

Bristol Glen, Inc.

Financial Statements

June 30, 2021 and 2020

Bristol Glen, Inc.

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Independent Auditors' Report

To the Board of Trustees of
Bristol Glen, Inc.

We have audited the accompanying financial statements of Bristol Glen, Inc. (Bristol Glen), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bristol Glen as of June 30, 2021 and 2020, and the results of its operations, changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Iselin, New Jersey
October 25, 2021

Bristol Glen, Inc.

Balance Sheets

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash	\$ 1,436,721	\$ 764,762
Investments	26,493,856	25,850,436
Assets whose use is limited, required for current liabilities	2,459,249	2,317,818
Accounts receivable, less allowance for doubtful accounts of approximately \$511,000 in 2021 and \$465,000 in 2020	1,280,860	1,786,011
Entrance fees receivable	16,705	344,149
Accrued interest receivable	120,969	132,074
Due from The United Methodist Homes of New Jersey	2,784,683	1,281,876
Other current assets	371,713	251,399
Total current assets	<u>34,964,756</u>	<u>32,728,525</u>
Assets Whose Use is Limited		
Under bond indenture agreement, held by trustee	5,291,721	5,192,296
Cash held under escrow	16,248	30,091
Total assets limited as to use	<u>5,307,969</u>	<u>5,222,387</u>
Less assets limited as to use, required for current liabilities	<u>2,459,249</u>	<u>2,317,818</u>
Noncurrent assets limited as to use	2,848,720	2,904,569
Other Long-Term Assets	23,382	16,891
Property, Plant and Equipment, Net	<u>40,112,526</u>	<u>40,682,280</u>
Total assets	<u>\$ 77,949,384</u>	<u>\$ 76,332,265</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 1,782,560	\$ 1,723,864
Accounts payable	1,002,460	653,959
Accrued liabilities	1,025,336	982,681
Accrued interest payable	556,124	585,489
Total current liabilities	<u>4,366,480</u>	<u>3,945,993</u>
Deposits Held and Resident Deposits	39,630	46,982
Refundable Entrance Fees	14,291,432	15,072,201
Deferred Revenue From Entrance Fees	3,014,694	3,358,280
Deferred Revenue	12,500	12,500
Long-Term Debt, Net	<u>22,886,813</u>	<u>24,700,915</u>
Total liabilities	<u>44,611,549</u>	<u>47,136,871</u>
Net Assets		
Net assets without donor restrictions	<u>33,337,835</u>	<u>29,195,394</u>
Total net assets	<u>33,337,835</u>	<u>29,195,394</u>
Total liabilities and net assets	<u>\$ 77,949,384</u>	<u>\$ 76,332,265</u>

See notes to financial statements

Bristol Glen, Inc.

Statements of Operations

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Unrestricted Revenues and Other Support		
Patient service revenue (net of contractual allowances and discounts)	\$ 6,535,055	\$ 6,765,940
Resident services, including amortization of entrance fees of \$885,752 in 2021 and \$814,546 in 2020	12,048,377	12,951,055
Investment income, operating, net	600,163	595,084
Grant revenue	108,704	493,315
Other revenue	451,064	633,190
	<u>19,743,363</u>	<u>21,438,584</u>
Operating Expenses		
Healthcare services	4,524,107	5,182,615
Resident and assisted-living services	1,918,353	1,947,125
Memory support	674,115	651,436
Dining services	2,396,367	2,524,429
Activities	343,425	359,229
Building services	1,869,367	1,771,347
Utilities	627,871	575,910
Administrative services	4,135,197	4,133,621
Interest expense	1,083,606	1,140,747
Depreciation	1,769,473	1,754,210
Municipal charge	167,938	160,733
Provision for bad debt	3,631	379,509
	<u>19,513,450</u>	<u>20,580,911</u>
Total operating expenses	<u>19,513,450</u>	<u>20,580,911</u>
Operating income	229,913	857,673
Other Income		
Investment income, net	1,204	25,334
Net unrealized gain (loss) on equity securities	582,573	(402,160)
Realized gain on sale of investments, net	3,100,822	127,815
Gain (loss) on disposal of property, plant and equipment	1,637	(7,537)
	<u>3,916,149</u>	<u>601,125</u>
Revenue in excess of expenses	3,916,149	601,125
Other Changes in Net Assets Without Donor Restrictions		
Net unrealized (loss) gain on debt securities	(1,098)	9,855
Grant - capital	227,390	-
	<u>227,390</u>	<u>-</u>
Change in net assets without donor restrictions	<u>\$ 4,142,441</u>	<u>\$ 610,980</u>

See notes to financial statements

Bristol Glen, Inc.Statements of Changes in Net Assets
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Revenue in excess of expenses	\$ 3,916,149	\$ 601,125
Net unrealized (loss) gain on debt securities	(1,098)	9,855
Grant, capital	227,390	-
	<u>4,142,441</u>	<u>610,980</u>
Change in net assets without donor restrictions		
	<u>4,142,441</u>	<u>610,980</u>
Net Assets With Donor Restrictions		
Net assets released from restrictions used for operations	-	(243)
	<u>-</u>	<u>(243)</u>
Change in net assets with donor restrictions		
	<u>-</u>	<u>(243)</u>
Change in net assets	4,142,441	610,737
Net Assets, Beginning	<u>29,195,394</u>	<u>28,584,657</u>
Net Assets, Ending	<u>\$ 33,337,835</u>	<u>\$ 29,195,394</u>

See notes to financial statements

Bristol Glen, Inc.

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 4,142,441	\$ 610,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on sale of investments, net	(3,100,822)	(127,815)
Net unrealized (gain) loss gain on investments	(581,475)	392,305
(Gain) loss on disposal of fixed assets	(1,637)	7,537
Depreciation	1,769,473	1,754,210
Provision for bad debts	3,631	379,509
Amortization of premium on bonds payable	(87,681)	(92,782)
Proceeds from nonrefundable entrance fees	678,336	1,142,045
Amortization of entrance fees	(885,752)	(814,546)
Changes in operating assets and liabilities:		
Accounts receivable	501,520	35,944
Entrance fees receivable	327,444	1,230,672
Accrued interest receivable	11,105	(47,692)
Due from (to) The Methodist Homes of New Jersey	(1,502,807)	(460,744)
Other current assets	(120,314)	(91,774)
Accounts payable	348,501	(1,592,145)
Accrued liabilities and accrued interest payable	13,290	134,652
Deposits held	(13,843)	(2,156)
Deferred revenue	-	12,500
Net cash provided by operating activities	<u>1,501,410</u>	<u>2,470,457</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments and assets whose use is limited	27,677,616	21,581,404
Purchases of investments and assets limited as to use	(24,738,164)	(19,563,601)
Change in interest in net assets of The United Methodist Homes of New Jersey Foundation, Inc.	-	243
Purchases of property, plant and equipment	(1,198,082)	(3,614,720)
Net cash provided by (used in) investing activities	<u>1,741,370</u>	<u>(1,596,674)</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(1,667,725)	(288,864)
Refunds of refundable entrance fees	(2,483,552)	(4,423,647)
Proceeds from refundable entrance fees	1,566,613	2,524,865
Net cash used in financing activities	<u>(2,584,664)</u>	<u>(2,187,646)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	658,116	(1,313,863)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>794,853</u>	<u>2,108,716</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 1,452,969</u>	<u>\$ 794,853</u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 1,436,721	\$ 764,762
Cash held under escrow	16,248	30,091
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 1,452,969</u>	<u>\$ 794,853</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 1,200,652</u>	<u>\$ 1,237,359</u>

See notes to financial statements

Bristol Glen, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

Organization

Bristol Glen, Inc. (Bristol Glen) is a not-for-profit corporation, which completed construction of a continuing care retirement community (CCRC) named Bristol Glen in Newton, New Jersey, which opened in March 2001. Bristol Glen is a subsidiary of The United Methodist Homes of New Jersey (The Homes) and receives management services from The Homes.

Basis of Accounting

Bristol Glen utilizes the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Bristol Glen considers all highly liquid investments with a maturity of three months or less when purchased, other than those held in the investment portfolio and assets whose use is limited, to be cash equivalents. For the purpose of the balance sheets and statements of cash flows, cash and cash equivalents and restricted cash and cash equivalents consist of cash balances and investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable

Bristol Glen has agreements with third-party payors that provide for payment at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Management regularly reviews accounts and contracts and provides appropriate contractual allowances and discounts that are netted against patient accounts receivable in the balance sheets. Accounts receivable are further reduced by an allowance for doubtful accounts.

The allowance for doubtful accounts is Bristol Glen's best estimate of the amount of probable credit losses in Bristol Glen's existing patient accounts receivable. Bristol Glen determines the allowance based on a detailed analysis of the aging of past-due accounts.

Assets Whose Use is Limited

Assets whose use is limited include assets held by a trustee under a bond master trust indenture agreement and deposits held in escrow for funds received from potential residents. Investments included in assets whose use is limited are reported at fair value in the balance sheets. The fair value of investments is determined based on quoted market prices. The current portion of assets whose use is limited represents the portion of the debt service principal fund and debt service interest fund required to pay the current portion of bonds payable and accrued interest payable.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, if donated, at fair value at the date of gift.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charge was recognized in 2021 or 2020.

Patient Service and Resident Services Revenue

Patient service revenue and resident services revenue are reported at the amount that reflects the consideration Bristol Glen expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Patient service revenue and resident services revenue are recognized as performance obligations are satisfied.

Net patient service and resident services revenues are primarily comprised of the following revenue streams:

Patient Service: Patient service revenue is primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. Bristol Glen has determined that skilled nursing services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing revenues are recognized on a daily basis as services are rendered.

Bristol Glen receives patient service revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. Bristol Glen estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends and retroactive adjustments are recognized in future periods as final settlements are determined.

Resident Services: Resident services revenue is primarily derived from providing housing and personal care services to residents at a stated monthly fee. Bristol Glen has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, personal care revenues are recognized on a month-to-month basis.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable entrance fees in the accompanying balance sheets.

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the balance sheets. Amortization of nonrefundable entrance fees was \$885,752 in 2021 and \$814,546 in 2020.

Bristol Glen, Inc.

Notes to Financial Statements
June 30, 2021 and 2020

Payment terms and conditions for Bristol Glen's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident services revenue for recurring and routine monthly services is generally billed monthly in advance. Net resident services revenue for ancillary services is generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying balance sheets.

Bristol Glen disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net patient service and resident services revenues consist of the following for the years ended June 30:

	2021		
	Patient Service	Resident Services	Total
Self-pay	\$ 3,518,905	\$ 11,138,135	\$ 14,657,040
Medicare and other	1,871,547	-	1,871,547
Medical assistance	1,144,603	24,490	1,169,093
Amortization of nonrefundable entrance fees	-	885,752	885,752
Total	<u>\$ 6,535,055</u>	<u>\$ 12,048,377</u>	<u>\$ 18,583,432</u>

	2020		
	Patient Service	Resident Services	Total
Self-pay	\$ 3,424,701	\$ 12,131,795	\$ 15,556,496
Medicare and other	2,388,421	-	2,388,421
Medical assistance	952,818	4,714	957,532
Amortization of nonrefundable entrance fees	-	814,546	814,546
Total	<u>\$ 6,765,940</u>	<u>\$ 12,951,055</u>	<u>\$ 19,716,995</u>

Other Revenue

Other revenue is primarily comprised of amounts received from federal funding sources related to the COVID-19 pandemic. Bristol Glen accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and accordingly, revenues are recognized when barriers are substantially met, which occurs when Bristol Glen complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. Bristol Glen received \$302,571 and \$611,364 in the years ended June 30, 2021 and 2020, respectively, related to this funding. In accordance with the terms and conditions, Bristol Glen could apply the funding first against eligible expenses, and then against lost revenues. Bristol Glen's methodology for calculating lost revenues was the difference between budgeted and actual revenue.

Bristol Glen, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these financial statements were issued. In addition, it's unknown whether there will be further developments in regulatory guidance.

In 2021, Bristol Glen received \$65,064 in additional funding related to COVID-19 from the State of New Jersey. These funds are recorded as revenue within other revenue on the statement of operations

Bristol Glen has incurred lost revenues and excess expenses related to COVID-19 that management believes exceeds the total amount received from the CARES Act and the State of New Jersey.

Other Changes in Net Assets Without Donor Restrictions

During the year ended June 30, 2021, Bristol Glen received a grant in the amount of \$227,390 from the FCC's COVID Telehealth program for the installation of telehealth equipment. This amount is included in other changes in net assets without donor restrictions statement of operations.

Functional Expenses

Bristol Glen provides housing, health care and other related services to residents within its geographic location. The financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to direct resident care, including salaries and building expense, are attributable to Resident Services. Expenses that are not directly related to resident care are attributable to General and Administrative. Utilities allocation is based on square footage. Property taxes, depreciation and interest expense are also attributed to Resident Services as they relate to the buildings and equipment used in resident care. Expenses related to providing these services are as follows:

	2021		
	<u>Resident Services</u>	<u>General and Administrative</u>	<u>Total</u>
Healthcare services	\$ 4,459,444	\$ 64,663	\$ 4,524,107
Resident and assisted-living services	1,910,033	8,320	1,918,353
Memory support	673,025	1,090	674,115
Dining services	2,380,547	15,820	2,396,367
Activities	343,110	315	343,425
Building services	1,869,269	98	1,869,367
Utilities	565,084	62,787	627,871
Administrative services	-	4,135,197	4,135,197
Interest expense	1,083,606	-	1,083,606
Depreciation	1,769,473	-	1,769,473
Municipal charge	167,938	-	167,938
Provision for bad debt	3,631	-	3,631
Total	<u>\$ 15,225,160</u>	<u>\$ 4,288,290</u>	<u>\$ 19,513,450</u>

Bristol Glen, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

	2020		
	Resident Services	General and Administrative	Total
Healthcare services	\$ 5,119,219	\$ 63,396	\$ 5,182,615
Resident and assisted-living services	1,942,135	4,990	1,947,125
Memory support	651,086	350	651,436
Dining services	2,498,067	26,362	2,524,429
Activities	357,392	1,837	359,229
Building services	1,768,786	2,561	1,771,347
Utilities	518,319	57,591	575,910
Administrative services	-	4,133,621	4,133,621
Interest expense	1,140,747	-	1,140,747
Depreciation	1,754,210	-	1,754,210
Municipal charge	160,733	-	160,733
Provision for bad debt	379,509	-	379,509
Total	<u>\$ 16,290,203</u>	<u>\$ 4,290,708</u>	<u>\$ 20,580,911</u>

Charity Care

Bristol Glen provides care to residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. As Bristol Glen does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Investments and Investment Risks

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value, based on quoted market prices, in the balance sheets. Donated investments are recorded at the fair market value at the date of donation. Investment income or loss (including realized gains and losses on investments and interest and dividends) and unrealized gains and losses on equity securities are included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on debt securities are excluded from the determination of revenues in excess of expenses.

Bristol Glen's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying balance sheets could change materially in the near term.

Fair Value of Financial Instruments

Bristol Glen measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

Bristol Glen, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to Bristol Glen for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

Inventories

Inventories, reported in other current assets, are recorded at the lower of cost or net realizable value. The cost of inventories is determined on a first-in, first-out basis.

Deferred Costs

Deferred financing costs, net of amortization, which are included in long-term debt, are \$347,643 as of June 30, 2021 and \$406,688 as of June 30, 2020. These costs include the costs of obtaining financing and are amortized using the effective interest method over the life of the related debt. Amortization expense for June 30, 2021 and 2020 was approximately \$59,000 and \$62,000, respectively.

Income Taxes

Bristol Glen is an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Bristol Glen is also exempt from state income taxes.

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews transactions to estimate potential tax liabilities using a threshold of more likely than not of being sustained. It is management's estimation that there are no material tax liabilities that need to be recorded at June 30, 2021 or 2020.

Entrance Fees

Bristol Glen records a liability for entrance fees related to the sale of certain residency and care agreements. Residents may cancel their residence agreement after establishing residency in Bristol Glen under certain conditions after 60 days written notice. In the event of such cancellation, residents will receive from 0 percent to 95 percent of the entrance fees they paid, depending on the type of contract, time elapsed since entrance and upon re-occupancy of the unit. Nonrefundable fees of approximately \$3,015,000 and \$3,358,000, at June 30, 2021 and 2020, respectively, are being amortized over the estimated remaining life expectancy of each resident, with the life expectancy reevaluated annually. The refundable portion of entrance fees under existing contracts was approximately \$14,291,000 and \$15,072,000 at June 30, 2021 and 2020, respectively.

The gross contractual refund obligations under existing resident agreements were approximately \$15,700,000 and \$16,700,000 at June 30, 2021 and 2020, respectively.

Bristol Glen, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Obligation to Provide Future Services

Bristol Glen annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation is discounted at 5 percent. At June 30, 2021 and 2020, the present value of the net cost of future services and use of facilities is less than deferred revenue from entrance fees. Therefore, an additional liability for an obligation to provide future service was not required.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Malpractice

Bristol Glen maintains claims-made professional liability coverage through a commercial insurance carrier.

Measure of Operations

The statements of operations include the determination of operating income and revenue in excess of expenses. Operating income includes only those operating revenue and expenses that are an integral part of its program activities. Revenue in excess of expenses includes all operating revenues and expenses that are an integral part of its program activities, as well as investment income, contributions and other nonoperating activities that are used to support its program activities.

Changes in net assets without donor restrictions which are excluded from revenue in excess of expenses, consistent with industry practice, include change in unrealized gains and losses on investments and net assets released from restriction for purchase of property and equipment.

New Accounting Standard

Disclosure Requirements for Fair Value Measurement

During 2021, Bristol Glen adopted the FASB's Accounting Standards Update (ASU) No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on concepts in the FASB's Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. The adoption of ASU No. 2018-13 did not result in a change in Bristol Glen's net assets, however, certain disclosures related to fair value measurements have been revised accordingly.

Reclassifications

Certain reclassifications have been made to the 2020 amounts in order to conform to the current year's presentation.

Bristol Glen, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

2. Charity Care

Bristol Glen 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 provided under its charity care policy, which approximates the estimated costs of those services and supplies. Charges forgone, based on established rates, were \$904,265 and \$640,873 in 2021 and 2020, respectively. The cost of providing charity care approximated the charges for services and was derived based on an overall cost to charge ratio.

3. Investments and Assets Whose Use is Limited

Investments

Investments, stated at fair value, consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 5,134,511	\$ 5,905,000
U.S. treasury bills	-	506,910
U.S. government and agency obligations	3,990,410	2,795,370
U.S. corporate bonds	3,966,802	5,712,690
U.S. equity securities	6,178,117	6,564,141
U.S. equity mutual funds	4,505,144	2,495,261
International fixed income mutual funds	2,718,872	1,871,064
Total	<u>\$ 26,493,856</u>	<u>\$ 25,850,436</u>

Assets Whose Use is Limited

The net proceeds from the issuance of the Economic Development Revenue Refunding Bonds (Note 6) were delivered to the trustees to pay construction costs and interest during construction and to establish a debt service reserve fund. The assets held in each of the trustee accounts, stated at fair value, consist of U.S. government and agency obligations of \$277,664 and \$126,546 at June 30, 2021 and 2020, respectively, and money market funds of \$5,014,057 and \$5,065,750 at June 30, 2021 and 2020, respectively, and are as follows:

	<u>2021</u>	<u>2020</u>
Debt service reserve fund	\$ 2,756,361	\$ 2,865,446
Debt service interest fund	632,235	594,521
Debt service principal fund	1,903,125	1,732,329
Total	<u>\$ 5,291,721</u>	<u>\$ 5,192,296</u>

Also included in assets whose use is limited are cash deposits held in escrow by a bank totaling \$16,248 and \$30,091 at June 30, 2021 and 2020, respectively. These deposits have been received from applicants desiring an independent living unit and are fully refundable. The corresponding liability is included within deposits held and resident deposits on the accompanying balance sheets.

Bristol Glen, Inc.Notes to Financial Statements
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The current portion of assets whose use is limited consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Debt service principal fund	\$ 1,903,125	\$ 1,732,329
Debt service interest fund	556,124	585,489
Total	<u>\$ 2,459,249</u>	<u>\$ 2,317,818</u>

4. Fair Value of Financial Instruments

The following tables present Bristol Glen's fair value measurements of investments and assets whose use is limited. Bristol Glen does not have any Level 3 financial assets or liabilities at June 30, 2021 and 2020:

	<u>June 30, 2021</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Reported at Fair Value				
Financial assets:				
Investments:				
Money market	\$ 5,134,511	\$ 5,134,511	\$ -	\$ -
U.S. government and agency obligations	3,990,410	-	3,990,410	-
U.S. corporate bonds	3,966,802	-	3,966,802	-
U.S. equity securities	6,178,117	6,178,117	-	-
U.S. equity mutual funds	4,505,144	4,505,144	-	-
International fixed income mutual funds	2,718,872	2,718,872	-	-
Assets whose use is limited:				
Money market	5,014,057	5,014,057	-	-
U.S. government and agency obligations	277,664	277,664	-	-
	<u>31,785,577</u>	<u>\$ 23,828,365</u>	<u>\$ 7,957,212</u>	<u>\$ -</u>
Cash and cash equivalents	<u>16,248</u>			
Total	<u>\$ 31,801,825</u>			

Bristol Glen, Inc.

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	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Financial assets:				
Investments:				
Money market	\$ 5,905,000	\$ 5,905,000	\$ -	\$ -
U.S. treasury bills	506,910	506,910	-	-
U.S. government and agency obligations	2,795,370	-	2,795,370	-
U.S. corporate bonds	5,712,690	-	5,712,690	-
U.S. equity securities	6,564,141	6,564,141	-	-
U.S. equity mutual funds	2,495,261	2,495,261	-	-
International fixed income mutual funds	1,871,064	1,871,064	-	-
Assets whose use is limited:				
Money market	5,065,750	5,065,750	-	-
U.S. government and agency obligations	126,546	126,546	-	-
	31,042,732	<u>\$ 22,534,672</u>	<u>\$ 8,508,060</u>	<u>\$ -</u>
Cash and cash equivalents	30,091			
Total	<u>\$ 31,072,823</u>			

The following is a description of the valuation methodologies used for Level 1 and 2 assets.

Money market, U.S. treasury bills, and U.S. government and agency obligations: The carrying amount of these funds approximates fair value due to the short-term nature of these instruments.

U.S. corporate bonds: U.S. corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds and equity securities: The estimated fair values of mutual funds are based on quoted market prices.

There have been no changes to the valuation methodologies from the prior year.

The above financial assets can be redeemed on a daily basis with a three-day notice period. There were no transfers between Level 1 or Level 2 financial assets during fiscal year 2021 or 2020.

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Investment Return

Investment return on investments and assets whose use is limited is comprised the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Investment income, net of expenses of \$102,578 and \$107,187 in 2021 and 2020, respectively	\$ 601,367	\$ 620,418
Realized gain on sale of investments, net	\$ 3,100,822	\$ 127,815
Net unrealized gains and losses on equity securities	\$ 582,573	\$ (402,160)
Net unrealized gains and losses on debt securities	\$ (1,098)	\$ 9,855

Investment income from refundable entrance fees and other investments is included in revenue from operations and investment income from assets whose use is limited is included in other income in the statements of operations.

5. Property, Plant and Equipment

A summary of property plant and equipment at June 30 is as follows:

	<u>2021</u>	<u>2020</u>	<u>Depreciable Life</u>
Land	\$ 2,319,707	\$ 2,319,707	-
Building and improvements	58,523,265	51,255,892	10-40 years
Equipment and automobiles	3,892,162	3,141,296	4-15 years
	64,735,134	56,716,895	
Less accumulated depreciation	26,428,246	24,671,267	
	38,306,888	32,045,628	
Construction in progress	1,805,638	8,636,652	
Total	\$ 40,112,526	\$ 40,682,280	

Depreciation expense was approximately \$1,769,000 and \$1,754,000 for the years ended June 30, 2021 and 2020, respectively.

Bristol Glen, Inc.

Notes to Financial Statements
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6. Long-Term Debt

In October 2014, Bristol Glen advance refunded a total of \$19,930,000 of prior outstanding Series 1999 bonds through the issuance of \$18,905,000, net of original issue premium of \$919,194, of Economic Development Revenue Refunding Bonds, Series 2014A. At June 30, 2021 and 2020, the unamortized premium was \$377,049 and \$453,434, respectively.

Bristol Glen is required to make payments to the trustee each month in an amount equal to 1/6 of the next semiannual interest payment made and 1/12 of the annual principal payment that is due July 1 of the respective year. The bonds mature as follows:

Type of Bond	Maturity Date	Interest Rate	Total
Term	2024	4.000 %	\$ 4,460,000
Term	2024	3.750	1,735,000
Term	2029	5.000	11,020,000
Term	2029	4.125	280,000
			<u>\$ 17,495,000</u>

The Series 2014A bonds, maturing on or prior to July 1, 2024 are not subject to optional redemption. Those maturing on or after July 1, 2025 are subject to optional redemption.

In June 2013, Bristol Glen advance refunded a total of \$8,675,000 of prior outstanding Series 2008 bonds through the issuance of \$9,074,340, net of original issue premium of \$200,721, of Economic Development Revenue Refunding Bonds Series 2013. At June 30, 2021 and 2020, the unamortized premium was \$102,827 and \$114,123, respectively.

Bristol Glen is required to make payments to the trustee each month in an amount equal to 1/6 of the next semiannual interest payment made and 1/12 of the annual principal payment, which is due on July 1 of the respective year. The bonds mature as follows:

Type of Bond	Maturity Date	Interest Rate	Total
Serial	2021 - 2029	4.000 %	\$ 3,351,395
Term	2034	3.000	3,013,856
Term	2038	4.000	676,889
			<u>\$ 7,042,140</u>

The Series 2013 bonds maturing on or prior to July 1, 2023 are not subject optional redemption. Those maturing on or after July 1, 2024 are subject to optional redemption.

In connection with the Series 2014A and Series 2013 bonds, The Homes formed an obligated group consisting of Bristol Glen and certain related parties (The Shores at Wesley Manor, Collingswood Manor and the Corporate office of The Homes), (Obligated Group). The Obligated Group is required to meet certain financial covenants.

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Scheduled annual principal maturities of bonds payable for the next five years and thereafter are as follows:

Years ending June 30:	
2022	\$ 1,782,560
2023	1,851,512
2024	1,920,377
2025	1,997,982
2026	2,075,587
Thereafter	<u>14,909,122</u>
Total principal payments on long-term debt	24,537,140
Net of premiums	479,876
Net of deferred financing fees	<u>(347,643)</u>
Total	<u>\$ 24,669,373</u>

7. Concentration of Credit Risk

Bristol Glen maintains cash accounts, which, at times, may exceed federally insured limits. Bristol Glen has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts.

Bristol Glen grants credit without collateral to its patients, most of whom are New Jersey residents and are insured under third-party payor agreements. The mix of receivables, which include healthcare and residential services at June 30, is as follows:

	<u>2021</u>	<u>2020</u>
Medicaid	6 %	1 %
Medicare	19	12
Other third party	6	6
Self-pay (including medical and residential services)	<u>69</u>	<u>81</u>
	<u>100 %</u>	<u>100 %</u>

8. Retirement Plan

The Homes has a defined contribution plan called The United Methodist Homes of New Jersey 403(b) Savings and Retirement Plan (Retirement Plan) for substantially all its employees. Bristol Glen participates in this Retirement Plan. Under the Retirement Plan, The Homes provides a contribution for employees at least 21 years old and who have completed 1,000 hours of service in one year. The Homes also matches, after one year of employment, up to 4 percent of compensation. Employees are immediately vested in The Homes' matching contributions. Bristol Glen recorded retirement plan expense of \$126,142 and \$122,327 in 2021 and 2020, respectively.

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9. Related Parties

The Homes advances cash on behalf of Bristol Glen predominantly for payment of Bristol Glen's operating expenses. Additionally, The Homes collects certain revenues on behalf of Bristol Glen. These transactions are recorded net in the accompanying balance sheets. The amounts for these transactions at June 30, 2021 and 2020 are due from The Homes of \$2,784,683 and \$1,281,876, respectively. The Homes charged Bristol Glen an annual management fee of \$1,443,261 and \$1,390,247 for the years ended June 30, 2021 and 2020, respectively, which is included in administrative services in the accompanying statements of operations.

10. Contingencies

Regulatory Environment

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity has continued to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

Medicaid Reimbursement

Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. The rates are determined using state-wide nursing facility cost information and Bristol Glen's cost information from a prior year. The reimbursement methodology is subject to various limitations and adjustments.

11. Liquidity and Availability of Resources

As of June 30, 2021 and 2020, Bristol Glen has financial assets available for general expenditure within one year of the balance sheet date, consisting of the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,436,721	\$ 764,762
Accounts receivable, net	1,280,860	1,786,011
Investments without restrictions	26,493,856	25,850,436
Entrance fee receivable	16,705	344,149
	<u> </u>	<u> </u>
Total	<u>\$ 29,228,142</u>	<u>\$ 28,745,358</u>

Bristol Glen, Inc.

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Bristol Glen has cash, receivables and investments, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the information above. Cash in excess of current requirements are held in various investments in accordance with Bristol Glen's investment policy. Bristol Glen has other assets whose use is limited for resident deposits, liquid reserve and construction escrow.

Bristol Glen designated a portion of its investments "reserved" to comply with state liquid reserve requirements. Although Bristol Glen does not intend to utilize the state required liquid reserves for general expenditures as part of its annual budget and approval process, amounts designated for state required liquid reserves could be made available as necessary. State required liquid reserves do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

12. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Bristol Glen recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Bristol Glen's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued.

Bristol Glen has evaluated subsequent events through October 25, 2021, which is the date the financial statements were issued.