

FINANCIAL STATEMENTS

Christian Health Care Center Pension Plan  
Years Ended December 31, 2019 and 2018  
With Report of Independent Auditors

Ernst & Young LLP



Christian Health Care Center Pension Plan

Financial Statements

Years Ended December 31, 2019 and 2018

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Ernst & Young LLP  
99 Wood Avenue South  
Metropark  
P.O. Box 751  
Iselin, NJ 08830-0471

Tel: +1 732 516 4200  
Fax: +1 732 516 4429  
ey.com

## Report of Independent Auditors

The Board of Trustees  
Christian Health Care Center

We have audited the accompanying financial statements of the Christian Health Care Center Pension Plan, which comprise the statements of net assets available for benefits as of December 31, 2019 and 2018, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

### **Management’s Responsibility for the Financial Statements**

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

### **Auditor’s Responsibility**

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

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

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



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Christian Health Care Center Pension Plan at December 31, 2019 and 2018, and the changes in its financial status for the years then ended, in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

December 4, 2020

Christian Health Care Center Pension Plan

Statements of Net Assets Available for Benefits

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Investments:		
Cash and cash equivalents	\$ 360,314	\$ 415,314
Mutual funds	3,432,872	2,490,770
Equities	2,314,931	2,041,897
Fixed income	108,732	–
Exchange trade products	720,523	801,248
Total investments	<u>6,937,372</u>	<u>5,749,229</u>
Accrued income receivable	4,784	2,616
Total assets	<u>6,942,156</u>	<u>5,751,845</u>
<b>Liabilities</b>		
Accrued expenses	–	23,774
Net assets available for benefits	<u>\$ 6,942,156</u>	<u>\$ 5,728,071</u>

*See accompanying notes.*

## Christian Health Care Center Pension Plan

### Statements of Changes in Net Assets Available for Benefits

	<b>Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Additions:</b>		
Interest and dividends	\$ 160,420	\$ 185,809
Contributions	845,130	845,007
Net realized and unrealized appreciation (depreciation) in fair value of investments	1,059,770	(516,103)
Other income	6,275	-
<b>Total additions</b>	<b>2,071,595</b>	<b>514,713</b>
<b>Deductions:</b>		
Benefits paid directly to participants	787,379	750,383
Administrative expenses	70,131	136,871
<b>Total deductions</b>	<b>857,510</b>	<b>887,254</b>
<b>Increase (decrease) in net assets available for benefits</b>	<b>1,214,085</b>	<b>(372,541)</b>
 Net assets available for benefits at the beginning of year	 <b>5,728,071</b>	 <b>6,100,612</b>
Net assets available for benefits at the end of year	<b>\$ 6,942,156</b>	<b>\$ 5,728,071</b>

*See accompanying notes.*

# Christian Health Care Center Pension Plan

## Notes to Financial Statements

December 31, 2019

### **1. Description of Plan**

The following description of the Christian Health Care Center Pension Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

#### **General**

The Plan is a noncontributory defined benefit pension plan sponsored by Christian Health Care Center (the Center).

Effective January 1, 2000, the Center's Board of Trustees adopted a resolution to freeze the Plan such that all benefit accruals cease. Concurrently, the Board of Trustees also approved the adoption of the Christian Health Care Center 401(k) Plan, effective January 1, 2000.

The Plan has received a favorable ruling from the Internal Revenue Service (IRS) to operate as a church plan. Under church plan status, the Plan is not subject to many provisions of the Employee Retirement Income Security Act of 1974 compliance regulations. Also, benefits under the Plan are not covered by the Pension Benefit Guaranty Corporation.

#### **Pension Eligibility**

Prior to the freezing of the Plan, each employee was eligible for participation upon completion of one year of service and attainment of age 21.

Participants were vested in the Plan upon the completion of five years of service after reaching age 18; however, their years of service ended on January 1, 2000.

All service was credited from the earliest date of employment, computed to the nearest month, excluding years in which a participant completed less than 1,000 hours of service until January 1, 2000.

#### **Pension Benefits**

Employees are entitled to receive benefit payments at the normal retirement age of 65, although earlier retirement with lesser benefits is permitted.

Benefit payments are paid in the form of a life annuity for single participants, and a joint-and-survivor annuity for married participants.

# Christian Health Care Center Pension Plan

## Notes to Financial Statements (continued)

### **1. Description of Plan (continued)**

#### **Plan Termination**

Although it has not expressed any intention to do so, the Center has the right to terminate the Plan, subject to the provisions set forth in the Plan document.

Should the Plan terminate at some future time, its net assets generally will not be available on a pro rata basis to provide participants' benefits. Participants should refer to the Plan document for more complete information about priorities upon termination of the Plan.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value. Fair value is defined as 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 (an exit price). See Note 3 for further discussion and disclosures related to fair value measurements.

All investment transactions are recorded on the date the trade takes place. The realized gain or loss resulting from these transactions is the difference between the proceeds received and the average historical cost of the assets sold, and is included in net realized and unrealized appreciation (depreciation) in fair value of investments in the statements of changes in net assets available for benefits.

## Christian Health Care Center Pension Plan

### Notes to Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Payment of Benefits**

Benefits are recorded when paid.

##### **Funding Policy**

The cost of the Plan is actuarially determined by a consulting actuary. Contributions are determined by the Center on an annual basis and are made in amounts sufficient to provide benefits to participants, as required.

##### **Administrative Expenses**

Administrative expenses represent investment management fees, actuarial fees, and other administrative expenses incurred by the Plan. Certain expenses paid by the Center on behalf of the Plan have been included in the statements of changes in net assets available for benefits as an increase to both contributions and administrative expenses.

##### **Subsequent Events**

Management evaluated subsequent events for the Plan through December 4, 2020, the date the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which has resulted in significant volatility in the global economy. The extent to which developments related to the COVID-19 outbreak and measures designed to curb its spread impact the Plan's net assets available for benefits will depend on future developments, all of which are highly uncertain.

#### **3. Fair Value Measurements**

Fair value is defined under ASC 820 as 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 (i.e., an exit price). To measure fair value, a hierarchy has been established that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. As such, the hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy in ASC 820 are described below:

## Christian Health Care Center Pension Plan

### Notes to Financial Statements (continued)

#### 3. Fair Value Measurements (continued)

*Level 1* – Unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets and liabilities.

*Level 2* – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets that are not active
- Observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals)
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

*Level 3* – Unobservable inputs for the asset or liability (i.e., supported by little or no market activity). Level 3 inputs include management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

In determining fair value, the Plan utilizes valuation techniques that maximize the use of observable inputs, minimize the use of unobservable inputs to the extent possible, and consider valuation risks, including counterparty credit risk and nonperformance risk when applicable, in its assessment of fair value.

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

All assets have been valued at quoted market prices in active markets and do not have restrictions on redemption.

## Christian Health Care Center Pension Plan

### Notes to Financial Statements (continued)

#### 3. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets carried at fair value:

	<b>December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 360,314	\$ —	\$ —	\$ 360,314
Mutual funds	3,432,872	—	—	3,432,872
Equities	2,314,931	—	—	2,314,931
Exchange trade products	720,523	—	—	720,523
Fixed income	108,732	—	—	108,732
	\$ 6,937,372	\$ —	\$ —	\$ 6,937,372

	<b>December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 415,314	\$ —	\$ —	\$ 415,314
Mutual funds	2,490,770	—	—	2,490,770
Equities	2,041,897	—	—	2,041,897
Exchange trade products	801,248	—	—	801,248
	\$ 5,749,229	\$ —	\$ —	\$ 5,749,229

These methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

#### 4. Contributions

Contributions are made to the Plan at the discretion of management.

## Christian Health Care Center Pension Plan

### Notes to Financial Statements (continued)

#### 5. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits under the Plan's provisions are those future periodic benefit payments that are attributable to the service employees have rendered to the valuation date. Accumulated plan benefits include benefits expected to be paid to retired or terminated employees or their beneficiaries, the beneficiaries of deceased employees and present employees or their beneficiaries. Benefits under the Plan are based on the employees' average monthly compensation received during the last ten consecutive years before normal retirement date or their period of employment if fewer than ten calendar years. Benefits payable under all circumstances are included to the extent they are deemed attributable to employee service rendered as of January 1, 2000.

The Plan's actuary estimated the actuarial present value of accumulated plan benefits, which is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits earned by the participants to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

Accumulated plan benefit information is as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Accumulated plan benefits:		
Actuarial present value of accumulated plan benefits:		
Vested benefits:		
Participants currently receiving payments	<b>\$ 6,160,890</b>	\$ 6,000,688
Other participants	<b>4,029,776</b>	4,365,038
Total actuarial present value of accumulated plan benefits	<b><u>\$ 10,190,666</u></b>	<b><u>\$ 10,365,726</u></b>

Christian Health Care Center Pension Plan

Notes to Financial Statements (continued)

**5. Actuarial Present Value of Accumulated Plan Benefits (continued)**

	<b>Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Changes in accumulated plan benefits:		
Actuarial present value of accumulated plan benefits, beginning of year	<b>\$ 10,365,726</b>	\$10,383,544
Increase (decrease) during the year:		
Benefits paid	<b>(787,379)</b>	(750,383)
Interest	<b>723,720</b>	724,761
Benefits accumulated	<b>(35,852)</b>	26,018
Assumption change (projection scale)	<b>(75,549)</b>	(18,214)
Net change	<b>(175,060)</b>	(17,818)
Actuarial present value of accumulated plan benefits, end of year	<b>\$ 10,190,666</b>	\$10,365,726

## Christian Health Care Center Pension Plan

### Notes to Financial Statements (continued)

#### 5. Actuarial Present Value of Accumulated Plan Benefits (continued)

The following actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits. The actuary estimated the accumulated plan benefits as of January 1, 2020 and 2019. There were no significant changes to the Plan that would have changed the valuations had they been performed as of December 31, 2019 and 2018.

Expected return on Plan assets	7.25% per annum, compounded annually, in the current and prior year
Retirement	Fixed retirement is at age 70; normal retirement is at age 65
Mortality	Pri-2012 Total Employee and Retiree Mortality Tables (base year 2012) and projected with Mortality Improvement Scale, the Buck Modified 2019 Improvement Scale for the year ended December 31, 2019, and RP-2014 Mortality Table backed off to 2006 and projected to the valuation date by the Buck 2018 projection scale for the year ended December 31, 2018
Actuarial cost method	Unit credit method

## Christian Health Care Center Pension Plan

### Notes to Financial Statements (continued)

#### **6. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported, based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term could materially affect the amounts reported and disclosed in the financial statements.

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