Consolidated Financial Statements and Supplementary Information

Christian Health Care Center and Affiliates
Years Ended December 31, 2018 and 2017
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Christian Health Care Center and Affiliates

Consolidated Financial Statements
and Supplementary Information

Years Ended December 31, 2018 and 2017

Contents

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 consolidated financial statements of Christian Health Care Center and Affiliates (the Center), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Christian Health Care Center and Affiliates at December 31, 2018 and 2017, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2014-09, *Revenue from Contracts with Customers*, and ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*

As discussed in Note 1 to the consolidated financial statements, the Center changed its method of revenue recognition as a result of the adoption of the amendments to the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) resulting from Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, effective January 1, 2018 and adopted the amendments to the FASB ASC resulting from ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, effective December 31, 2018. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2018, and consolidating statement of operations and changes in net assets for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

June 19, 2019

Christian Health Care Center and Affiliates

Consolidated Balance Sheets

	December 31	
	2018	**2017**
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,803,144**	$ 3,905,937
Short-term investments	**7,787,634**	8,113,615
Assets limited to use, current portion	**2,668,760**	2,806,514
Accounts receivable, net	**8,255,617**	7,681,331
Prepaid expenses and other current assets	**2,499,865**	2,747,860
Total current assets	**25,015,020**	25,255,257
Assets limited to use, less current portion	**3,274,714**	3,270,232
Other assets	**6,301,184**	5,610,931
Intangible assets, net	**3,490,267**	3,708,318
Property, plant, and equipment, net	**104,658,538**	103,288,771
Total assets	**$ 142,739,723**	$ 141,133,509
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 21,895,923**	$ 8,517,422
Accounts payable and accrued expenses	**5,018,180**	6,493,756
Accrued payroll	**2,462,010**	2,195,127
Accrued interest	**68,571**	56,185
Total current liabilities	**29,444,684**	17,262,490
Benefits payable	**1,251,000**	1,268,200
Pension obligations and other liabilities	**17,715,348**	18,095,978
Long-term debt, less current portion	**54,196,476**	66,154,932
Total liabilities	**102,607,508**	102,781,600
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions	**39,404,234**	37,623,928
Net assets with donor restrictions	**727,981**	727,981
Total net assets	**40,132,215**	38,351,909
Total liabilities and net assets	**$ 142,739,723**	$ 141,133,509

See accompanying notes.

Christian Health Care Center and Affiliates

Consolidated Statements of Operations

	Year Ended December 31 2018	2017
Revenue:		
Net patient service revenue less provision for bad debt in 2017	**$ 75,419,144**	$ 75,218,150
Rental revenue	**5,155,888**	4,428,271
Other revenue	**1,444,013**	1,910,427
Total revenue	**82,019,045**	81,556,848
Expenses:		
Salaries and wages	**44,423,159**	44,600,220
Employee benefits	**10,702,426**	12,009,369
Supplies and other	**18,544,414**	18,265,800
Interest and amortization	**2,187,841**	1,535,001
Amortization of intangible assets	**218,051**	254,320
Depreciation	**5,285,421**	4,807,414
Total expenses	**81,361,312**	81,472,124
Income from operations	**657,733**	84,724
Investment income and net realized gains and losses	**632,297**	460,639
Estate bequests	**2,308**	15,611
Foundation fundraising and contributions, net of expenses	**1,206,758**	789,163
Net change in unrealized gains and losses on investments	**(1,409,775)**	986,271
Excess of revenue over expenses	**1,089,321**	2,336,408
Grant proceeds for capital expenditures and other	**129,046**	626,594
Net assets released from restrictions for capital purposes	–	215,218
Contribution to affiliate	**114,265**	–
Change in pension liability to be recognized in future periods	**447,674**	309,523
Increase in net assets without donor restrictions	**$ 1,780,306**	$ 3,487,743

See accompanying notes.

Christian Health Care Center and Affiliates

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2018 and 2017

	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, 2017	$ 34,136,185	$ 215,218	$ 727,981	$ 943,199	$ 35,079,384
Excess of revenue over expenses	2,336,408	–	–	–	2,336,408
Grant proceeds for capital expenditures and other	626,594	–	–	–	626,594
Net assets released for capital purposes	215,218	(215,218)	–	(215,218)	–
Change in pension liability to be recognized in future periods	309,523	–	–	–	309,523
Increase (decrease) in net assets	3,487,743	(215,218)	–	(215,218)	3,272,525
Balance at December 31, 2017	37,623,928	–	727,981	727,981	38,351,909
Excess of revenue over expenses	**1,089,321**	**–**	**–**	**–**	**1,089,321**
Grant proceeds for capital expenditures and other	**129,046**	**–**	**–**	**–**	**129,046**
Contribution to affiliate	**114,265**	**–**	**–**	**–**	**114,265**
Change in pension liability to be recognized in future periods	**447,674**	**–**	**–**	**–**	**447,674**
Increase in net assets	**1,780,306**	**–**	**–**	**–**	**1,780,306**
Balance at December 31, 2018	**$ 39,404,234**	**$ -**	**$ 727,981**	**$ 727,981**	**$ 40,132,215**

See accompanying notes.

Christian Health Care Center and Affiliates

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2018	**2017**
Operating activities		
Increase in net assets	**$ 1,780,306**	$ 3,272,525
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**5,285,421**	4,807,414
Amortization of deferred financing costs	**80,594**	84,295
Amortization of intangible assets	**218,051**	254,320
Net change in unrealized gains and losses on investments	**1,409,775**	(986,271)
Changes in operating assets and liabilities:		
Accounts receivable, net	**(574,286)**	475,583
Prepaid expenses and other current assets	**247,995**	(835,112)
Other assets	**(690,253)**	(808,429)
Accounts payable and accrued expenses, accrued payroll and accrued interest	**(1,196,307)**	2,390,393
Benefits payable, pension obligation and other liabilities	**(397,830)**	2,207,779
Net cash provided by operating activities	**6,163,466**	10,862,497
Investing activities		
Acquisition of Summer Hill	**–**	(5,637,762)
Purchases of property, plant, and equipment	**(6,655,188)**	(12,627,736)
(Purchase) redemption of short-term investments	**(1,083,794)**	375,233
Net investment in assets limited to use	**133,272**	(922,934)
Net cash used in investing activities	**(7,605,710)**	**(18,813,199)**
Financing activities		
Payments of long-term debt	**(2,225,203)**	(2,936,899)
Payment of deferred financing costs	**–**	(134,148)
Proceeds from issuance of long-term debt	**3,564,654**	11,381,698
Net cash provided by financing activities	**1,339,451**	8,310,651
(Decrease) increase in cash and cash equivalents	**(102,793)**	359,949
Cash and cash equivalents at beginning of year	**3,905,937**	3,545,988
Cash and cash equivalents at end of year	**$ 3,803,144**	$ 3,905,937
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 2,350,736**	$ 1,760,640

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

Christian Health Care Center and affiliates (collectively, the Center) provide senior life, short-term rehabilitation and mental-health services from a campus in Wyckoff/Hawthorne, NJ and on two additional campuses in Wayne, NJ. Programs on the Center's 78-acre Wyckoff/Hawthorne, NJ campus consist of 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 58-bed mental health facility (Ramapo Ridge) and several geriatric and mental health outpatient programs. Programs on the two campuses in Wayne provide 250 units and 164 units, respectively, of senior residential housing program and one campus in Wayne also includes a geriatric outpatient program. Individuals associated with churches from the Reformed tradition founded the Center in 1911.

The accompanying consolidated financial statements include the consolidated financial position and operating results of Christian Health Care Center (CHCC), the Christian Health Care Center Foundation, Inc. (the Foundation), CHCC CCRC, Inc. (Vista), Siena Village, and Summer Hill. The Center is the sole member of the Foundation, Vista, Siena Village and Summer Hill. The Foundation was established to assist the Center in the furtherance of its charitable mission. Vista is a start-up continuing care retirement community (CCRC) facility and had no operations in 2018 or 2017. Siena Village was acquired on December 4, 2015 and is a 250-unit apartment complex designed to meet the needs of seniors on fixed incomes seeking to maximize their independence by offering low-income, moderate-income, and market rate apartments. On April 27 2017, the Center, through its wholly-owned subsidiary Summer Hill, acquired the Summer Hills apartments, a 164-unit independent housing residence designed to meet the needs of seniors on fixed income seeking to maximize their independence by offering moderate-income and market rate apartments. The acquisition was accounted for as an asset acquisition in accordance with Accounting Standards Codification Topic (ASC) 805, *Business Combinations*. Of the 164 units, 80% are identified as low-income or affordable units with the remainder at market rates.

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

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

Use of Estimates

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

Cash Equivalents

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

Receivables for Patient Care

The Center's patient accounts receivables are stated at the estimated net realizable amounts from payors, 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 Center's patient services. Prior to January 1, 2018, the amount of the allowance for uncollectibles was based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators and/or anticipated collection amounts. Additions to the allowance for uncollectibles resulted from the provision for bad debts. Accounts written off as uncollectible were deducted from the allowance for uncollectibles. As a result of the adoption of ASU 2014-09, beginning on January 1, 2018, the majority of the provision for bad debts as previously recorded is considered an implicit price concession and therefore, is shown as a direct reduction to net

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

patient service revenue as opposed to a provision for bad debts. As such, beginning on January 1, 2018, additions to the allowance for uncollectibles result only from a delinquency of patient accounts that were considered collectible at the time patient care was provided.

Investments and Investment Income

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

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

Assets Limited to Use

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

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain financing and are amortized over the term of the related debt using the effective interest method.

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

Intangible Assets

Definite-lived intangible assets of the Center represent the estimated fair value of leases acquired through the Siena Village business combination and leases and tax benefits acquired through the Summer Hill asset acquisition at the dates of those acquisitions. 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 Center 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 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. Assets acquired under capitalized leases are recorded at the present value of the lease payments at the inception of the lease. Annual provisions for depreciation of property, plant, and equipment are computed using the straight-line method over the estimated useful lives of the assets or the lesser of the estimated useful life of the asset (ranging from 3 to 40 years).

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

Insurance Liabilities

The Center maintains claims-made professional and general liability and worker's compensation coverage through a commercial insurance carrier. Estimated incurred but not reported claims at December 31, 2018 and 2017 are immaterial to the consolidated financial statements. The Center recorded an estimated insurance recovery receivable and a short-term insurance claim liability related to workers' compensation, professional and general liabilities of approximately $290,000 and $476,000 at December 31, 2018 and 2017, respectively, which are included in prepaid expenses and other current assets and accounts payable and accrued expenses in the accompanying consolidated financial statements.

The Center has a self-insured employee health insurance plan and maintains stop-loss coverage with an insurance company for claims in excess of $100,000. At December 31, 2018 and 2017, the Center has recorded a reserve for incurred but not reported medical claims of $485,000 and $432,500, respectively, which is included in accounts payable and accrued expenses within the accompanying consolidated balance sheets.

Classification of Net Assets

The Center 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 Center and an outside party other than the donor or grantor.

As of December 31, 2018, all net assets with purpose and time restrictions have been used for their intended purpose. Net assets with purpose and time restrictions are those whose use is temporarily limited by the donors for a specific time period or purpose. Assets are released from restrictions when the funds have been used for the intended purpose. The Center reports contributions of net assets with purpose and time restrictions for which the restriction was met in the year the

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

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 Center follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it relates to its permanently restricted contributions and endowment net assets, as enacted by the State of New Jersey in 2009.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's prior revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09 are effective for the Center for annual reporting periods beginning after December 15, 2017 and interim periods within the period. As such, the Center adopted ASU 2014-09 effective January 1, 2018. The Center adopted ASU 2014-09 following the modified retrospective method of application. As a result of implementing ASU 2014-09, certain patient activity where collection is uncertain previously reported through December 31, 2017 as net patient service revenue and the provision for bad debts in the Center's consolidated statements of operations no longer meets the criteria for revenue recognition and, accordingly, the provision for bad debts after the adoption date is significantly reduced with a corresponding reduction to net patient service revenue. Such patient activity is now classified as an implicit price concession. Additionally, the provision for bad debts, when applicable, will now be presented as an expense item rather than a reduction to net patient service revenue. Other aspects of the Center's implementation of ASU 2014-09 impacting net patient service revenue, which include judgments regarding collection analyses and estimates of variable consideration and the addition of certain qualitative and quantitative disclosures. The adoption of ASU 2014-09 in relation to other revenue activity did not have a material impact to the Center's accompanying consolidated financial statements.

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, which eliminates the requirement for not-for-profits (NFPs) to classify net assets as unrestricted, temporarily restricted and permanently restricted. Instead, NFPs are required to classify net assets as net assets with donor restrictions or without donor restrictions. The guidance also modified required disclosures and reporting related to net assets, investment expenses and information regarding liquidity. NFPs are also required to report all expenses by both functional and natural classification in one location. The provisions of ASU 2016-14 became effective for the Center for annual periods beginning after December 15, 2017 and interim periods thereafter. As such, the Center adopted ASU 2016-14 in its December 31, 2018 consolidated financial statements. The effects of the adoption of ASU 2016-14 were applied retrospectively, except for the disclosure of expenses by both natural and functional classification and the disclosures about liquidity and availability of resources, as permitted by ASU 2016-14.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires entities to classify gains and losses from certain equity investments within its performance indicator. As the Center accounts for its equity investments as trading securities, this change does not have an impact on the recognition of income related to the Center's equity investments. ASU 2016-01 contains an additional provision that eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for the Center. The amendments of this ASU are applicable for fiscal years beginning after December 15, 2018, however, early adoption is permitted for the provision relating to the elimination of the requirement to disclose the fair value of financial instruments measured at amortized cost. As such, management has elected to early adopt this provision and will no longer disclose the fair value of debt within its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require a lessee to report most leases on their statement of financial position but recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. The provisions of ASU 2016-02 are effective for the Center for annual periods beginning after December 15, 2018, and interim periods the following year. Early adoption is permitted. The Center has not completed the process of evaluating the impact of ASU 2016-02 on its consolidated financial statements.

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The provisions of ASU 2016-15 are effective for the Center for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Center has not completed the process of evaluating the impact of ASU 2016-15 on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-18 are effective for the Center for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Center has not completed the process of evaluating the impact of ASU 2016-18 on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation–Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 addresses how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will be required to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. The standard is effective for the Center for annual periods beginning after ASU 2017-07 will require the Center to present all other components (aggregate of approximately $0.7 million for 2018) as a separate line item excluded from the subtotal for income from

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

December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. Adoption of operations. Net periodic benefit cost is reported currently within employee benefits expense on the consolidated statements of operations.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities. This guidance will likely result in more grants and contracts being accounted for as contributions rather than exchange transactions. The standard clarified the guidance on how entities determine when a contribution is conditional. The clarified guidance applies to all entities (including business entities) that make or receive contributions, except for certain transactions such as transfers of assets business entities receive from government entities (e.g., a government grant to a for-profit biotechnology company). The provisions of ASU 2018-08 are effective for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. Amendments should be applied on a modified prospective basis to agreements that are not completed as of the effective date and to agreements entered into after the effective date. Retrospective application is permitted. The Center is currently evaluating the potential impact of ASU 2018-08 on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. The standard aligns the requirement for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this standard. The standard requires the customer in a hosting arrangement that is a service contract to follow the guidance in ASC Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense by determining which project stage an implementation activity relates to and the nature of the costs. The standard also requires the customer to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. ASU 2018-15 is effective for the Center for fiscal years beginning after December 15, 2020, and interim periods

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

thereafter. Early adoption is permitted, including adoption in any interim period. Either retrospective or prospective adoption is permitted. The Center is in the process of evaluating the impact of ASU 2018-15 on its consolidated financial statements.

The FASB has amended certain guidance related to various disclosures in ASU 2018-09, *Codification Improvements*, ASU 2018-13, *Technical Corrections and Improvements to Financial Instruments–Overall (Subtopic 825-10)–Recognition and Measurement of Financial Assets and Financial Liabilities*, and ASU 2018-14, *Compensation–Retirement Benefits–Defined Benefit Plans–General (Subtopic 715-20)–Disclosure Framework–Changes to the Disclosure Requirements for Defined Benefit Plans*. Among various provisions, ASU 2018-09 may result in additional assets included in an entity's fair value disclosure table if, among other criteria, net asset value has public visibility. ASU 2018-13 includes several disclosure changes involving transfers between the fair value levels and other updates related to fair value Level 3 investments. ASU 2018-13 also requires entities that use the practical expedient to measure the fair value of certain investments at their net asset values to disclose (1) the timing of liquidation of an investee's assets and (2) the date when redemption restrictions will lapse, but only if the investee has communicated this information to the entity or announced it publicly. The guidance in ASU 2018-14 requires all sponsors of defined benefit plans to provide certain new disclosures: the weighted-average interest crediting rate for cash balance plans and other plans with promised interest crediting rates and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. Among other changes, ASU 2018-14 eliminates the required disclosure for all sponsors of defined benefit plans to disclose the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year. The updates noted above have effective dates as follows with early adoption permitted: ASU 2018-09: fiscal years beginning after December 15, 2018; ASU 2018-13: fiscal years beginning after December 15, 2019; and ASU 2018-14: fiscal years ending after December 15, 2021. The Center has not completed the process of evaluating the impact of ASU 2018-09, ASU 2018-13 and ASU 2018-14 on its consolidated financial statements.

Net Patient Service Revenue

For Periods Commencing January 1, 2018

Effective January 1, 2018 upon the adoption of ASU 2014-09, net patient service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors

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

(including health insurers and government programs), and others and includes variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations.

The Center 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 Center 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 Center's initial estimate of the transaction price for services provided to patient's 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 Center's standard charges. The Center 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 Center discount policies and historical experience. For uninsured and under-insured patients who do not qualify for charity care, the Center 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 Center's historical collection experience for applicable patient portfolios. Under the Center'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 Center's self-pay patient policy. Patients who meet the Center's criteria for free care are provided care without charge; such amounts are not reported as revenue.

Generally, the Center 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 Center. Net patient service revenue for performance obligations satisfied over time is recognized based on estimated expected payment at that point in time. The Center 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 year ended December 31, 2018, by payor is as follows:

Commercial insurance and managed care organizations	$ 4,370,081
Medicare and Medicaid managed care	13,423,392
Medicare and Medicaid	27,792,496
Self-pay and other	29,833,175
	$ 75,419,144

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the third-party payors 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 year ended December 31, 2018, changes in the Center'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 period ended December 31, 2018 was not significant.

For services provided through December 31, 2017, net patient service revenue and the related accounts receivable estimates are subject to the accounting requirements prior to the adoption of ASU 2014-09. Estimates for the allowance for uncollectible accounts pertaining to this service period are reevaluated monthly and certain revisions to such estimates continue to be made based on recent collection trends and management's expectations for the ultimate collection of accounts receivable balances existing at December 31, 2017.

The Center has elected the practical expedient allowed under ASU 2014-09 and 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 Center'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 Center 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)

For Periods Through December 31, 2017

Prior to the adoption of ASU 2014-09, net patient service revenue was reported at the estimated net realizable amounts from patients, residents, third-party payers, and others for service rendered and includes estimated retroactive adjustments for ongoing and future audits, reviews and investigations. Retroactive adjustments were considered in the recognition of revenue on an estimated basis in the period the related service is rendered, and such amounts were adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

For uninsured patients that did not qualify for charity care, the Center recognized revenue on the basis of discounted rates under the Center's self-pay patient policy.

The components of patient service revenue for the year ended December 31, 2017, net of contractual allowances and discounts (but before the provision for bad debts) and after the provision for bad debts, recognized from these major payor sources based on primary insurance designation, were as follows:

	December 31, 2017
Patient service revenue (net of contractual allowances and discounts, but before the provision for bad debts):	
Third-party payers	$ 47,628,230
Self-pay	27,643,820
	75,272,050
Provision for bad debt	(53,900)
Net patient service revenue less provision for bad debts	$ 75,218,150

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

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

The Center's allowance for uncollectibles totaled approximately $10,400 and $21,500 at December 31, 2018 and 2017, respectively. The allowance for uncollectibles for self-pay accounts was approximately 1% of self-pay accounts receivable as of December 31, 2018 and 2017. Overall, the total of self-pay discounts and write-offs has not changed significantly during the years ended December 31, 2018 and 2017. The Center has not experienced significant changes in write-off trends and did not change its charity care policy during the years ended December 31, 2018 and 2017.

The Center provides care to patients under Medicare, Medicaid and other third-party contractual arrangements. Medicare and Medicaid regulations require annual retroactive settlements for certain payment components through cost reports filed by the Center. These retroactive settlements are estimated and recorded in the consolidated financial statements in the year in which they occur or can be estimated. The estimated settlements recorded at December 31, 2018 and 2017 could differ from actual settlements based on the results of cost report audits. Cost reports filed with Medicare and Medicaid for all years through 2015 have been audited and settled as of December 31, 2018. The Center did not record any revenue related to settlements of prior years during 2017 and 2018.

Revenue from the Medicare and Medicaid programs accounted for approximately 55% of the Center's net patient service revenue for the years ended December 31, 2018 and 2017. There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the federal government, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Center. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future. The Center believes that it is in compliance with

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

all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential noncompliance that could have a material adverse effect on the accompanying consolidated financial statements.

Performance Indicator

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

Tax Status

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

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. For tax-exempt entities, TCJA requires organizations to categorize certain fringe benefit expenses as a source of unrelated business income subject to tax, pay an excise tax on compensation above certain thresholds, and record income or losses for tax determination purposes from unrelated business activities on an activity-by-activity basis, among other provisions. Regulations necessary to implement certain aspects of the TCJA are expected to be promulgated by the Internal Revenue Service (IRS) in 2019. The effects of income taxes are not material to the consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation. The reclassifications had no impact on excess of revenue over expenses.

2. Availability and Liquidity of Financial Assets

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	$ 3,803,144
Short-term investments	7,787,634
Assets limited to use	5,943,474
Total financial assets	17,534,252
Less amounts not available to be used within one year:	
Assets limited to use, long term portion	3,274,714
Financial assets not available to be used within one year	3,274,714
Financial assets available to meet general expenditures over the next twelve months	$ 14,259,538

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

3. Acquisition

In connection with the Center's purchase of Summer Hill in 2017 and in accordance with ASC 805, *Business Combinations*, the acquisition was accounted for as an asset acquisition, whereby the fair value of the assets acquired and liabilities assumed were used to establish a new accounting basis.

The acquisition-date fair value of the consideration transferred totaled $12.8 million and was financed with bank proceeds of approximately $5.76 million, assumption of the seller's outstanding mortgage obligations of approximately $5.84 million to the New Jersey Housing Mortgage Finance Agency (NJHMFA), and an equity contribution from the Center to fund the NJHMFA reserve and replacement.

3. Acquisition (continued)

The following table summarizes the estimated fair values of the assets acquired at the acquisition date:

Property and equipment	$ 10,792,633
Intangible assets subject to amortization – in-place leases	446,943
Intangible assets subject to amortization – tax credit	1,560,424
Total net assets acquired	$ 12,800,000

Summer Hill is required to fund a reserve for replacement held by NJHMFA on a monthly basis that is utilized for its future capital expenditures. For the years ended December 31, 2018 and 2017, the Center contributed approximately $114,000 and $208,000 respectively, which is included in grant proceeds for capital expenditures and other in the accompanying consolidated statement of operations.

The acquisition was consummated to further the growth strategies of the Center.

4. Intangible Assets

The gross and net carrying amounts and accumulated amortization of identifiable intangible assets for each asset category were as follows:

	December 31, 2018		**December 31, 2017**	
	Intangible Assets	**Accumulated Amortization**	**Intangible Assets**	**Accumulated Amortization**
Land lease	**$ 1,359,274**	**$ 104,784**	$ 1,359,274	$ 70,800
In-place leases	**1,097,371**	**357,095**	1,097,371	211,943
Tax credit	**1,560,424**	**64,923**	1,560,424	26,008
Total gross identifiable intangible assets	**4,017,069**		4,017,069	
Less accumulated amortization	**(526,802)**		(308,751)	
	$ 3,490,267		$ 3,708,318	

4. Intangible Assets (continued)

Amortization expense approximated $217,000 and $254,000 for the fiscal years ended December 31, 2018 and 2017, respectively. The following table presents the estimated future amortization expense of identifiable intangible assets for the five succeeding fiscal years:

Fiscal Year	Amortization Expense
2019	$ 216,972
2020	210,225
2021	135,672
2022	135,672
2023	135,672

During fiscal 2018 and 2017, the Company performed an impairment review of identifiable intangible assets. As a result, no impairment of identifiable intangible assets was recognized in either fiscal year.

5. Charity Care

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

In addition, the Center provides several other charitable programs and activities, such as educational and health monitoring programs, that are primarily offered for the benefit of the local communities that the Center serves. In accordance with its mission, the Center commits substantial resources to sponsor a broad range of services to both the indigent as well as the broader community. Community benefits provided to the indigent include the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of: traditional charity care; unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs; services

5. Charity Care (continued)

such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed; and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community.

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

	2018	2017
Community benefits provided to the indigent:		
Charity care provided	**$ 992,300**	$ 898,500
Unpaid cost of public programs, Medicaid and other indigent care programs	**7,925,000**	8,631,100
Community benefits provided to the broader community:		
Non-billed services for the community	**55,101**	59,900
Estimated cost of community benefits	**$ 8,972,401**	$ 9,589,500

6. Short-Term Investments and Assets Limited to Use

Short-term investments consist of the following:

	December 31 2018	2017
Certificates of deposit	**$ 293,676**	$ 283,760
Equity securities	**1,779,125**	1,729,450
Mutual funds	**5,114,230**	5,751,287
Fixed income securities	**79,339**	89,711
Alternative investment – hedge fund (equity method)	**521,264**	259,407
	$ 7,787,634	$ 8,113,615

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

Assets limited to use which include equities and mutual funds are maintained for the following purposes. Management determines the classification of current versus long terms based on the intended use of the assets:

	December 31	
	2018	**2017**
Under debt financing arrangements	**$ 2,668,760**	$ 2,806,514
Permanently restricted by donor	**727,981**	727,981
Deferred employee compensation plan	**2,546,733**	2,542,251
Total assets limited to use	**5,943,474**	6,076,746
Less current portion	**2,668,760**	2,806,514
Assets limited to use, less current portion	**$ 3,274,714**	$ 3,270,232

Investment (loss) return is as follows:

	Year Ended December 31	
	2018	**2017**
Interest and dividend income – other holdings	**$ 156,134**	$ 395,001
Net realized gains and losses	**476,163**	65,638
Net change in unrealized gains and losses	**(1,409,775)**	986,271
	$ (777,478)	$ 1,446,910

7. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	December 31 2018	December 31 2017
Land and land improvements	**$ 5,173,357**	$ 5,003,618
Buildings and improvements	**108,026,141**	106,650,451
Major movable equipment	**13,564,489**	13,104,149
Fixed and other equipment	**24,883,237**	22,738,545
Transportation vehicles	**2,726,252**	2,630,283
	154,373,476	150,127,046
Accumulated depreciation	**(71,963,319)**	(66,677,900)
	82,410,156	83,449,146
Construction in progress	**22,248,381**	19,839,625
	$ 104,658,538	$ 103,288,771

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

Construction in progress includes approximately $21.0 million expended through December 31, 2018 for a proposed CCRC project (Vista). Vista has received sufficient local and state approvals to enable construction activity to begin during 2019. During 2019, the Vista entered into purchase commitments related to Vista totaling approximately $73.0 million for project construction management, engineering and various other consulting services.

The Center received approval from the New Jersey Department of Community Affairs to collect deposits from prospective residents in September 2014 and commenced marketing efforts thereafter. Upon obtaining the necessary financing for the project, the Center will be reimbursed for the construction in progress expenditures paid on behalf of Vista in excess of its advances through the terms of a subordinated note effective January 1, 2017 (Note 9).

The Center capitalized interest of approximately $470,000 and $324,000 during 2018 and 2017, respectively, related to construction projects.

8. 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 Center. 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, 2018 there were 2,392 certificates outstanding.

9. Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2018	**2017**
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Variable Rate Revenue Bonds, Series 2009[a]	**$ 9,720,000**	$ 10,415,000
NJHCFFA Revenue and Refunding Bonds, Series 1997 B[b]	**5,200,000**	5,600,000
NJHCFFA Variable Rate Series 2005[c]	**4,995,000**	5,185,000
NJHCFFA Variable Rate Composite Program[d]	**–**	100,000
NJHCFFA Tax Exempt Equipment Note [e]	**–**	39,604
New Construction Loan[f]	**13,152,505**	11,273,570
Capital lease obligations and other[g]	**488,941**	32,259
Improvement Loan [h]	**11,041,667**	11,541,667
Capital Improvement Loan [i]	**6,398,168**	4,716,776
New Jersey Economic Development Authority bonds[j]	**15,123,455**	15,494,039
New Jersey Housing and Finance Agency Mortgage 1[l]	**5,008,502**	5,375,921
New Jersey Housing and Finance Agency Mortgage 2[m]	**207,314**	222,265
Bridge Loan[k]	**5,760,000**	5,760,000
	77,095,552	75,756,101
Less:		
Unamortized deferred financing costs	**1,003,153**	1,083,747
Current portion	**21,895,923**	8,517,422
	$ 54,196,476	$ 66,154,932

9. Long-Term Debt (continued)

[a] On February 19, 2009, the NJHCFFA issued $14,970,000 of Series 2009 Variable Rate Revenue Bonds (Series 2009 Bonds), on behalf of the Center. The proceeds were used for the refunding of the Series A Bonds, as described below, and renovations to the nursing home. The Series 2009 Bonds are payable in annual installments of principal through July 2038 with interest at a variable rate (not to exceed 12%). The interest rate as of December 31, 2018 and 2017 was 2.00%. The Series 2009 Bonds are secured by a letter of credit with a bank with an available amount of approximately $10,562,000, which expires May 1, 2020.

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

Concurrently with the issuance of the Series A Bonds, the NJHCFFA issued $10,500,000 of Revenue and Refunding Bonds Series 1997 B (Series B Bonds). The Series B Bonds are at a variable interest rate with maturities through 2028. The average interest rate during 2018 and 2017 was 1.64% and 1.16%, respectively. The proceeds of the Series B Bonds were used for the construction of the assisted living facility which was completed in 1999. The Series B Bonds are secured by substantially all the Center's assets and gross receipts and a letter of credit with a bank. The letter of credit is for approximately $5,692,000 and expires May 1, 2020.

[c] In December 2005, the Center financed $6,600,000 through the NJHCFFA Variable Rate Composite Program (COMP Program Series 2005). The bond proceeds were used for the construction and equipping of a two-story addition at the inpatient mental health facility, the acquisition of property situated adjacent to the facility and various other renovations. The bonds are payable in annual installments of principal through July 2035 and are at variable interest rates (not to exceed 12%) that averaged 1.60% and 1.06% during 2018 and 2017, respectively. The bonds are secured by a letter of credit with a bank. The letter of credit is for approximately $5,277,000 and expires May 1, 2020.

9. Long-Term Debt (continued)

(d) In September 1998, the Center financed $1,000,000 through the NJHCFFA Variable Rate Composite Program (COMP Program). The bond proceeds were used to refinance its previously outstanding bank loan that was used to renovate a senior housing residence on its Wyckoff/Hawthorne campus. The bonds are payable in equal biannual installments of principal through July 2018 and were at a variable rate of interest (not to exceed 12%) that was 2.52% as of December 31, 2017. The bonds were repaid in full during 2018.

(e) In January 2008, the Center financed $3,500,000 through a NJHCFFA Tax Exempt Equipment Note. The proceeds were used to purchase furniture and equipment. Payments of principal and interest were due through January 2018 at a fixed interest rate of 3.6%. In January 2013, the Tax-Exempt Equipment Note was refinanced to a fixed rate of 2.169% and supplemented with an additional borrowing of $400,000. The Tax Exempt Equipment Note was repaid in full during 2018.

(f) In December 2004, the Center entered into a $5,000,000 revolving construction loan with a bank (Construction Loan). In April 2015, Vista entered into a new $13,000,000 revolving construction loan (New Construction Loan) with another bank to replace the Construction Loan. Accordingly, the proceeds of the New Construction Loan were utilized to fully pay off the outstanding balance of the Construction Loan and to pay ongoing pre-construction costs of the Vista project. Advances under the New Construction Loan bear interest at the 30-day LIBOR plus 1.60% for the entire term of the loan. In May 2018 the New Construction Loan was increased to $16,500,000 and the interest rate was increased to 30-day LIBOR plus 2.0%. The interest rates at December 31, 2018 and 2017 were 4.35% and 2.96%, respectively. At December 31, 2018, there was $1,726,000 available under the New Construction Loan. The Center has fully guaranteed the New Construction Loan at December 31, 2018.

During 2019, amounts available under the New Construction Loan agreement were increased to $22,000,000 and the term of the loan was extended to September 1, 2019.

(g) The Center has entered into various capital lease agreements and other loan agreements totaling approximately $489,000 and $33,000 at December 31, 2018 and 2017, respectively. The obligations bear interest at rates ranging from 6.3% to 10.1%.

9. Long-Term Debt (continued)

(h) In June 2014, the Center entered into a $12,000,000 line of credit (Improvement Loan) with a bank for improvement of the existing nursing facility. The term of the Improvement Loan is 26.5 years with a maturity in January 2041. The first 18 months of the loan are interest-only followed by a 24-year fully amortizing loan which started January 2017. The interest rate is a floating rate at the 30-day LIBOR plus 1.60%. The interest rates at December 31, 2018 and 2017 were 3.95% and 2.96%, respectively. At December 31, 2017, repayment started under this Improvement Loan and per the agreement there are no additional amounts available subsequent to repayment.

(i) In March 2017, the Center entered into a line of credit (Capital Improvement Loan) of up to $6,900,000 with a bank. The proceeds from the loan were used to finance HVAC upgrades to an existing building, reimburse for capital improvements made during 2017 and 2016, finance renovations as well as furniture and fixtures for the Longview Assisted Living facility, and finance the equity investment in the Center's acquisition of Summer Hill. The term of the Improvement Loan is 23.5 years with a maturity in April 2042. The first 18 months of the loan were interest-only followed by a 23.5-year fully amortizing loan starting September 2017. The interest rate is a floating rate at the 30-day LIBOR plus 2.00%. The interest rate at December 31, 2018 and 2017 was 4.35% and 3.36%, respectively. At December 31, 2018, there was approximately $500,000 available under this Capital Improvement Loan. The bonds are secured by a first leasehold mortgage and gross receipts pledge of the Facility.

(j) In December 2015, Siena Village financed $16,000,000 through the New Jersey Economic Development Authority. The bond proceeds were used to fund the acquisition of a 250-unit senior residential housing facility (Sienna Village), located in Wayne, New Jersey. The bonds are payable in monthly installments on a 30-year fully amortizing basis through December 2045. The interest rate is a tax-exempt floating rate of 65% of the 30-day LIBOR plus 1.20% with a minimum of 1.63% and a maximum of 2.68%. The interest rates at December 31, 2018 and 2017 were 2.68% and 2.08%, respectively. The bank has the option to tender the bonds in full on December 1, 2022 or reset the interest rate. The bonds are secured by a first leasehold mortgage on and a gross receipts pledge of the Sienna Village.

(k) In April 2017, Summer Hill financed a $5,760,000 Commercial Mortgage Bridge Loan (Bridge Loan) through a bank. The bank proceeds were used to fund the acquisition of a 164-unit independent housing complex (Summer Hill), located in Wayne, New Jersey. The bank proceeds are interest only and are payable May 2018. The interest rate

9. Long-Term Debt (continued)

is 30-day LIBOR plus 1.50% basis points, floating. The interest rate at December 31, 2018 and 2017 was 3.88% and 2.75%, respectively. The bonds are secured by the Center limited to fifty (50%) percent of the principal and interest.

(l) In April 2017, Summer Hill assumed the first mortgage of the New Jersey Mortgage and Finance Agency. The first mortgage is payable in monthly installments of $60,139 including interest at 6.8% fixed and service fees through May 2028. In addition, monthly deposits for taxes, insurance, and replacement of depreciable assets are required. The balance due as of December 31, 2018 is $5,008,502. The mortgage is secured by a first leasehold mortgage and gross receipts pledge of the Facility.

(m) In April 2017, Summer Hill assumed the second mortgage of the New Jersey Mortgage and Finance Agency. The second mortgage is payable in monthly installments of $2,521 including interest at 7.1% fixed and service fees through May 2028. In addition, monthly deposits for taxes, insurance, and replacement of depreciable assets are required. The balance due as of December 31, 2018 is $207,314. The mortgage is secured by a first leasehold mortgage and gross receipts pledge of the Facility.

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

Under the terms of the various loan documents for its outstanding debt instruments, the Christian Health Care Center and the Foundation (collectively, the Obligated Group) and Summer Hill are required to maintain certain financial ratios and comply with other restrictive financial covenants as described in the respective agreements. The Obligated Group and Summer Hill were in compliance with the financial covenants at December 31, 2018 and 2017.

The Center has a $1,000,000 revolving line of credit (the line) with a bank which will expire on September 30, 2019. The line is secured by the Center's accounts receivable. Advances under the line bear interest at an annual variable rate equal to the prime rate or an annual fixed rate equal to 1% in excess of LIBOR. At December 31, 2018 and 2017, there were no outstanding amounts under the line.

9. Long-Term Debt (continued)

Effective January 1, 2017, CHCC advanced $6,759,000 to Vista in the form of a subordinated note. The note is payable once Vista achieves stabilized occupancy (which is not expected to occur until at least 2024) from available funds, as will be defined by the terms of permanent financing for Vista that have not yet been completed. The note bears interest at a rate of 7.50% per annum. Any advances from CHCC to Vista in excess of the amount of this subordinated note are expected to be repaid to CHCC from Vista's permanent financing, which is expected to close in August 2019. The subordinated note is recorded within CHCC's other assets and Vista's other liabilities and eliminates in consolidation.

Scheduled debt maturities are as follows:

	Bonds (a), (b), (c), (j)	Improvement and Construction Loans (f), (h), (i)	Mortgage Loans (k), (l), (m)	Capital Lease Obligations and Other (g)	Total
2019	$ 1,711,058	$ 13,902,105	$ 6,169,245	$ 113,515	$ 21,895,923
2020	1,785,700	772,300	438,010	102,384	3,098,394
2021	1,752,853	772,300	468,795	102,384	3,096,332
2022	1,829,230	772,300	501,745	102,384	3,205,659
2023	2,015,298	772,300	535,252	68,274	3,391,124
Thereafter	12,839,445	13,601,035	2,862,769	–	42,408,120
	$ 35,038,455	$ 30,592,340	$ 10,975,816	$ 488,941	$ 77,095,552

10. Pension Plans

Defined Benefit Plan

The Center 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.

10. Pension Plans (continued)

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

	December 31 2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 14,444,460**	$ 13,983,453
Interest cost	**539,138**	563,551
Actuarial (gains) losses	**(553,979)**	586,956
Benefits paid	**(750,383)**	(689,500)
Benefit obligation at end of year	**13,679,236**	14,444,460
Change in plan assets:		
Fair value of plan assets at beginning of year	**6,129,018**	5,302,707
Actual return on plan assets	**(325,585)**	738,327
Employer contributions prior to measurement period	**696,179**	777,484
Benefits paid	**(750,383)**	(689,500)
Fair value of plan assets at end of year	**5,749,229**	6,129,018
Funded status of plan	**$ (7,930,007)**	$ (8,315,442)

The funded status of the pension plan is included in pension obligation and other liabilities in the consolidated balance sheets. The benefit obligation for the Center's pension plan totaled approximately $13,679,000 and $14,444,000 at December 31, 2018 and 2017, respectively.

At December 31, 2018 and 2017, there are approximately $5,426,000 and $5,873,000, respectively, of actuarial losses that have not yet been recognized in net periodic pension cost, but have been cumulatively recorded in unrestricted net assets. Approximately $545,000 of unrecognized actuarial loss is expected to be recognized in net periodic pension cost during the year ending December 31, 2019.

10. Pension Plans (continued)

The Center recorded net periodic pension cost as follows:

	Year Ended December 31	
	2018	**2017**
Interest cost on the projected benefit obligation	**$ 539,138**	$ 563,551
Expected return on plan assets	**(439,789)**	(460,247)
Net amortization and deferrals	**659,069**	618,399
Net periodic pension benefit cost	**$ 758,418**	$ 721,703

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

	2018	**2017**
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	**4.33%**	3.70%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	**3.70%**	4.14%
Expected long-term rate of return on plan assets	**7.25%**	8.75%

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 2018. The actuarial gains and losses in 2018 and 2017, respectively, primarily relate to changes in discount rate and mortality assumptions used to measure the projected benefit obligation.

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

10. Pension Plans (continued)

- To achieve a long-term rate of return of 7.25%, 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:

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

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

	December 31	
	2018	**2017**
Equities	**70%**	69%
Corporate bonds	**21**	18
Other	**9**	13
	100%	100%

The Plan has received a favorable ruling from the Internal Revenue Service to operate as a church plan. Under church plan status, the Plan is not subject to many of the compliance provisions of the Employee Retirement Income Security Act of 1974 (ERISA), such as minimum funding levels.

The Center makes contributions to the Plan based on the recommendations of its consulting actuary and subject to available cash resources. The Center expects to contribute $725,300 to the Plan in 2019. 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.

10. Pension Plans (continued)

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

2019	$ 830,049
2020	845,615
2021	865,159
2022	872,960
2023	877,135
2024-2028	4,460,489

Defined Contribution Plan

Effective January 1, 2000, the Center adopted a defined contribution 401(k) plan (the 401(k) Plan). The 401(k) Plan provides for employer and employee contributions. Employees can make elective contributions to the 401(k) Plan of up to 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. Effective January 1, 2017, the matching employer contribution was changed from 50% of the employees' elective contribution up to a maximum of 2% of a participant's eligible compensation to 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 percent of participant's compensation
Six but less than 15 years:	Up to 3 percent of participant's compensation
Fifteen years or more:	Up to 4 percent of participant's compensation

Pension expense under the 401(k) Plan was approximately $1,010,000 and $995,000 for the years ended December 31, 2018 and 2017, respectively.

Deferred Employee Compensation Plan

Effective January 1, 2002, the Center 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

10. Pension Plans (continued)

compensation, unless prohibited by applicable deferral limits. The Center has not made any discretionary contributions to the 457(b) Plan for the years ended December 31, 2018 and 2017. The consolidated balance sheets as of December 31, 2018 and 2017 include an asset and liability of approximately $2,547,000 and $2,542,000, respectively, related to the 457(b) Plan recorded within assets limited to use noncurrent and pension obligations and other liabilities, respectively.

11. Contingencies

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

12. Net Assets

The Center's net assets are as follows:

	December 31	
	2018	**2017**
Net assets without donor restrictions:		
General Unrestricted – general	**$ 36,800,474**	$ 35,113,632
Employee Unrestricted – employee fund	**562,321**	609,519
Residents' Unrestricted – residents' assistance	**2,041,439**	1,900,777
Total net assets without donor restrictions	**39,404,234**	37,623,928
Net assets with permanent donor restrictions	**727,981**	727,981
Total net assets	**$ 40,132,215**	$ 38,351,909

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

The Center expends the income distributed from net assets with donor restrictions held in perpetuity on an annual basis in support of benevolent purposes (2018 and 2017 distributions totaled approximately $10,000 and $6,000, respectively).

12. Net Assets (continued)

Foundation fundraising and contribution income is reported net of related expenses of approximately $124,000 and $150,000 in 2018 and 2017, respectively. Assets released from the Foundation for use at the Center were approximately $28,000 and $38,000 in 2018 and 2017, respectively.

13. Concentrations of Credit Risk

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

	December 31	
	2018	**2017**
Medicare	**50%**	48%
Medicaid	**7**	11
Self-pay patients and residents	**25**	21
Commercial and other insurance	**18**	20
	100%	100%

14. Functional Expenses

The Center's consolidated program services consist of general health care and related services. For the year ended, December 31, 2018, 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	**$ 29,768,425**	**$ 14,654,734**	**$ 44,423,159**
Employee benefits	**6,968,692**	**3,733,734**	**10,702,426**
Supplies and other expenses	**9,246,359**	**9,298,056**	**18,544,415**
Interest and amortization of deferred financing costs and intangible assets	**1,579,191**	**826,700**	**2,405,891**
Depreciation and amortization	**3,613,238**	**1,672,183**	**5,285,421**
	$ 51,175,905	**$ 30,185,407**	**$ 81,361,312**

For the year ended, December 31, 2017, 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	$ 30,485,228	$ 14,114,992	$ 44,600,220
Employee benefits	8,047,604	3,961,765	12,009,369
Supplies and other expenses	9,096,452	9,169,349	18,265,801
Interest and amortization of deferred financing costs and intangible assets	1,199,043	590,278	1,789,321
Depreciation and amortization	3,221,498	1,585,915	4,807,413
	$ 52,049,825	$ 29,422,299	$ 81,472,124

15. Fair Value Measurements

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

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

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

In determining fair value, the Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

15. Fair Value Measurements (continued)

Financial instruments (included in cash and cash equivalents, short-term investments (excluding amounts accounted for using the equity method of accounting) and assets limited to use) carried at fair value in the accompanying consolidated balance sheets are classified in the tables below in one of the three categories described above as of December 31, 2018 and 2017:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 3,803,144**	**$ –**	**$ –**	**$ 3,803,144**
Certificate of deposit	**1,021,657**	**–**	**–**	**1,021,657**
Equity securities:				
U.S. large cap	**2,970,552**	**–**	**–**	**2,970,552**
U.S. mid cap	**144,354**	**–**	**–**	**144,354**
U.S. small cap	**8,512**	**–**	**–**	**8,512**
Foreign equities	**57,231**	**–**	**–**	**57,231**
Fixed income:				
Government bonds and GSE bonds	**–**	**103,702**	**–**	**103,702**
Mutual funds – equity:				
U.S. large cap	**2,782,391**	**–**	**–**	**2,782,391**
U.S. mid cap	**979,867**	**–**	**–**	**979,867**
U.S. small cap	**519,523**	**–**	**–**	**519,523**
International developed equity	**1,019,265**	**–**	**–**	**1,019,265**
International emerging equity	**386,522**	**–**	**–**	**386,522**
Mutual funds – fixed income:				
Corporate bonds	**2,071,487**	**–**	**–**	**2,071,487**
High yield bonds	**257,378**	**–**	**–**	**257,378**
International developed/emerging market bonds	**246,295**	**–**	**–**	**246,295**
Mutual funds – other:				
Global public REITS	**288,512**	**–**	**–**	**288,512**
Realty shares	**77,726**	**–**	**–**	**77,726**
Commodities and Natural Resources	**52,853**	**–**	**–**	**52,853**
Hedge strategies – diversified	**132,903**	**–**	**–**	**132,903**
Hedge strategies – conservative	**89,104**	**–**	**–**	**89,104**
	$ 16,909,276	$ **103,702**	**$ –**	**$ 17,012,978**

15. Fair Value Measurements (continued)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,330,693	$ –	$ –	$ 4,330,693
Certificate of deposit	1,011,741	–	–	1,011,741
Equity securities:				
U.S. large cap	3,029,277	–	–	3,029,277
U.S. mid cap	190,522	–	–	190,522
U.S. small cap	8,512	–	–	8,512
Foreign equities	57,231	–	–	57,231
Fixed income:				
Corporate bonds	–	49,858	–	49,858
Government bonds and GSE bonds	–	57,947	–	57,947
International	–	5,907	–	5,907
Mutual funds – equity:				
U.S. large cap	2,647,853	–	–	2,647,853
U.S. mid cap	982,911	–	–	982,911
U.S. small cap	595,805	–	–	595,805
International developed equity	1,157,707	–	–	1,157,707
International emerging equity	402,703	–	–	402,703
Mutual funds – fixed income:				
Corporate bonds	1,795,177	–	–	1,795,177
High yield bonds	464,812	–	–	464,812
International developed/emerging market bonds	295,416	–	–	295,416
Mutual funds – other:				
Global public REITS	334,558	–	–	334,558
Realty shares	77,726	–	–	77,726
Commodities	174,862	–	–	174,862
Hedge strategies – diversified	60,638	–	–	60,638
Hedge strategies – conservative	105,035	–	–	105,035
	$ 17,723,179	$ 113,712	$ –	$ 17,836,891

15. Fair Value Measurements (continued)

Assets invested in the Center's defined benefit pension plan, at fair value as of December 31, 2018 and 2017, are classified in the tables below in one of the three categories described above:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 415,315	$ –	$ –	$ 415,315
Equity Securities:				
U.S. large cap	1,433,935	–	–	1,433,935
U.S. mid cap	107,581	–	–	107,581
U.S. small cap	24,647	–	–	24,647
Foreign Equities	474,022	–	–	474,022
Mutual funds – equity:				
U.S. large cap	112,442	–	–	112,442
U.S. mid cap	341,200	–	–	341,200
U.S. small cap	199,527	–	–	199,527
International developed equity	508,087	–	–	508,087
International emerging equity	310,942	–	–	310,942
Equity Other	31,020	–	–	31,020
Mutual funds – fixed income:				
Government Bonds and Agencies	586,087	–	–	586,087
Corporate bonds	282,915	–	–	282,915
High yield bonds	54,613	–	–	54,613
International Developed/Emerging		–	–	
market bonds	313,717			313,717
Fixed Income Other	114,657	–	–	114,657
Cash	119,887	–	–	119,887
Mutual funds – other:				
Global fixed	18,625	–	–	18,652
	$ 5,449,224	$ –	$ –	$ 5,449,224
Assets measured at net asset value:				
Alternative investments –				
managed futures				299,985
				$ 5,749,229

15. Fair Value Measurements (continued)

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 588,815	$ –	$ –	$ 588,817
Mutual funds – equity:				
U.S. large cap	1,646,145	–	–	1,646,145
U.S. mid cap	392,863	–	–	392,863
U.S. small cap	868,546	–	–	868,546
International developed equity	1,297,567	–	–	1,297,567
Mutual funds – fixed income:				
Corporate bonds	674,001	–	–	674,001
High yield bonds	238,211	–	–	238,211
Mutual funds – other:				
Global fixed	194,177	–	–	194,177
	$ 5,900,325	$ –	$ –	$ 5,900,327
Assets measured at net asset value:				
Alternative investments – managed futures				228,691
				$ 6,129,018

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).

16. Subsequent Events

Subsequent events have been evaluated through June 19, 2019, which is the date the consolidated financial statements were issued. Subsequent events have not occurred that require disclosure in or adjustment to the consolidated financial statements, other than those disclosed in Notes 7 and 9.

Supplementary Information

Christian Health Care Center and Affiliates

Consolidating Balance Sheet

December 31, 2018

	Christian Health Care Center	Christian Health Care Center Foundation	Eliminations/ Reclassifications	Total Obligated Group	CHCC, CCRC Inc.	Siena Village	Summer Hill of Wayne	Eliminations/ Reclassifications	Christian Health Care Center Consolidated
Assets									
Current assets:									
Cash and cash equivalents	$ 807,597	$ 1,500,076	$ –	$ 2,307,673	$ –	$ 1,447,561	$ 47,910	$ –	$ 3,803,144
Short-term investments	7,473,734	313,900		7,787,634	–	–	–	–	7,787,634
Assets limited to use, current portion	2,668,760	–	–	2,668,760	–	–	–	–	2,668,760
Accounts receivable, net	8,253,384	–	–	8,253,384	–	(212)	2,445	–	8,255,617
Prepaid expenses and other current assets	1,445,127	–	–	1,445,127	–	32,000	1,022,738	–	2,499,865
Total current assets	20,648,602	1,813,976	–	22,462,578	–	1,479,349	1,073,093	–	25,015,020
Assets limited to use, less current portion	3,274,714	–	–	3,274,714	–	–	–	–	3,274,714
Other assets	9,292,969	–	–	9,292,969	$4,044,764	207,050	161,207	(7,404,806)	6,301,184
Interest in the assets of the Foundation	1,813,976	–	(1,813,976)	–	–	–	–	–	–
Intangible assets, net	–	–	–	–	–	1,654,243	1,836,024	–	3,490,267
Property, plant and equipment, net	57,220,505	–	–	57,220,505	20,557,311	15,677,015	11,203,707	–	104,658,538
	$ 92,250,766	$ 1,813,976	$ (1,813,976)	$ 92,250,766	$ 24,602,075	$ 19,017,657	$ 14,274,031	$ (7,404,806)	$ 142,739,723
Liabilities and net assets									
Current liabilities:									
Current portion of long-term debt	$ 2,193,115	$ –	$ –	$ 2,193,115	$ 13,152,505	$ 381,057	$ 6,169,246	$ –	$ 21,895,923
Accounts payable and accrued expenses	4,561,534	–	–	4,561,534	–	102,907	353,739	–	5,018,180
Accrued payroll	2,462,010	–	–	2,462,010	–	–	–		2,462,010
Accrued interest	32,576	–	–	32,576	–	35,995	–	–	68,571
Total current liabilities	9,249,235	–	–	9,249,235	13,152,505	519,959	6,522,985	–	29,444,684
Benefits payable	1,251,000	–	–	1,251,000	–	–	–	–	1,251,000
Pension obligations and other liabilities	12,440,680	–	–	12,440,680	11,449,570	207,050	1,022,854	(7,404,806)	17,715,348
Long-term debt, less current portion	35,171,224	–	–	35,171,224	–	14,282,351	4,742,901	–	54,196,476
	58,112,139	–	–	58,112,139	24,602,075	15,009,360	12,288,740	(7,404,806)	102,607,508
Net assets:									
Net assets without donor restrictions	33,410,646	1,813,976	(1,813,976)	33,410,646	–	4,008,297	1,985,291	–	39,404,234
Net assets with donor restrictions	727,981	–	–	727,981	–	–	–	–	727,981
Total net assets	34,138,627	1,813,976	(1,813,976)	34,138,627	–	4,008,297	1,985,291	–	40,132,215
	$ 92,250,766	$ 1,813,976	$ (1,813,976)	$ 92,250,766	$ 24,602,075	$ 19,017,657	$ 14,274,031	$ (7,404,806)	$ 142,739,723

Christian Health Care Center and Affiliates

Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2018

	Christian Health Care Center	Christian Health Care Center Foundation	Eliminations/ Reclassifications	Total Obligated Group	CHCC CCRC, Inc.	Siena Village	Summer Hill	Eliminations/ Reclassifications	Consolidated Total
Revenue:									
Net patient service revenue	$ 75,419,144	$ –	$ –	$ 75,419,144	$ –	$ –	$ –	$ –	$ 74,419,144
Investment income	617,168	5,276	($622,444)	–	–	$5,594	4,259	(9,853)	–
Fund raising activities, net	–	476,497	(476,497)	–	–	–	–	–	–
Estate bequests	2,308	–	(2,308)	–	–	–	–	–	–
Gifts and contributions	–	730,261	(730,261)	–	–	–	–	–	–
Rental revenue	512,562	–	–	512,562	–	2,634,407	2,008,919	–	5,155,888
Other revenue	1,366,246	–	–	1,366,246	–	70,948	6,819	–	1,444,013
Total revenue	77,917,428	1,212,034	(1,831,510)	77,297,952	–	2,710,949	2,019,997	(9,853)	82,019,045
Expenses:									
Salaries and wages	43,855,249	–	–	43,855,249	–	409,770	158,140	–	44,423,159
Employee benefits	10,475,334	–	–	10,475,334	–	140,644	86,448	–	10,702,426
Supplies and other	16,769,017	–	–	16,769017	–	1,055,284	720,114	–	18,544,415
Interest and amortization	1,152,629	–	–	1,152,629	–	401,380	633,832	–	2,187,841
Amortization of intangible assets	–	–	–	–	–	115,284	102,766	–	218,050
Depreciation	4,450,964	–	–	4,450,964	–	550,901	283,556	–	5,285,421
Total expenses	76,703,193	–	–	76,703,193	–	2,673,263	1,984,856	–	81,361,312
Income from operations	1,214,235	1,212,034	(1,831,510)	594,759	–	37,686	35,141	(9,853)	657,733
Investment income and net realized gains and losses	–	–	622,444	622,444	–	–	–	9,853	632,297
Estate bequests	–	–	2,308	2,308	–	–	–	–	2,308
Foundation fundraising and contributions, net of expenses	–	–	1,206,758	1,206,758	–	–	–	–	1,206,758
Net change in unrealized gains and losses on investments	(1,375,744)	(34,031)	–	(1,409,775)	–	–	–	–	(1,409,775)
Contributions to (from) affiliate	217,848	(217,848)	–	–	–	–	–	–	–
Excess of revenue over expenses	56,339	960,155	–	1,016,494	–	37,686	35,141	–	1,089,321
Grant proceeds for capital expenditures and other	58,259	–	–	58,259	–	70,787	–	–	129,046
Contribution to affiliate for capital purposes	–	–	–	–	–	–	114,265	–	114,265
Change in pension liability to be recognized in future periods	447,674	–	–	447,674	–	–	–	–	447,674
Net change in interest in Foundation assets	960,155	–	(960,155)	–	–	–	–	–	–
Change in net assets without donor restrictions	1,522,427	960,155	(960,155)	1,522,427		108,473	149,406	–	1,780,306
Net assets at beginning of year	32,616,200	853,821	(853,821)	32,616,200	5,897,019	3,899,824	1,835,885	–	38,351,909
Net assets at end of year	$ 34,138,627	$ 1,813,976	$ (1,813,976)	$ 34,138,627	$ 5,897,019	$ 4,008,297	$ 1,985,291	$ –	$ 40,132,215

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