary insurance designation, is as follows:

	2013	2012
Patient service revenue (net of contractual allowances and discounts, but before the provision for bad debts):		
Third-party payors	**$ 46,683,550**	$ 43,014,551
Self-pay	**24,328,885**	24,873,378
	71,012,435	67,887,929
Provision for bad debts	**(49,700)**	(49,200)
Net patient service revenue less provision for bad debts	**$ 70,962,735**	$ 67,838,729

Accounts receivable are also reduced by an allowance for uncollectible accounts. The Center analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectibles.

The Center's allowance for uncollectibles totaled approximately $12,000 and $13,000 at December 31, 2013 and 2012, respectively. The allowance for uncollectibles for self-pay accounts was approximately 2% of self-pay accounts receivable as of December 31, 2013 and 2012. Overall, the total of self-pay discounts and write-offs has not changed significantly during the years ended December 31, 2013 and 2012. The Center has not experienced significant changes in write-off trends and did not change its charity care policy during the years ended December 31, 2013 and 2012.

1. Organization and Summary of Significant Accounting Policies (continued)

The Center provides care to patients under Medicare, Medicaid and other third-party contractual arrangements. Medicare and Medicaid regulations require annual retroactive settlements for certain payment components through cost reports filed by the Center. These retroactive settlements are estimated and recorded in the financial statements in the year in which they occur or can be estimated. The estimated settlements recorded at December 31, 2013 and 2012 could differ from actual settlements based on the results of cost report audits. Cost reports filed with Medicare and Medicaid for all years through 2009 have been audited and settled as of December 31, 2013. During 2012 the Center recorded net patient service revenue of approximately $196,000 for positive settlements related to prior years. The Center did not record any revenue for settlements during 2013.

Revenue from the Medicare and Medicaid programs accounted for approximately 55% and 54% of the Center's net patient service revenue for the years ended December 31, 2013 and 2012, respectively. There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the federal government, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Center. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential noncompliance that could have a material adverse effect on the accompanying combined financial statements.

Performance Indicator

The combined statements of operations include excess of revenue over expenses from continuing operations as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include grant proceeds for capital expenditures and change in pension liability to be recognized in future periods. Transactions deemed by management to be ongoing and central to the provision of the Center's services are reported as revenue and expenses from operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Tax Status

The Center, Holland Mutual and the Foundation are not-for-profit corporations, as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The entities are also exempt from state and local income taxes.

2. Charity Care

The Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. As the collection of amounts determined to qualify as charity care is not pursued, such services are not reported as patient revenue. The cost of charity care is derived from both estimated and actual data. The estimated cost of charity care includes the direct and indirect cost of providing such services and is estimated utilizing the Center’s ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients.

In addition, the Center provides several other charitable programs and activities, such as educational and health monitoring programs, that are primarily offered for the benefit of the local communities that the Center serves. In accordance with its mission, the Center commits substantial resources to sponsor a broad range of services to both the indigent as well as the broader community. Community benefits provided to the indigent include the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of: traditional charity care; unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs; services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed; and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community.

Community benefits provided to the broader community include the costs of providing services to other populations who may not qualify as indigent but may need special services and support. This type of community benefit includes the costs of: services such as health promotion and education, health clinics and screenings, all of which are not billed or can be operated only on a deficit basis; unpaid portions of training health professionals such as medical residents, nursing

2. Charity Care (continued)

students and students in allied health professions; and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols.

A summary of the estimated cost of community benefits provided to both the indigent and the broader community follows:

	2013	2012
Community benefits provided to the indigent:		
Charity care provided	**$ 1,120,600**	$ 1,001,800
Unpaid cost of public programs, Medicaid and other indigent care programs	**7,500,800**	8,408,900
Community benefits provided to the broader community:		
Non-billed services for the community	**257,895**	280,300
Estimated cost of community benefits	**$ 8,879,295**	$ 9,691,000

3. Short-Term Investments and Assets Limited to Use

Short-term investments consist of the following:

	December 31	
	2013	2012
Cash and cash equivalents	**$ 30,117**	$ 473,554
Certificates of deposit	**428,975**	430,747
Equity securities	**1,201,577**	1,007,908
Mutual funds	**4,783,162**	3,794,510
Fixed income securities	**98,107**	102,336
Alternative investment – hedge fund (equity method)	**121,688**	158,510
	$ 6,663,626	$ 5,967,565

3. Short-Term Investments and Assets Limited to Use (continued)

Assets limited to use consist of cash and cash equivalents maintained for the following purposes:

	December 31 2013	December 31 2012
Under debt financing arrangements	**$ 664**	$ 664
By Board of Trustees	**1,111,076**	1,111,076
Permanently restricted by donor	**727,981**	727,981
Total assets limited to use	**1,839,721**	1,839,721
Less current portion	**1,111,740**	1,111,740
Assets limited to use, less current portion	**$ 727,981**	$ 727,981

A summary of the assets limited to use under debt financing arrangements is as follows:

	December 31 2013	December 31 2012
Debt service cost of issuance fund and other	**$ 664**	$ 664

Investment return is as follows:

	Year Ended December 31 2013	Year Ended December 31 2012
Interest income – debt service funds	**$ 1,186**	$ 263
Interest and dividend income – other holdings	**94,097**	13,339
Net realized gains and losses	**229,753**	240,476
Net change in unrealized gains and losses	**641,096**	459,276
	$ 966,132	$ 713,354

4. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31	
	2013	**2012**
Land and land improvements	**$ 2,249,474**	$ 2,205,225
Buildings and improvements	**63,592,361**	63,062,013
Major movable equipment	**14,558,530**	12,841,876
Fixed and other equipment	**11,166,636**	10,831,366
Transportation vehicles	**2,205,132**	1,920,651
	93,772,133	90,861,131
Accumulated depreciation	**(50,407,970)**	(47,043,849)
	43,364,163	43,817,282
Construction in progress	**8,398,439**	6,987,674
	$ 51,762,602	$ 50,804,956

Substantially all property, plant and equipment have been collateralized under debt agreements.

Construction in progress includes approximately $6.3 million expended through December 31, 2013 for a proposed continuing care retirement community ("CCRC") project. Currently, the planned CCRC project was approved by the Township of Wyckoff, in May of 2013, and is currently before the Township of Hawthorne Zoning Board for approval.

If approved by the Township of Hawthorne Zoning Board, the Center plans to commence marketing efforts for prospective residents of the CCRC in 2014. Upon obtaining the necessary financing for the project, management anticipates that the Center will be reimbursed for the construction in progress expenditures paid on behalf of the CCRC project.

The Center capitalized interest of approximately $73,000 during 2013 and 2012 related to construction projects.

5. Benefits Payable

During 1996, the Holland Mutual Burying Fund, then an unrelated not-for-profit organization that provided death benefits to its subscribers, transferred its assets and obligations to Holland Mutual. Benefits payable represent certificates held by subscribers for the payment of a death benefit for funeral expenses and is calculated based on the dollar value of the certificate purchased by the individual. As of December 31, 2013, there were 2,597 certificates outstanding.

6. Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2013	**2012**
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Variable Rate Revenue Bonds, Series 2009 (a)	**$ 12,850,000**	$ 13,435,000
NJHCFFA Revenue and Refunding Bonds, Series 1997 B (b)	**7,100,000**	7,400,000
NJHCFFA Variable Rate Series 2005 (c)	**5,875,000**	6,030,000
NJHCFFA Variable Rate Composite Program (d)	**300,000**	300,000
NJHCFFA Tax Exempt Equipment Note 2009 (e)	**1,855,530**	1,879,644
Revolving construction loan (f)	**2,875,000**	2,875,000
Capital lease obligations (g)	**308,060**	–
	31,163,590	31,919,644
Less:		
Current portion	**1,716,725**	1,394,702
	$ 29,446,865	$ 30,524,942

(a) On February 19, 2009, the NJHCFFA issued $14,970,000 of Series 2009 Variable Rate Revenue Bonds (Series 2009 Bonds), on behalf of the Center. The proceeds were used for the refunding of the Series A Bonds, as described below, and the construction of a Great Room in the nursing home, along with additional renovation projects. The Series 2009 Bonds are payable in annual installments of principal through July 2038 with interest at a variable rate (not to exceed 12%). The average interest rate during 2013 and 2012 was 0.31% and 0.49%, respectively. The Series 2009 Bonds are secured by a letter of credit with a bank with an available amount of approximately $13,032,000 and which expires May 1, 2020.

6. Long-Term Debt (continued)

(b) On January 7, 1998, the NJHCFFA issued $19,460,000 of Revenue and Refunding Bonds Series 1997 A (Series A Bonds). The Series A Bonds were advance refunded in February 2009 through the issuance of the Series 2009 Bonds. The Series A Bonds were fully redeemed.

Concurrently with the issuance of the Series A Bonds, the NJHCFFA issued $10,500,000 of Revenue and Refunding Bonds Series 1997 B (Series B Bonds). The Series B Bonds are at a variable interest rate with maturities through 2028. The average interest rate during 2013 and 2012 was 0.38% and 0.82%, respectively. The proceeds of the Series B Bonds were used for the construction of an 80-unit, 92-bed assisted living facility which was completed in 1999. The Series B Bonds are secured by substantially all the Center's assets and gross receipts and a letter of credit with a bank. The letter of credit is for approximately $7,217,000 and expires May 1, 2020.

(c) In December 2005, the Center financed $6,600,000 through the NJHCFFA Variable Rate Composite Program (COMP Program Series 2005). The bond proceeds were used for: the construction and equipping of a two-story addition at the inpatient mental health facility; the construction and equipping of renovations, a new Great Room and nurses station; and the acquisition of property situated adjacent to the facility. The bonds are payable in annual installments of principal through July 2035 and are at variable interest rates (not to exceed 12%) that averaged 0.36% and 0.64% during 2013 and 2012, respectively. The bonds are secured by a letter of credit with a bank. The letter of credit is for approximately $5,979,000 and expires May 1, 2020.

(d) In September 1998, the Center financed $1,000,000 through the NJHCFFA Variable Rate Composite Program (COMP Program). The bond proceeds were used to refinance its previously outstanding bank loan that was used to renovate its 40-bed senior housing residence. The bonds are payable in equal biannual installments of principal through July 2018 and are at a variable rate of interest (not to exceed 12%) that averaged 0.66% and 0.98% during 2013 and 2012, respectively. The bonds are secured by a letter of credit with a bank. The letter of credit is for approximately $305,000 and expires July 1, 2018.

6. Long-Term Debt (continued)

(e) In January 2008, the Center financed $3,500,000 through a NJHCFFA Tax Exempt Equipment Note. The proceeds were used for washers/dryers, furniture, IT equipment and new energy-related equipment such as chillers. Payments of principal and interest are due through January 2018 and are at a fixed interest rate of 3.60%. In January 2013, the Tax Exempt Equipment Note was refinanced to a fixed rate of 2.169% and supplemented with an additional borrowing of $400,000, used to purchase a new phone system.

(f) In December 2004, the Center entered into a $5,000,000 revolving construction loan (Construction Loan) with a bank for future expansion projects. Advances under the loan bear interest at an annual variable rate equal to 0.8% in excess of LIBOR with a minimum rate of 2.50% (2.50% at December 31, 2013 and 2012). The outstanding balance of the loan is due upon termination of the loan in 2015. At December 31, 2013, there was $2,125,000 available under this revolving construction loan.

(g) In 2013, the Center entered into various capital lease agreements related to software licenses and vehicles totaling approximately $331,0000. The obligations bear interest at rates ranging from 6.30% to 10.1%.

The holders of the Series 2009 Bonds, the Series B Bonds, the COMP Program Series 2005 bonds, and the COMP Program bonds have the right to tender their bonds for purchase on a weekly basis. The reimbursement terms of the letters of credit securing these debt issuances are such that in the event that a bondholder demanded repayment on the bonds, and adequate funds are not available from the remarketing of such bonds, the Center would reimburse the letter of credit bank over a long-term period.

Under the terms of the various loan documents for its outstanding debt instruments, the Center is required to maintain certain financial ratios and comply with other restrictive financial covenants as described in the respective agreements. The Center was in compliance with the financial covenants at December 31, 2013 and 2012.

6. Long-Term Debt (continued)

Scheduled debt maturities are as follows:

	Series 2009 Bonds	Series B Bonds	COMP Program Series 2005	COMP Program	Tax Exempt Revenue Note	Construction Loan	Capital Leases	Total
2014	$ 620,000	$ 300,000	$ 165,000	$ 100,000	$ 439,361	$ –	$ 92,364	$ 1,716,725
2015	560,000	400,000	170,000	–	448,986	2,875,000	96,145	4,550,131
2016	605,000	400,000	175,000	100,000	458,821	–	73,996	1,812,817
2017	650,000	400,000	180,000	–	468,871	–	24,196	1,723,067
2018	695,000	400,000	190,000	100,000	39,491	–	21,359	1,445,850
Thereafter	9,720,000	5,200,000	4,995,000	–	–	–	–	19,915,000
	$ 12,850,000	$ 7,100,000	$ 5,875,000	$ 300,000	$ 1,855,530	$ 2,875,000	$ 308,060	$ 31,163,590

7. Line of Credit

The Center has a $1,000,000 revolving line of credit (the line) with a bank which expires September 18, 2014. The line is secured by the Center's accounts receivable. Advances under the line bear interest at an annual variable rate equal to the prime rate or an annual fixed rate equal to 1% in excess of LIBOR. At December 31, 2013 and 2012, there were no outstanding amounts under the line.

8. Pension Plans

Defined Benefit Plan

On January 1, 2000, the Center's Board of Trustees adopted a resolution to curtail the Center's defined benefit pension plan (the Plan) effective December 31, 1999. All participants in the Plan, as of 2005, are fully vested; however, no benefits will accrue for any service after December 31, 1999.

8. Pension Plans (continued)

The funded status of the Plan as recognized in the Center's combined balance sheets is as follows:

	December 31	
	2013	**2012**
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 13,770,039**	$ 12,629,107
Interest cost	**564,194**	602,414
Actuarial (gains) losses	**(1,026,520)**	1,135,653
Benefits paid	**(612,566)**	(597,135)
Benefit obligation at end of year	**12,695,147**	13,770,039
Change in plan assets:		
Fair value of plan assets at beginning of year	**4,675,144**	4,765,723
Actual return on plan assets	**404,929**	406,556
Employer contributions prior to measurement period	**500,000**	100,000
Benefits paid	**(612,566)**	(597,135)
Fair value of plan assets at end of year	**4,967,507**	4,675,144
Funded status of plan	**$ (7,727,640)**	$ (9,094,895)

8. Pension Plans (continued)

The funded status of the pension plan is included in pension obligation and other liabilities in the combined balance sheets. The accumulated benefit obligation for the Center's pension plan totaled approximately $12,695,000 and $13,770,000 at December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, there are approximately $5,702,000 and $7,480,000, respectively, of actuarial losses that have not yet been recognized in net periodic pension cost, but have been cumulatively recorded in unrestricted net assets. Approximately $554,000 of unrecognized actuarial loss is expected to be recognized in net periodic pension cost during the year ending December 31, 2014.

The Center recorded net periodic pension cost as follows:

	Year Ended December 31	
	2013	**2012**
Interest cost on the projected benefit obligation	**$ 564,194**	$ 602,414
Expected return on plan assets	**(381,935)**	(390,473)
Net amortization and deferrals	**728,316**	667,217
Net periodic pension benefit cost	**$ 910,575**	$ 879,158

The following assumptions were used in determining the benefit obligations and net periodic benefit costs:

	2013	**2012**
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	**4.85%**	4.20%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	**4.20%**	4.90%
Expected long-term rate of return on plan assets	**8.75**	8.75

8. Pension Plans (continued)

The expected long-term rate of return on plan assets was selected by applying historical yields to the asset allocation of the Plan's portfolio. An 8.75% expected long-term return on plan assets was based on the investment policy and asset allocation in effect as of the beginning of the fiscal year.

The Plan's investment policy is designed to achieve the following long-term investment objectives:

- To maintain or exceed a target funding level of 100% of the Plan's liabilities, defined as the market value of the portfolio assets as a percentage of the accumulated benefit obligation, and

- To achieve a long-term rate of return of 8.75%, as established by the Plan's actuarial consultant.

Recognizing that the pension liabilities are of a long-term nature, the objective is to achieve these goals over a three to five year timeframe.

The asset allocation guidelines and permissible ranges by asset category are as follows:

Asset Category	Guideline Allocation	Permissible Range
Equities	65%	Up to 65%
Debt securities	35	Not less than 30%
Other	–	Up to 10%

8. Pension Plans (continued)

The Plan's asset allocations by asset category are as follows:

	December 31	
	2013	**2012**
Equities	**66%**	59%
Corporate bonds	**20**	32
Other	**14**	9
	100%	100%

The Plan has received a favorable ruling from the Internal Revenue Service to operate as a church plan. Under church plan status, the Plan is not subject to many of the compliance provisions of the Employee Retirement Income Security Act of 1974 (ERISA), such as minimum funding levels. The Center makes contributions to the Plan based on the recommendations of its consulting actuary and subject to available cash resources. The Center contributed $500,000 to the Plan in 2013 and expects to contribute $690,500 to the Plan in 2014. Also, benefits under the Plan are not covered by the Pension Benefit Guaranty Corporation.

The measurement date used to determine the pension amounts is December 31.

The benefit payments under the Plan are expected to be paid as follows:

2014	$ 659,559
2015	670,760
2016	693,635
2017	719,446
2018	777,326
2019-2023	4,162,703

8. Pension Plans (continued)

Defined Contribution Plan

Effective January 1, 2000, the Center adopted a defined contribution 401(k) plan (the 401(k) Plan). The 401(k) Plan provides for employer and employee contributions. Employees can make elective contributions to the 401(k) Plan of up to 17% of compensation. Employer contributions to the Plan consist of a regular contribution and a matching contribution. The regular employer contribution was equal to 2% of participants' eligible total compensation until December 31, 2011. Effective January 1, 2012, the regular employer contribution rate is 1.5%. The matching employer contribution is equal to 50% of the employees' elective contribution up to a maximum of 2% of a participant's eligible compensation. Pension expense under the 401(k) Plan was approximately \$741,000 and \$729,000 for the years ended December 31, 2013 and 2012, respectively.

9. Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or on appeal against the Center. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that litigation will not result in losses in excess of insurance coverage and will not materially affect the combined financial position or results of operations of the Center. No provision has been made in the accompanying financial statements for any deductibles or claims that have been incurred but not reported.

10. Net Assets

The Center's net assets are as follows:

	December 31	
	2013	**2012**
Unrestricted net assets:		
Unrestricted – general	**$ 25,146,549**	$ 20,862,952
Unrestricted – Employee Fund	**460,460**	407,504
Unrestricted net assets	**25,607,009**	21,270,456
Temporarily restricted net assets:		
Capital projects	**1,000,000**	–
Residents assistance	**215,218**	215,218
Temporarily restricted net assets	**1,215,218**	215,218
Permanently restricted net assets	**727,981**	727,981
Total net assets	**$ 27,550,208**	$ 22,213,655

The Center has internally designated certain unrestricted net assets for discretionary employee expenditures, such as employee events.

The Center expends the income distributed from permanently restricted related assets on an annual basis in support of benevolent purposes (2013 and 2012 distributions totaled approximately $2,400 and $5,000, respectively).

Foundation fundraising and contribution income is reported net of related expenses of approximately $84,000 in 2013 and $394,000 in 2012. Assets released from the Foundation for use at the Center were approximately $41,200 in 2013 and $107,000 in 2012.

11. Concentrations of Credit Risk

The Center grants credit, under contractual arrangements, without collateral to its residents and patients, many of whom are from the northern New Jersey area and are insured under third-party payer agreements. Concentrations of gross accounts receivable from patients and third-party payers were as follows:

	December 31	
	2013	**2012**
Medicare	**37%**	35%
Medicaid	**25**	29
Self-pay patients and residents	**15**	15
Commercial and other insurance	**23**	21
	100%	100%

12. Functional Expenses

The Center provides general health care services to residents within its geographic area. Expenses related to providing these services are as follows:

	Year Ended December 31	
	2013	**2012**
Health care services	**$ 50,689,804**	$ 48,458,265
General and administrative	**20,729,830**	19,896,501
	$ 71,419,634	$ 68,354,766

13. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Center measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Center's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated).

The Center follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

> *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
>
> *Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.
>
> *Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

13. Fair Value Measurements (continued)

Financial instruments (included in cash and cash equivalents, short-term investments (excluding amounts accounted for using the equity method of accounting) and assets limited to use) carried at fair value in the accompanying combined balance sheets are classified in the tables below in one of the three categories described above as of December 31, 2013 and 2012:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,390,132	$ –	$ –	$ 9,390,132
Certificate of deposit	428,975	–	–	428,975
Equity securities:				
U.S. large cap	1,034,840	–	–	1,034,840
U.S. mid cap	139,930	–	–	139,930
Foreign equities	26,807	–	–	26,807
Fixed income:				
Government bonds and GSE bonds	–	19,054	–	19,054
International	–	79,053	–	79,053
Mutual funds – equity:				
U.S. large cap	1,256,709	–	–	1,256,709
U.S. mid cap	367,393	–	–	367,393
U.S. small cap	349,267	–	–	349,267
International developed equity	487,015	–	–	487,015
International emerging equity	257,600	–	–	257,600
Mutual funds – fixed income:				
Government bonds	30,339	–	–	30,339
Corporate bonds	1,308,667	–	–	1,308,667
High yield bonds	200,175	–	–	200,175
International developed/emerging market bonds	126,010	–	–	126,010
Mutual funds – other:				
Global public REITS	116,532	–	–	116,532
Commodities	181,949	–	–	181,949
Hedge strategies – diversified	50,303	–	–	50,303
Hedge strategies – conservative	51,203	–	–	51,203
	$ 15,803,846	$ 98,107	$ –	$ 15,901,953

13. Fair Value Measurements (continued)

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 6,761,457	$ –	$ –	$ 6,761,457
Certificate of deposit	430,747	–	–	430,747
Equity securities:				
U.S. large cap	862,493	–	–	862,493
U.S. mid cap	120,060	–	–	120,060
Foreign equities	25,355	–	–	25,355
Fixed income:				
Government bonds and GSE bonds	–	40,377	–	40,377
International	–	61,859	–	61,859
Mutual funds – equity:				
U.S. large cap	691,959	–	–	691,959
U.S. mid cap	257,367	–	–	257,367
U.S. small cap	120,865	–	–	120,865
International developed equity	334,254	–	–	334,254
International emerging equity	299,770	–	–	299,770
Mutual funds – fixed income:				
Government bonds	92,640	–	–	92,640
Corporate bonds	1,080,704	–	–	1,080,704
High yield bonds	192,191	–	–	192,191
International developed/emerging market bonds	306,237	–	–	306,237
Mutual funds – other:				
Global public REITS	165,313	–	–	165,313
Commodities	164,907	–	–	164,907
Hedge strategies – diversified	40,043	–	–	40,043
Hedge strategies – conservative	48,260	–	–	48,260
	$ 11,994,622	$ 102,236	$ –	$ 12,096,858

13. Fair Value Measurements (continued)

Assets invested in the Center's defined benefit pension plan, at fair value as of December 31 2013 and 2012 are classified in the tables below in one of the three categories described above:

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 391,128**	**$ –**	**$ –**	**$ 391,128**
Mutual funds – equity:				
U.S. large cap	**1,753,136**	**–**	**–**	**1,753,136**
U.S. mid cap	**282,476**	**–**	**–**	**282,476**
U.S. small cap	**397,638**	**–**	**–**	**397,638**
International developed equity	**403,555**	**–**	**–**	**403,555**
International emerging equity	**308,077**	**–**	**–**	**308,077**
Mutual funds – fixed income:				
Corporate bonds	**509,254**	**–**	**–**	**509,254**
High yield bonds	**315,648**	**–**	**–**	**315,648**
Mutual funds – other:				
Global fixed	**148,912**	**–**	**–**	**148,912**
Alternative investments:				
Managed futures	**–**	**–**	**284,487**	**284,487**
Relative value	**–**	**–**	**173,196**	**173,196**
Total plan assets	**$ 4,509,824**	**$ –**	**$ 457,683**	**$ 4,967,507**

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 385,239	$ –	$ –	$ 385,239
Equity securities:				
U.S. large cap	280,371	–	–	280,371
U.S. mid cap	35,112	–	–	35,112
Fixed income:				
Government bonds	–	48,333	–	48,333
Mutual funds – equity:				
U.S. large cap	1,313,904	–	–	1,313,904
U.S. mid cap	206,647	–	–	206,647
U.S. small cap	281,577	–	–	281,577
International developed equity	343,515	–	–	343,515
International emerging equity	302,927	–	–	302,927
Mutual funds – fixed income:				
Corporate bonds	573,819	–	–	573,819
High yield bonds	293,523	–	–	293,523
Mutual funds – other:				
Global fixed	151,988	–	–	151,988
Alternative investments:				
Managed futures	–	–	278,918	278,918
Relative value	–	–	179,271	179,271
Total plan assets	$ 4,168,622	$ 48,333	$ 458,189	$ 4,675,144

13. Fair Value Measurements (continued)

Fair value for Level 1 is based on quoted market prices. Level 2 assets consist of certain fixed income securities for which the fair value at each year end is estimated based on quoted prices and other valuation considerations (e.g., credit quality and prevailing interest rates). Fair value for Level 3 assets within the pension plan is determined based on the net assets value of each fund.

Following is a rollforward of the amounts for the defined benefit plan's financial instruments classified by the Center in Level 3 of the valuation hierarchy defined above (in thousands):

	2013	2012
Fair value at January 1	**$ 458,189**	$ 471,112
Purchases	**–**	–
Total realized and unrealized gains or losses	**(506)**	(12,923)
Fair value at December 31	**$ 457,683**	$ 458,189
Change in unrealized gains and losses related to financial instruments held at December, 31	**$ (506)**	$ (12,923)

The approximate fair value of the Center's long-term debt, excluding capital leases (not reported at fair value in the accompanying combined balance sheets) was $30,856,000 and $31,920,000 at December 31, 2013 and 2012, respectively. The fair value of the Center's long-term debt is based upon quoted market prices, when available, and other valuation considerations. Fair value of long-term debt is classified as Level 2 of the valuation hierarchy. The carrying value of long-term debt, excluding capital leases is $30,855,530 and $31,919,644 at December 31, 2013 and 2012, respectively.

14. Subsequent Events

Subsequent events have been evaluated through April 10, 2014, which is the date the combined financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the combined financial statements.

Supplementary Information

Christian Health Care Center and Affiliates

Combining Balance Sheet

December 31, 2013

	Christian Health Care Center	Christian Health Care Center Foundation	Eliminations/ Reclassifications	Christian Health Care Center Consolidated	Holland Mutual Charitable Health Corporation	2013 Combined Total
Assets						
Current assets:						
Cash and cash equivalents	$ 4,666,284	$ 2,506,838	$ –	$ 7,173,122	$ 347,172	$ 7,520,294
Short-term investments	2,577,822	–	–	2,577,822	4,085,804	6,663,626
Assets limited to use, current portion	1,111,740	–	–	1,111,740	–	1,111,740
Accounts receivable, net	8,282,637	–	–	8,282,637	–	8,282,637
Prepaid expenses and other current assets	862,335	–	–	862,335	–	862,335
Total current assets	17,500,818	2,506,838	–	20,007,656	4,432,976	24,440,632
Assets limited to use, less current portion	727,981	–	–	727,981	–	727,981
Other assets	2,003,612	–	–	2,003,612	–	2,003,612
Interest in the assets of the Foundation	2,506,838	–	(2,506,838)	–	–	–
Deferred financing costs, net	615,909	–	–	615,909	–	615,909
Property, plant and equipment, net	51,762,602	–	–	51,762,602	–	51,762,602
Total assets	$ 75,117,760	$ 2,506,838	$ (2,506,838)	$ 75,117,760	$ 4,432,976	$ 79,550,736
Liabilities and net assets						
Current liabilities:						
Current portion of long-term debt	$ 1,716,725	$ –	$ –	$ 1,716,725	$ –	$ 1,716,725
Accounts payable and accrued expenses	3,828,318	–	–	3,828,318	50,000	3,878,318
Accrued payroll	2,993,686	–	–	2,993,686	–	2,993,686
Accrued interest	8,315	–	–	8,315	–	8,315
Estimated amounts due to third-party payers	439,420	–	–	439,420	–	439,420
Total current liabilities	8,986,464	–	–	8,986,464	50,000	9,036,464
Benefits payable	–	–	–	–	1,368,400	1,368,400
Pension obligation and other liabilities	12,148,799	–	–	12,148,799	–	12,148,799
Long-term debt, less current portion	29,446,865	–	–	29,446,865	–	29,446,865
Total liabilities	50,582,128	–	–	50,582,128	1,418,400	52,000,528
Net assets:						
Unrestricted	22,592,433	1,506,838	(1,506,838)	22,592,433	3,014,576	25,607,009
Temporarily restricted	1,215,218	1,000,000	(1,000,000)	1,215,218	–	1,215,218
Permanently restricted	727,981	–	–	727,981	–	727,981
Total net assets	24,535,632	2,506,838	(2,506,838)	24,535,632	3,014,576	27,550,208
Total liabilities and net assets	$ 75,117,760	$ 2,506,838	$ (2,506,838)	$ 75,117,760	$ 4,432,976	$ 79,550,736

Christian Health Care Center and Affiliates

Combining Statement of Operations and Changes in Net Assets

Year Ended December 31, 2013

	Christian Health Care Center	Christian Health Care Center Foundation	Eliminations/ Reclassifications	Christian Health Care Center Consolidated	Holland Mutual Charitable Health Corporation	Eliminations/ Reclassifications	2013 Combined Total
Revenue:							
Net patient service revenue less provision for bad debts	$ 70,962,735	$ –	$ –	$ 70,962,735	$ –	$ –	$ 70,962,735
Other revenue	858,210	–	–	858,210	–	–	858,210
Investment income on debt service funds	258,843	–	(257,657)	1,186	91,871	(91,871)	1,186
Fundraising activities, net	–	189,336	(189,336)	–	–	–	–
Estate bequests	5,985	12,570	(18,555)	–	–	–	–
Unrestricted gifts and contributions	–	864,464	(864,464)	–	–	–	–
Total revenue	72,085,773	1,066,370	(1,330,012)	71,822,131	91,871	(91,871)	71,822,131
Expenses:							
Salaries and wages	41,309,468	–	–	41,309,468	–	–	41,309,468
Employee benefits	10,566,769	–	–	10,566,769	–	–	10,566,769
Supplies and other	15,758,701	–	–	15,758,701	25,678	(25,678)	15,758,701
Interest and amortization	412,262	–	–	412,262	–	–	412,262
Depreciation and amortization	3,372,434	–	–	3,372,434	–	–	3,372,434
Total expenses	71,419,634	–	–	71,419,634	25,678	(25,678)	71,419,634
Income from operations	666,139	1,066,370	(1,330,012)	402,497	66,193	(66,193)	402,497
Investment income and net realized gains and losses	–	–	257,657	257,657	–	66,193	323,850
Estate bequests	–	–	18,555	18,555	–	–	18,555
Foundation fundraising and contributions, net of expenses	–	–	1,053,800	1,053,800	–	–	1,053,800
Contribution from (to) affiliate	577,858	(577,858)	–	–	–	–	–
Net change in unrealized gains and losses on investments	251,677	–	–	251,677	389,419	–	641,096
Excess of revenue over expenses	1,495,674	488,512	–	1,984,186	455,612	–	2,439,798
Grant proceeds for capital expenditures	118,925	–	–	118,925	–	–	118,925
Change in pension liability	1,777,830	–	–	1,777,830	–	–	1,777,830
Net change in interest in Foundation assets	488,512	–	(488,512)	–	–	–	–
Change in unrestricted net assets	3,880,941	488,512	(488,512)	3,880,941	455,612	–	4,336,553
Change in temporarily and permanently restricted net assets	1,000,000	1,000,000	(1,000,000)	–	–	–	1,000,000
Increase in net assets	4,880,941	1,488,512	(1,488,512)	3,880,941	455,612	–	5,336,553
Net assets at beginning of year	19,654,691	1,018,326	(1,018,326)	19,654,691	2,558,964	–	22,213,655
Net assets at end of year	$ 24,517,306	$ 2,506,838	$ (2,506,838)	$ 24,535,632	$ 3,014,576	$ –	$ 27,550,208

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