

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Christian Health Care Center (d/b/a Christian Health) and Affiliates  
Years Ended December 31, 2020 and 2019  
With Report of Independent Auditors

Ernst & Young LLP



Christian Health and Affiliates

Consolidated Financial Statements  
and Supplementary Information

Years Ended December 31, 2020 and 2019

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## Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Christian Health Care Center (d/b/a Christian Health) and Affiliates (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Christian Health Care Center (d/b/a Christian Health) and Affiliates at December 31, 2020 and 2019, 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.

## **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, 2020, 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 of America. 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 30, 2021

Christian Health and Affiliates

Consolidated Balance Sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,789,565	\$ 4,293,553
Short-term investments	4,989,930	5,090,561
Assets limited to use, current portion	3,380,865	3,140,902
Accounts receivable, net	7,701,657	7,705,634
Prepaid expenses and other current assets	4,734,818	2,350,251
Total current assets	<u>33,596,835</u>	22,580,901
Assets limited to use, less current portion	21,190,598	42,359,191
Other assets, net	1,723,379	1,517,885
Intangible assets, net	3,046,034	3,268,886
Property, plant, and equipment, net	160,523,068	123,684,815
Total assets	<u>\$ 220,079,914</u>	<u>\$ 193,411,678</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 9,612,034	\$ 8,859,296
Accounts payable and accrued expenses	8,725,252	6,322,363
Accrued payroll	2,300,203	1,970,888
Accrued interest	25,481	54,538
Total current liabilities	<u>20,662,970</u>	17,207,085
Benefits payable	1,220,560	1,239,000
Pension obligations and other liabilities	24,748,902	20,428,813
Long-term debt, less current portion	132,132,884	114,314,936
Total liabilities	<u>178,765,316</u>	153,189,834
Commitments and contingencies	—	—
Net assets:		
Net assets without donor restrictions	40,586,617	39,493,863
Net assets with donor restrictions	727,981	727,981
Total net assets	<u>41,314,598</u>	40,221,844
Total liabilities and net assets	<u>\$ 220,079,914</u>	<u>\$ 193,411,678</u>

See accompanying notes.

## Christian Health and Affiliates

### Consolidated Statements of Operations

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue:		
Net patient service revenue	<b>\$ 67,391,581</b>	\$ 75,791,827
Rental revenue	<b>5,347,836</b>	5,275,459
Other revenue	<b>10,193,295</b>	2,220,883
Total revenue	<b>82,932,712</b>	83,288,169
Expenses:		
Salaries and wages	<b>44,122,947</b>	45,542,628
Employee benefits	<b>11,949,037</b>	12,991,720
Supplies and other	<b>19,616,181</b>	19,463,151
Interest and amortization	<b>1,690,180</b>	2,321,462
Amortization of intangible assets	<b>222,852</b>	221,381
Depreciation	<b>5,415,865</b>	5,434,644
Total expenses	<b>83,017,062</b>	85,974,986
Loss from operations	<b>(84,350)</b>	(2,686,817)
Investment income and net realized gains and losses	<b>244,385</b>	1,802,786
Foundation fundraising and contributions, net of expenses	<b>1,080,800</b>	1,191,494
Net change in unrealized gains and losses on investments	<b>603,279</b>	(41,418)
Excess of revenue over expenses	<b>1,844,114</b>	266,045
Grant proceeds for capital expenditures and other	–	233,619
Change in fair value of derivative instrument	<b>(536,534)</b>	–
Distribution to affiliate	<b>(88,291)</b>	(81,150)
Change in pension liability to be recognized in future periods	<b>(126,535)</b>	(328,885)
Increase in net assets without donor restrictions	<b>\$ 1,092,754</b>	\$ 89,629

*See accompanying notes.*

## Christian Health and Affiliates

### Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2020 and 2019

	<u>Net Assets with Donor Restrictions</u>				
	<u>Net Assets Without Donor Restrictions</u>	<u>Purpose and Time Restrictions</u>	<u>Permanent Endowment</u>	<u>Total Net Assets with Donor Restrictions</u>	<u>Total</u>
Balance at January 1, 2019	\$ 39,404,234	\$ –	\$ 727,981	\$ 727,981	\$ 40,132,215
Excess of revenue over expenses	266,045	–	–	–	266,045
Grant proceeds for capital expenditures and other	233,619	–	–	–	233,619
Distribution to affiliate	(81,150)	–	–	–	(81,150)
Change in pension liability to be recognized in future periods	(328,885)	–	–	–	(328,885)
Increase in net assets	89,629	–	–	–	89,629
Balance at December 31, 2019	39,493,863	–	727,981	727,981	40,221,844
Excess of revenue over expenses	<b>1,844,114</b>	–	–	–	<b>1,844,114</b>
Distribution to affiliate	<b>(88,291)</b>	–	–	–	<b>(88,291)</b>
Change in fair value of derivative instrument	<b>(536,534)</b>	–	–	–	<b>(536,534)</b>
Change in pension liability to be recognized in future periods	<b>(126,535)</b>	–	–	–	<b>(126,535)</b>
Increase in net assets	<b>1,092,754</b>	–	–	–	<b>1,092,754</b>
Balance at December 31, 2020	<b>\$ 40,586,617</b>	<b>\$ –</b>	<b>\$ 727,981</b>	<b>\$ 727,981</b>	<b>\$ 41,314,598</b>

*See accompanying notes.*

## Christian Health and Affiliates

### Consolidated Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Increase in net assets	\$ 1,092,754	\$ 89,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,415,865	5,434,644
Amortization of deferred financing costs	209,038	95,568
Amortization of intangible assets	222,852	221,381
Net change in unrealized gains and losses on investments	(603,279)	41,418
Change in fair value of derivative instrument	536,534	—
Changes in operating assets and liabilities:		
Accounts receivable, net	3,977	549,983
Prepaid expenses and other current assets	(2,384,567)	149,614
Other assets	(205,494)	(1,218,883)
Accounts payable and accrued expenses, accrued payroll and accrued interest	2,703,147	799,028
Benefits payable, pension obligation and other liabilities	3,765,115	2,701,465
Net cash provided by operating activities	<b>10,755,942</b>	<b>8,863,847</b>
<b>Investing activities</b>		
Purchases of property, plant, and equipment	(42,254,118)	(24,460,921)
Redemption of short-term investments	703,910	2,655,655
Net sale of (investment in) assets limited to use	(53,565)	(765,393)
Net cash used in investing activities	<b>(41,603,773)</b>	<b>(22,570,659)</b>
<b>Financing activities</b>		
Proceeds from issuance of long-term debt	38,080,935	71,094,484
Payment of deferred financing costs	(585,648)	(1,369,863)
Re-payment of long-term debt	(19,133,639)	(22,738,356)
Net cash provided by financing activities	<b>18,361,648</b>	<b>46,986,265</b>
(Decrease) increase in cash, cash equivalents and restricted cash	<b>(12,486,183)</b>	33,279,453
Cash, cash equivalents and restricted cash, at beginning of year	<b>43,547,267</b>	10,267,814
Cash, cash equivalents and restricted cash, at end of year	<b>\$ 31,061,084</b>	<b>\$ 43,547,267</b>
Reconciliation of cash and cash equivalents at end of year to the consolidated balance sheets:		
Cash and cash equivalents	\$ 12,789,565	\$ 4,293,553
Assets limited to use: cash and cash equivalents	18,271,519	39,253,714
Total cash, cash equivalents and restricted cash	<b>\$ 31,061,084</b>	<b>\$ 43,547,267</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<b>\$ 4,391,038</b>	<b>\$ 2,809,927</b>

*See accompanying notes.*



# Christian Health and Affiliates

## Notes to Consolidated Financial Statements

December 31, 2020

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

Christian Health Care Center (d/b/a Christian Health) and affiliates (collectively, the Company) provides 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 Christian Health's 78-acre Wyckoff/Hawthorne, NJ campus consist of a 254-skilled bed nursing facility (Heritage Manor), a 44-bed specialized long-term care behavior management facility (Southgate), a 95-bed assisted living residence (Longview), a 39-bed congregate residence (Hillcrest), a 40-unit senior residential housing program (Evergreen Court), a 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. One campus in Wayne also includes a geriatric outpatient program. Individuals associated with churches from the Reformed tradition founded Christian Health in 1911.

The accompanying consolidated financial statements include the consolidated financial position and operating results of Christian Health, the Christian Health Care Center Foundation, Inc., d/b/a Christian Health Foundation (the Foundation), CHCC CCRC, Inc. (The Vista), Siena Village, and Summer Hill. Christian Health is the sole member of the Foundation, Vista, Siena Village and Summer Hill. The Foundation was established to assist Christian Health in the furtherance of its charitable mission.

The Vista is a non-profit organization whose sole member is Christian Health. The Vista was created to develop, construct and own a continuing care retirement community, which is currently under construction, consisting of 161 independent living apartments and a range of services and amenities, which will be located on the campus of Christian Health in Wyckoff and Hawthorne, New Jersey. Christian Health will operate The Vista pursuant to a management agreement. Residents of The Vista will enjoy priority access to a full continuum of care at Christian Health, including skilled nursing care, assisted living, memory care, short term rehabilitation services and mental health services. Long term care services will be provided at existing skilled nursing facilities and assisted living facilities at Christian Health. In order to be accepted for admission to The Vista, prospective residents must be at least 62 years of age (or if a couple, one spouse is at least 62 years of age) at the time residency is established and exhibit an ability to live independently and meet their financial obligations as residents of the selected type of living accommodation.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

Siena Village (a 250-unit apartment complex) and Summer Hill apartments (a 164-unit independent housing residence) are designed to meet the needs of seniors on fixed income seeking to maximize their independence by offering low-income, moderate-income and market rate apartments.

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

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

On March 11, 2020, the World Health Organization designated the Coronavirus Disease 2019 (COVID-19) outbreak as a global pandemic. Federal, state and local government policies resulted in a substantial portion of the population remaining at home and forced the closure of certain businesses, which had an impact on the Company's net patient service revenue for most services. Effective March 27, 2020, a New Jersey executive order was issued to suspend all non-essential elective surgeries or invasive procedures, which resumed at different dates during the year ended December 31, 2020. During this time, the Company experienced significant price increases in, and utilization of, medical supplies, particularly personal protective equipment, as global supply lines were disrupted by the pandemic.

In response to COVID-19, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Provider Relief Fund). Payments from the Provider Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus and are not required to be repaid except where Provider Relief Funds received exceed the actual amounts of eligible health care related expenses and/or lost revenues as defined by the U.S. Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions. HHS distributions from the Provider Relief Fund include general distributions and targeted distributions, to support hospitals and healthcare providers in high impact areas and rural providers, for service periods through December 31, 2020, and, if necessary, through June 30, 2021.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs) regarding the Provider Relief Fund distributions. Additionally, on December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. The CAA appropriated additional funding for COVID-19 response and relief through the Provider Relief Fund and provided several changes to the administration of the Provider Relief Fund. The CAA clarified the methods available to calculate lost revenues and indicated that for any payment, including both general and targeted distributions, received by an eligible health care provider that is a subsidiary of a parent organization, the parent organization may allocate all or any portion of the distribution among any other eligible subsidiaries.

Through December 31, 2020, the Company received approximately \$6,494,000 from the Provider Relief Fund, which was reported as other revenue in the accompanying 2020 consolidated statement of operations. The recognized revenue has been determined based on applicable accounting guidance, Post-Payment Notices of Reporting Requirements and FAQs that the Center has interpreted as being applicable to the accompanying consolidated financial statements. Subsequent to December 31, 2020, Post-Payment Notice of Reporting Requirements and additional FAQs have been released which have been considered in management's analysis. Management will continue to monitor communications from HHS applicable to the Provider Relief Fund reporting and data submission requirements.

The Company has submitted project worksheets under the Federal Management Agency (FEMA) Disaster Relief Fund for \$1,600,000. This amount has been recorded as other revenue in the accompanying consolidated statements of operations. The Company has received reimbursement payment advances of approximately \$370,000 in 2020. The Company will continue to finalize the project worksheets previously submitted to FEMA and intends to submit additional applications for funding for costs incurred in 2020 and 2021; however, the ultimate amount that the Company may be reimbursed is uncertain.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

To enhance liquidity, the Centers for Medicare & Medicaid Services (CMS) expanded and streamlined the process for its Accelerated and Advance Payment Program, pursuant to which providers could receive advance Medicare payments. This program allowed eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. During April 2020, the Company received approximately \$5,100,000 of expedited payments for future services. The advance was initially scheduled to be recovered by Medicare commencing in June 2021. On October 1, 2020, the terms of the CMS accelerated payment program were revised such that the recovery of advances commenced in April 2021 (25% of submitted claims will be withheld for 11 months) and extend through October 2022 (50% of submitted claims will be withheld for the following six months), with any remaining balance due at that time and subject to interest. CMS advances under this program are included as a contract liability in accounts payable and accrued expenses at December 31, 2020 in the accompanying consolidated balance sheets.

Under the CARES Act, the Company has elected to defer the payment of the employer portion of social security taxes totaling approximately \$1,600,000 that otherwise would have been due between March 27, 2020 and December 31, 2020. The CARES Act requires that 50% of the total deferred amount be paid by December 31, 2021, with the remaining balance due by December 31, 2022. The amount is expected to be paid in 2022 and is recorded in other long-term liabilities in the accompanying consolidated balance sheets at December 31, 2020.

Under the CARES Act, the Company is eligible to receive an employee retention credit, which is a credit against the employer portion of Social Security taxes for certain wages between March 13, 2020 and December 31, 2020. The CAA extended the employee retention credit through June 30, 2021, while also modifying the provisions of the credit. The Company is finalizing its application for the employee retention credit and, accordingly, no amounts were recorded in 2020.

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

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### **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 Company considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents, except for amounts included in short-term investments and assets limited to use. Included in cash and cash equivalents are amounts on deposit at financial institutions which exceed Federal Deposit Insurance Company limits. Amounts within restricted cash include cash and cash equivalents held within investments and assets whose use is limited and represent funds set aside within the investment portfolio based on management's policy or contractual arrangements. Management believes that the institutions are viable entities and minimal risk of loss exists.

##### **Receivables for Patient Care**

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

##### **Investments and Investment Income**

Investment securities included in short-term investments consist of certificates of deposit, equity securities, mutual funds, 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

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

determined by reference to quoted market prices. The Company's interest in a hedge fund limited partnership is reported based on the fund's net asset value derived from the application of the equity method of accounting. The Company's risk with respect to the hedge fund's investment activities, which may include securities lending, short sales, and trading in futures or other derivative products, is limited to the Company's capital balance with the fund. Donated investments are recorded at their fair value at the date of gift. All investments are classified as trading securities.

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.

#### Intangible Assets

Definite-lived intangible assets of the Company 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.

	<u>Useful life</u>
Land lease	40
In-place leases	6-8
Tax benefits	40

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

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

#### **Insurance Liabilities**

The Company maintains claims-made professional and general liability and worker's compensation coverage through a commercial insurance carrier. The Company recorded an estimated insurance recovery receivable and a short-term insurance claim liability related to workers' compensation, professional and general liabilities of approximately \$1,578,000 and \$1,519,000 at December 31, 2020 and 2019, respectively, which are included in prepaid expenses and other current assets and accounts payable and accrued expenses in the accompanying consolidated financial statements.

The Company has a self-insured employee health insurance plan and maintains stop-loss coverage with an insurance company for claims in excess of \$200,000 and \$150,000 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, The Company has recorded a reserve for incurred but not reported medical claims of \$850,000 and \$912,000, respectively, which is included in accounts payable and accrued expenses within the accompanying consolidated balance sheets.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

##### **Classification of Net Assets**

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

As of December 31, 2020, 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 Company reports contributions of net assets with purpose and time restrictions for which the restriction was met in the year the contribution was made as increases in net assets without donor restrictions. Investment income earned is recorded as an increase in net assets without donor restrictions, unless the use is specified by the donor.

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

##### **Recent Accounting Pronouncements**

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



## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

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 Company for fiscal years beginning after December 15, 2020, and interim periods thereafter. Early adoption is permitted, including adoption in any interim period. Either retrospective or prospective adoption is permitted. The Company 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 2018-13, *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*. 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.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

The updates noted above have effective dates as follows with early adoption permitted: ASU 2018-13: fiscal years beginning after December 15, 2019, adopted by the Company in 2020 with no significant impact; and ASU 2018-14: fiscal years ending after December 15, 2021. The Company has not completed the process of evaluating the impact of ASU 2018-14 on its consolidated financial statements.

#### **Net Patient Service Revenue**

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

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

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

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

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

Net patient service revenue for the years ended December 31, 2020 and 2019, by payor are as follows:

	<u>2020</u>	<u>2019</u>
Commercial insurance and managed care organizations	\$ 5,359,485	\$ 3,961,226
Medicare and Medicaid managed care	14,079,486	13,618,239
Medicare and Medicaid	29,186,082	29,388,263
Self-pay and other	18,766,528	28,824,099
	<u>\$ 67,391,581</u>	<u>\$ 75,791,827</u>

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 years ended December 31, 2020 and 2019, changes in the Company's estimates of implicit price concessions, discounts, contractual adjustments or other reductions to expected payments for performance obligations satisfied in prior periods were not significant. Portfolio collection estimates are updated quarterly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the periods ended December 31, 2020 and 2019 was not significant.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

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

#### **Performance Indicator**

The consolidated statements of operations include excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator include grant proceeds for capital expenditures, change in fair value of derivative instrument and change in pension liability to be recognized in future periods. Transactions deemed by management to be ongoing and central to the provision of the Company's services are reported as revenue and expenses from operations.

#### **Tax Status**

Christian Health, the Foundation 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 Company is subject to unrelated business income taxation on Siena Village and Summer Hill income derived from activities not specific to the Company. Provisions for income tax are not material to the consolidated financial statements.

#### **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.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 2. Availability and Liquidity of Financial Assets

The table below represents financial assets available for general expenditures within one year at December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 12,789,565
Short-term investments	4,989,930
Assets limited to use	24,571,463
Accounts receivable, net	<u>7,701,657</u>
Total financial assets	50,052,615
Less amounts not available to be used within one year:	
Assets limited to use, long-term portion	<u>21,190,598</u>
Financial assets not available to be used within one year	<u>21,190,598</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 28,862,017</u></u>

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

#### 3. Intangible Assets

The gross and net carrying amounts and accumulated amortization of identifiable intangible assets resulting from the Siena Village and Summer Hill acquisitions, for each asset category were as follows:

	December 31			
	2020		2019	
	Intangible Assets	Accumulated Amortization	Intangible Assets	Accumulated Amortization
Land lease	\$ 1,359,274	\$ 172,752	\$ 1,359,274	\$ 138,768
In-place leases	1,097,371	647,399	1,097,371	502,247
Tax credit	<u>1,560,424</u>	<u>150,884</u>	<u>1,560,424</u>	107,168
Total gross identifiable intangible assets	<u>4,017,069</u>		4,017,069	
Less accumulated amortization	<u>(971,035)</u>		<u>(748,183)</u>	
	<u><u>\$ 3,046,034</u></u>		<u><u>\$ 3,268,886</u></u>	

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 3. Intangible Assets (continued)

Amortization expense approximated \$223,000 and \$221,000 for the fiscal years ended December 31, 2020 and 2019, respectively. The following table presents the estimated future amortization expense of identifiable intangible assets for the five succeeding fiscal years:

<u>Fiscal Year</u>	<u>Amortization Expense</u>
2021	\$ 218,148
2022	218,148
2023	163,491
2024	72,996
2025	72,996

During fiscal 2020 and 2019, 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.

#### 4. Charity Care

The Company 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 Company'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 Company provides several other charitable programs and activities, such as educational and health monitoring programs, that are primarily offered for the benefit of the local communities that the Company serves. In accordance with its mission, the Company commits substantial resources to sponsor a broad range of services to both the indigent 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

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 4. Charity Care (continued)

uninsured or underinsured. This type of community benefit includes the costs of traditional charity care; unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs; services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed; and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community.

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

	<b>2020</b>	<b>2019</b>
Community benefits provided to the indigent:		
Charity care provided	\$ 893,000	\$ 1,578,100
Unpaid cost of public programs, Medicaid and other indigent care programs	<b>6,680,300</b>	8,519,200
Community benefits provided to the broader community:		
Non-billed services for the community	<b>27,533</b>	44,584
Estimated cost of community benefits	<b>\$ 7,600,833</b>	<b>\$ 10,141,884</b>

Christian Health and Affiliates

Notes to Consolidated Financial Statements (continued)

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

Short-term investments consist of the following:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Certificates of deposit	\$ 319,738	\$ 314,400
Equity securities	763,077	555,717
Mutual funds	3,129,383	3,734,657
Alternative investment – hedge fund (equity method)	777,732	485,787
	<u>\$ 4,989,930</u>	<u>\$ 5,090,561</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Under debt financing arrangements	\$ 9,436,447	\$ 25,109,355
Escrow deposits	7,433,170	13,400,915
Board designated	3,380,865	3,140,902
Permanently restricted by donor	727,981	727,981
Deferred employee compensation plan	3,593,000	3,120,940
Total assets limited to use	<u>24,571,463</u>	<u>45,500,093</u>
Less current portion	<u>3,380,865</u>	<u>3,140,902</u>
Assets limited to use, less current portion	<u>\$ 21,190,598</u>	<u>\$ 42,359,191</u>

Investment return is as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest and dividend income – other holdings	\$ 94,372	\$ 79,896
Net realized gains and losses	150,013	1,722,890
Net change in unrealized gains and losses	603,279	(41,418)
	<u>\$ 847,664</u>	<u>\$ 1,761,368</u>



## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 6. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land and land improvements	<b>\$ 6,048,085</b>	\$ 5,980,017
Buildings and improvements	<b>110,383,522</b>	109,823,894
Major movable equipment	<b>14,026,113</b>	13,844,907
Fixed and other equipment	<b>28,257,035</b>	27,522,566
Transportation vehicles	<b>2,807,075</b>	2,795,350
	<b>161,521,830</b>	159,966,734
Accumulated depreciation	<b>(82,813,827)</b>	(77,397,962)
	<b>78,708,003</b>	82,568,772
Construction in progress	<b>81,815,065</b>	41,116,043
	<b>\$ 160,523,068</b>	\$ 123,684,815

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

The Vista received sufficient local and state approvals to enable construction activity to begin during 2019. Construction in progress includes approximately \$39,752,000 and \$39,800,000 expended through December 31, 2020 and 2019, respectively for The Vista. During 2019 and 2020, Christian Health and its affiliates entered into purchase commitments totaling approximately \$9,630,000 and \$3,000,000 for 2020 and 2019 respectively, for project construction management, engineering and various other consulting services.

The Company capitalized interest of approximately \$3,100,000 and \$570,000 during 2020 and 2019, respectively, related to construction projects.

#### 7. Benefits Payable

Benefits payable represents amounts due toward death benefit certificates held by subscribers of an unrelated not-for-profit organization that was previously merged into the Company. These certificates entitle the subscribers to receive a death benefit and is calculated based on the dollar value of the certificate that they had purchased. As of December 31, 2020 there were 2,276 certificates outstanding.

Christian Health and Affiliates

Notes to Consolidated Financial Statements (continued)

**8. Long-Term Debt**

Long-term debt consists of the following:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
National Financing Authority (NFA) 2019 Series A Bonds <sup>(a)</sup>	<b>\$ 62,980,000</b>	\$ 62,980,000
NFA 2019 Series B Bonds <sup>(a)</sup>	<b>20,637,285</b>	1,459,193
NFA 2019 Series C Bonds <sup>(a)</sup>	<b>50,000</b>	50,000
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Revenue and Refunding Series 1997 B bonds <sup>(b)</sup>	<b>4,400,000</b>	4,800,000
NJHCFFA Variable Rate Series 2005 bonds <sup>(c)</sup>	<b>4,595,000</b>	4,800,000
NJHCFFA Variable Rate Revenue Series 2009 bonds <sup>(d)</sup>	<b>8,190,000</b>	8,980,000
Capital improvement loans <sup>(e)</sup>	–	16,689,373
NFA 2020 Series A Bonds <sup>(f)</sup>	<b>16,300,000</b>	–
NFA 2020 Series B Bonds <sup>(f)</sup>	<b>1,492,844</b>	–
Line of Credit <sup>(g)</sup>	<b>1,000,000</b>	–
Capital lease obligations and other (h)	<b>272,392</b>	383,948
New Jersey Economic Development Authority 2015 Bonds (i)	<b>14,351,698</b>	14,742,398
New Jersey Housing and Finance Agency Mortgage 1 <sup>(i)</sup>	<b>4,195,709</b>	4,615,494
New Jersey Housing and Finance Agency Mortgage 2 <sup>(i)</sup>	<b>174,048</b>	191,274
Bridge Loan <sup>(i)</sup>	<b>5,760,000</b>	5,760,000
	<b>144,398,976</b>	125,451,680
Less:		
Unamortized deferred financing costs	<b>2,654,058</b>	2,277,448
Current portion	<b>9,612,034</b>	8,859,296
	<b>\$ 132,132,884</b>	\$ 114,314,936

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 8. Long-Term Debt (continued)

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

- i. The Series 2019A Bonds, with an aggregate principal amount of \$62,980,000, of which all is outstanding, which were sold at a premium of approximately \$1,498,000, mature on July 1, 2039, 2046 and 2054 and bear interest at fixed rates ranging from 5.25% to 5.75%.
- ii. The Series 2019B Bonds, with an aggregate principal amount of \$31,660,000 (\$20,637,000 was outstanding as of December 31, 2020), mature on July 1, 2023 and bear interest at a floating rate of 83% of 30-day LIBOR plus 3.00%. The interest rates at December 31, 2020 and 2019, were 2.62% and 3.97%, respectively. These bonds are expected to be repaid from the receipt of future entrance fees.
- iii. The Series 2019C Bonds, with an aggregate principal amount of \$25,340,000 (\$50,000 was outstanding as of December 31, 2020), mature on July 1, 2023 and bear interest at a floating rate of 83% of 30-day LIBOR plus 3.50%. The interest rates at December 31, 2020 and 2019, were 3.03% and 4.38%, respectively. These bonds are expected to be repaid from the receipt of future entrance fees.

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

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

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 8. Long-Term Debt (continued)

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

- <sup>(b)</sup> On January 7, 1998, the New Jersey Health Care Facilities Financing Authority (NJHCFFA) issued \$10,500,000 of Revenue and Refunding Series 1997 B Bonds (Series 1997 B Bonds). The Series 1997 B Bonds carry a variable interest rate with maturities through 2028. The average interest rate during 2020 and 2019 was .72% and 1.73% respectively. The proceeds of the Series 1997 B Bonds were used for the construction of the assisted living facility and are secured by substantially all the assets and gross receipts of Christian Health and the Foundation (collectively, the Obligated Group) and a letter of credit with a bank. The letter of credit is issued for approximately \$4,879,000 and expires January 1, 2026.
- <sup>(c)</sup> In December 2005, the Obligated Group financed \$6,600,000 through NJHCFFA Variable Rate Series 2005 Bonds for the construction and equipping of a two-story addition to the inpatient mental health facility, the acquisition of property situated adjacent to the Wyckoff/Hawthorne campus, and various other renovations. The Series 2005 Bonds are payable in annual principal installments through July 2035 and at a variable interest rate (not to exceed 12%) that averaged 1.73% and 1.69% during 2020 and 2019, respectively. The bonds are secured by a letter of credit with a bank. The letter of credit is for approximately \$4,677,000 and expires January 1, 2026.
- <sup>(d)</sup> On February 19, 2009, NJHCFFA issued \$14,970,000 of Series 2009 Variable Rate Revenue Bonds (Series 2009 Bonds) on behalf of the Obligated Group. The proceeds were used for the refunding of NJHCFFA Series A Bonds issued in 1997 and renovations to the existing nursing facility. The Series 2009 Bonds are payable in annual principal installments through July 2038 with interest at a variable interest rate (not to exceed 12%). The interest rates as of December 31, 2020 and 2019 were 0.78% and 1.74% respectively. The Series 2009 Bonds are secured by a letter of credit with a bank with an available amount of approximately \$9,107,000, which expires January 1, 2026.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 8. Long-Term Debt (continued)

<sup>(e)</sup>In June 2014, the Obligated Group entered into a capital improvement loan with a bank to fund renovations to the existing nursing facility. The loan had a 26.5 year term, maturing in January 2041, with principal payments due over a 24-year period that began in January 2017 and bore interest at the 30-day LIBOR plus 1.60%. The interest rate at December 31, 2019 was 3.29%.

In March 2017, the Obligated Group secured an additional 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 the costs of capital improvements made during 2017 and 2016, and finance renovations with furniture and fixture needs for the assisted living facility, and finance the acquisition of Summer Hill. The term of this capital improvement loan was 23.5 years and matures in April 2042. The first 18 months of the loan were interest-only followed by a 23.5-year fully amortizing loan period beginning in September 2017. The loan bore interest at the 30-day LIBOR rate plus 2%. The interest rate at December 31, 2019 was 3.70%.

During December 2020, both capital improvement loans were repaid as part of the 2020 refinancing discussed below.

<sup>(f)</sup>On December 15, 2020, the NFA issued two revenue bonds in the amount of \$16,300,000 (Series 2020A Bonds) and \$13,000,000 (Series 2020B Bonds) on behalf of the Obligated Group. The Series 2020A Bonds were issued to repay the existing capital improvement loans. The Series 2020B Bonds were issued for financing the costs of constructing and equipping certain improvements to the nursing home and mental health facilities. The NFA 2020 Series A and B Bonds have a 25-year term, maturing in 2045, bearing interest at a variable rate of the 90-day LIBOR plus 1.87%, with a rate floor of 2.19%. From December 15, 2020 through December 31, 2022, the interest rate for the Series 2020B Bonds is floating at the 90-day LIBOR plus 1.87% with a rate floor of 2.19%. The interest rate for both the Series 2020A and Series 2020B Bonds, as of December 31, 2020 was 2.19%.

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

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 8. Long-Term Debt (continued)

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

The following is a summary of the outstanding fixed payor rate swaps as of December 31, 2020:

Origination Date	Notional Amounts	The Company Receives	The Company Pays	Maturity Date
December 2020 Series A	\$ 16,300,000	79.5% of 90-day LIBOR plus 1.67%	2.41%	December 2031
December 2020 Series B	\$ 13,000,000	79.5% of 90-day LIBOR plus 1.67%	2.50%	December 2033

The Swap Agreements do not qualify for hedge accounting; therefore, the change in the fair value of the Swap Agreements (approximately \$536,000 for the year ended December 31, 2020) is recorded as change in fair value of derivative instrument within the accompanying consolidated statement of operations with a corresponding long-term amount payable of approximately \$536,000 recorded within other long-term liabilities in the consolidated balance sheet at December 31, 2020.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 8. Long-Term Debt (continued)

- <sup>(g)</sup>The Obligated Group had a \$1,000,000 revolving line of credit (the line) with a bank that was renewed on September 30, 2020. The line was secured by the Obligated Group's accounts receivables. Advances under the line bore interest at the lesser of an annual variable rate equal to the prime rate or an annual fixed rate equal to 1% in excess of LIBOR. At December 31, 2019, no amounts were outstanding under the line of credit. On December 15, 2020, the Obligated Group replaced the line with a new \$3,000,000 bank line of credit. Advances under the line of credit bear an interest rate of 2.75%. The line of credit is secured by substantially all the Obligated Group's assets and gross receipts. At December 31, 2020, there was \$1,000,000 outstanding amounts under the line of credit.
- <sup>(h)</sup>The Company has entered into various non-interest bearing capital lease agreements and other loan agreements totaling approximately \$272,000 and \$384,000 at December 31, 2020 and 2019, respectively.
- <sup>(i)</sup>In December 2015, Christian Health acquired Siena Village with \$16,000,000 of bond proceeds issued through the New Jersey Economic Development Authority (NJEDA). These NJEDA 2015 Bonds are payable in monthly installments on a 30-year fully amortizing basis through December 2045 and bear interest at 65% of the 30-day LIBOR plus 1.20% with a minimum of 1.63% and a maximum of 2.68%. The interest rates at December 31, 2020 and 2019 were 1.63% and 2.31% respectively. The bank has the option to tender the NJEDA 2015 Bonds in full on December 1, 2022 or to reset the interest rate. The NJEDA 2015 Bonds are secured by a first leasehold mortgage on and a gross receipts pledge of Siena Village.
- <sup>(i)</sup>In connection with the acquisition of Summer Hill, the Christian Health's wholly-owned subsidiary assumed a first and second mortgage held by the New Jersey Mortgage and Finance Agency and secured a commercial mortgage bridge loan (Bridge Loan) through a bank:
- i. The first mortgage is payable in monthly installments of \$60,139 including interest fixed at 6.8% with service fees through May 2028. In addition, monthly deposits for taxes, insurance, and replacement of depreciable assets are required. This first mortgage is secured by a first leasehold mortgage and gross receipts pledge of the Facility.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 8. Long-Term Debt (continued)

- ii. The second mortgage is payable in monthly installments of \$2,521 including interest fixed at 7.1% with service fees through May 2028. In addition, monthly deposits for taxes, insurance, and replacement of depreciable assets are required. The second mortgage is also secured by a first leasehold mortgage and gross receipts pledge of the Facility.
- iii. The Bridge Loan proceeds were used to fund the remaining acquisition costs. The Bridge Loan proceeds bear interest only at the 30-day LIBOR rate plus 1.50% basis points. The interest rates at December 31, 2020 and 2019 were 1.75% and 3.25% respectively. The bonds are due and payable on August 31, 2021 and 50% principal and interest are secured by Christian Health.

The holders of the Series 1997 B Bonds (b), the Series 2005 (c) Bonds, and the Series 2009 Bonds (d), have the right to tender their bonds for purchase on a weekly basis. The reimbursement terms of the letters of credit securing these debt issuances provide that in the event of a bondholder demand for repayment, the Company would reimburse the letter of credit bank over a long-term period if adequate funds are not available from the remarketing of the bonds.

Under the terms of the various loan documents for its long-term debt, the Obligated Group, Siena Village, Summer Hill and The Vista are required to maintain certain financial ratios and comply with other restrictive financial covenants as described in the respective agreements. The Obligated Group, Siena Village and Summer Hill were in compliance with the financial covenants at December 31, 2020 and 2019. The Vista was in compliance with its financial covenants at December 31, 2020.

Scheduled debt maturities are as follows:

	2019 NFA Series Bonds (a)	Other Bonds (b), (c), (d), (f), (i)	Line of Credit (g)	Mortgage Loans (j)	Capital Lease Obligations and Other (h)	Total
2021	\$ —	\$ 2,280,853	\$ 1,000,000	\$ 6,228,795	\$ 102,386	\$ 9,612,034
2022	20,687,285	2,392,230	—	501,745	102,386	23,683,646
2023	—	2,507,743	—	537,011	67,620	3,112,374
2024	—	2,600,576	—	574,757	—	3,175,333
2025	—	2,095,688	—	615,153	—	2,710,841
Thereafter	62,980,000	37,452,452	—	1,672,296	—	102,104,7487
	<u>\$ 83,667,285</u>	<u>\$ 49,329,542</u>	<u>\$ 1,000,000</u>	<u>\$ 10,129,757</u>	<u>\$ 272,392</u>	<u>\$144,398,976</u>



## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 9. Pension Plans

##### Defined Benefit Plan

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	<b>\$ 15,116,147</b>	\$ 13,679,236
Interest cost	<b>481,280</b>	579,174
Actuarial losses	<b>1,261,134</b>	1,638,147
Benefits paid	<b>(772,651)</b>	(780,410)
Benefit obligation at end of year	<b>16,085,910</b>	15,116,147
Change in plan assets:		
Fair value of plan assets at beginning of year	<b>6,937,372</b>	5,749,229
Actual return on plan assets	<b>1,012,900</b>	1,133,605
Employer contributions prior to measurement period	<b>808,504</b>	834,948
Benefits paid	<b>(772,651)</b>	(780,410)
Fair value of plan assets at end of year	<b>7,986,125</b>	6,937,372
Unfunded status of plan	<b>\$ (8,099,785)</b>	\$ (8,178,775)

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 Company's pension plan totaled approximately \$16,086,000 and \$15,116,000 at December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, there are approximately \$5,881,000 and \$5,755,000, respectively, of actuarial losses that have not yet been recognized in net periodic pension cost, but have been cumulatively recorded in net assets without donor restrictions. Approximately \$627,000 of unrecognized actuarial loss is expected to be recognized in net periodic pension cost during the year ending December 31, 2021.

Christian Health and Affiliates

Notes to Consolidated Financial Statements (continued)

**9. Pension Plans (continued)**

The Company recorded net periodic pension cost as follows:

	<b>Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest cost on the projected benefit obligation	\$ 481,280	\$ 579,174
Expected return on plan assets	(498,512)	(411,797)
Net amortization and deferrals	620,211	587,454
Net periodic pension benefit cost	<u>\$ 602,979</u>	<u>\$ 754,831</u>

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

	<b>2020</b>	<b>2019</b>
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	<b>2.54%</b>	3.28%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	<b>3.28%</b>	4.33%
Expected long-term rate of return on plan assets	<b>7.25%</b>	7.25%

The expected long-term rate of return on plan assets was selected by applying historical yields to the asset allocation of the Plan's portfolio. A 7.25% expected long-term return on plan assets was based on the investment policy and asset allocation in effect as of the beginning of 2020. The actuarial gains and losses in 2020 and 2019, respectively, primarily relate to changes in discount rate and mortality assumptions used to measure the projected benefit obligation.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 9. Pension Plans (continued)

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

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

<b>Asset Category</b>	<b>Guideline Allocation</b>	<b>Permissible Range</b>
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:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Equities	<b>63%</b>	64%
Corporate bonds	<b>29</b>	26
Other	<b>8</b>	10
	<b>100%</b>	<b>100%</b>

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.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 9. Pension Plans (continued)

The Company makes contributions to the Plan based on the recommendations of its consulting actuary and subject to available cash resources. The Company expects to contribute \$750,000 to the Plan in 2021. Benefits under the Plan are not covered by the Pension Benefit Guaranty Corporation.

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

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

2021	\$ 870,454
2022	878,799
2023	888,552
2024	892,515
2025	911,520
2026–2030	4,461,272

#### Defined Contribution Plan

Effective January 1, 2000, the Company adopted a defined contribution 401(k) plan (the 401(k) Plan). The 401(k) Plan provides for employer and employee contributions. Employees can make elective contributions to the 401(k) Plan of up to 100% of compensation which will be contributed by the Employer of the Plan, unless prohibited by applicable deferral limits. Employer contributions to the Plan consist of a regular contribution and a matching contribution. The matching employer contribution is 50% of a Participant's Elective Deferrals for the Plan Year as described below:

Less than one year of service:	Not eligible for matching employer contribution
One but less than six years:	Up to 2 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 \$1,023,000 and \$1,025,000 for the years ended December 31, 2020 and 2019, respectively.

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 9. Pension Plans (continued)

##### Deferred Employee Compensation Plan

Effective January 1, 2002, the Company adopted a deferred compensation 457(b) plan (the 457(b) Plan). The 457(b) Plan provides for employee contributions and discretionary employer contributions. Employees can make elective contributions to the 457(b) Plan of up to 100% of compensation, unless prohibited by applicable deferral limits. The Company has not made any discretionary contributions to the 457(b) Plan for the years ended December 31, 2020 and 2019. The consolidated balance sheets as of December 31, 2020 and 2019 include an asset and liability of approximately \$3,593,000 and \$3,121,000, respectively, related to the 457(b) Plan recorded within assets limited to use noncurrent and pension obligations and other liabilities, respectively.

#### 10. Contingencies

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

#### 11. Net Assets

The Company's net assets are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Net assets without donor restrictions:		
General unrestricted – general	<b>\$ 37,205,752</b>	\$ 36,399,961
Employee unrestricted – employee fund	<b>673,921</b>	669,021
Residents' unrestricted – residents' assistance	<b>2,706,944</b>	2,424,881
Total net assets without donor restrictions	<b>40,586,617</b>	39,493,863
Net assets with permanent donor restrictions	<b>727,981</b>	727,981
Total net assets	<b>\$ 41,314,598</b>	\$ 40,221,844

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 11. Net Assets (continued)

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

Foundation fundraising and contribution income is reported net of related expenses of approximately \$43,000 and \$84,000 in 2020 and 2019, respectively. Assets released from the Foundation for use at the Company were approximately \$25,000 and \$63,000 in 2020 and 2019, respectively.

#### 12. Concentrations of Credit Risk

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Medicare	<b>34%</b>	49%
Medicaid	<b>11</b>	2
Self-pay patients and residents	<b>19</b>	25
Commercial and other insurance	<b>36</b>	24
	<b>100%</b>	100%

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 13. Functional Expenses

The Company's consolidated program services consist of general health care and related services. For the year ended, December 31, 2020, program expenses related to providing these services are summarized as follows:

	<b>Senior Life, Short-Term Rehabilitation and Mental Health Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 29,205,582	\$ 14,917,365	\$ 44,122,947
Employee benefits	7,886,364	4,062,673	11,949,037
Supplies and other expenses	9,257,042	10,359,139	19,616,181
Interest and amortization	1,115,519	574,661	1,690,180
Amortization of intangible assets	222,852	–	222,852
Depreciation and amortization	3,574,471	1,841,394	5,415,865
	<u>\$ 51,261,830</u>	<u>\$ 31,755,232</u>	<u>\$ 83,017,062</u>

For the year ended, December 31, 2019, program expenses related to providing these services are summarized as follows:

	<b>Senior Life, Short-Term Rehabilitation and Mental Health Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 31,388,238	\$ 14,154,390	\$ 45,542,628
Employee benefits	8,953,967	4,037,753	12,991,720
Supplies and other expenses	9,317,450	10,145,701	19,463,151
Interest and amortization	1,599,965	721,497	2,321,462
Amortization of intangible assets	221,381	–	221,381
Depreciation and amortization	3,745,588	1,689,056	5,434,644
	<u>\$ 55,226,590</u>	<u>\$ 30,748,396</u>	<u>\$ 85,974,986</u>

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 14. Fair Value Measurements

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

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

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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



## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

#### 14. 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, 2020 and 2019:

	2020			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 31,061,084	\$ –	\$ –	\$ 31,061,084
Certificate of deposit	1,047,719	–	–	1,047,719
Equity securities:				
U.S. large cap	3,429,745	–	–	3,429,745
U.S. mid cap	208,555	–	–	208,555
U.S. small cap	311,697	–	–	311,697
Foreign equities	980,489	–	–	980,489
Mutual funds – equity:				
U.S. large cap	598,972	–	–	598,972
U.S. mid cap	382,629	–	–	382,629
U.S. small cap	328,394	–	–	328,394
International developed equity	647,750	–	–	647,750
International emerging equity	214,045	–	–	214,045
Mutual funds – fixed income:				
Corporate bonds	1,255,156	–	–	1,255,156
High yield bonds	681,512	–	–	681,512
International developed/emerging market bonds	78,760	–	–	78,760
Fixed income – other	52,133	–	–	52,133
Mutual funds – other:				
Global public REITS	207,280	–	–	207,280
Realty shares	56,850	–	–	56,850
Commodities and natural resources	30,456	–	–	30,456
	<u>\$ 41,573,226</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 41,573,226</u>

Christian Health and Affiliates

Notes to Consolidated Financial Statements (continued)

14. Fair Value Measurements (continued)

	2019			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 43,547,267	\$ –	\$ –	\$ 43,547,267
Certificate of deposit	1,042,381	–	–	1,042,381
Equity securities:				
U.S. large cap	2,615,460	–	–	2,615,460
U.S. mid cap	62,152	–	–	62,152
U.S. small cap	290,662	–	–	290,662
Foreign equities	885,559	–	–	885,559
Fixed income:				
Government bonds and GSE bonds	–	173,561	–	173,561
Mutual funds – equity:				
U.S. large cap	804,247	–	–	804,247
U.S. mid cap	345,667	–	–	345,667
U.S. small cap	228,698	–	–	228,698
International developed equity	555,916	–	–	555,916
International emerging equity	342,559	–	–	342,559
Mutual funds – fixed income:				
Corporate bonds	1,061,540	–	–	1,061,540
High yield bonds	607,057	–	–	607,057
International developed/emerging market bonds	262,004	–	–	262,004
Fixed income – other	832,256	–	–	832,256
Mutual funds – other:				
Global public REITS	82,056	–	–	82,056
Realty shares	20,577	–	–	20,577
Commodities and natural resources	29,152	–	–	29,152
Hedge strategies – conservative	609,649	–	–	609,649
	<u>\$ 54,224,859</u>	<u>\$ 173,561</u>	<u>\$ –</u>	<u>\$ 54,398,420</u>

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

Assets invested in the Company's defined benefit pension plan, at fair value as of December 31, 2020 and 2019, are classified in the tables below in one of the three categories described above:

	2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 298,618	\$ –	\$ –	\$ 298,618
Equity securities:				
U.S. large cap	2,079,813	–	–	2,079,813
U.S. mid cap	259,299	–	–	259,299
U.S. small cap	–	–	–	–
Foreign equities	620,943	–	–	620,943
Mutual funds – equity:				
U.S. mid cap	315,749	–	–	315,749
U.S. small cap	468,526	–	–	468,526
International developed equity	690,145	–	–	690,145
International emerging equity	471,852	–	–	471,852
Equity other				
Mutual funds – fixed income:				
Government bonds and agencies	531,054	–	–	531,054
Corporate bonds	733,362	–	–	733,362
International developed/emerging market bonds	228,798	–	–	228,798
Fixed income other	808,700	–	–	808,700
	<u>\$ 7,506,859</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 7,506,859</u>
Assets measured at net asset value:				
Alternative investments – managed futures				479,266
				<u>\$ 7,986,125</u>

## Christian Health and Affiliates

### Notes to Consolidated Financial Statements (continued)

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

	2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 360,314	\$ –	\$ –	\$ 360,314
Equity securities:				
U.S. large cap	1,543,713	–	–	1,543,713
U.S. mid cap	178,264	–	–	178,264
U.S. small cap	–	–	–	–
Foreign equities	592,954	–	–	592,954
Mutual funds – equity:				
U.S. large cap	67,804	–	–	67,804
U.S. mid cap	202,943	–	–	202,943
U.S. small cap	421,160	–	–	421,160
International developed equity	835,215	–	–	835,215
International emerging equity	407,184	–	–	407,184
Equity other	133,492	–	–	133,492
Mutual funds – fixed income:				
Government bonds and agencies	508,973	–	–	508,973
Corporate bonds	332,593	–	–	332,593
High yield bonds	94,565	–	–	94,565
International developed/emerging market bonds	280,976	–	–	280,976
Fixed income other	588,470	–	–	588,470
Mutual funds – other:				
Global fixed	–	–	–	–
	<u>\$ 6,548,620</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 6,548,620</u>
Assets measured at net asset value:				
Alternative investments – managed futures				388,752
				<u>\$ 6,937,372</u>

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).

#### 15. Subsequent Events

Subsequent events have been evaluated through June 30, 2021, which is the date the consolidated financial statements were available to be issued. No subsequent events have occurred that require disclosure in or adjustment to the accompanying consolidated financial statements.

## Supplementary Information

# Christian Health and Affiliates

## Consolidating Balance Sheet

December 31, 2020

	Christian Health	Christian Health Foundation	Eliminations/ Reclassifications	Christian Health Obligated Group	The Vista	Siena Village	Summer Hill	Eliminations/ Reclassifications	Christian Health Consolidated Total
<b>Assets</b>									
Current assets:									
Cash and cash equivalents	\$ 8,339,410	\$ 2,407,038	\$ –	\$ 10,746,448	\$ –	\$ 1,879,273	\$ 163,844	\$ –	\$ 12,789,565
Short-term investments	4,897,716	92,214	–	4,989,930	–	–	–	–	4,989,930
Assets limited to use, current portion	3,380,865	–	–	3,380,865	–	–	–	–	3,380,865
Accounts receivable, net	7,611,991	–	–	7,611,991	–	34,777	54,889	–	7,701,657
Prepaid expenses and other current assets	3,619,946	24,242	–	3,644,188	–	–	1,090,630	–	4,734,818
Total current assets	27,849,928	2,523,494	–	30,373,422	–	1,914,050	1,309,363	–	33,596,835
Assets limited to use, less current portion	7,516,403	–	–	7,516,403	15,257,936	234,812	181,447	(2,000,000)	21,190,598
Other assets, net	13,072,169	–	–	13,072,169	–	–	–	(11,348,790)	1,723,379
Interest in the assets of the Foundation	2,523,494	–	(2,523,494)	–	–	–	–	–	–
Intangible assets, net	–	–	–	–	–	1,423,675	1,622,359	–	3,046,034
Property, plant and equipment, net	55,035,809	–	–	55,035,809	79,552,341	15,059,619	10,875,299	–	160,523,068
Total assets	\$105,997,803	\$ 2,523,494	\$ (2,523,494)	\$ 105,997,803	\$ 94,810,277	\$ 18,632,156	\$ 13,988,468	\$ (13,348,790)	\$ 220,079,914
<b>Liabilities and net assets</b>									
Current liabilities:									
Current portion of long-term debt	\$ 2,980,386	\$ –	\$ –	\$ 2,980,386	\$ –	\$ 402,853	\$ 6,228,795	\$ –	\$ 9,612,034
Accounts payable and accrued expenses	7,983,920	–	–	7,983,920	61,420	66,762	613,150	–	8,725,252
Accrued payroll	2,300,203	–	–	2,300,203	–	–	–	–	2,300,203
Accrued interest	4,079	–	–	4,079	–	21,402	–	–	25,481
Total current liabilities	13,268,588	–	–	13,268,588	61,420	491,017	6,841,945	–	20,662,970
Benefits payable	1,220,560	–	–	1,220,560	–	–	–	–	1,220,560
Pension obligations and other liabilities	17,566,496	–	–	17,566,496	14,292,457	3,187,060	3,051,679	(13,348,790)	24,748,902
Long-term debt, less current portion	32,410,501	–	–	32,410,501	82,293,422	13,531,998	3,896,963	–	132,132,884
Total liabilities	64,466,145	–	–	64,466,145	96,647,299	17,210,075	13,790,587	(13,348,790)	178,765,316
Net assets (deficiency):									
Net assets without donor restrictions	40,803,677	2,523,494	(2,523,494)	40,803,677	(1,837,022)	1,422,081	197,881	–	40,586,617
Net assets with donor restrictions	727,981	–	–	727,981	–	–	–	–	727,981
Total net assets	41,531,658	2,523,494	(2,523,494)	41,531,658	(1,837,022)	1,422,081	197,881	–	41,314,598
Total liabilities and net assets	\$105,997,803	\$ 2,523,494	\$ (2,523,494)	\$ 105,997,803	\$ 94,810,277	\$ 18,632,156	\$ 13,988,468	\$ (13,348,790)	\$ 220,079,914

## Christian Health and Affiliates

### Consolidating Statement of Operations and Changes in Net Assets

Year Ended December 31, 2020

	Christian Health	Christian Health Foundation	Eliminations/ Reclassifications	Christian Health Obligated Group	The Vista	Siena Village	Summer Hill	Eliminations/ Reclassifications	Christian Health Consolidated Total
Revenue:									
Net patient service revenue	\$ 67,391,581	\$ –	\$ –	\$ 67,391,581	\$ –	\$ –	\$ –	\$ –	\$ 67,391,581
Rental revenue	461,734	–	–	461,734	–	2,792,425	2,093,677	–	5,347,836
Investment income	222,149	2,270	(224,419)	–	–	1,316	18,650	(19,966)	–
Fund raising activities, net	–	317,490	(317,490)	–	–	–	–	–	–
Unrestricted gifts and contributions	–	763,310	(763,310)	–	–	–	–	–	–
Other revenue	10,119,988	–	–	10,119,988	–	56,724	16,583	–	10,193,295
<b>Total revenue</b>	<b>78,195,452</b>	<b>1,083,070</b>	<b>(1,305,219)</b>	<b>77,973,303</b>	<b>–</b>	<b>2,850,465</b>	<b>2,128,910</b>	<b>(19,966)</b>	<b>82,932,712</b>
Expenses:									
Salaries and wages	43,492,967	–	–	43,492,967	–	401,278	228,702	–	44,122,947
Employee benefits	11,737,625	–	–	11,737,625	–	120,257	91,155	–	11,949,037
Supplies and other	16,705,113	–	–	16,705,113	1,241,578	1,056,469	613,021	–	19,616,181
Interest and amortization	850,483	–	–	850,483	–	280,035	559,662	–	1,690,180
Amortization of intangible asset	–	–	–	–	–	115,284	107,568	–	222,852
Depreciation	4,479,231	–	–	4,479,231	–	605,787	330,847	–	5,415,865
<b>Total expenses</b>	<b>77,265,419</b>	<b>–</b>	<b>–</b>	<b>77,265,419</b>	<b>1,241,578</b>	<b>2,579,110</b>	<b>1,930,955</b>	<b>–</b>	<b>83,017,062</b>
Income (loss) from operations	930,033	1,083,070	(1,305,219)	707,884	(1,241,578)	271,355	197,955	(19,966)	(84,350)
Investment income and net realized gains and losses	–	–	224,419	224,419	–	–	–	19,966	244,385
Foundation fundraising and contributions, net of expenses	–	–	1,080,800	1,080,800	–	–	–	–	1,080,800
Net change in unrealized gains and losses on investments	603,279	–	–	603,279	–	–	–	–	603,279
Contributions from (to) affiliate	959,099	(959,099)	–	–	–	–	–	–	–
Excess (deficiency) of revenue over expenses	2,492,411	123,971	–	2,616,382	(1,241,578)	271,355	197,955	–	1,844,114
Change in fair value of derivative instrument	(536,534)	–	–	(536,534)	–	–	–	–	(536,534)
Distribution to affiliate	–	–	–	–	–	–	(88,291)	–	(88,291)
Change in pension liability to be recognized in future periods	(126,535)	–	–	(126,535)	–	–	–	–	(126,535)
Net change in interest in Foundation Assets	123,971	–	(123,971)	–	–	–	–	–	–
Change in net assets without donor restrictions	1,953,313	123,971	(123,971)	1,953,313	(1,241,578)	271,355	109,664	–	1,092,754
Increase (decrease) in net assets	1,953,313	123,971	(123,971)	1,953,313	(1,241,578)	271,355	109,664	–	1,092,754
Net assets at beginning of year	39,578,345	2,399,523	(2,399,523)	39,578,345	(595,444)	1,150,726	88,217	–	40,221,844
<b>Net assets at end of year</b>	<b>\$ 41,531,658</b>	<b>\$ 2,523,494</b>	<b>\$ (2,523,494)</b>	<b>\$ 41,531,658</b>	<b>\$ (1,837,022)</b>	<b>\$ 1,422,081</b>	<b>\$ 197,881</b>	<b>\$ –</b>	<b>\$ 41,314,598</b>

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