

The United Methodist Homes of New Jersey and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

June 30, 2021 and 2020

The United Methodist Homes of New Jersey and Subsidiaries

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Independent Auditors' Report

To the Board of Trustees of
The United Methodist Homes of New Jersey and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The United Methodist Homes of New Jersey and Subsidiaries (collectively, The Homes) which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of operations and 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Homes as of June 30, 2021 and 2020, and the results of their operations and changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial information (pages 29 through 34) is presented for purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets without donor restrictions of the individual entities and is 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.

Baker Tilly US, LLP

Iselin, New Jersey
October 25, 2021

The United Methodist Homes of New Jersey and Subsidiaries

Consolidated Balance Sheets

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and cash equivalents	\$ 4,988,888	\$ 5,610,861	Current portion of long-term debt	\$ 5,369,376	\$ 5,185,962
Investments	31,603,079	29,733,377	Accounts payable	3,905,512	3,603,787
Assets whose use is limited, required for current liabilities	3,995,658	3,730,513	Accrued liabilities	5,474,845	4,952,240
Accounts receivable, less allowance for doubtful accounts of \$1,984,353 in 2021 and \$1,968,400 in 2020	6,325,839	7,052,249	Accrued interest payable	1,032,909	1,077,997
Entrance fees receivable	16,705	344,149	Deferred revenue	62,316	54,250
Other current assets	1,832,825	1,417,455			
			Total current liabilities	<u>15,844,958</u>	<u>14,874,236</u>
Total current assets	<u>48,762,994</u>	<u>47,888,604</u>	Deposits Held and Resident Deposits	1,058,937	497,661
Assets Whose Use is Limited			Annuity Obligations	613,558	568,329
By the Board of Directors	6,419,122	11,321,926	Refundable Entrance Fees	14,291,432	15,072,201
Donor restricted funds (including trusts of \$6,540,592 in 2021 and \$5,437,304 in 2020)	9,310,345	7,857,815	Deferred Revenue From Entrance Fees	3,014,694	3,358,280
Under bond indenture agreement, held by trustee	5,712,293	6,438,842	Other Liabilities	513,371	412,536
Under borrowing agreements	1,250,000	1,250,000	Asset Retirement Obligations	1,086,197	1,024,441
Under financing agreement	1,743,533	1,910,407	Long-Term Debt, Excluding Current Portion	<u>72,925,292</u>	<u>78,257,341</u>
Annuity Obligations	613,558	568,329			
Cash held in escrow	16,248	30,091	Total liabilities	<u>109,348,439</u>	<u>114,065,025</u>
Total assets whose use is limited	25,065,099	29,377,410	Net Assets		
Other Long-Term Assets	1,042,689	467,570	Net assets without donor restrictions	66,169,981	66,173,948
Other Assets	475,059	371,736	Net assets with donor restrictions	9,310,345	7,857,815
Property, Plant and Equipment, Net	<u>109,482,924</u>	<u>109,991,468</u>			
			Total net assets	<u>75,480,326</u>	<u>74,031,763</u>
Total assets	<u>\$ 184,828,765</u>	<u>\$ 188,096,788</u>	Total liabilities and net assets	<u>\$ 184,828,765</u>	<u>\$ 188,096,788</u>

See notes to consolidated financial statements

The United Methodist Homes of New Jersey and Subsidiaries

Consolidated Statement of Operations and Changes in Net Assets

Year Ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Other Support			
Patient service revenue, net	\$ 25,359,830	\$ -	\$ 25,359,830
Resident service revenue, including amortization of entrance fees of \$885,752	43,533,933	-	43,533,933
Other income, primarily contributions	781,608	633,200	1,414,808
Other revenue	2,812,003	-	2,812,003
Investment income, operating, net	600,163	-	600,163
Net assets released from restrictions, satisfaction of special-purpose restrictions	1,109,760	(1,109,760)	-
	<u>74,197,297</u>	<u>(476,560)</u>	<u>73,720,737</u>
Total revenue and other support			
Operating Expenses			
Healthcare services	17,854,491	-	17,854,491
Resident and assisted-living services	10,856,608	-	10,856,608
Memory support	4,017,700	-	4,017,700
Dining services	8,624,738	-	8,624,738
Activities	1,226,329	-	1,226,329
Building services	8,758,248	-	8,758,248
Utilities	2,385,625	-	2,385,625
Administrative services	18,719,252	3,250	18,722,502
Interest expense	2,631,192	-	2,631,192
Depreciation	6,111,510	-	6,111,510
Municipal charge	466,531	-	466,531
Loss on disposal of property, plant, and equipment	9,329	-	9,329
Provision for bad debt	216,542	-	216,542
	<u>81,878,095</u>	<u>3,250</u>	<u>81,881,345</u>
Total operating expenses			
Operating loss	<u>(7,680,798)</u>	<u>(479,810)</u>	<u>(8,160,608)</u>
Other Income, Net			
Investment income, net	333,750	308,505	642,255
Net unrealized gain on equity securities	723,723	1,623,835	2,347,558
Realized gain on investments	5,714,732	-	5,714,732
	<u>6,772,205</u>	<u>1,932,340</u>	<u>8,704,545</u>
Total other income, net			
Revenue (less than) in excess of expenses	(908,593)	1,452,530	543,937
Other Changes			
Net unrealized loss on debt securities and change in value of trusts	(4,934)	-	(4,934)
Grants for capital purchases	909,560	-	909,560
	<u>(3,967)</u>	<u>1,452,530</u>	<u>1,448,563</u>
Change in net assets			
Net Assets, Beginning	<u>66,173,948</u>	<u>7,857,815</u>	<u>74,031,763</u>
Net Assets, Ending	<u>\$ 66,169,981</u>	<u>\$ 9,310,345</u>	<u>\$ 75,480,326</u>

See notes to consolidated financial statements

The United Methodist Homes of New Jersey and Subsidiaries

Consolidated Statement of Operations and Changes in Net Assets
Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and Other Support			
Patient service revenue, net	\$ 27,832,460	\$ -	\$ 27,832,460
Resident services revenue, including amortization of entrance fees of \$814,546	47,696,128	-	47,696,128
Other income, primarily contributions	763,925	659,925	1,423,850
Other revenue	2,272,200	-	2,272,200
Investment income, operating, net	595,085	-	595,085
Net assets released from restrictions, satisfaction of special-purpose restrictions	1,756,663	(1,756,663)	-
Total revenue and other support	<u>80,916,461</u>	<u>(1,096,738)</u>	<u>79,819,723</u>
Operating Expenses			
Healthcare services	18,554,212	-	18,554,212
Resident and assisted-living services	9,749,203	-	9,749,203
Memory support	4,031,393	-	4,031,393
Dining services	8,926,254	-	8,926,254
Activities	1,250,406	-	1,250,406
Building services	8,186,967	-	8,186,967
Utilities	2,320,151	-	2,320,151
Administrative services	18,379,593	3,250	18,382,843
Interest expense	2,808,882	-	2,808,882
Depreciation	6,031,564	-	6,031,564
Municipal charge	438,155	-	438,155
Loss on disposal of property, plant, and equipment	28,681	-	28,681
Provision for bad debt	642,175	-	642,175
Total operating expenses	<u>81,347,636</u>	<u>3,250</u>	<u>81,350,886</u>
Operating loss	<u>(431,175)</u>	<u>(1,099,988)</u>	<u>(1,531,163)</u>
Other Income, Net			
Investment income, net	624,622	391,261	1,015,883
Net unrealized loss on equity securities	(901,132)	(101,399)	(1,002,531)
Realized gain on investments	461,207	-	461,207
Total other income, net	<u>184,697</u>	<u>289,862</u>	<u>474,559</u>
Revenue less than expenses	(246,478)	(810,126)	(1,056,604)
Other Changes			
Net unrealized gain on debt securities and change in value of trusts	39,692	-	39,692
Net assets released from restrictions, satisfaction of property, plant, and equipment restrictions	10,045	(10,045)	-
Change in net assets	(196,741)	(820,171)	(1,016,912)
Net Assets, Beginning	<u>66,370,689</u>	<u>8,677,986</u>	<u>75,048,675</u>
Net Assets, Ending	<u>\$ 66,173,948</u>	<u>\$ 7,857,815</u>	<u>\$ 74,031,763</u>

See notes to consolidated financial statements

The United Methodist Homes of New Jersey and Subsidiaries

Consolidated 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	\$ 1,448,563	\$ (1,016,912)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,111,510	6,031,564
Interest component of deferred financing costs	150,088	159,655
Loss disposal of property, plant, and equipment	9,329	28,681
Realized gain on investments, net	(5,714,732)	(461,207)
Net unrealized (gain) loss on investments and change in value of trusts	(2,342,624)	962,839
Accretion of premium on long-term debt	(121,211)	(115,648)
Provision for bad debts	216,542	642,175
Accretion of asset retirement obligation	61,756	57,729
Amortization of entrance fees	(885,752)	(814,546)
Proceeds from nonrefundable entrance fees	678,337	1,142,045
Present value adjustments to annuity obligations	132,582	(34,514)
Restricted contributions for capital	(909,560)	(1,012,537)
Changes in operating assets and liabilities:		
Accounts receivable, net	509,868	160,635
Entrance fees receivable	327,444	1,230,672
Other current assets	(415,370)	(275,582)
Other assets	(103,323)	196,880
Deposits held	(13,843)	(51,048)
Accounts payable	301,725	(2,957,770)
Accrued liabilities	522,605	752,193
Accrued interest payable	(45,088)	(17,852)
Other liabilities	100,835	(280,705)
Deferred revenue	8,066	7,072
Net cash (used in) provided by operating activities	<u>27,747</u>	<u>4,333,819</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(5,612,295)	(14,613,961)
Proceeds from sales of investments and assets limited as to use	46,826,684	35,672,944
Purchases of investments and assets limited as to use	<u>(36,544,500)</u>	<u>(17,429,935)</u>
Net cash provided by investing activities	<u>4,669,889</u>	<u>3,629,048</u>
Cash Flows From Financing Activities		
Principal payments on long-term debt	(5,177,512)	(3,760,247)
Refunds of entrance fees	(2,483,553)	(4,423,647)
Proceeds from refundable entrance fees	1,566,613	2,524,866
Payments of annuity obligations	(87,353)	(101,954)
Restricted contributions for capital	<u>909,560</u>	<u>1,012,537</u>
Net cash used in financing activities	<u>(5,272,245)</u>	<u>(4,748,445)</u>
(Decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(574,609)	3,214,422
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>7,862,303</u>	<u>4,647,881</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 7,287,694</u>	<u>\$ 7,862,303</u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents		
Donor restricted fund (including trusts)	\$ 4,988,888	\$ 5,610,861
Under financing agreement	539,025	310,944
Held in escrow	1,743,533	1,910,407
	<u>16,248</u>	<u>30,091</u>
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 7,287,694</u>	<u>\$ 7,862,303</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 2,676,280</u>	<u>\$ 2,826,734</u>

See notes to consolidated financial statements

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

1. Organization

The United Methodist Homes of New Jersey (The Company) is a not-for-profit corporations located in Neptune, New Jersey. The Company provides administrative, financial and support services to its affiliated organizations and also operates United Methodist Communities at Collingswood (Collingswood) and United Methodist Communities at the Shores (the Shores), full-service senior living communities which offer long-term care, assisted living and memory care.

The United Methodist Homes of New Jersey and Subsidiaries (The Homes) consist of the Company and the following affiliates. All members of the Homes described below are not-for-profit corporations.

Bristol Glen, Inc. (Bristol Glen) is a continuing care retirement community offering independent living, long-term care, assisted living and memory care.

Pitman Manor, Inc. (Pitman) is a full-service senior living community offering long-term care, assisted living and memory care.

UMC Memory Care, Inc. (The Enclave) is a planned memory care village currently in development.

United Methodist Communities HomeWorks, Inc. (HomeWorks) provides homecare services.

United Methodist Homes of New Jersey Foundation, Inc. (The Foundation) was formed for, and its activities shall be exclusively limited to, charitable, religious, and benevolent purposes for providing a ministry of facilities, and services for the elderly. The objectives and purposes of the Foundation are to obtain funds and property by way of gifts, bequests, annuities or devices, to invest and reinvest the same, and to apply the income and principal thereof, as the board of trustees may determine from time to time, either by payments directly to, or for the benefit of, The Homes.

The Homes also operates five affordable housing communities (HUD Facilities):

Burnet Walnut Corporation
Covenant Housing Corporation
Nine Wall Street Corporation
Pineridge Brook Corporation
Ocean City 2406

Obligated Group

In connection with its tax-exempt bond offerings (Note 6), The Homes formed the Obligated Group. The Obligated Group consists of The Company and Bristol Glen.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For the years ended June 30, 2021 and 2020, management did not make any significant changes to estimates established in prior years.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Cash Equivalents

The Homes 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 consolidated balance sheets and consolidated 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

The Homes 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 consolidated balance sheets. Accounts receivable are further reduced by an allowance for doubtful accounts.

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

Patient Service and Resident Services Revenues

Patient service revenue and resident services revenue are reported at the amount that reflects the consideration The Homes 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. The Homes 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.

Resident Services: Resident services revenue is primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Homes 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 consolidated balance sheets.

For residents with a continuing care contract, 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 revenue from entrance fees on the consolidated balance sheets. Amortization of nonrefundable entrance fees is included as amortization of entrance fees in the consolidated statements of operations and changes in net assets and was \$885,752 in 2021 and \$814,546 in 2020.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

The Homes receives 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. The Homes 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.

Payment terms and conditions for The Homes' 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 service 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 revenue from entrance fees in the accompanying consolidated balance sheets.

The Homes 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	\$ 11,156,615	\$ 42,443,123	\$ 53,599,738
Medicare and other	7,568,652	-	7,568,652
Medical assistance	6,634,563	205,058	6,839,621
Amortization of nonrefundable entrance fees	-	885,752	885,752
Total	<u>\$ 25,359,830</u>	<u>\$ 43,533,933</u>	<u>\$ 68,893,763</u>
	2020		
	Patient Service	Resident Services	Total
Self-pay	\$ 12,115,725	\$ 46,716,004	\$ 58,831,729
Medicare and other	8,948,847	-	8,948,847
Medical assistance	6,767,888	165,578	6,933,466
Amortization of nonrefundable entrance fees	-	814,546	814,546
Total	<u>\$ 27,832,460</u>	<u>\$ 47,696,128</u>	<u>\$ 75,528,588</u>

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Other Revenue

Other revenue is primarily comprised of amounts received from federal funding sources related to the COVID-19 pandemic. The Homes 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 and measured when barriers are substantially met, which occurs when The Homes 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. The Homes received \$2,300,033 and \$2,272,200 in the years ended June 30, 2021 and 2020, respectively, related to this funding. In accordance with the original terms and conditions, The Homes could apply the funding first against eligible expenses, and then against lost revenues. The Homes' methodology for calculating lost revenues was the difference between budgeted and actual revenue.

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 consolidated financial statements were issued. In addition, it's unknown whether there will be further developments in regulatory guidance.

In 2021, The Homes received \$312,504 in additional funding related to COVID-19 from the State of New Jersey. These funds are recorded as revenue within other revenue on the consolidated statement of operations.

During 2021 and 2020, The Homes 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, therefore, the entire amount of these funds are recorded as revenue within other revenue on the consolidated statement of operations.

Other Changes in Net Assets Without Donor Restrictions

During the year ended June 30, 2021, The Homes received a grant in the amount of \$909,560 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 in the consolidated statement of operations.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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

Net Assets With Donor Restrictions - Net assets with donor restrictions are those whose use by The Homes has been limited by donors to a specific period or purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When certain donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions include split-interest agreements, which have a time restriction, and funds raised for capital projects.

All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. The change in present value of annuity obligations is included in the change in net assets with donor restrictions. Investment earnings on net assets with donor restrictions are available for certain purposes (Note 10).

Split Interest Agreements

Donors have established and funded trusts that are administered by organizations other than The Homes. Under the terms of certain perpetual trusts, The Homes has the irrevocable right to receive the income earned on the trust assets of \$6,023,726 and \$5,006,650 at June 30, 2021 and 2020, respectively. The Homes also has the irrevocable right to receive the principal and income of \$516,866 and \$430,654 at June 30, 2021 and 2020, respectively, upon the expiration of a charitable remainder unitrust. The Homes does not control the assets held by outside trusts. The Homes recognizes its interest in the trusts based on the fair value of the assets contributed to the trust as restricted contributions. These trusts are recorded at the fair value of The Homes' interest in the assets held in trust based principally upon quoted market prices at year-end. The trusts are included in assets whose use is limited: donor-restricted funds in the consolidated balance sheets. Annual distributions from these trusts are included in investment income in the consolidated statements of operations and changes in net assets. The change in value of these trusts is included in net unrealized gain (loss) on investments and change in value of trusts in the consolidated statements of operations and changes in net assets.

Assets Whose Use is Limited

Assets whose use is limited include board designated funds; donor-restricted funds; assets held by trustee under bond master trust indenture agreements; assets held under borrowing and financing agreements; annuity obligations; 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 consolidated balance sheets. 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.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Charity Care

The Homes provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. As The Homes does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues (Note 3).

Functional Expenses

The Homes provides housing, health care and other related services to residents within its geographic location. The consolidated 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 Healthcare Services. Expenses that are not directly related to resident care are attributable to General and Administrative. Expenses relating to fundraising are attributable to Fundraising. Utilities allocation is based on square footage. Property taxes, depreciation and interest expense are also attributed to Healthcare Services as they relate to the buildings and equipment used in resident care. Expenses related to providing these services are as follows:

	2021			
	Healthcare Services	General and Administrative	Fundraising	Total
Healthcare services	\$ 17,504,016	\$ 350,475	\$ -	\$ 17,854,491
Resident and assisted-living services	10,815,968	40,640	-	10,856,608
Memory support	4,009,952	7,748	-	4,017,700
Dining services	8,577,515	47,223	-	8,624,738
Activities	1,225,209	1,120	-	1,226,329
Building services	8,756,312	1,936	-	8,758,248
Utilities	2,147,063	238,562	-	2,385,625
Administrative services	-	18,448,872	273,630	18,722,502
Interest expense	2,631,192	-	-	2,631,192
Depreciation	6,111,443	67	-	6,111,510
Municipal charge	466,531	-	-	466,531
Loss on disposal of property, plant and equipment	9,329	-	-	9,329
Provision for bad debt	216,542	-	-	216,542
Total	\$ 62,471,072	\$ 19,136,643	\$ 273,630	\$ 81,881,345

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

	2020			
	Healthcare Services	General and Administrative	Fundraising	Total
Healthcare services	\$ 18,267,966	\$ 286,246	\$ -	\$ 18,554,212
Resident and assisted-living services	9,725,060	24,143	-	9,749,203
Memory support	4,027,995	3,398	-	4,031,393
Dining services	8,864,593	61,661	-	8,926,254
Activities	1,244,954	5,452	-	1,250,406
Building services	8,172,966	14,001	-	8,186,967
Utilities	2,088,136	232,015	-	2,320,151
Administrative services	-	17,996,364	386,479	18,382,843
Interest expense	2,808,882	-	-	2,808,882
Depreciation	6,031,360	204	-	6,031,564
Municipal charge	438,155	-	-	438,155
Loss on disposal of property, plant and equipment	28,681	-	-	28,681
Provision for bad debt	642,175	-	-	642,175
	<u>\$ 62,340,923</u>	<u>\$ 18,623,484</u>	<u>\$ 386,479</u>	<u>\$ 81,350,886</u>
Total	<u>\$ 62,340,923</u>	<u>\$ 18,623,484</u>	<u>\$ 386,479</u>	<u>\$ 81,350,886</u>

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 consolidated 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 (less than) expenses.

The Homes' investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated 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 consolidated balance sheets could change materially in the near term.

Fair Value of Financial Instruments

The Homes measures its investments, investments held under split-interest agreements, investments held by others under split-interest agreements, beneficial interest in perpetual trusts and assets whose use is limited 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.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated 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 The Homes 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.

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 charges were recognized in 2021 or 2020.

Deferred Costs

Deferred financing costs, net of amortization, which are included in long-term debt, are \$881,650 and \$1,038,382 as of June 30, 2021 and 2020, respectively. 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, a component of interest expense, for the years ended June 30, 2021 and 2020 was approximately \$150,100 and \$159,700, respectively.

Entrance Fees

The Homes 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 United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

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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.

Obligation to Provide Future Services

The Homes 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. 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 services was not required.

Annuity Obligations

Charitable gift annuities are arrangements between a donor and the Foundation in which a donor contributes assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. The time period can be for the life of the donor or his/her designee. The assets received are recognized at fair value when received. On an annual basis, an annuity payment liability is calculated at the present value of future cash flows expected to be paid to the donors or his/her designees (based upon mortality tables and interest assumptions approved by the State of New Jersey) and the liability is adjusted to equal the present value calculation. The net present value of the future cash flows was discounted at an average rate of 6.03 percent at June 30, 2021 and 6.08 percent at June 30, 2020. Contributions, investments and a liability to annuitants are recognized by the Foundation in the period in which the assets are donated.

Contributions

Contributions, which include unconditional promises to give, if any, are recognized as revenue in the period received at fair value. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as net assets without donor restrictions contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Contributions of property, plant and equipment without donor stipulations concerning the use of such long-lived assets are reported as other changes in the net assets without donor restrictions class. Contributions of cash and other assets to be used to acquire property, plant and equipment with such donor stipulations are reported as revenues of the net assets with donor restrictions class; the restrictions are considered released at the time of acquisition of such long-lived assets or when the project is complete, based on donor intent.

Malpractice

The Homes maintains claims-made professional liability coverage through a commercial insurance carrier (Note 11).

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Income Taxes

The United Methodist Homes of New Jersey and Subsidiaries have been recognized by the Internal Revenue Service (IRS) as organizations described in Section 501(c)(3) of the Internal Revenue Code (IRC) of 1986, as amended, that are exempt from federal income taxes under Section 501(a) of the IRC.

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.

Measure of Operations

The consolidated statements of operations include the determination of operating income and revenue (less than) in excess of expenses. Operating loss includes only those operating revenue and expenses that are an integral part of its program activities. Revenue (less than) 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 (less than) in excess of expenses, consistent with industry practice, include net unrealized gain (loss) on debt securities and change in value of trusts and net assets released from restriction for purchase of property and equipment.

New Accounting Standard

Disclosure Requirements for Fair Value Measurement

During 2021, The Homes 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 The Homes' 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.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

3. Charity Care

The Homes 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 approximately \$2,722,000 and \$2,400,000 for the years ended June 30, 2021 and 2020, respectively. An overall cost to charge ratio was applied to arrive at the cost of charity care. As a result, the cost of providing charity care was approximately \$2,995,000 and \$2,245,000 for the years ended June 30, 2021 and 2020, respectively.

4. Investments and Assets Whose Use is Limited

The Homes' investments and assets whose use is limited, at fair value, at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,950,835	\$ 2,251,442
Money market	5,134,511	13,274,044
U.S. treasury bills	361,242	8,461,071
U.S. government and agency obligations	5,020,262	4,203,258
U.S. corporate bonds	4,756,965	6,941,045
U.S. fixed income mutual funds	3,081,237	1,872,632
Certificates of deposit	25,000	25,000
U.S. equity securities	7,280,589	9,862,879
U.S. equity mutual funds and exchange traded funds	12,192,964	6,560,296
International equity mutual funds and exchange traded funds	2,760,367	3,356,373
Other	559,272	595,956
	<u>54,123,244</u>	<u>57,403,996</u>
Perpetual trusts	6,023,726	5,006,650
Charitable remainder unitrust	516,866	430,654
	<u>6,540,592</u>	<u>5,437,304</u>
Total	<u>\$ 60,663,836</u>	<u>\$ 62,841,300</u>

Assets whose use is limited that are required for current liabilities include accrued interest payable and current portion of long-term debt associated with tax-exempt bond offerings.

Assets whose use is limited under bond indenture agreement, held by trustee consist of the following:

	<u>2021</u>	<u>2020</u>
Debt service reserve fund	\$ 5,001,623	\$ 5,216,337
Debt service interest fund	1,094,814	1,069,877
Debt service principal fund	2,985,293	2,677,979
Project funds	626,221	1,205,162
	<u>9,707,951</u>	<u>10,169,355</u>
Total	<u>\$ 9,707,951</u>	<u>\$ 10,169,355</u>

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

The investments and assets whose use is limited are included on the consolidated balance sheets at June 30, as follows:

	<u>2021</u>	<u>2020</u>
Investments	\$ 31,603,079	\$ 29,733,377
Assets whose use is limited, required for current liabilities	3,995,658	3,730,513
Assets whose use is limited, long term	<u>25,065,099</u>	<u>29,377,410</u>
Total	<u>\$ 60,663,836</u>	<u>\$ 62,841,300</u>

Fair Value of Financial Instruments

The following table presents The Homes' fair value measurements 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 and assets whose use is limited:				
Money market	\$ 5,134,511	\$ 5,134,511	\$ -	-
U.S. treasury bills	361,242	361,242	-	-
U.S. government and agency obligations	5,020,262	-	5,020,262	-
U.S. corporate bonds	4,756,965	-	4,756,965	-
U.S. fixed income mutual funds	3,081,237	3,081,237	-	-
Certificates of deposits	25,000	25,000	-	-
U.S. equity securities	7,280,589	7,280,589	-	-
U.S. equity mutual funds and exchange traded funds	12,192,964	12,192,964	-	-
International equity mutual funds and exchange traded funds	2,760,367	2,760,367	-	-
Other	559,272	559,272	-	-
Perpetual trusts	6,023,726	-	-	6,023,726
Charitable remainder unitrust	516,866	-	-	516,866
Total financial assets	47,713,001	<u>\$ 31,395,182</u>	<u>\$ 9,777,227</u>	<u>\$ 6,540,592</u>
Cash and cash equivalents	<u>12,950,835</u>			
Total	<u>\$ 60,663,836</u>			

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Financial assets:				
Investments and assets				
whose use is limited:				
Money market	\$ 13,274,044	\$ 13,274,044	\$ -	-
U.S. Treasury bills	8,461,071	8,461,071	-	-
U.S. government and agency obligations	4,203,258	-	4,203,258	-
U.S. corporate bonds	6,941,045	-	6,941,045	-
U.S. fixed income mutual funds	1,872,632	1,872,632	-	-
Certificates of deposits	25,000	25,000	-	-
U.S. equity securities	9,862,879	9,862,879	-	-
U.S. equity mutual funds and exchange traded funds	6,560,296	6,560,296	-	-
International equity mutual funds and exchange traded funds	3,356,373	3,356,373	-	-
Other	595,956	595,956	-	-
Perpetual trusts	5,006,650	-	-	5,006,650
Charitable remainder unitrust	430,654	-	-	430,654
	<u>60,589,858</u>	<u>\$ 44,008,251</u>	<u>\$ 11,144,303</u>	<u>\$ 5,437,304</u>
	<u>2,251,442</u>			
Cash and cash equivalents				
	<u>\$ 62,841,300</u>			

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

The following is a description of the valuation methodologies used for Level 1, Level 2 and Level 3 assets.

Money market, U.S. treasury bills, U.S. corporate bonds, U.S. government and agency obligations, fixed income, certificates of deposit and other: These securities are valued on the basis of the quoted market prices at year-end. If quoted market prices are not available for the investments, these investments are valued based on yields currently available on comparable securities or issuers with similar credit ratings.

Mutual funds, exchange traded funds and equity securities: The estimated fair values of these funds are based on quoted market prices.

Perpetual trusts and charitable remainder unitrust: The trusts are recorded at the fair value of the Foundation's interest in the assets held in trust based principally upon quoted market prices at year-end. Trusts are composed of cash and cash equivalents, equities, and fixed income mutual funds. The trusts are categorized as Level 3 due to the lack of control of the restricted trust assets.

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

The following table presents a summary of the changes in the fair value of The Homes' Level 3 assets for the years ended June 30, 2021 and 2020:

	<u>Trusts</u>
Balance at June 30, 2019	\$ 5,576,648
Change in value of trusts	<u>(139,344)</u>
Balance at June 30, 2020	5,437,304
Change in value of trusts	<u>1,103,288</u>
Balance at June 30, 2021	<u>\$ 6,540,592</u>

Investment Return

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

	<u>2021</u>	<u>2020</u>
Investment income, net of expenses of \$145,324 and \$161,236 in 2021 and 2020, respectively	\$ 1,242,418	\$ 1,610,968
Net realized gain on investments	\$ 5,714,732	\$ 461,207
Net unrealized (loss) gain on debt securities and change in value of trusts	\$ (4,934)	\$ 39,692
Net unrealized gain (loss) on equity securities	\$ 2,347,558	\$ (1,002,531)

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

5. Property, Plant and Equipment, Net

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

	<u>2021</u>	<u>2020</u>	<u>Depreciable Life</u>
Land	\$ 11,723,798	\$ 11,668,798	
Building and improvements	177,029,097	163,977,632	10 - 40 years
Equipment	<u>13,969,600</u>	<u>11,570,997</u>	4 - 20 years
	202,722,495	187,217,427	
Less accumulated depreciation	<u>98,341,634</u>	<u>92,344,383</u>	
	104,380,861	94,873,044	
Construction in progress	<u>5,102,063</u>	<u>15,118,424</u>	
	<u>\$ 109,482,924</u>	<u>\$ 109,991,468</u>	

Depreciation expense was approximately \$6,111,500 and \$6,031,600 for the years ended June 30, 2021 and 2020, respectively.

Included in the summary above are property, plant and equipment of five facilities (Burnet Walnut Corporation, Covenant Housing Corporation, Nine Wall Street Corporation, Pineridge Brook Corporation and Ocean City 2406, Inc.) financed by HUD and pledged as collateral. This property, plant and equipment at June 30 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,997,564	\$ 1,997,564
Building and improvements	26,888,440	26,363,575
Equipment	<u>596,168</u>	<u>493,060</u>
	29,482,172	28,854,199
Less accumulated depreciation	<u>17,113,775</u>	<u>16,338,290</u>
	12,368,397	12,515,909
Construction in progress	<u>285,895</u>	<u>186,554</u>
	<u>\$ 12,654,292</u>	<u>\$ 12,702,463</u>

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

6. Long-Term Debt

A summary of long-term debt at June 30 is as follows:

	<u>2021</u>	<u>2020</u>
3.76% term loan with a bank, with monthly installments of principal and interest of \$25,744 to July 2028, at which time the remaining principal of \$3,723,378 is due	\$ 4,762,525	\$ 4,888,141
2.793% term loan with a bank, with monthly installments of principal and interest of approximately \$193,000 to October 2025	9,444,676	11,464,738
Series 2014A, Economic Development Revenue Refunding Bonds (net of unamortized premium of \$377,049 and \$453,434 at June 30, 2021 and 2020) (a)	17,872,049	19,358,434
Series 2013, Economic Development Revenue Refunding Bonds (net of unamortized premium of \$407,731 and \$452,557 at June 30, 2021 and 2020) (b)	28,352,731	29,642,557
9.25% secured mortgage loan, payable to HUD in monthly installments of \$22,877 (principal and interest) to January 2024 (Ocean City 2406, Inc.)	610,656	818,150
9% secured mortgage loan, payable to HUD in monthly installments of \$33,226 (principal and interest) to January 2030 (Burnet Walnut Corporation)	2,378,181	2,554,165
HUD Capital Advances. Notes, ranging from 40-70 years, bear no interest and repayment is not required as long as the housing constructed with these funds remains available for low-income elderly persons	<u>15,755,500</u>	<u>15,755,500</u>
Total	79,176,318	84,481,685
Less current portion of long-term debt	(5,369,376)	(5,185,962)
Less deferred financing costs	<u>(881,650)</u>	<u>(1,038,382)</u>
Long-term debt	<u>\$ 72,925,292</u>	<u>\$ 78,257,341</u>

- (a) In October 2014, The Homes refinanced a total of \$38,510,000 of prior outstanding Series 1998 and Series 1999 Bonds. A total of \$15,179,000 was borrowed through the issuance of a Note with a bank. The loan has an interest rate of 2.793 percent and matures in October 2025. In addition, Economic Development Revenue Refunding Bonds, Series 2014A, were issued in the amount of \$18,905,000, net of original issue premium of \$919,194. At June 30, 2021 and 2020, the unamortized premium was \$377,049 and \$453,434, respectively.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

The Homes 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 on 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
Total par			<u>\$ 17,495,000</u>

- (b) In June 2013, The Homes advance refunded prior outstanding debt through the issuance of \$35,995,000, net of original issue premium of \$796,195, of Economic Development Revenue Refunding Bonds Series 2013. At June 30, 2021 and 2020, the unamortized premium was \$407,731 and \$452,557, respectively.

The Homes 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 on July 1 of the respective year. The bonds mature as follows:

Type of Bond	Maturity Date	Interest Rate	Total
Serial	2021 - 2029	3.0 - 4.0 %	\$ 13,305,000
Term	2034	5.0	11,955,000
Term	2038	4.5	2,685,000
			<u>\$ 27,945,000</u>

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

Future principal payments (excluding Capital Advances of \$15,755,500 not expected to be paid back) on long-term debt are as follows:

Years ending June 30:	
2022	\$ 5,369,376
2023	5,569,887
2024	5,649,622
2025	5,721,839
2026	4,372,444
Thereafter	<u>35,952,870</u>
Total principal payments on long-term debt	<u>\$ 62,636,038</u>

The Series 2014A and 2013 bonds are collateralized by the land, building and property, as well as the gross receipts of the Obligated Group.

In connection with the Series 2014A and Series 2013 bonds, The Homes is required to meet certain financial covenants.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

7. Retirement Plan

The Homes has a defined contribution plan called The United Methodist Homes of New Jersey 403(b) Savings and Retirement Plan for substantially all its employees. Under the 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 matches, after one year of employment, up to 4 percent of compensation. Employees are immediately vested in The Homes' matching contributions. The expenses relating to this plan for the years ended June 30, 2021 and 2020 were \$638,416 and \$601,162, respectively.

8. Concentrations of Credit Risk

The Homes 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	13 %	11 %
Medicare	17	17
Other third-party payors	21	17
Self-pay (including medical and residential services)	49	55
	<u>100 %</u>	<u>100 %</u>

The Homes maintains cash accounts, which, at times, may exceed federally insured limits. The Homes 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.

9. Commitments and Contingencies

Line of Credit

At June 30, 2021 and 2020, The Homes has an available unsecured line of credit with a bank in the amount of \$750,000 at an interest rate of prime (3.25 percent at June 30, 2021 and 2020), which is collateralized by \$1,250,000 of investments. The line of credit expires on March 31, 2022. As of June 30, 2021 and 2020, The Homes has not used the line of credit.

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 The Homes cost information from a prior year. The reimbursement methodology is subject to various limitations and adjustments.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are held for the following purposes:

	<u>2021</u>	<u>2020</u>
Restricted in perpetuity:		
Endowment funds	\$ 1,883,335	\$ 1,883,335
Beneficial interest in perpetual trusts	<u>6,023,726</u>	<u>5,006,650</u>
Total restricted in perpetuity	<u>7,907,061</u>	<u>6,889,985</u>
Restricted for specific purposes and time:		
Charitable remainder unitrust	516,866	430,654
Various healthcare related activities	<u>886,418</u>	<u>537,176</u>
Total restricted for specific purposes and time	<u>1,403,284</u>	<u>967,830</u>
Total net assets with donor restrictions	<u>\$ 9,310,345</u>	<u>\$ 7,857,815</u>

The endowment has been established by the Foundation's donors to provide funding for charitable, religious and benevolent purposes for providing a ministry of facilities and services for the elderly. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires The Homes to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are to be reported in unrestricted net assets as of year-end. There were no such deficiencies as of June 30, 2021 and 2020.

Interpretation of Relevant Law

The board of trustees of The Homes has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Homes classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Spending Policy

The Homes spends earnings on donor-restricted endowment funds as expenses have been incurred that satisfy the donor-imposed restrictions. The expenditure of this income will not exceed 7 percent of the fair market value of the endowment fund as averaged over the prior three years. The investment income earned on the permanently restricted endowment funds is classified based on donor stipulations as either net assets without donor restrictions when donor restrictions are met and appropriated for expenditure or net assets with donor restrictions until the donor-imposed restrictions have been met.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Return Objectives and Risk Parameters

The Homes has adopted investment and spending policies for endowment assets, excluding those invested by third-party trustees that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that The Homes must hold in perpetuity. Under this policy, as approved by The Homes board of trustees, the endowment assets are invested in a manner that is intended to produce moderate to high rates of return while assuming a moderate to low level of investment risk.

The Homes has no board-designated endowment funds.

The following represents the changes in net asset classes of The Homes endowment funds at June 30, 2021 and 2020:

	With Donor Restrictions		
	Purpose Restricted	Held in Perpetuity	Total
Endowment net assets, June 30, 2019	\$ -	\$ 1,883,335	\$ 1,883,335
Investment return	34,488	-	34,488
Net assets released from restrictions	<u>(34,488)</u>	<u>-</u>	<u>(34,488)</u>
Endowment net assets, June 30, 2020	-	1,883,335	1,883,335
Investment return	457,156	-	457,156
Net assets released from restrictions	<u>(131,833)</u>	<u>-</u>	<u>(131,833)</u>
Endowment net assets, June 30, 2021	<u>\$ 325,323</u>	<u>\$ 1,883,335</u>	<u>\$ 2,208,658</u>

11. Malpractice Insurance

The Homes has a claims made liability insurance policy. Effective April 1, 2013, The Homes became a member of Caring Communities (the Company), a Reciprocal Risk Retention Group domiciled in the District of Columbia. The Company provides insurance coverage to its members and The Homes maintains professional and general liability and excess liability coverage with the Company. The policies provide coverage of \$1,000,000 per claim and \$3,000,000 in aggregate. The excess policy provides \$20,000,000 per claim and a \$20,000,000 aggregate limit. The Homes has estimated that any losses would be within the policy limits. The Homes' investment in the Company was \$482,180 and \$518,421 at June 30, 2021 and 2020, respectively, and is included in the investments line of the consolidated balance sheets.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

12. Asset Retirement Obligations

The Homes has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time that certain buildings are disposed. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life.

The following table presents the activity for the asset retirement obligations for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 1,024,441	\$ 966,712
Accretion expense	61,756	57,729
Balance, ending	<u>\$ 1,086,197</u>	<u>\$ 1,024,441</u>

13. Liquidity and Availability of Resources

As of June 30, 2021 and 2020, The Homes 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 and cash equivalents	\$ 4,988,888	\$ 5,610,861
Accounts receivable, net	6,325,839	7,052,249
Investments without restrictions	31,603,079	29,733,377
Entrance fees receivable	16,705	344,149
Total	<u>\$ 42,934,511</u>	<u>\$ 42,740,636</u>

The Homes has cash 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 The Homes investment policy. The Homes has other assets whose use is limited for residents deposits, assets reserved for future gift annuity payments, donor-restricted purposes, designated by the Board of Directors and other limited uses.

The Homes designated a portion of its assets whose use is limited reserved to comply with state liquid reserve requirements. Although The Homes 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.

The United Methodist Homes of New Jersey and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

14. Subsequent Events

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

The Homes has evaluated subsequent events through October 25, 2021, which is the date the consolidated financial statements were issued.

The United Methodist Homes of New Jersey and Subsidiaries

Consolidating Balance Sheet

June 30, 2021

	<u>Obligated Group</u>	<u>HUD</u>	<u>Pitman</u>	<u>Foundation</u>	<u>HomeWorks</u>	<u>The Enclave</u>	<u>Eliminations</u>	<u>The Homes</u>
Assets								
Current Assets								
Cash and cash equivalents	\$ 1,724,532	\$ 369,554	\$ 3,700	\$ 162,905	\$ 450	\$ 2,727,747	\$ -	\$ 4,988,888
Investments	28,204,196	-	-	3,398,883	-	-	-	31,603,079
Assets whose use is limited, required for current liabilities	3,995,658	-	-	-	-	-	-	3,995,658
Accounts receivable, net	4,602,922	47,899	1,233,981	-	441,037	-	-	6,325,839
Entrance fees receivable	16,705	-	-	-	-	-	-	16,705
Other current assets	757,749	79,962	631,379	135,642	228,093	-	-	1,832,825
Due from the Foundation	2,136,295	-	-	-	-	-	(2,136,295)	-
Total current assets	<u>41,438,057</u>	<u>497,415</u>	<u>1,869,060</u>	<u>3,697,430</u>	<u>669,580</u>	<u>2,727,747</u>	<u>(2,136,295)</u>	<u>48,762,994</u>
Assets Whose Use is Limited								
By the Board of Directors	6,419,122	-	-	-	-	-	-	6,419,122
Donor-restricted funds	438,179	-	-	8,872,166	-	-	-	9,310,345
Under bond indenture agreement, held by trustee	5,712,293	-	-	-	-	-	-	5,712,293
Under borrowing agreements	-	-	-	1,250,000	-	-	-	1,250,000
Under financing agreement	-	1,743,533	-	-	-	-	-	1,743,533
Annuity obligations	-	-	-	613,558	-	-	-	613,558
Cash held in escrow	16,248	-	-	-	-	-	-	16,248
Total assets whose use is limited	<u>12,585,842</u>	<u>1,743,533</u>	<u>-</u>	<u>10,735,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,065,099</u>
Other Long-Term Assets	<u>850,677</u>	<u>101,934</u>	<u>90,078</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,042,689</u>
Other Assets	<u>396,874</u>	<u>72,197</u>	<u>-</u>	<u>-</u>	<u>5,988</u>	<u>-</u>	<u>-</u>	<u>475,059</u>
Interest in Net Assets of the Foundation	<u>11,616,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,616,815)</u>	<u>-</u>
Property, Plant and Equipment, Net	<u>86,084,222</u>	<u>12,654,292</u>	<u>3,446,256</u>	<u>482</u>	<u>31,820</u>	<u>7,265,852</u>	<u>-</u>	<u>109,482,924</u>
Total assets	<u>\$ 152,972,487</u>	<u>\$ 15,069,371</u>	<u>\$ 5,405,394</u>	<u>\$ 14,433,636</u>	<u>\$ 707,388</u>	<u>\$ 9,993,599</u>	<u>\$ (13,753,110)</u>	<u>\$ 184,828,765</u>

The United Methodist Homes of New Jersey and Subsidiaries

Consolidating Balance Sheet

June 30, 2021

	<u>Obligated Group</u>	<u>HUD</u>	<u>Pitman</u>	<u>Foundation</u>	<u>HomeWorks</u>	<u>The Enclave</u>	<u>Eliminations</u>	<u>The Homes</u>
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Due to The Homes	\$ -	\$ -	\$ -	\$ 2,136,295	\$ -	\$ -	\$ (2,136,295)	\$ -
Current portion of long-term debt	4,949,360	420,016	-	-	-	-	-	5,369,376
Accounts payable	2,531,821	459,273	596,092	-	84,360	233,966	-	3,905,512
Accrued liabilities	3,825,211	296,290	1,110,171	66,968	176,205	-	-	5,474,845
Accrued interest payable	1,010,366	22,543	-	-	-	-	-	1,032,909
Deferred revenue	39,858	-	22,458	-	-	-	-	62,316
Due to (from) affiliates	(2,451,096)	1,776,189	(975,887)	-	1,638,771	12,023	-	-
Total current liabilities	<u>9,905,520</u>	<u>2,974,311</u>	<u>752,834</u>	<u>2,203,263</u>	<u>1,899,336</u>	<u>245,989</u>	<u>(2,136,295)</u>	<u>15,844,958</u>
Deposits Held and Resident Deposits	866,925	101,934	90,078	-	-	-	-	1,058,937
Annuity Obligations	-	-	-	613,558	-	-	-	613,558
Refundable Entrance Fees	14,291,432	-	-	-	-	-	-	14,291,432
Deferred Revenue From Entrance Fees	3,014,694	-	-	-	-	-	-	3,014,694
Other Liabilities	500,871	-	12,500	-	-	-	-	513,371
Asset Retirement Obligation	-	-	1,086,197	-	-	-	-	1,086,197
Long-Term Debt, Excluding Current Portion	<u>54,600,971</u>	<u>18,324,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,925,292</u>
Total liabilities	<u>83,180,413</u>	<u>21,400,566</u>	<u>1,941,609</u>	<u>2,816,821</u>	<u>1,899,336</u>	<u>245,989</u>	<u>(2,136,295)</u>	<u>109,348,439</u>
Net Assets (Deficit)								
Net assets without donor restrictions	60,481,729	(6,331,195)	3,463,785	2,744,649	(1,191,948)	9,747,610	(2,744,649)	66,169,981
Net assets with donor restrictions	9,310,345	-	-	8,872,166	-	-	(8,872,166)	9,310,345
Total net assets (deficit)	<u>69,792,074</u>	<u>(6,331,195)</u>	<u>3,463,785</u>	<u>11,616,815</u>	<u>(1,191,948)</u>	<u>9,747,610</u>	<u>(11,616,815)</u>	<u>75,480,326</u>
Total liabilities and net assets (deficit)	<u>\$ 152,972,487</u>	<u>\$ 15,069,371</u>	<u>\$ 5,405,394</u>	<u>\$ 14,433,636</u>	<u>\$ 707,388</u>	<u>\$ 9,993,599</u>	<u>\$ (13,753,110)</u>	<u>\$ 184,828,765</u>

The United Methodist Homes of New Jersey and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (Deficit)

Year Ended June 30, 2021

	Obligated Group	HUD	Pitman Manor	Foundation	HomeWorks	The Enclave	Eliminations	The Homes
Revenues and Other Support								
Patient service revenue, net	\$ 17,718,695	\$ -	\$ 7,641,135	\$ -	\$ -	\$ -	\$ -	\$ 25,359,830
Resident service revenue	28,873,223	5,256,028	6,765,081	-	2,639,601	-	-	43,533,933
Other revenues, primarily contributions	1,167,996	145,120	322,149	332,203	74,390	10,000	(1,270,250)	781,608
Other revenue	2,812,003	-	-	-	-	-	-	2,812,003
Investment income, operating, net	600,163	-	-	-	-	-	-	600,163
Net assets released from restrictions, satisfaction of special-purpose restrictions	1,109,760	-	-	-	-	-	-	1,109,760
Total revenues and other support	52,281,840	5,401,148	14,728,365	332,203	2,713,991	10,000	(1,270,250)	74,197,297
Operating Expenses								
Healthcare services	13,332,070	-	4,522,421	-	-	-	-	17,854,491
Resident and assisted-living services	7,336,929	-	1,722,683	-	1,796,996	-	-	10,856,608
Memory support	3,265,289	-	752,411	-	-	-	-	4,017,700
Dining services	6,518,395	36,236	2,070,107	-	-	-	-	8,624,738
Activities	947,442	-	278,887	-	-	-	-	1,226,329
Building services	5,367,169	1,774,123	1,616,956	-	-	-	-	8,758,248
Utilities	1,643,224	329,504	409,643	-	3,254	-	-	2,385,625
Administrative services	11,363,590	2,177,374	2,797,790	646,300	1,698,945	35,253	-	18,719,252
Interest expense	2,344,350	286,842	-	-	-	-	-	2,631,192
Depreciation and amortization	4,753,779	799,306	549,359	67	8,999	-	-	6,111,510
Management fee expense	-	196,494	1,073,756	-	-	-	(1,270,250)	-
Municipal charge	323,108	128,894	-	-	-	14,529	-	466,531
Loss on disposal of property, plant and equipment	9,329	-	-	-	-	-	-	9,329
Provision for bad debt	59,664	-	154,051	-	2,827	-	-	216,542
Total operating expenses	57,264,338	5,728,773	15,948,064	646,367	3,511,021	49,782	(1,270,250)	81,878,095
Operating loss	(4,982,498)	(327,625)	(1,219,699)	(314,164)	(797,030)	(39,782)	-	(7,680,798)
Other Income, Net								
Investment income, net	207,979	610	266	107,174	-	17,721	-	333,750
Net unrealized (loss) gain on equity securities	(59,413)	-	-	783,136	-	-	-	723,723
Realized gain on investments	5,363,144	-	-	351,588	-	-	-	5,714,732
Net change in unrestricted Foundation activity	927,734	-	-	-	-	-	(927,734)	-
Total other income, net	6,439,444	610	266	1,241,898	-	17,721	(927,734)	6,772,205
Revenue in excess of (less than) expenses	1,456,946	(327,015)	(1,219,433)	927,734	(797,030)	(22,061)	(927,734)	(908,593)
Other Changes								
Net unrealized loss on debt securities and change in value of trusts	(4,934)	-	-	-	-	-	-	(4,934)
Grants for capital purchases	682,170	-	227,390	-	-	-	-	909,560
Change in net assets	2,134,182	(327,015)	(992,043)	927,734	(797,030)	(22,061)	(927,734)	(3,967)
Net Assets (Deficit) Without Donor Restrictions, Beginning	58,347,547	(6,004,180)	4,455,828	1,816,915	(394,918)	9,769,671	(1,816,915)	66,173,948
Net Assets (Deficit) Without Donor Restrictions, Ending	\$ 60,481,729	\$ (6,331,195)	\$ 3,463,785	\$ 2,744,649	\$ (1,191,948)	\$ 9,747,610	\$ (2,744,649)	\$ 66,169,981

The United Methodist Homes of New Jersey and Subsidiaries

Consolidating Balance Sheet

June 30, 2020

	<u>Obligated Group</u>	<u>HUD</u>	<u>Pitman Manor</u>	<u>Foundation</u>	<u>HomeWorks</u>	<u>The Enclave</u>	<u>Eliminations</u>	<u>The Homes</u>
Assets								
Current Assets								
Cash and cash equivalents	\$ 1,091,630	\$ 507,307	\$ 18,463	\$ 238,293	\$ 450	\$ 3,754,718	\$ -	\$ 5,610,861
Investments	27,527,870	-	-	2,205,507	-	-	-	29,733,377
Assets whose use is limited, required for current liabilities	3,730,513	-	-	-	-	-	-	3,730,513
Accounts receivable, net	5,486,541	46,778	1,040,702	-	478,228	-	-	7,052,249
Entrance fees receivable	344,149	-	-	-	-	-	-	344,149
Other current assets	487,567	74,278	585,918	127,121	142,571	-	-	1,417,455
Due from the Foundation	1,921,229	-	-	-	-	-	(1,921,229)	-
Total current assets	<u>40,589,499</u>	<u>628,363</u>	<u>1,645,083</u>	<u>2,570,921</u>	<u>621,249</u>	<u>3,754,718</u>	<u>(1,921,229)</u>	<u>47,888,604</u>
Assets Whose Use is Limited								
By the Board of Directors	11,321,926	-	-	-	-	-	-	11,321,926
Donor-restricted funds	438,179	-	-	7,419,636	-	-	-	7,857,815
Under bond indenture agreement, held by trustee	6,438,842	-	-	-	-	-	-	6,438,842
Under borrowing agreements	-	-	-	1,250,000	-	-	-	1,250,000
Under financing agreement	-	1,910,407	-	-	-	-	-	1,910,407
Annuity obligations	-	-	-	568,329	-	-	-	568,329
Cash held in escrow	30,091	-	-	-	-	-	-	30,091
Total assets whose use is limited	<u>18,229,038</u>	<u>1,910,407</u>	<u>-</u>	<u>9,237,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,377,410</u>
Other Long-Term Assets	<u>277,933</u>	<u>100,067</u>	<u>89,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,570</u>
Other Assets	<u>289,395</u>	<u>78,841</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>371,736</u>
Interest in Net Assets of the Foundation	<u>9,236,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,236,552)</u>	<u>-</u>
Property, Plant and Equipment, Net	<u>87,745,045</u>	<u>12,702,463</u>	<u>3,472,131</u>	<u>549</u>	<u>38,648</u>	<u>6,032,632</u>	<u>-</u>	<u>109,991,468</u>
Total assets	<u>\$ 156,367,462</u>	<u>\$ 15,420,141</u>	<u>\$ 5,206,784</u>	<u>\$ 11,809,435</u>	<u>\$ 663,397</u>	<u>\$ 9,787,350</u>	<u>\$ (11,157,781)</u>	<u>\$ 188,096,788</u>

The United Methodist Homes of New Jersey and Subsidiaries

Consolidating Balance Sheet

June 30, 2020

	<u>Obligated Group</u>	<u>HUD</u>	<u>Pitman Manor</u>	<u>Foundation</u>	<u>HomeWorks</u>	<u>The Enclave</u>	<u>Eliminations</u>	<u>The Homes</u>
Liabilities and Net Assets (Deficit)								
Current Liabilities								
Due to The Homes	\$ -	\$ -	\$ -	\$ 1,921,229	\$ -	\$ -	\$ (1,921,229)	\$ -
Current portion of long-term debt	4,802,483	383,479	-	-	-	-	-	5,185,962
Accounts payable	2,516,772	387,067	613,657	-	83,605	2,686	-	3,603,787
Accrued liabilities	3,483,840	300,971	939,762	83,325	144,342	-	-	4,952,240
Accrued interest payable	1,052,534	25,463	-	-	-	-	-	1,077,997
Deferred revenue	28,658	-	25,592	-	-	-	-	54,250
Due to (from) affiliates	(373,732)	1,482,939	(1,954,566)	-	830,366	14,993	-	-
Total current liabilities	<u>11,510,555</u>	<u>2,579,919</u>	<u>(375,555)</u>	<u>2,004,554</u>	<u>1,058,313</u>	<u>17,679</u>	<u>(1,921,229)</u>	<u>14,874,236</u>
Deposits Held and Resident Deposits	308,024	100,067	89,570	-	-	-	-	497,661
Annuity Obligations	-	-	-	568,329	-	-	-	568,329
Refundable Entrance Fee	15,072,201	-	-	-	-	-	-	15,072,201
Deferred Revenue From Entrance Fees	3,358,280	-	-	-	-	-	-	3,358,280
Other Liabilities	400,036	-	12,500	-	-	-	-	412,536
Asset Retirement Obligation	-	-	1,024,441	-	-	-	-	1,024,441
Long-Term Debt, Excluding Current Portion	<u>59,513,006</u>	<u>18,744,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,257,341</u>
Total liabilities	<u>90,162,102</u>	<u>21,424,321</u>	<u>750,956</u>	<u>2,572,883</u>	<u>1,058,313</u>	<u>17,679</u>	<u>(1,921,229)</u>	<u>114,065,025</u>
Net Assets (Deficit)								
Net assets without donor restrictions	58,347,545	(6,004,180)	4,455,828	1,816,915	(394,916)	9,769,671	(1,816,915)	66,173,948
Net assets with donor restrictions	<u>7,857,815</u>	<u>-</u>	<u>-</u>	<u>7,419,637</u>	<u>-</u>	<u>-</u>	<u>(7,419,637)</u>	<u>7,857,815</u>
Total net assets (deficit)	<u>66,205,360</u>	<u>(6,004,180)</u>	<u>4,455,828</u>	<u>9,236,552</u>	<u>(394,916)</u>	<u>9,769,671</u>	<u>(9,236,552)</u>	<u>74,031,763</u>
Total liabilities and net assets (deficit)	<u>\$ 156,367,462</u>	<u>\$ 15,420,141</u>	<u>\$ 5,206,784</u>	<u>\$ 11,809,435</u>	<u>\$ 663,397</u>	<u>\$ 9,787,350</u>	<u>\$ (11,157,781)</u>	<u>\$ 188,096,788</u>

The United Methodist Homes of New Jersey and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (Deficit)

Year Ended June 30, 2020

	Obligated Group	HUD	Pitman Manor	Foundation	HomeWorks	The Enclave	Eliminations	The Homes
Revenues and Other Support								
Patient service revenue, net	\$ 20,271,099	\$ -	\$ 7,561,361	\$ -	\$ -	\$ -	\$ -	\$ 27,832,460
Resident service revenue	32,532,049	5,163,057	7,957,734	-	2,043,288	-	-	47,696,128
Other revenues, primarily contributions	794,803	198,401	488,335	491,153	22,831	5,000	(1,236,598)	763,925
Other revenues	1,746,947	-	525,253	-	-	-	-	2,272,200
Investment income, operating, net	595,085	-	-	-	-	-	-	595,085
Net assets released from restrictions, satisfaction of special-purpose restrictions	1,756,663	-	-	-	-	-	-	1,756,663
Total revenues and other support	57,696,646	5,361,458	16,532,683	491,153	2,066,119	5,000	(1,236,598)	80,916,461
Operating Expenses								
Healthcare services	14,212,231	-	4,341,981	-	-	-	-	18,554,212
Resident and assisted-living services	7,030,058	-	1,596,949	-	1,122,196	-	-	9,749,203
Memory support	3,200,586	-	830,807	-	-	-	-	4,031,393
Dining services	6,789,233	79,556	2,057,465	-	-	-	-	8,926,254
Activities	990,132	-	260,274	-	-	-	-	1,250,406
Building services	4,956,246	1,590,583	1,640,138	-	-	-	-	8,186,967
Utilities	1,573,494	328,592	416,372	-	1,693	-	-	2,320,151
Administrative services	10,666,584	2,129,820	2,640,312	1,372,002	1,570,875	-	-	18,379,593
Interest expense	2,488,428	320,454	-	-	-	-	-	2,808,882
Depreciation and amortization	4,692,904	780,113	536,232	204	22,111	-	-	6,031,564
Management fee expense	-	197,566	1,039,032	-	-	-	(1,236,598)	-
Municipal charge	307,734	122,764	4,064	-	-	3,593	-	438,155
Provision for bad debt	521,010	-	118,382	-	2,783	-	-	642,175
Loss on disposal of property, plant and equipment	20,108	-	8,573	-	-	-	-	28,681
Total operating expenses	57,448,748	5,549,448	15,490,581	1,372,206	2,719,658	3,593	(1,236,598)	81,347,636
Operating income (loss)	247,898	(187,990)	1,042,102	(881,053)	(653,539)	1,407	-	(431,175)
Other Income, Net								
Investment income, net	383,570	9,698	1,822	169,089	-	60,443	-	624,622
Net unrealized (loss) gain on equity securities	(966,713)	-	-	65,581	-	-	-	(901,132)
Realized gain on investments	458,427	-	-	2,780	-	-	-	461,207
Net change in unrestricted Foundation activity	(643,603)	-	-	-	-	-	643,603	-
Total other income, net	(768,319)	9,698	1,822	237,450	-	60,443	643,603	184,697
Revenue (less than) in excess of expenses	(520,421)	(178,292)	1,043,924	(643,603)	(653,539)	61,850	643,603	(246,478)
Other Changes								
Net unrealized loss on investments and change in value of trusts	39,692	-	-	-	-	-	-	39,692
Transfer (to) from affiliate	(9,400,000)	-	-	-	-	9,400,000	-	-
Net assets released from restrictions - satisfaction of property, plant, and equipment restrictions	10,045	-	-	-	-	-	-	10,045
Change in net assets	(9,870,684)	(178,292)	1,043,924	(643,603)	(653,539)	9,461,850	643,603	(196,741)
Net Assets (Deficit) Without Donor Restrictions, Beginning	68,218,229	(5,825,888)	3,411,904	2,460,518	258,623	307,821	(2,460,518)	66,370,689
Net Assets (Deficit) Without Donor Restrictions, Ending	\$ 58,347,545	\$ (6,004,180)	\$ 4,455,828	\$ 1,816,915	\$ (394,916)	\$ 9,769,671	\$ (1,816,915)	\$ 66,173,948