# Consolidated Financial Statements and Supplementary Information

Christian Health Care Center (d/b/a Christian Health) and Affiliates
Years Ended December 31, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

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(d/b/a Christian Health) and Affiliates

Consolidated Financial Statements
and Supplementary Information

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## Contents

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# Report of Independent Auditors

The Board of Trustees
Christian Health Care Center (d/b/a Christian Health)

## Opinion

We have audited the consolidated financial statements of Christian Health Care Center (d/b/a Christian Health) and Affiliates (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

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

## Basis for Opinion

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

## Responsibilities of Management for the Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

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## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of operations and changes in net assets as of and for the year ended December 31, 2022, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

June 30, 2023

Christian Health Care Center
(d/b/a Christian Health) and Affiliates

# Consolidated Balance Sheets

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 13,891,291** | $ 12,836,790 |
| Short-term investments | **5,174,435** | 5,533,036 |
| Assets limited to use, current portion | **8,005,558** | 7,199,228 |
| Accounts receivable, net | **6,794,342** | 6,359,812 |
| Prepaid expenses and other current assets | **10,901,432** | 4,127,166 |
| Total current assets | **44,767,058** | 36,056,032 |
| | | |
| Assets limited to use, less current portion | **24,785,565** | 37,856,573 |
| Other assets, net | **9,115,929** | 4,125,270 |
| Intangible assets, net | **1,193,107** | 2,823,182 |
| Property, plant, and equipment, net | **192,667,574** | 196,881,026 |
| Total assets | **$ 272,529,233** | $ 277,742,083 |
| | | |
| **Liabilities and net assets** | | |
| Current liabilities: | | |
| Current portion of long-term debt | **$ 13,489,601** | $ 18,438,785 |
| Accounts payable and accrued expenses | **8,484,074** | 8,536,203 |
| Accrued payroll | **3,393,588** | 2,690,977 |
| Accrued interest | **2,031,959** | 1,939,835 |
| Total current liabilities | **27,399,222** | 31,605,800 |
| | | |
| Benefits payable | **1,170,572** | 1,194,305 |
| Pension obligations and other liabilities | **11,065,192** | 17,163,134 |
| Refundable fee obligation | **28,270,846** | 16,057,528 |
| Deferred revenue | **41,439,400** | 28,515,108 |
| Long-term debt, less current portion | **113,892,122** | 138,212,261 |
| Total liabilities | **223,237,354** | 232,748,136 |
| | | |
| Commitments and contingencies | | |
| | | |
| Net assets: | | |
| Net assets without donor restrictions | **48,563,898** | 42,765,966 |
| Net assets with donor restrictions | **727,981** | 2,227,981 |
| Total net assets | **49,291,879** | 44,993,947 |
| Total liabilities and net assets | **$ 272,529,233** | $ 277,742,083 |

*See accompanying notes.*

Christian Health Care Center
(d/b/a Christian Health) and Affiliates

# Consolidated Statements of Operations

| | Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Revenue: | | |
| Net patient service revenue | **$ 77,044,627** | $ 73,583,228 |
| Rental revenue | **5,294,682** | 5,391,098 |
| Service fee revenue | **7,181,979** | 2,342,237 |
| Amortization of life care and entrance fees | **3,520,649** | 1,187,730 |
| Other revenue | **5,574,114** | 4,854,549 |
| Total revenue | **98,616,051** | 87,358,842 |
| | | |
| Expenses: | | |
| Salaries and wages | **51,290,802** | 46,606,856 |
| Employee benefits | **11,013,362** | 11,582,349 |
| Supplies and other | **23,919,668** | 22,013,792 |
| Interest and amortization | **6,111,982** | 4,228,799 |
| Amortization of intangible assets | **224,974** | 222,852 |
| Depreciation | **9,458,410** | 7,572,999 |
| Total expenses | **102,019,198** | 92,227,647 |
| | | |
| Loss from operations | **(3,403,147)** | (4,868,805) |
| | | |
| Investment income and net realized gains and losses | **(224,034)** | 228,633 |
| Foundation fundraising and contributions, net of expenses | **2,913,621** | 3,870,622 |
| Change in equity method investment | **100** | – |
| Inherent contribution of net assets without donor restrictions received in the acquisition of Home Care Options | **2,671,919** | – |
| Net change in unrealized gains and losses on investments | **(1,254,951)** | 637,628 |
| Excess (deficiency) of revenue over expenses | **703,508** | (131,922) |
| | | |
| Grant proceeds for capital expenditures and other | **165,730** | 162,038 |
| Change in fair value of derivative instruments | **3,013,599** | 1,042,622 |
| Change in pension liability to be recognized in future periods | **1,915,095** | 1,106,611 |
| Increase in net assets without donor restrictions | **$ 5,797,932** | $ 2,179,349 |

*See accompanying notes.*

Christian Health Care Center
(d/b/a Christian Health) and Affiliates

# Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2022 and 2021

| | Net Assets Without Donor Restrictions | Net Assets with Donor Restrictions: Purpose and Time Restrictions | Net Assets with Donor Restrictions: Permanent Endowment | Net Assets with Donor Restrictions: Total Net Assets with Donor Restrictions | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2021 | $ 40,586,617 | $ – | $ 727,981 | $ 727,981 | $ 41,314,598 |
| Deficiency of revenue over expenses | (131,922) | – | – | – | (131,922) |
| Grant proceeds for capital expenditures and other | 162,038 | – | – | – | 162,038 |
| Contributions, pledges and bequests | – | 1,500,000 | – | 1,500,000 | 1,500,000 |
| Change in fair value of derivative instrument | 1,042,622 | – | – | – | 1,042,622 |
| Change in pension liability to be recognized in future periods | 1,106,611 | – | – | – | 1,106,611 |
| Increase in net assets | 2,179,349 | 1,500,000 | – | 1,500,000 | 3,679,349 |
| Balance at December 31, 2021 | 42,765,966 | 1,500,000 | 727,981 | 2,227,981 | 44,993,947 |
| Excess of revenue over expenses | **703,508** | **–** | **–** | **–** | **703,508** |
| Net assets released from restrictions | **–** | **(1,500,000)** | **–** | **(1,500,000)** | **(1,500,000)** |
| Grant proceeds for capital expenditures and other | **165,730** | – | – | – | **165,730** |
| Change in fair value of derivative instruments | **3,013,599** | **–** | **–** | **–** | **3,013,599** |
| Change in pension liability to be recognized in future periods | **1,915,095** | **–** | **–** | **–** | **1,915,095** |
| Increase (decrease) in net assets | **5,797,932** | **(1,500,000)** | **–** | **(1,500,000)** | **4,297,932** |
| Balance at December 31, 2022 | **$ 48,563,898** | **$ –** | **$ 727,981** | **$ 727,981** | **$ 49,291,879** |

*See accompanying notes.*

# Christian Health Care Center
# (d/b/a Christian Health) and Affiliates

## Consolidated Statements of Cash Flows

| | Year Ended December 31 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| Increase in net assets | **$ 4,297,932** | $ 3,679,349 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | **9,458,410** | 7,572,999 |
| Amortization of deferred financing costs | **203,365** | 189,905 |
| Amortization of intangible assets | **224,974** | 222,852 |
| Net change in unrealized gains and losses on investments | **1,254,951** | (637,628) |
| Change in fair value of derivative instruments | **(3,013,599)** | (1,042,622) |
| Change in pension liability to be recognized in future periods | **(1,915,095)** | (1,106,611) |
| Cash received for nonrefundable advance fees | **18,788,275** | 29,880,760 |
| Amortization of advance fees | **(3,520,649)** | (1,187,730) |
| Inherent contribution received in the acquisition of Home Care Options | **(2,671,919)** | – |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | **(57,277)** | 1,341,845 |
| Prepaid expenses and other current assets | **(5,829,193)** | 607,652 |
| Other assets | **1,853,130** | (2,401,891) |
| Accounts payable and other accrued liabilities | **587,781** | 2,116,079 |
| Benefits payable, pension obligation and other liabilities | **(4,206,580)** | (5,462,790) |
| Net cash provided by operating activities | **15,454,506** | 33,772,169 |
| **Investing activities** | | |
| Purchases of property, plant, and equipment | **(16,685,012)** | (43,930,957) |
| Purchases of short-term investments and assets limited as to use | **(5,930,811)** | (294,144) |
| Cash received in acquisition of Home Care Options | **1,293,194** | – |
| Net cash used in investing activities | **(21,322,629)** | (44,225,101) |
| **Financing activities** | | |
| Proceeds from issuance of long-term debt | **10,385,285** | 41,907,087 |
| Payment of deferred financing costs | **–** | – |
| Repayment of long-term debt | **(30,631,784)** | (27,190,864) |
| Cash received for refundable advance fees, net of refunds | **9,869,984** | 15,879,606 |
| Net cash (used in) provided by financing activities | **(10,376,515)** | 30,595,829 |
| (Decrease) increase in cash, cash equivalents and restricted cash | **(16,244,638)** | 20,142,897 |
| Cash, cash equivalents and restricted cash, at beginning of year | **51,203,981** | 31,061,084 |
| Cash, cash equivalents and restricted cash, at end of year | **$ 34,959,343** | $ 51,203,981 |
| Reconciliation of cash, cash equivalents and restricted cash at end of year: | | |
| Cash and cash equivalents | **$ 13,891,291** | $ 12,836,790 |
| Assets limited to use: restricted cash and cash equivalents | **21,068,052** | 38,367,191 |
| Total cash, cash equivalents and restricted cash | **$ 34,959,343** | $ 51,203,981 |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest | **$ 5,773,358** | $ 5,875,540 |
| Non-cash activity related to Summer Hill transaction (*Note 1*) | | |

*See accompanying notes.*

## 1. Organization and Summary of Significant Accounting Policies

### Organization

Individuals associated with churches from the Reformed tradition founded Christian Health Care Center (d/b/a Christian Health) in 1911. Christian Health and its affiliates (collectively, the Company) provide senior life, short-term rehabilitation and mental-health services from a campus in Wyckoff and Hawthorne, New Jersey and on two additional campuses in Wayne, New Jersey. Programs on the Company's 78-acre Wyckoff/Hawthorne campus consist of a 254-skilled bed nursing facility (Heritage Manor), a 44-bed specialized long-term care behavior management facility (Southgate), a 95-bed assisted living residence (Longview), a 39-bed congregate residence (Hillcrest), a 40-unit senior residential housing program (Evergreen Court), a continuing care retirement community (The Vista) with 161 independent living units, a 58-bed mental health facility (Ramapo Ridge), and two mental health outpatient programs. Programs on the two campuses in Wayne provide 250 units, CHCC of Wayne, LLC. (d/b/a Siena Village), and 164 units, Summer Hill of Wayne, LP (d/b/a Summer Hill) , of senior residential housing.

The accompanying consolidated financial statements include the consolidated financial position and operating results of Christian Health, the Christian Health Care Center Foundation, Inc. d/b/a Christian Health Foundation (the Foundation), CHCC CCRC, Inc. d/b/a The Vista, Siena Village, Summer Hill, Visiting Homemaker Services of Passaic County, Inc. d/b/a Home Care Options (Home Care Options), and CH of Summer Hill Managing Member LLC (Managing Member). The Foundation was established to assist Christian Health in the furtherance of its charitable mission. As of December 31, 2022, Christian Health is the sole member of the Foundation, The Vista, Siena Village, Summer Hill, Home Care Options and Managing Member.

Effective August 3, 2022, Christian Health acquired and became the sole member of Home Care Options, a New Jersey not-for-profit corporation established in 1954 to offer assistance with problems caused by illness or social and environmental stress by providing a variety of in-home services in northern New Jersey. These services include, but are not limited to, certified home health aides' services, bath services, respite care, registered nurse home care, needs assessment and supervision. Christian Health accounted for this business combination by applying the acquisition method and, accordingly, the inherent contribution received was valued as the excess of the fair value of Home Care Options' assets over liabilities as of August 3, 2022. Christian Health recorded an inherent contribution of approximately $2,672,000 in relation to assets

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

acquired of approximately $2,827,000 (primarily cash, receivables and other assets) and liabilities assumed of approximately $155,000 (primarily accrued expenses). The accompanying consolidated financial statements include the consolidated financial position at December 31, 2022 and operating results for the period August 3, 2022 to December 31, 2022 for Home Care Options.

On December 30, 2022, Christian Health closed on a transaction with National Equity Fund (NEF) to renovate the Summer Hill apartments. As part of this transaction, a new ownership structure was established whereby the property (totaling approximately $11,422,000) and certain related assets and liabilities were sold from Summer Hill of Wayne, LP to a newly created entity, Summer Hill of Wayne II, LLC (Summer Hill II), for $14,000,000. As part of the transaction, Summer Hill II received $2,500,000 of equity from NEF and a $20,100,000 construction loan commitment. In consideration of the transaction, Summer Hill II issued a note payable of $5,000,000 bearing interest at 5% to Summer Hill, which is recorded at $2,700,000 net of a reserve of $2,300,000 as a long-term receivable for Summer Hill, included in other assets in the Company's consolidated financial statements, for payments to be received from NEF in the future for developer fees. As part of the transaction, all of the outstanding debt for Summer Hill (approximately $9,203,000) was repaid. The members of Summer Hill II are NEF, which owns 99.99% and a newly created entity, Managing Member, a subsidiary of Christian Health, which serves as the managing member of Summer Hill II and owns 0.01%. NEF holds the controlling interest in Summer Hill II. Managing Member has recorded its equity method investment in Summer Hill II of $100 within other assets in the Company's consolidated financial statements. Intangible assets previously recorded by Summer Hill with a net carrying value of approximately $1,407,000 were written off.

All significant intercompany and inter-entity balances and transactions have been eliminated in the accompanying consolidated financial statements.

**Coronavirus Disease 2019 Pandemic and CARES Act Funding**

On March 11, 2020, the World Health Organization designated the Coronavirus Disease 2019 (COVID-19) outbreak as a global pandemic. Federal, state and local government policies resulted in a substantial portion of the population remaining at home and forced the closure of certain businesses, which had an impact on the Company's net patient service revenue for most services.

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

Due to the pandemic, the Company experienced significant price increases in, and utilization of, medical supplies, particularly personal protective equipment, as global supply lines were disrupted by the pandemic. These price increases are reflected in supplies and other expenses along with certain labor costs within salaries and wages that also experienced significant price increases.

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus and are not required to be repaid except where Provider Relief Funds received exceed the actual amounts of eligible health care related expenses and/or lost revenues as defined by the U.S. Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions. HHS distributions from the Provider Relief Fund include general distributions and targeted distributions, to support hospitals and healthcare providers in high impact areas and rural providers, for service periods through June 30, 2023. HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs) regarding the Provider Relief Fund distributions.

For the year ended December 31, 2021, the Company received approximately $810,000 from the Provider Relief Fund, which was reported as other revenue in the accompanying 2021 consolidated statement of operations (none in 2022). The recognized revenue has been determined based on applicable accounting guidance, Post-Payment Notices of Reporting Requirements and FAQs that the Company has interpreted as being applicable to the accompanying consolidated financial statements. Management will continue to monitor communications from HHS applicable to the Provider Relief Fund reporting and data submission requirements. The public health emergency period ended on May 11, 2023.

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

In 2022 and 2021, the Company has applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund and received reimbursement payment advances of approximately $2,554,000 and $3,085,000 in 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Company recognized approximately $2,554,000 and $1,851,000, respectively, as other revenue (for reimbursement of operating costs). The Company will be finalizing project worksheets previously submitted to FEMA and also intends to submit additional applications for funding of costs incurred through the end of the defined period. The ultimate amount that the Company may be reimbursed is uncertain.

To enhance liquidity in 2020, the Centers for Medicare & Medicaid Services (CMS) expanded and streamlined the process for its Accelerated and Advance Payment Program, pursuant to which providers could receive advance Medicare payments. This program allowed eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. During April 2020, the Company received approximately $5,100,000 of expedited payments for future services. CMS advances under this program were fully recouped as of December 31, 2022, and unrecovered advances were included as a contract liability in accounts payable and accrued expenses for approximately $1,000,000 at December 31, 2021, in the accompanying consolidated statements of financial position.

Under the CARES Act, the Company had elected to defer payment of the employer portion of social security taxes totaling approximately $1,600,000 that otherwise would have been due between March 27, 2020 and December 31, 2020. The CARES Act required that 50% of the total deferred amount be paid by December 31, 2021, with the remaining balance due by December 31, 2022. The Company paid $700,000 of deferred social security taxes in December 2021; the remaining balance was paid in December 2022.

Under the CARES Act, the Company is eligible to receive an employee retention credit (ERC) against the employer portion of Social Security taxes for certain wages. The ERC was designed to encourage employers to retain employees during the COVID-19 pandemic. The Company is eligible for ERC for the period of March 13, 2020 to September 30, 2021, as extended through further legislation. The Company submitted amended Forms 941-X for calendar year 2020 to claim the ERC and continues to process applications for the ERC. The Company recognized $725,000 as other revenue for ERC in 2022.

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

Due to the evolving nature of the COVID-19 pandemic, the ultimate impact to the Company's operating results, including costs that may be incurred in the future and the level of utilization of the Company's services and resulting impact on net patient service revenue reported in the future, and its financial condition is presently unknown.

**Cash Equivalents**

The Company 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. Amounts within restricted cash include cash and cash equivalents held within investments and assets whose use is limited and represent funds set aside within the investment portfolio based on management's policy or contractual arrangements. Management believes that the institutions are viable entities and minimal risk of loss exists.

**Receivables for Patient Care**

The Company's patient accounts receivables are stated at the estimated net realizable amounts from payors, net of implicit price concessions, which are generally less than the established billing rates. These established billing rates produce payments under cost reimbursement methodologies, prospective payment formulas, or negotiated rates which cover the majority of the Company's patient services.

**Investments and Investment Income**

Investment securities included in short-term investments consist of certificates of deposit, equity securities, mutual funds and an interest in a hedge fund. Investments in marketable securities are reported at fair value in the accompanying consolidated balance sheets. The fair value of marketable investments is determined by reference to quoted market prices. The Company'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 Company'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 Company'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.

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

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 (deficiency) of revenue over expenses unless the income is restricted by donor or law. Investment income related to assets held by trustees under debt financing arrangements is included in loss from operations.

### Assets Limited to Use

Assets limited to use include assets held by trustees under debt financing agreements, escrow deposits, assets designated for a deferred employee compensation plan and assets designated for specific purposes by the Board or 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.

### Intangible Assets

Definite-lived intangible assets of the Company represent the estimated fair value of leases acquired through the Siena Village business combination. Amortization is calculated using the straight-line method over the estimated useful lives of the intangible assets as defined below.

| | Useful life |
|---|---|
| Land lease | 40 |
| In-place leases | 6–8 |
| Tax benefits | 40 |

The Company reviews the carrying value of its definite-lived intangible assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If these future undiscounted cash flows are less than the carrying value of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated

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

discounted future cash flows. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the intangible assets are used and the effects of obsolescence, demand, competition and other economic factors.

**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. Annual provisions for depreciation of property, plant, and equipment are computed using the straight-line method over the estimated useful lives of the assets (ranging from 3 to 40 years).

**Insurance Liabilities**

The Company maintains claims-made professional and general liability and worker's compensation coverage through a commercial insurance carrier. The Company recorded an estimated insurance recovery receivable and an insurance claim liability related to workers' compensation, professional and general liabilities of approximately $1,897,000 and $1,746,000 at December 31, 2022 and 2021, respectively, which are included in other assets, net and pension obligations and other liabilities in the accompanying consolidated financial statements.

The Company has a self-insured employee health insurance plan and maintains stop-loss coverage with an insurance company for claims in excess of $200,000 for the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the Company has recorded reserves for incurred but not reported medical claims of $500,000, which are included in accounts payable and accrued expenses within the accompanying consolidated balance sheets.

**Retirement Community Obligations**

Residents of The Vista are required to pay an advance fee to obtain a non-transferable right to lifetime occupancy at the Company's independent living, assisted living or nursing facilities. Current residents have selected one of two continuing care contract plans: Life Care or Non-Life Care. Each plan offers a 90%, 50%, and traditional, refundable options, as defined.

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

Refundable advance fees to which The Vista does not expect to be entitled are recorded as a refundable fee obligation upon receipt. Refunds are reduced by sums owed by the resident to The Vista, including repayment of subsidies provided to the resident and the cost of refurbishing the resident's independent living unit.

Under the 90% and 50% refundable options, 10% and 50%, respectively, of the advance fees are refundable to the resident on a declining balance basis amortized at 2% per month after residency in independent living is established, or 4% per month for residency in a nursing facility, after which they are non-refundable. Non-refundable fees are recorded as deferred revenue upon receipt and amortized to income as performance obligations are satisfied using the straight-line method over the estimated remaining life expectancy of the resident, adjusted annually.

The Company has an obligation to provide future services and use of facilities to current residents. Future cash flows, discounted at 5% annually, are projected to exceed these costs, and thus no liability for future service obligations is recorded.

The Vista is regulated by the New Jersey Department of Community Affairs pursuant to the Continuing Care Retirement Community Regulation and Financial Disclosure Act (the Act). The Act requires, among other things, that The Vista establish and maintain liquid reserves which generally are equal to the greater of 15% of the projected annual operating expenses (excluding depreciation) or the principal and interest due in the next 12 months on bonds issued to finance the construction of The Vista (see Note 7(a)). The Vista has complied with that requirement at December 31, 2022 and 2021.

**Classification of Net Assets**

The Company separately accounts for and reports net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are not externally restricted for identified purposes by donors or grantors. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Company and an outside party other than a donor or grantor.

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

Net assets with purpose and time restrictions are those whose use is temporarily limited by the donors for a specific time period or purpose. Net assets are released from restrictions when the funds have been used for the intended purpose. The Company reports contributions of net assets with purpose and time restrictions for which the restriction was met in the year the contribution was made as increases in net assets without donor restrictions. Investment income earned is recorded as an increase in net assets without donor restrictions, unless the use is specified by the donor.

Net assets with donor restrictions that are permanent endowments have been restricted by donors to be maintained in perpetuity. The Company follows the requirements of the Uniform Prudent Management of Institutional Funds Act as it relates to its permanently restricted contributions and endowment net assets, as enacted by the State of New Jersey in 2009.

**Recent Accounting Pronouncements**

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The main objective of ASU 2016-13 and related ASU updates is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this update are effective for the Company for fiscal years beginning after December 15, 2022. The Company is in the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

**Net Patient Service Revenue**

Net patient service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

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

The Company uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. Based on historical collection trends and other analyses, the Company believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Company's initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to the Company's standard charges. The Company determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, the Company's discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Company determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Company's historical collection experience for applicable patient portfolios. Under the Company's charity care policy, a patient who has no insurance or is under-insured and is ineligible for any government assistance program has his or her bill reduced to the discounted rates under the Company's self-pay patient policy. Patients who meet the Company's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Company bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Company. Net patient service revenue for performance obligations satisfied over time is recognized based on estimated expected payment at that point in time. The Company believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the services needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services through the term of their stay.

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

Net patient service revenue for the years ended December 31, 2022 and 2021, by payor are as follows:

| | 2022 | 2021 |
|---|---|---|
| Commercial insurance and managed care organizations | **$ 12,048,810** | $ 11,550,037 |
| Medicare and Medicaid managed care | **19,682,523** | 19,257,621 |
| Medicare and Medicaid | **26,763,209** | 29,225,310 |
| Self-pay and other | **18,550,085** | 13,550,260 |
| | **$ 77,044,627** | $ 73,583,228 |

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the third-party payor amounts above.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2022 and 2021, changes in the Company's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior periods were not significant. Portfolio collection estimates are updated quarterly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the periods ended December 31, 2022 and 2021 was not significant.

The Company does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Company does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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

### Service Fee Revenue

Service fee revenue is reported at amounts that reflect the consideration the Company expects to receive in exchange for continuing care retirement community services provided. These amounts are due from residents or third-party payors and include provisions for variable consideration. Service fee revenue is recognized as performance obligations are satisfied.

The Company has elected the lessor practical expedient within Accounting Standards Codification (ASC) 842, *Leases*, and recognizes, measures, presents, and discloses the revenue for services under The Vista's residency agreements based upon the predominant component, either the lease or non-lease component, of the contracts. The Company has determined that the services included under the residency agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time. The Company recognizes revenue under ASC 606, *Revenue Recognition from Contracts with Customers*, for its residency agreements for which it has estimated that the non-lease components of such residency agreements are the predominant component of the contract.

### Performance Indicator

The consolidated statements of operations include excess (deficiency) of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator include grant proceeds for capital expenditures, change in fair value of derivative instruments 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 Company's services are reported as revenue and expenses from operations.

### Tax Status

Christian Health, the Foundation, The Vista and Home Care Options 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. Siena Village, Summer Hill and Managing Member are disregarded for tax purposes. Disregarded entity status provides that the Company is subject to unrelated business income taxation on Siena Village and Summer Hill income derived from activities not specific to the Company. Provisions for income tax are not material to the consolidated financial statements.

## 2. Availability and Liquidity of Financial Assets

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | **$ 13,891,291** | $ 12,836,790 |
| Short-term investments | **5,174,435** | 5,533,036 |
| Assets limited to use, current portion | **8,005,558** | 7,199,228 |
| Accounts receivable, net | **6,794,342** | 6,359,812 |
| Financial assets available to meet general expenditures over the next twelve months | **$ 33,865,626** | $ 31,928,866 |

As part of the Company's liquidity management plan, operating cash in excess of daily requirements is invested in short-term investments and money market funds.

## 3. Charity Care

The Company maintains records to identify and monitor the level of charity care it provides. These records include total 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 Company's ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients.

**3. Charity Care (continued)**

In addition, the Company 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 Company serves. In accordance with its mission, the Company commits substantial resources to sponsor a broad range of services to both the indigent and 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 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 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:

| | **2022** | **2021** |
|---|---|---|
| Community benefits provided to the indigent: | | |
| Charity care provided | **$ 857,300** | $ 816,300 |
| Unpaid cost of public programs, Medicaid and other indigent care programs | **8,630,800** | 8,621,300 |
| Community benefits provided to the broader community: | | |
| Non-billed services for the community | **92,500** | 47,965 |
| Estimated cost of community benefits | **$ 9,580,600** | $ 9,485,565 |

**4. Short-Term Investments and Assets Limited to Use**

Short-term investments consist of the following:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Certificates of deposit | **$ 321,684** | $ 322,033 |
| Equity securities | **687,345** | 843,910 |
| Mutual funds | **3,178,807** | 3,560,162 |
| Alternative investment – hedge fund (equity method) | **986,599** | 806,931 |
| | **$ 5,174,435** | $ 5,533,036 |

Assets limited to use, which include restricted cash, equities and mutual funds, are maintained for the following purposes; management determines the classification of current versus long-term based on the intended use of the assets:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Under debt financing arrangements | **$ 21,888,186** | $ 29,938,260 |
| Escrow deposits | **4,214,398** | 6,991,332 |
| Board designated | **3,505,558** | 3,785,228 |
| Permanently restricted by donor | **727,981** | 727,981 |
| Deferred employee compensation plan | **2,455,000** | 3,613,000 |
| Total assets limited to use | **32,791,123** | 45,055,801 |
| Less current portion | **8,005,558** | 7,199,228 |
| Assets limited to use, less current portion | **$ 24,785,565** | $ 37,856,573 |

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

Investment return, excluding return derived from assets held by trustees under debt financing arrangements, is as follows:

| | Year Ended December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Interest and dividend income – other holdings | **$ 283,633** | $ 85,133 |
| Net realized gains and losses | **(507,667)** | 143,500 |
| Net change in unrealized gains and losses | **(1,254,951)** | 637,628 |
| | **$ (1,478,985)** | $ 866,261 |

## 5. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Land and land improvements | **$ 5,194,848** | $ 6,545,217 |
| Buildings and improvements | **211,439,902** | 216,603,397 |
| Major movable equipment | **17,643,995** | 16,534,454 |
| Fixed and other equipment | **37,860,516** | 36,079,545 |
| Transportation vehicles | **3,107,923** | 2,947,519 |
| | **275,247,184** | 278,710,132 |
| Accumulated depreciation | **(98,061,243)** | (90,386,826) |
| | **177,185,941** | 188,323,306 |
| Construction in progress | **15,481,633** | 8,557,720 |
| | **$ 192,667,574** | $ 196,881,026 |

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

The Company capitalized interest of approximately $324,000 and $3,665,000 during 2022 and 2021, respectively, related to construction projects.

## 6. Benefits Payable

Benefits payable represents amounts due toward death benefit certificates held by subscribers of an unrelated not-for-profit organization that was previously merged into the Company. These certificates entitle the subscribers to receive a death benefit and is calculated based on the dollar value of the certificate that they had purchased. As of December 31, 2022 there were 2,189 certificates outstanding.

## 7. Long-Term Debt

Long-term debt consists of the following:

| | December 31 2022 | 2021 |
|---|---|---|
| National Financing Authority (NFA) 2019 Series A Bonds[a] | **$ 62,980,000** | $ 62,980,000 |
| NFA 2019 Series B Bonds[a] | **10,420,000** | 31,660,000 |
| NFA 2019 Series C Bonds[a] | **–** | 3,025,936 |
| New Jersey Health Care Facilities Financing Authority (NJHCFFA) Revenue and Refunding Series 1997 B Bonds[b] | **3,400,000** | 3,900,000 |
| NJHCFFA Variable Rate Series 2005 Bonds[c] | **4,160,000** | 4,380,000 |
| NJHCFFA Variable Rate Revenue Series 2009 Bonds[d] | **6,655,000** | 7,450,000 |
| NFA 2020 Series A Bonds[e] | **15,371,671** | 15,859,370 |
| NFA 2020 Series B Bonds[e] | **13,000,000** | 6,018,779 |
| Other obligations[f] | **121,224** | 231,082 |
| New Jersey Economic Development Authority 2015 Bonds[g] | **13,534,616** | 13,948,845 |
| New Jersey Housing and Finance Agency Mortgage 1[h] | **–** | 3,745,618 |
| New Jersey Housing and Finance Agency Mortgage 2[h] | **–** | 155,569 |
| Bridge Loan[h] | **–** | 5,760,000 |
| | **129,642,511** | 159,115,199 |
| Less: | | |
| Unamortized deferred financing costs | **2,260,788** | 2,464,153 |
| Current portion | **13,489,601** | 18,438,785 |
| | **$ 113,892,122** | $ 138,212,261 |

## 7. Long-Term Debt (continued)

[a] On August 15, 2019 the NFA issued $119,980,000 of Revenue Bonds on behalf of The Vista (NFA 2019 Bonds). The proceeds for the bonds were used to finance the cost of construction of The Vista, to repay the outstanding balance of pre-construction and preliminary construction financing (discussed further below), to fund a related debt service reserve fund and capitalized interest, and to pay a portion of the costs of issuance of the 2019 Bonds. The NFA 2019 Bonds were issued in three series (Series 2019 A Bonds, Series 2019 B Bonds and Series 2019 C Bonds):

i. The Series 2019 A Bonds, with an aggregate principal amount of $62,980,000 (of which all is outstanding) were sold at a premium of approximately $1,498,000. Repayment of principal will begin in 2026. The bonds mature on July 1, 2039, 2046 and 2054 and bear interest at fixed rates ranging from 5.25% to 5.75%.

ii. The Series 2019 B Bonds, issued through tax-exempt non-qualified bank debt, with an aggregate principal amount of $31,660,000, had $10,420,000 outstanding as of December 31, 2022. The bonds mature on August 14, 2023 and bear interest at a floating rate of 83% of 30-day Securities Industry and Financial Markets Association (SIFMA) plus 3.00%. The interest rate at December 31, 2022 and 2021 was 5.91% and 2.58%, respectively. The bonds are expected to be repaid from the receipt of future entrance fees. Approximately $10,420,000 is expected to be repaid in 2023; such amounts have been classified as current at December 31, 2022.

iii. The Series 2019 C Bonds, issued through tax-exempt non-qualified bank debt, with an aggregate principal amount of $25,340,000 matured on August 14, 2022 and were fully repaid.

The NFA 2019 Bonds are secured by a first security interest in the gross receipts of The Vista, a first mortgage lien on a leasehold interest in the property that The Vista is built upon, and by certain funds and accounts created under the terms of the loan agreement.

**7. Long-Term Debt (continued)**

In connection with the NFA 2019 Bonds, Christian Health provided a Liquidity Support Account (LSA) to the Master Trustee, totaling $5,000,000 that consists of $2,000,000 in cash and cash equivalents and a $3,000,000 irrevocable, direct pay letter of credit issued for the benefit of the Master Trustee. The LSA is recorded within Christian Health's assets limited to use and The Vista's other liabilities and are such amounts eliminated in consolidation.

Christian Health entered into a subordinated note payable in 2017 with The Vista to advance funds to pay for pre-construction costs. A $6,500,000 note is payable from available funds once The Vista achieves stabilized occupancy (which is not expected to occur until at least 2024). The note bears interest at a rate of 7.50% per annum and will be due when certain restrictions are met. The subordinated note is recorded within Christian Health's other assets and The Vista's other liabilities and such amounts are eliminated in consolidation.

(b) On January 7, 1998, the New Jersey Health Care Facilities Financing Authority (NJHCFFA) issued $10,500,000 of Revenue and Refunding Series 1997 B Bonds (Series 1997 B Bonds). The Series 1997 B Bonds carry a variable interest rate with maturities through 2028. The average interest rate during 2022 and 2021 was 1.29% and 0.11%, respectively. The proceeds of the Series 1997 B Bonds were used for the construction of the assisted living facility and are secured by substantially all the assets and gross receipts of Christian Health and the Foundation (collectively, the Obligated Group) and a letter of credit with a bank. The letter of credit is approximately $4,879,000 and expires January 1, 2026.

(c) In December 2005, the Obligated Group financed $6,600,000 through NJHCFFA Variable Rate Series 2005 Bonds for the construction and equipping of a two-story addition to the inpatient mental health facility, the acquisition of property situated adjacent to the Wyckoff/Hawthorne campus, and various other renovations. The Series 2005 Bonds are payable in annual principal installments through July 2035 and at a variable interest rate (not to exceed 12%) that averaged 1.45% and 0.29% during 2022 and 2021, respectively. The bonds are secured by a letter of credit with a bank. The letter of credit is approximately $4,677,000 and expires January 1, 2026.

**7. Long-Term Debt (continued)**

[d] On February 19, 2009, NJHCFFA issued $14,970,000 of Series 2009 Variable Rate Revenue Bonds (Series 2009 Bonds) on behalf of the Obligated Group. The proceeds were used for the refunding of NJHCFFA Series A Bonds issued in 1997 and renovations to the existing nursing facility. The Series 2009 Bonds are payable in annual principal installments through July 2038 with interest at a variable interest rate (not to exceed 12%). The interest rates as of December 31, 2022 and 2021 were 1.29% and 0.11%, respectively. The Series 2009 Bonds are secured by a letter of credit with a bank with an available amount of approximately $9,107,000, which expires January 1, 2026.

The holders of the Series 1997 B Bonds (b), the Series 2005 (c) Bonds, and the Series 2009 Bonds (d), 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 provide that in the event of a bondholder demand for repayment, the Company would reimburse the letter of credit bank over a long-term period if adequate funds are not available from the remarketing of the bonds.

[e] On December 15, 2020, the NFA issued two tax-exempt non-qualified revenue bonds in the amount of $16,300,000 (Series 2020A Bonds) and $13,000,000 (Series 2020B Bonds) on behalf of the Obligated Group. The Series 2020A Bonds were issued to repay then outstanding capital improvement loans. The Series 2020B Bonds were issued for financing the costs of constructing and equipping certain improvements to the nursing home and mental health facilities. During 2022 and 2021, approximately $8,474,000 and $4,526,000 was drawn to fund construction, respectively. The NFA 2020 Series A and B Bonds have a 25-year term, maturing in 2045, bearing interest at a variable rate of the 90-day SIFMA plus 1.87%, with a rate floor of 2.19%. The interest rate for the Series 2020 A and Series 2020 B Bonds as of December 31, 2022 was 5.27% and 4.86%, respectively.

In connection with the issuance of the Series 2020A and 2020B Bonds, the Obligated Group entered into two ten-year derivative instruments (the Swap Agreements). For the Series 2020A Bonds, the swap period is from January 4, 2021 through December 2031. For the Series 2020B Bonds, the swap period is from January 1, 2023 through December 2033. Through the use of derivative financial instruments, the Obligated Group is exposed to credit risk and market risk. Credit risk is the failure of the

**7. Long-Term Debt (continued)**

counterparty to perform under the terms of the derivative contracts. When the fair value of the derivative contract is positive, the counterparty owes the Obligated Group, which creates credit risk to the Obligated Group. When the fair value of the derivative contract is negative, the Obligated Group owes the counterparty, and there is no credit risk to the Obligated Group at that point in time. The Obligated Group minimizes the credit risk in derivative instruments by entering into transactions that require the counterparty to post collateral for the benefit of the fair value of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The fair value of derivative instruments is determined utilizing forward interest rate estimates and present value techniques and is therefore considered a Level 2 financial instrument (as described in Note 13).

The following is a summary of the outstanding fixed payor rate swaps as of December 31, 2022:

| Origination Date | Notional Amounts | The Company Receives | The Company Pays | Maturity Date |
|---|---|---|---|---|
| December 2020 Series A | $ 15,371,671 | 79% of 3M SIFMA plus 1.49% | 2.41% | December 2031 |
| December 2020 Series B | $ 13,000,000 | 79% of 3M SIFMA plus 1.33% | 2.50% | December 2033 |

The Swap Agreements do not qualify for hedge accounting; therefore, the change in the fair value of the Swap Agreements (approximately $3,014,000 and $1,043,000 for the years ended December 31, 2022 and 2021, respectively) is recorded as change in fair value of derivative instrument within the accompanying consolidated statement of operations with a corresponding long-term amount receivable of approximately $3,520,000 and $1,000,000 recorded within other assets in the consolidated balance sheets at December 31, 2022 and 2021, respectively.

**7. Long-Term Debt (continued)**

(f) The Company has entered into various non-interest bearing loan agreements totaling approximately $121,000 and $231,000 at December 31, 2022 and 2021, respectively.

(g) In December 2015, Christian Health acquired Siena Village with bond proceeds issued through the New Jersey Economic Development Authority (NJEDA). These NJEDA 2015 Bonds are payable in monthly installments on a 30-year fully amortizing basis through December 2045 and bear interest at 65% of the 30-day SIFMA plus 1.20% with a minimum of 1.63% and a maximum of 2.68%. The interest rate at December 31, 2022 and 2021 was 1.63%. The bank has the option to tender the NJEDA 2015 Bonds in full on January 1, 2024 or to reset the interest rate. The NJEDA 2015 Bonds are secured by a first leasehold mortgage on and a gross receipts pledge of Siena Village.

(h) In April 2017, Christian Health acquired Summer Hill, assuming a first and second mortgage held by the New Jersey Mortgage and Finance Agency and secured a commercial mortgage bridge loan (Bridge Loan) through a bank. As part of the 2022 Summer Hill transaction (see Note 1), all outstanding debt was repaid effective December 30, 2022.

Under the terms of the various loan documents for its long-term debt, the Obligated Group, Siena Village, Summer Hill and The Vista are required to maintain certain financial ratios and comply with other restrictive financial covenants as described in the respective agreements. The Obligated Group, Siena Village, Summer Hill and The Vista were in compliance with the applicable financial covenants at December 31, 2022 and 2021.

**7. Long-Term Debt (continued)**

Expected payments on debt are as follows:

| | 2019 NFA Series Bonds (a) | Other Bonds (b), (c), (d), (e), (g) | Other Obligations (h) | Total |
|---|---|---|---|---|
| 2023 | $ 10,420,000 | $ 2,955,046 | $ 114,555 | $ 13,489,601 |
| 2024 | – | 15,276,871 | 6,669 | 15,283,540 |
| 2025 | – | 1,657,000 | – | 1,657,000 |
| 2026 | 860,000 | 1,683,000 | – | 2,543,000 |
| 2027 | 905,000 | 1,717,000 | – | 2,622,000 |
| Thereafter | 61,215,000 | 32,832,370 | – | 94,047,370 |
| | $ 73,400,000 | $ 56,121,287 | $ 121,224 | $ 129,642,511 |

The Obligated Group has a bank line of credit with $3,000,000 available at December 31, 2022 and 2021. Advances under the line of credit bear an interest rate of 7.75%. The line of credit is secured by substantially all the Obligated Group's assets and gross receipts. At December 31, 2022 and 2021, there were no outstanding amounts drawn on the line of credit.

**8. Pension Plans**

**Defined Benefit Plan**

The Company has a defined benefit pension plan (the Plan) that was frozen effective December 31, 1999. Benefits ceased to accrue after that date and all participants in the Plan became fully vested in 2005.

**8. Pension Plans (continued)**

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

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | **$ 15,258,305** | $ 16,085,910 |
| Interest cost | **408,593** | 397,222 |
| Actuarial gain | **(3,697,988)** | (444,073) |
| Benefits paid | **(788,107)** | (780,754) |
| Benefit obligation at end of year | **11,180,803** | 15,258,305 |
| | | |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | **8,627,931** | 7,986,125 |
| Actual return on plan assets | **(1,593,271)** | 619,659 |
| Employer contributions | **763,741** | 802,901 |
| Benefits paid | **(788,107)** | (780,754) |
| Fair value of plan assets at end of year | **7,010,294** | 8,627,931 |
| Unfunded status of plan | **$ (4,170,509)** | $ (6,630,374) |

The funded status of the pension plan is included in pension obligation and other liabilities in the consolidated balance sheets. The accumulated benefit obligation for the Company's pension plan totaled approximately $11,180,800 and $15,258,000 at December 31, 2022 and 2021, respectively.

At December 31, 2022 and 2021, there are approximately $2,859,000 and $4,774,000, respectively, of actuarial losses that have not yet been recognized in net periodic pension cost, but have been cumulatively recorded in net assets without donor restrictions. The actuarial gains in 2022 and 2021 primarily relate to changes in discount rate and mortality assumptions used to measure the projected benefit obligation.

**8. Pension Plans (continued)**

The Company recorded net periodic pension cost as follows:

| | Year Ended December 31 2022 | 2021 |
|---|---|---|
| Interest cost on the projected benefit obligation | **$ 408,593** | $ 397,222 |
| Expected return on plan assets | **(622,423)** | (574,598) |
| Net amortization and deferrals | **432,801** | 617,477 |
| Net periodic pension benefit cost | **$ 218,971** | $ 440,101 |

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

| | 2022 | 2021 |
|---|---|---|
| Weighted-average assumptions used to determine benefit obligations at December 31: | | |
| Discount rate | **5.42%** | 2.83% |
| Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31: | | |
| Discount rate | **2.83** | 2.54 |
| Expected long-term rate of return on plan assets | **7.25** | 7.25 |

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. A 7.25% expected long-term return on plan assets was based on the investment policy and asset allocation in effect as of the beginning of 2022 and 2021.

**8. Pension Plans (continued)**

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 as established by management.

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:

| | **Guideline Allocation** | **Permissible Range** |
|---|---|---|
| Asset category: | | |
| Equities | 66% | 34% to 100% |
| Debt securities | 22 | 8% to 52% |
| Other | 12 | Up to 42% |

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

| | **December 31** | |
|---|---|---|
| | **2022** | **2021** |
| Equities | **70%** | 73% |
| Debt securities | **21** | 19 |
| Other | **9** | 8 |
| | **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.

**8. Pension Plans (continued)**

The Company makes contributions to the Plan based on the recommendations of its consulting actuary and subject to available cash resources. The Company expects to contribute $775,000 to the Plan in 2023. 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:

| | |
|---|---|
| 2023 | $ 859,537 |
| 2024 | 865,635 |
| 2025 | 884,656 |
| 2026 | 877,124 |
| 2027 | 869,033 |
| 2028–2032 | 4,268,367 |

**Defined Contribution Plan**

Effective January 1, 2000, the Company 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 100% of compensation, which will be contributed by the Employer of the Plan, unless prohibited by applicable deferral limits. Employer contributions to the Plan consist of a regular contribution and a matching contribution. The matching employer contribution is 50% of a Participant's elective deferrals for the plan year as described below:

| | |
|---|---|
| Less than one year of service: | Not eligible for matching employer contribution |
| One but less than six years: | Up to 2% of participant's compensation |
| Six but less than 15 years: | Up to 3% of participant's compensation |
| Fifteen years or more: | Up to 4% of participant's compensation |

Pension expense under the 401(k) Plan was approximately $1,055,000 and $1,038,000 for the years ended December 31, 2022 and 2021, respectively.

## 8. Pension Plans (continued)

### Deferred Employee Compensation Plan

Effective January 1, 2002, the Company adopted a deferred compensation 457(b) plan (the 457(b) Plan). The 457(b) Plan provides for employee contributions and discretionary employer contributions. Employees can make elective contributions to the 457(b) Plan of up to 100% of compensation, unless prohibited by applicable deferral limits. The Company has not made any discretionary contributions to the 457(b) Plan for the years ended December 31, 2022 and 2021. The consolidated balance sheets as of December 31, 2022 and 2021 include an asset and liability of approximately $2,455,000 and $3,613,000, respectively, related to the 457(b) Plan recorded within assets limited to use, less current portion and pension obligations and other liabilities, respectively.

## 9. Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or on appeal against the Company. 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 consolidated financial position or results of operations of the Company. No provision has been made in the accompanying consolidated financial statements for any deductibles or claims that have been incurred but not reported.

**10. Net Assets**

The Company's net assets are as follows:

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Net assets without donor restrictions: | | |
| General unrestricted | **$ 45,058,340** | $ 38,980,738 |
| Employee fund | **676,723** | 709,618 |
| Residents' assistance | **2,828,835** | 3,075,610 |
| Total net assets without donor restrictions | **48,563,898** | 42,765,966 |
| | | |
| Net assets with purpose and time restrictions | **–** | 1,500,000 |
| Net assets with permanent donor restrictions | **727,981** | 727,981 |
| Total net assets | **$ 49,291,879** | $ 44,993,947 |

The Company has internally designated certain net assets without donor restrictions for discretionary employee expenditures, such as employee events and residents' assistance.

Foundation fundraising and contribution income is reported net of related expenses of approximately $122,000 and $64,000 in 2022 and 2021, respectively. Assets released from the Foundation for use at the Company were approximately $30,000 and $26,000 in 2022 and 2021, respectively.

The Company is the charitable beneficiary of a beneficial interest in trust held by others. The present value of future distributions from the trust is included within other assets, net. A contribution was recognized at the date that the trust was established, after recording liabilities for the present value of the estimated future payments to be made to the primary beneficiary. The beneficial trust asset is adjusted during the term of the trust for changes in the value of the trust's underlying asset and other changes in the estimates of future benefits.

## 11. Concentrations of Credit Risk

The Company 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 | |
|---|---|---|
| | **2022** | **2021** |
| Medicare | **27%** | 18% |
| Medicaid | **20** | 22 |
| Self-pay patients and residents | **10** | 11 |
| Commercial and other insurance | **43** | 49 |
| | **100%** | 100% |

## 12. Functional Expenses

The Company's consolidated program services consist of certain health care and related services. For the year ended December 31, 2022, program expenses related to providing these services are summarized as follows:

| | **Senior Life, Short-Term Rehabilitation and Mental Health Services** | **General and Administrative** | **Total** |
|---|---|---|---|
| Salaries and wages | **$ 35,395,452** | **$ 15,895,350** | **$ 51,290,802** |
| Employee benefits | **7,621,270** | **3,392,092** | **11,013,362** |
| Supplies and other | **12,473,720** | **11,445,948** | **23,919,668** |
| Interest and amortization | **4,217,268** | **1,894,714** | **6,111,982** |
| Amortization of intangible assets | **224,974** | **–** | **224,974** |
| Depreciation | **6,526,303** | **2,932,107** | **9,458,410** |
| | **$ 66,458,987** | **$ 35,560,211** | **$ 102,019,198** |

## 12. Functional Expenses (continued)

For the year ended December 31, 2021, program expenses related to providing these services are summarized as follows:

| | Senior Life, Short-Term Rehabilitation and Mental Health Services | General and Administrative | Total |
|---|---|---|---|
| Salaries and wages | $ 31,080,465 | $ 15,526,391 | $ 46,606,856 |
| Employee benefits | 7,760,174 | 3,822,175 | 11,582,349 |
| Supplies and other | 10,614,936 | 11,398,856 | 22,013,792 |
| Interest and amortization | 2,834,615 | 1,394,184 | 4,228,799 |
| Amortization of intangible assets | 222,852 | – | 222,852 |
| Depreciation | 5,073,909 | 2,499,090 | 7,572,999 |
| | $ 57,586,951 | $ 34,640,696 | $ 92,227,647 |

## 13. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Company 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 Company’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).

**13. Fair Value Measurements (continued)**

The Company 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.

In determining fair value, the Company 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 within 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 consolidated balance sheets are classified in the tables below in one of the three categories described above as of December 31, 2022 and 2021:

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | **$ 34,203,969** | **$ –** | **$ –** | **$ 34,203,969** |
| Certificate of deposit | **1,049,665** | **–** | **–** | **1,049,665** |
| Equity securities: | | | | |
| U.S. large cap | **2,915,336** | **–** | **–** | **2,915,336** |
| U.S. mid cap | **339,752** | **–** | **–** | **339,752** |
| U.S. small cap | **282386** | **–** | **–** | **282386** |
| Foreign equities | **829,700** | **–** | **–** | **829,700** |
| Stocks, options, and EFTs | **140,082** | **–** | **–** | **140,082** |
| Fixed income: | | | | |
| Corporate bonds | **–** | **2,710,771** | **–** | **2,710,771** |
| Government bonds and GSE bonds | **–** | **3,728,464** | **–** | **3,728,464** |
| Mutual funds – equity: | | | | |
| U.S. large cap | **443,846** | **–** | **–** | **443,846** |
| U.S. mid cap | **394,893** | **–** | **–** | **394,893** |
| U.S. small cap | **326,944** | **–** | **–** | **326,944** |
| International developed equity | **536,267** | **–** | **–** | **536,267** |
| International emerging equity | **71,941** | **–** | **–** | **71,941** |
| Mutual funds – fixed income: | | | | |
| Corporate bonds | **1,900,229** | **–** | **–** | **1,900,229** |
| High yield bonds | **368,509** | **–** | **–** | **368,509** |
| International developed/emerging market bonds | **36,292** | **–** | **–** | **36,292** |
| Fixed income – other | **44,454** | **–** | **–** | **44,454** |
| Mutual funds – other: | | | | |
| Global public REITS | **176,748** | **–** | **–** | **176,748** |
| Realty shares | **48,476** | **–** | **–** | **48,476** |
| Commodities and natural resources | **32,571** | **–** | **–** | **32,571** |
| Open end mutual funds | **288,955** | **–** | **–** | **288,955** |
| | **$ 44,431,015** | **$ 6,439,235** | **$ –** | **$ 50,870,250** |

**13. Fair Value Measurements (continued)**

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | $ 50,478,622 | $ – | $ – | $ 50,478,622 |
| Certificate of deposit | 1,050,014 | – | – | 1,050,014 |
| Equity securities: | | | | |
| U.S. large cap | 3,473,292 | – | – | 3,473,292 |
| U.S. mid cap | 414,668 | – | – | 414,668 |
| U.S. small cap | 398,604 | – | – | 398,604 |
| Foreign equities | 1,096,851 | – | – | 1,096,851 |
| Mutual funds – equity: | | | | |
| U.S. large cap | 790,841 | – | – | 790,841 |
| U.S. mid cap | 471,874 | – | – | 471,874 |
| U.S. small cap | 403,343 | – | – | 403,343 |
| International developed equity | 607,185 | – | – | 607,185 |
| International emerging equity | 102,840 | – | – | 102,840 |
| Mutual funds – fixed income: | | | | |
| Corporate bonds | 1,922,472 | – | – | 1,922,472 |
| High yield bonds | 862,939 | – | – | 862,939 |
| International developed/emerging market bonds | 132,322 | – | – | 132,322 |
| Fixed income – other | 62,657 | – | – | 62,657 |
| Mutual funds – other: | | | | |
| Global public REITS | 249,122 | – | – | 249,122 |
| Realty shares | 68,326 | – | – | 68,326 |
| Commodities and natural resources | 32,724 | – | – | 32,724 |
| | $ 62,618,696 | $ – | $ – | $ 62,618,696 |

Fair value of derivative instruments: See Note 7.

**13. Fair Value Measurements (continued)**

Assets invested in the Company's defined benefit pension plan, at fair value as of December 31, 2022 and 2021, are classified in the tables below in one of the three categories described above:

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | **$ 239,694** | **$ –** | **$ –** | **$ 239,694** |
| Equity securities: | | | | |
| U.S. large cap | **1,600,602** | **–** | **–** | **1,600,602** |
| U.S. mid cap | **762,368** | **–** | **–** | **762,368** |
| U.S. small cap | **438,913** | **–** | **–** | **438,913** |
| International developed equity | **1,487,005** | **–** | **–** | **1,487,005** |
| International emerging equity | **549,275** | **–** | **–** | **549,275** |
| Mutual funds – equity | **124,170** | **–** | **–** | **124,170** |
| Mutual funds – fixed income: | | | | |
| Investment grade | **1,141,257** | **–** | **–** | **1,141,257** |
| Corporate bonds | **187,891** | **–** | **–** | **187,891** |
| Fixed income other | **387,297** | **–** | **–** | **387,297** |
| Fixed income securities | **–** | **91,822** | **–** | **91,822** |
| | **$ 6,918,472** | **$ 91,822** | **$ –** | **$ 7,010,294** |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Cash and cash equivalents | $ 255,053 | $ – | $ – | $ 255,053 |
| Equity securities: | | | | |
| U.S. large cap | 1,794,878 | – | – | 1,794,878 |
| U.S. mid cap | 908,533 | – | – | 908,533 |
| U.S. small cap | 603,667 | – | – | 603,667 |
| International developed equity | 1,893,728 | – | – | 1,893,728 |
| International emerging equity | 669,705 | – | – | 669,705 |
| Mutual funds – equity | 785,495 | – | – | 785,495 |
| Mutual funds – fixed income: | | | | |
| Investment grade | 439,983 | – | – | 439,983 |
| Corporate bonds | 812,965 | – | – | 812,965 |
| Fixed income other | 357,581 | – | – | 357,581 |
| Fixed income securities | – | 106,343 | – | 106,343 |
| | $ 8,521,588 | $ 106,343 | $ – | $ 8,627,931 |

**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).

**14. Subsequent Events**

Subsequent events have been evaluated through June 30, 2023, which is the date the consolidated financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

# Supplementary Information

# Christian Health Care Center
# (d/b/a Christian Health) and Affiliates

## Consolidating Balance Sheet

December 31, 2022

| | Christian Health | Christian Health Foundation | Eliminations/ Reclassifications | Christian Health Obligated Group | The Vista | Siena Village | Summer Hill | Home Care Options | Managing Member | Eliminations/ Reclassifications | Christian Health Consolidated Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Current assets: | | | | | | | | | | | |
| Cash and cash equivalents | $ 10,137,984 | $ 658,255 | $ – | $ 10,796,239 | $ – | $ 1,912,576 | $ 36,984 | $ 1,145,492 | $ – | $ – | $ 13,891,291 |
| Short-term investments | 4,542,221 | 91,431 | – | 4,633,652 | – | – | – | 540,783 | – | – | 5,174,435 |
| Assets limited to use, current portion | 3,505,558 | – | – | 3,505,558 | 4,500,000 | – | – | – | – | – | 8,005,558 |
| Accounts receivable, net | 6,019,131 | – | – | 6,019,131 | 141,315 | 29,358 | – | 604,538 | – | – | 6,794,342 |
| Prepaid expenses and other current assets | 3,548,183 | 165,576 | – | 3,713,759 | 6,094,781 | – | 1,097,007 | 594,261 | – | (598,376) | 10,901432 |
| Total current assets | 27,753,077 | 915,262 | – | 28,668,339 | 10,736,096 | 1,941,934 | 1,133,991 | 2,885,074 | – | (598,376) | 44,767,058 |
| Assets limited to use, less current portion | 6,417,567 | – | – | 6,417,567 | 20,100,581 | 267,417 | – | – | – | (2,000,000) | 24,785,565 |
| Other assets, net | 16,938,534 | 610,492 | – | 17,549,026 | – | 675,000 | 2,915,593 | – | 100 | (12,023,790) | 9,115,929 |
| Interest in the assets of the Foundation | 1,525,754 | – | (1,525,754) | – | – | – | – | – | – | – | – |
| Intangible assets, net | – | – | – | – | – | 1,193,107 | – | – | – | – | 1,193,107 |
| Property, plant and equipment, net | 65,601,485 | – | – | 65,601,485 | 112,985,501 | 14,080,588 | – | – | – | – | 192,667,574 |
| Total assets | $ 118,236,417 | $ 1,525,754 | $ (1,525,754) | $ 118,236,417 | $ 143,822,178 | $ 18,158,046 | $ 4,049,584 | $ 2,885,074 | $ 100 | $ (14,622,166) | $ 272,529,233 |
| **Liabilities and net assets** | | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | | |
| Current portion of long-term debt | $ 2,639,855 | $ – | $ – | $ 2,639,855 | $ 10,420,000 | $ 429,746 | $ – | $ – | $ – | $ – | $ 13,489,601 |
| Accounts payable and accrued expenses | 5,274,875 | – | – | 5,274,875 | 2,957,830 | 43,740 | 784,692 | 21,313 | – | (598,376) | 8,484,074 |
| Accrued payroll | 3,270,983 | – | – | 3,270,983 | – | – | – | 122,605 | – | – | 3,393,588 |
| Accrued interest | 160,324 | – | – | 160,324 | 1,840,400 | 31,235 | – | – | – | – | 2,031,959 |
| Total current liabilities | 11,346,037 | – | – | 11,346,037 | 15,218,230 | 504,721 | 784,692 | 143,918 | | (598,376) | 27,399,222 |
| Benefits payable | 1,170,572 | – | – | 1,170,572 | – | – | – | – | – | – | 1,170,572 |
| Pension obligations and other liabilities | 10,379,263 | – | – | 10,379,263 | 8,715,841 | 3,219,665 | 2,774,213 | – | – | (14,023,790) | 11,065,192 |
| Refundable fee obligation | – | – | – | – | 28,270,846 | – | – | – | – | – | 28,270,846 |
| Deferred revenue | – | – | – | – | 41,439,400 | – | – | – | – | – | 41,439,400 |
| Long-term debt, less current portion | 39,346,351 | – | – | 39,346,351 | 61,811,848 | 12,733,923 | – | – | – | – | 113,892,122 |
| Total liabilities | 62,242,223 | – | – | 62,242,223 | 155,456,165 | 16,458,309 | 3,558,905 | 143,918 | – | (14,622,166) | 223,237,354 |
| Net assets: | | | | | | | | | | | |
| Net assets (deficiency) without donor restrictions | 55,266,213 | 1,525,754 | (1,525,754) | 55,266,213 | (11,633,987) | 1,699,737 | 490,679 | 2,741,156 | 100 | – | 48,563,898 |
| Net assets with donor restrictions | 727,981 | – | – | 727,981 | – | – | – | – | – | – | 727,981 |
| Total net assets | 55,994,194 | 1,525,754 | (1,525,754) | 55,994,194 | (11,633,987) | 1,699,737 | 490,679 | 2,741,156 | 100 | – | 49,291,879 |
| Total liabilities and net assets | $ 118,236,417 | $ 1,525,754 | $ (1,525,754) | $ 118,236,417 | $ 143,822,178 | $ 18,158,046 | $ 4,049,584 | $ 2,885,074 | $ 100 | $ (14,622,166) | $ 272,529,233 |

# Christian Health Care Center
# (d/b/a Christian Health) and Affiliates

## Consolidating Balance Sheet

December 31, 2021

| | Christian Health | Christian Health Foundation | Eliminations/ Reclassifications | Christian Health Obligated Group | The Vista | Siena Village | Summer Hill | Eliminations/ Reclassifications | Christian Health Consolidated Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Current assets: | | | | | | | | | |
| Cash and cash equivalents | $ 8,712,522 | $ 2,418,983 | $ – | $ 11,131,505 | $ – | $ 2,025,819 | $ 50,677 | $ (371,211) | $ 12,836,790 |
| Short-term investments | 5,422,148 | 110,888 | – | 5,533,036 | – | – | – | – | 5,533,036 |
| Assets limited to use, current portion | 3,785,228 | – | – | 3,785,228 | 3,414,000 | – | – | – | 7,199,228 |
| Accounts receivable, net | 6,181,137 | – | – | 6,181,137 | 123,676 | 25,116 | 29,883 | – | 6,359,812 |
| Prepaid expenses and other current assets | 2,152,669 | 1,559,068 | – | 3,711,737 | 232,309 | – | 183,120 | – | 4,127,166 |
| Total current assets | 26,253,704 | 4,088,939 | – | 30,342,643 | 3,769,985 | 2,050,935 | 263,680 | (371,211) | 36,056,032 |
| Assets limited to use, less current portion | 7,652,313 | – | – | 7,652,313 | 31,759,242 | 248,957 | 196,061 | (2,000,000) | 37,856,573 |
| Other assets, net | 13,740,972 | 867,294 | – | 14,608,266 | – | 325,000 | 865,794 | (11,673,790) | 4,125,270 |
| Interest in the assets of the Foundation | 3,456,233 | – | (3,456,233) | – | – | – | – | – | – |
| Intangible assets, net | – | – | – | – | – | 1,308,391 | 1,514,791 | – | 2,823,182 |
| Property, plant and equipment, net | 58,946,250 | – | – | 58,946,250 | 112,310,247 | 14,551,367 | 11,073,162 | – | 196,881,026 |
| Total assets | $ 110,049,472 | $ 4,956,233 | $ (3,456,233) | $ 111,549,472 | $ 147,839,474 | $ 18,484,650 | $ 13,913,488 | $ (14,045,001) | $ 277,742,083 |
| **Liabilities and net assets** | | | | | | | | | |
| Current liabilities: | | | | | | | | | |
| Current portion of long-term debt | $ 2,131,725 | $ – | $ – | $ 2,131,725 | $ 9,630,936 | $ 414,239 | $ 6,261,885 | $ – | $ 18,438,785 |
| Accounts payable and accrued expenses | 6,053,785 | – | – | 6,053,785 | 2,324,065 | 63,464 | 466,100 | (371,211) | 8,536,203 |
| Accrued payroll | 2,690,977 | – | – | 2,690,977 | – | – | – | – | 2,690,977 |
| Accrued interest | 51,141 | – | – | 51,141 | 1,869,115 | 19,579 | – | – | 1,939,835 |
| Total current liabilities | 10,927,628 | – | – | 10,927,628 | 13,824,116 | 497,282 | 6,727,985 | (371,211) | 31,605,800 |
| Benefits payable | 1,194,305 | – | – | 1,194,305 | – | – | – | – | 1,194,305 |
| Pension obligations and other liabilities | 13,940,885 | – | – | 13,940,885 | 10,424,215 | 3,201,204 | 3,270,620 | (13,673,790) | 17,163,134 |
| Refundable fee obligation | – | – | – | – | 16,057,528 | – | – | – | 16,057,528 |
| Deferred revenue | – | – | – | – | 28,515,108 | – | – | – | 28,515,108 |
| Long-term debt, less current portion | 34,920,008 | – | – | 34,920,008 | 86,753,592 | 13,139,359 | 3,399,302 | – | 138,212,261 |
| Total liabilities | 60,982,826 | – | – | 60,982,826 | 155,574,559 | 16,837,845 | 13,397,907 | (14,045,001) | 232,748,136 |
| Net assets: | | | | | | | | | |
| Net assets (deficiency) without donor restrictions | 48,338,665 | 3,456,233 | (3,456,233) | 48,338,665 | (7,735,085) | 1,646,805 | 515,581 | – | 42,765,966 |
| Net assets (deficiency) with donor restrictions | 727,981 | 1,500,000 | – | 2,227,981 | – | – | – | – | 2,227,981 |
| Total net assets | 49,066,646 | 4,956,233 | (3,456,233) | 50,566,646 | (7,735,085) | 1,646,805 | 515,581 | – | 44,993,947 |
| Total liabilities and net assets | $ 110,049,472 | $ 4,956,233 | $ (3,456,233) | $ 111,549,472 | $ 147,839,474 | $ 18,484,650 | $ 13,913,488 | $ (14,045,001) | $ 277,742,083 |

# Christian Health Care Center
# (d/b/a Christian Health) and Affiliates

## Consolidating Statement of Operations and Changes in Net Assets

### Year Ended December 31, 2022

| | Christian Health | Christian Health Foundation | Eliminations/ Reclassifications | Christian Health Obligated Group | The Vista | Siena Village | Summer Hill | Home Care Options | Managing Member | Eliminations/ Reclassifications | Christian Health Consolidated Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | | |
| Net patient service revenue | $ 75,726,673 | $ – | $ – | $ 75,726,673 | $ – | $ – | $ – | $ 1,317,954 | $ – | $ – | $ 77,044,627 |
| Rental revenue | 446,462 | – | – | 446,462 | – | 2,822,584 | 2,025,636 | – | – | – | 5,294,682 |
| Service fee revenue | – | – | – | – | 7,181,979 | – | – | – | – | – | 7,181,979 |
| Amortization of life care and entrance fees | – | – | – | – | 3,520,649 | – | – | – | – | – | 3,520,649 |
| Investment income | 66,237 | (275,580) | 209,343 | – | (104,683) | 815 | 91,219 | (2,042) | – | 14,691 | – |
| Fundraising activities, net | – | 396,539 | (396,539) | – | – | – | – | – | – | – | – |
| Unrestricted gifts and contributions | – | 2,517,082 | (2,517,082) | – | – | – | – | – | – | – | – |
| Other revenue | 4,764,429 | – | – | 4,764,429 | 733,922 | 55,652 | 19,689 | 422 | – | – | 5,574,114 |
| Total revenue | 81,003,801 | 2,638,041 | (2,704,278) | 80,937,564 | 11,331,867 | 2,879,051 | 2,136,544 | 1,316,334 | – | 14,691 | 98,616,051 |
| Expenses: | | | | | | | | | | | |
| Salaries and wages | 47,183,562 | – | – | 47,183,562 | 2,431,719 | 469,231 | 271,016 | 935,274 | – | – | 51,290,802 |
| Employee benefits | 10,051,420 | – | – | 10,051,420 | 564,711 | 118,269 | 96,135 | 182,827 | – | – | 11,013,362 |
| Supplies and other | 18,079,632 | – | – | 18,079,632 | 3,806,507 | 1,189,022 | 715,511 | 128,996 | – | – | 23,919,668 |
| Interest and amortization | 830,898 | – | – | 830,898 | 4,341,636 | 321,257 | 618,191 | – | – | – | 6,111,982 |
| Amortization of intangible assets | – | – | – | – | – | 117,984 | 106,990 | – | – | – | 224,974 |
| Depreciation | 4,408,255 | – | – | 4,408,255 | 4,086,196 | 610,356 | 353,603 | – | – | – | 9,458,410 |
| Total expenses | 80,553,767 | – | – | 80,553,767 | 15,230,769 | 2,826,119 | 2,161,446 | 1,247,097 | – | – | 102,019,198 |
| Income (loss) from operations | 450,034 | 2,638,041 | (2,704,278) | 383,797 | (3,898,902) | 52,932 | (24,902) | 69,237 | – | 14,691 | (3,403,147) |
| Investment income and net realized gains and losses | – | – | (209,343) | (209,343) | – | – | – | – | – | (14,691) | (224,034) |
| Foundation fundraising and contributions, net of expenses | – | – | 2,913,621 | 2,913,621 | – | – | – | – | – | – | 2,913,621 |
| Change in equity method investment | – | – | – | – | – | – | – | – | 100 | – | 100 |
| Inherent contribution of net assets without donor restrictions received in the acquisition of Home Care Options | – | – | – | – | – | – | – | 2,671,919 | – | – | 2,671,919 |
| Net change in unrealized gains and losses on investments | (1,254,951) | – | – | (1,254,951) | – | – | – | – | – | – | (1,254,951) |
| Contributions from (to) affiliate | 4,568,520 | (4,568,520) | – | – | – | – | – | – | – | – | – |
| Excess (deficiency) of revenue over expenses | 3,763,603 | (1,930,479) | – | 1,833,124 | (3,898,902) | 52,932 | (24,902) | 2,741,156 | 100 | – | 703,508 |
| Grant proceeds for capital expenditures and other | 165,730 | – | – | 165,730 | – | – | – | – | – | – | 165,730 |
| Change in fair value of derivative instruments | 3,013,599 | – | – | 3,013,599 | – | – | – | – | – | – | 3,013,599 |
| Change in pension liability to be recognized in future periods | 1,915,095 | – | – | 1,915,095 | – | – | – | – | – | – | 1,915,095 |
| Net change in interest in Foundation net assets | (1,930,479) | – | 1,930,479 | – | – | – | – | – | – | – | – |
| Increase (decrease) in net assets without donor restrictions | 6,927,548 | (1,930,479) | 1,930,479 | 6,927,548 | (3,898,902) | 52,932 | (24,902) | 2,741,156 | 100 | – | 5,797,932 |
| Decrease in net assets with donor restrictions | – | (1,500,000) | – | (1,500,000) | – | – | – | – | – | – | (1,500,000) |
| Increase (decrease) in net assets | 6,927,548 | (3,430,479) | 1,930,479 | 5,427,548 | (3,898,902) | 52,932 | (24,902) | 2,741,156 | 100 | – | 4,297,932 |
| Net assets (deficiency) at beginning of year | 49,066,646 | 4,956,233 | (3,456,233) | 50,566,646 | (7,735,085) | 1,646,805 | 515,581 | – | – | – | 44,993,947 |
| Net assets (deficiency) at end of year | $ 55,994,194 | $ 1,525,754 | $ (1,525,754) | $ 55,994,194 | $ (11,633,987) | $ 1,699,737 | $ 490,679 | $ 2,741,156 | $ 100 | $ – | $ 49,291,879 |

# Christian Health Care Center
# (d/b/a Christian Health) and Affiliates

## Consolidating Statement of Operations and Changes in Net Assets

### Year Ended December 31, 2021

| | Christian Health | Christian Health Foundation | Eliminations/ Reclassifications | Christian Health Obligated Group | The Vista | Siena Village | Summer Hill | Eliminations/ Reclassifications | Christian Health Consolidated Total |
|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | |
| Net patient service revenue | $ 73,583,228 | $ – | $ – | $ 73,583,228 | $ – | $ – | $ – | $ – | $ 73,583,228 |
| Rental revenue | 474,152 | – | – | 474,152 | – | 2,835,545 | 2,081,401 | – | 5,391,098 |
| Service fee revenue | – | – | – | – | 2,342,237 | – | – | – | 2,342,237 |
| Amortization of life care and entrance fees | – | – | – | – | 1,187,730 | – | – | – | 1,187,730 |
| Investment income | 182,700 | 42,462 | (225,162) | – | 2,100 | 908 | 463 | (3,471) | – |
| Fundraising activities, net | – | 345,539 | (345,539) | – | – | – | – | – | – |
| Unrestricted gifts and contributions | – | 3,525,083 | (3,525,083) | – | – | – | – | – | – |
| Other revenue | 4,589,854 | – | – | 4,589,854 | 46,421 | 70,615 | 147,659 | – | 4,854,549 |
| Total revenue | 78,829,934 | 3,913,084 | (4,095,784) | 78,647,234 | 3,578,488 | 2,907,068 | 2,229,523 | (3,471) | 87,358,842 |
| Expenses: | | | | | | | | | |
| Salaries and wages | 44,919,957 | – | – | 44,919,957 | 990,079 | 438,869 | 257,951 | – | 46,606,856 |
| Employee benefits | 11,111,555 | – | – | 11,111,555 | 252,936 | 124,063 | 93,795 | – | 11,582,349 |
| Supplies and other | 16,934,586 | – | – | 16,934,586 | 3,285,292 | 1,135,254 | 658,660 | – | 22,013,792 |
| Interest and amortization | 742,248 | – | – | 742,248 | 2,780,187 | 260,473 | 445,891 | – | 4,228,799 |
| Amortization of intangible assets | – | – | – | – | – | 115,284 | 107,568 | – | 222,852 |
| Depreciation | 4,448,583 | – | – | 4,448,583 | 2,168,057 | 608,401 | 347,958 | – | 7,572,999 |
| Total expenses | 78,156,929 | – | – | 78,156,929 | 9,476,551 | 2,682,344 | 1,911,823 | – | 92,227,647 |
| Income (loss) from operations | 673,005 | 3,913,084 | (4,095,784) | 490,305 | (5,898,063) | 224,724 | 317,700 | (3,471) | (4,868,805) |
| Investment income and net realized gains and losses | – | – | 225,162 | 225,162 | – | – | – | 3,471 | 228,633 |
| Foundation fundraising and contributions, net of expenses | – | – | 3,870,622 | 3,870,622 | – | – | – | – | 3,870,622 |
| Net change in unrealized gains and losses on investments | 637,628 | – | – | 637,628 | – | – | – | – | 637,628 |
| Contributions from (to) affiliate | 2,980,345 | (2,980,345) | – | – | – | – | – | – | – |
| Excess (deficiency) of revenue over expenses | 4,290,978 | 932,739 | – | 5,223,717 | (5,898,063) | 224,724 | 317,700 | – | (131,922) |
| Grant proceeds for capital expenditures and other | 162,038 | – | – | 162,038 | – | – | – | – | 162,038 |
| Change in fair value of derivative instruments | 1,042,622 | – | – | 1,042,622 | – | – | – | – | 1,042,622 |
| Change in pension liability to be recognized in future periods | 1,106,611 | – | – | 1,106,611 | – | – | – | – | 1,106,611 |
| Net change in interest in Foundation net assets | 932,739 | – | (932,739) | – | – | – | – | – | – |
| Increase (decrease) in net assets without donor restrictions | 7,534,988 | 932,739 | (932,739) | 7,534,988 | (5,898,063) | 224,724 | 317,700 | – | 2,179,349 |
| Increase in net assets with donor restrictions | – | 1,500,000 | – | 1,500,000 | – | – | – | – | 1,500,000 |
| Increase (decrease) in net assets | 7,534,988 | 2,432,739 | (932,739) | 9,034,988 | (5,898,063) | 224,724 | 317,700 | – | 3,679,349 |
| Net assets (deficiency) at beginning of year | 41,531,658 | 2,523,494 | (2,523,494) | 41,531,658 | (1,837,022) | 1,422,081 | 197,881 | – | 41,314,598 |
| Net assets (deficiency) at end of year | $ 49,066,646 | $ 4,956,233 | $ (3,456,233) | $ 50,566,646 | $ (7,735,085) | $ 1,646,805 | $ 515,581 | $ – | $ 44,993,947 |