

**PEACE CARE, INC. AND AFFILIATES**  
**Consolidated Financial Statements**  
**December 31, 2021 and 2020**  
**With Independent Auditor's Report**

**Peace Care, Inc. and Affiliates**  
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**December 31, 2021 and 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees,  
Peace Care, Inc. and Affiliates:

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Peace Care, Inc. and Affiliates, ("Peace Care" or the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Peace Care, Inc. and Affiliates as of December 31, 2021, and the changes in their net assets and their cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Other Matters**

The consolidated financial statements of Peace Care, Inc. and Affiliates for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on September 27, 2021.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of operations and changes in net assets which appear on pages 27-28, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

*Withum Smith + Brown, PC*

April 27, 2022

**Peace Care, Inc. and Affiliates**  
**Consolidated Statements of Financial Position**  
**December 31, 2021 and 2020**

|                                                                            | <u>2021</u>          | <u>2020</u>          |
|----------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                              |                      |                      |
| Current assets                                                             |                      |                      |
| Cash and cash equivalents                                                  | \$ 2,573,377         | \$ 6,006,150         |
| Cash, resident security deposits and personal funds                        | 534,077              | 615,159              |
| Investments                                                                | 24,467,486           | 22,119,387           |
| Patient accounts receivable, net                                           | 3,992,835            | 3,571,195            |
| Estimated amounts due from third-party payors                              | 99,665               | -                    |
| Prepaid expenses                                                           | <u>481,582</u>       | <u>526,885</u>       |
| Total current assets                                                       | 32,149,022           | 32,838,776           |
| Noncurrent assets                                                          |                      |                      |
| Assets limited as to use, cash                                             | 59,332               | 59,332               |
| Property and equipment, net                                                | <u>26,868,534</u>    | <u>28,024,478</u>    |
| Total assets                                                               | <u>\$ 59,076,888</u> | <u>\$ 60,922,586</u> |
| <b>Liabilities and Net Assets</b>                                          |                      |                      |
| Current liabilities                                                        |                      |                      |
| Accounts payable and accrued expenses                                      | \$ 2,988,073         | \$ 2,504,913         |
| Current maturities of long-term debt                                       | 1,125,723            | 1,057,328            |
| Accrued pension payable                                                    | 157,001              | 45,425               |
| Deferred revenue                                                           | 13,889               | 13,889               |
| Current portion of CMS advance                                             | 426,970              | 1,529,370            |
| Estimated liabilities due to third-party payors                            | 960,492              | 585,679              |
| Resident security deposits and personal funds                              | <u>534,077</u>       | <u>615,159</u>       |
| Total current liabilities                                                  | 6,206,225            | 6,351,763            |
| CMS advance, net                                                           | -                    | 645,362              |
| Accrued pension payable                                                    | 4,594,155            | 6,189,019            |
| Long-term debt, net of current portion and unamortized debt issuance costs | <u>10,850,567</u>    | <u>11,928,008</u>    |
| Total liabilities                                                          | <u>21,650,947</u>    | <u>25,114,152</u>    |
| Net assets                                                                 |                      |                      |
| Without donor restrictions                                                 | 37,161,039           | 35,595,913           |
| With donor restrictions                                                    | <u>264,902</u>       | <u>212,521</u>       |
| Total net assets                                                           | <u>37,425,941</u>    | <u>35,808,434</u>    |
| Total liabilities and net assets                                           | <u>\$ 59,076,888</u> | <u>\$ 60,922,586</u> |

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Peace Care, Inc. and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2021 and 2020**

|                                       | 2021                              |                                |                    | 2020                              |                                |                    |
|---------------------------------------|-----------------------------------|--------------------------------|--------------------|-----------------------------------|--------------------------------|--------------------|
|                                       | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>       | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>       |
| <b>Operating revenues</b>             |                                   |                                |                    |                                   |                                |                    |
| Net patient service revenues          |                                   |                                |                    |                                   |                                |                    |
| Skilled nursing                       |                                   |                                |                    |                                   |                                |                    |
| Medicaid                              | \$ 10,705,002                     | \$ -                           | \$ 10,705,002      | \$ 10,306,683                     | \$ -                           | \$ 10,306,683      |
| Medicare                              | 11,041,534                        | -                              | 11,041,534         | 9,240,440                         | -                              | 9,240,440          |
| Private                               | 3,034,769                         | -                              | 3,034,769          | 3,432,963                         | -                              | 3,432,963          |
| Medical daycare                       | 704,665                           | -                              | 704,665            | 723,712                           | -                              | 723,712            |
| Ancillaries                           | 493,214                           | -                              | 493,214            | 667,357                           | -                              | 667,357            |
| Total net patient service revenues    | <u>25,979,184</u>                 | <u>-</u>                       | <u>25,979,184</u>  | <u>24,371,155</u>                 | <u>-</u>                       | <u>24,371,155</u>  |
| Contributed services                  | -                                 | -                              | -                  | 63,083                            | -                              | 63,083             |
| Net assets released from restrictions |                                   |                                |                    |                                   |                                |                    |
| Technology to enhance patient care    | -                                 | -                              | -                  | 15,837                            | (15,837)                       | -                  |
| Nursing                               | -                                 | -                              | -                  | 82,924                            | (82,924)                       | -                  |
| Patient activities                    | 5,865                             | (5,865)                        | -                  | 4,970                             | (4,970)                        | -                  |
| Total operating revenues              | <u>25,985,049</u>                 | <u>(5,865)</u>                 | <u>25,979,184</u>  | <u>24,537,969</u>                 | <u>(103,731)</u>               | <u>24,434,238</u>  |
| <b>Operating expenses</b>             |                                   |                                |                    |                                   |                                |                    |
| Health care services                  | 25,074,794                        | -                              | 25,074,794         | 26,195,096                        | -                              | 26,195,096         |
| Management and general                | 4,239,042                         | -                              | 4,239,042          | 4,151,598                         | -                              | 4,151,598          |
| Total operating expenses              | <u>29,313,836</u>                 | <u>-</u>                       | <u>29,313,836</u>  | <u>30,346,694</u>                 | <u>-</u>                       | <u>30,346,694</u>  |
| Net operating loss                    | <u>(3,328,787)</u>                | <u>(5,865)</u>                 | <u>(3,334,652)</u> | <u>(5,808,725)</u>                | <u>(103,731)</u>               | <u>(5,912,456)</u> |

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Peace Care, Inc. and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2021 and 2020**

|                                                                               | 2021                              |                                |                      | 2020                              |                                |                      |
|-------------------------------------------------------------------------------|-----------------------------------|--------------------------------|----------------------|-----------------------------------|--------------------------------|----------------------|
|                                                                               | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>         | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u>         |
| <b>Nonoperating revenues gains and other support</b>                          |                                   |                                |                      |                                   |                                |                      |
| Contributions and grants                                                      | \$ 951,899                        | \$ 201,399                     | \$ 1,153,298         | \$ 6,421,464                      | \$ 120,807                     | \$ 6,542,271         |
| Special events                                                                | 46,280                            | -                              | 46,280               | 52,768                            | -                              | 52,768               |
| Net investment return                                                         | 2,538,050                         | -                              | 2,538,050            | 2,148,044                         | -                              | 2,148,044            |
| Change in fair value of interest rate swap agreement                          | -                                 | -                              | -                    | 74,900                            | -                              | 74,900               |
| Miscellaneous                                                                 | 97,227                            | -                              | 97,227               | 15,480                            | -                              | 15,480               |
| Net assets released from restrictions - capital acquisitions                  | 143,153                           | (143,153)                      | -                    | 38,374                            | (38,374)                       | -                    |
| Total nonoperating revenues, gains and other support                          | <u>3,776,609</u>                  | <u>58,246</u>                  | <u>3,834,855</u>     | <u>8,751,030</u>                  | <u>82,433</u>                  | <u>8,833,463</u>     |
| <b>Nonoperating expenses</b>                                                  |                                   |                                |                      |                                   |                                |                      |
| Direct costs of special events                                                | 17,355                            | -                              | 17,355               | 16,094                            | -                              | 16,094               |
| Fundraising                                                                   | 195,205                           | -                              | 195,205              | 173,621                           | -                              | 173,621              |
| Net periodic pension benefit costs                                            | <u>58,660</u>                     | <u>-</u>                       | <u>58,660</u>        | <u>126,058</u>                    | <u>-</u>                       | <u>126,058</u>       |
| Total nonoperating expenses                                                   | <u>271,220</u>                    | <u>-</u>                       | <u>271,220</u>       | <u>315,773</u>                    | <u>-</u>                       | <u>315,773</u>       |
| Net nonoperating gain                                                         | <u>3,505,389</u>                  | <u>58,246</u>                  | <u>3,563,635</u>     | <u>8,435,257</u>                  | <u>82,433</u>                  | <u>8,517,690</u>     |
| Changes in net assets before other changes                                    | 176,602                           | 52,381                         | 228,983              | 2,626,532                         | (21,298)                       | 2,605,234            |
| <b>Pension adjustment</b>                                                     |                                   |                                |                      |                                   |                                |                      |
| Change in defined benefit pension plan gains and losses                       | <u>1,388,524</u>                  | <u>-</u>                       | <u>1,388,524</u>     | <u>(555,432)</u>                  | <u>-</u>                       | <u>(555,432)</u>     |
| <b>Excess (deficiency) of revenues over expenses and change in net assets</b> | <u>1,565,126</u>                  | <u>52,381</u>                  | <u>1,617,507</u>     | <u>2,071,100</u>                  | <u>(21,298)</u>                | <u>2,049,802</u>     |
| <b>Net assets</b>                                                             |                                   |                                |                      |                                   |                                |                      |
| Beginning of year                                                             | <u>35,595,913</u>                 | <u>212,521</u>                 | <u>35,808,434</u>    | <u>33,524,813</u>                 | <u>233,819</u>                 | <u>33,758,632</u>    |
| End of year                                                                   | <u>\$ 37,161,039</u>              | <u>\$ 264,902</u>              | <u>\$ 37,425,941</u> | <u>\$ 35,595,913</u>              | <u>\$ 212,521</u>              | <u>\$ 35,808,434</u> |

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Peace Care, Inc. and Affiliates**  
**Consolidated Statements of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

|                                      | 2021                 |                        |                   |                                |                      | 2020                 |                        |                   |                                |                      |
|--------------------------------------|----------------------|------------------------|-------------------|--------------------------------|----------------------|----------------------|------------------------|-------------------|--------------------------------|----------------------|
|                                      | Program Services     | Supporting Services    |                   |                                | Total                | Program Services     | Supporting Services    |                   |                                | Total                |
|                                      | Health Care Services | Management and General | Fundraising       | Direct Costs of Special Events |                      | Health Care Services | Management and General | Fundraising       | Direct Costs of Special Events |                      |
| Salaries                             | \$ 12,477,046        | \$ 1,615,312           | \$ 129,727        | \$ -                           | \$ 14,222,085        | \$ 12,218,088        | \$ 1,830,613           | \$ 133,021        | \$ -                           | \$ 14,181,722        |
| Fringe benefits                      | 3,211,670            | 596,247                | 24,122            | -                              | 3,832,039            | 3,350,018            | 585,521                | 26,891            | -                              | 3,962,430            |
| Contracted services                  | 2,568,485            | 478,748                | 319               | -                              | 3,047,552            | 3,418,275            | 344,151                | 295               | -                              | 3,762,721            |
| Pharmacy and medical supplies        | 1,223,800            | -                      | -                 | -                              | 1,223,800            | 1,136,929            | -                      | -                 | -                              | 1,136,929            |
| Food and dining supplies             | 1,100,028            | -                      | -                 | -                              | 1,100,028            | 1,170,463            | -                      | -                 | -                              | 1,170,463            |
| General supplies and other           | 433,870              | 410,639                | 35,324            | 17,355                         | 897,188              | 729,825              | 178,707                | 7,900             | 16,094                         | 932,526              |
| Professional fees                    | 227,878              | 325,326                | -                 | -                              | 553,204              | 206,189              | 348,598                | -                 | -                              | 554,787              |
| Utilities, insurance and maintenance | 1,303,747            | 339,743                | 2,642             | -                              | 1,646,132            | 1,300,104            | 335,731                | 2,243             | -                              | 1,638,078            |
| Depreciation                         | 1,450,662            | 381,015                | 2,661             | -                              | 1,834,338            | 1,534,114            | 405,045                | 2,765             | -                              | 1,941,924            |
| Interest                             | 355,275              | 92,012                 | 410               | -                              | 447,697              | 477,189              | 123,232                | 506               | -                              | 600,927              |
| Taxes                                | 780,993              | -                      | -                 | -                              | 780,993              | 779,960              | -                      | -                 | -                              | 779,960              |
|                                      | <u>\$ 25,133,454</u> | <u>\$ 4,239,042</u>    | <u>\$ 195,205</u> | <u>\$ 17,355</u>               | <u>\$ 29,585,056</u> | <u>\$ 26,321,154</u> | <u>\$ 4,151,598</u>    | <u>\$ 173,621</u> | <u>\$ 16,094</u>               | <u>\$ 30,662,467</u> |

The Notes to Consolidated Financial Statements are an integral part of these statements.



**Peace Care, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

|                                                                                                       | <u>2021</u>         | <u>2020</u>         |
|-------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Operating activities</b>                                                                           |                     |                     |
| Changes in net assets                                                                                 | \$ 1,617,507        | \$ 2,049,802        |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities |                     |                     |
| Depreciation                                                                                          | 1,834,338           | 1,941,924           |
| Amortization of debt issuance costs                                                                   | 45,567              | 49,982              |
| Change in fair value of interest rate swap agreement                                                  | -                   | (74,900)            |
| Net realized and unrealized gains on investments                                                      | (2,231,501)         | (1,775,596)         |
| Change in defined pension plan gain and (loss)                                                        | (1,388,524)         | 555,432             |
| Changes in                                                                                            |                     |                     |
| Patient accounts receivable, net                                                                      | (421,640)           | 965,211             |
| Prepaid expenses                                                                                      | 45,303              | (60,655)            |
| Accounts payable and accrued expenses                                                                 | 483,160             | 223,148             |
| Deferred revenue                                                                                      | -                   | (69,444)            |
| CMS advance                                                                                           | (1,747,762)         | 2,174,732           |
| Estimated amounts due to third-party payors                                                           | 374,813             | 229,043             |
| Estimated amounts due from third-party payors                                                         | (99,665)            | 29,212              |
| Resident security deposits and personal funds                                                         | (81,082)            | (56,400)            |
| Accrued pension payable                                                                               | (94,764)            | (131,318)           |
| Net cash provided by (used in) operating activities                                                   | <u>(1,664,250)</u>  | <u>6,050,173</u>    |
| <b>Investing activities</b>                                                                           |                     |                     |
| Purchase of property and equipment                                                                    | (678,394)           | (330,464)           |
| Proceeds from sale of investments                                                                     | 4,649,953           | 830,008             |
| Purchase of investments                                                                               | <u>(4,766,551)</u>  | <u>(1,200,844)</u>  |
| Net cash used in investing activities                                                                 | <u>(794,992)</u>    | <u>(701,300)</u>    |
| <b>Financing activity</b>                                                                             |                     |                     |
| Principal payment on long-term debt                                                                   | <u>(1,054,613)</u>  | <u>(1,069,590)</u>  |
| Net cash used in financing activity                                                                   | <u>(1,054,613)</u>  | <u>(1,069,590)</u>  |
| Net change in cash, cash equivalents and restricted cash                                              | (3,513,855)         | 4,279,283           |
| <b>Cash, cash equivalents and restricted cash</b>                                                     |                     |                     |
| Beginning of year                                                                                     | <u>6,680,641</u>    | <u>2,401,358</u>    |
| End of year                                                                                           | <u>\$ 3,166,786</u> | <u>\$ 6,680,641</u> |
| <b>Supplemental disclosure of cash flow information</b>                                               |                     |                     |
| Cash paid during the year for interest                                                                | <u>\$ 402,130</u>   | <u>\$ 530,664</u>   |
| <b>Cash, cash equivalents and restricted cash</b>                                                     |                     |                     |
| Cash and cash equivalents                                                                             | \$ 2,573,377        | \$ 6,006,150        |
| Cash, resident security deposits and personal funds                                                   | 534,077             | 615,159             |
| Assets limited as to use, cash                                                                        | <u>59,332</u>       | <u>59,332</u>       |
|                                                                                                       | <u>\$ 3,166,786</u> | <u>\$ 6,680,641</u> |

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements include the accounts of Peace Care, Inc. and its controlled subsidiaries Margaret Anna Cusack Care Center Inc. dba Peace Care St. Joseph's ("St. Joseph's") and St. Ann's Home for the Aged Corp. dba Peace Care St. Ann's ("St. Ann's") ("the Affiliates"). The consolidated entity is herein referred to as Peace Care Inc. ("Peace Care" or "the Organization"). Peace Ministries, Inc., a ministry corporation of the Congregation of the Sisters of St. Joseph of Peace ("CSJP"), is the sole corporate member of Peace Care. Peace Care is a nonprofit healthcare holding company which provides centralized administrative and other services to its two skilled nursing facilities, St. Ann's and St. Joseph's, to allow them to achieve greater efficiency in the performance of activities to achieve their mission. These centralized administrative services encompass executive leadership, finance, human resources, marketing, public relations and development.

All entities are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's primary sources of revenues are patient service fees paid by Medicaid, Medicare and private individuals.

St. Joseph's operates a 139-bed nursing home and St. Ann's operates a 120-bed nursing home. Both nursing homes are located in Jersey City, New Jersey.

Both nursing homes provide long-term, post-acute and respite care services. Post-acute care is a short-term rehabilitation service provided to a patient following surgery, hospitalizations, injury or a disability. The short-term rehabilitation services include skilled nursing, social services for the overall well-being of the patient, physical therapy, occupational therapy and/or speech therapy provided by highly trained staff. Respite care is a short-term stay available for a variety of care levels for patients who need extra assistance before returning home after a hospital stay or simply for caretakers who need a break from taking care of their family member.

In addition to providing long-term, post-acute and respite care services, St. Ann's also operates a 50-slot adult medical daycare unit and an outpatient rehabilitation program.

**Basis of Consolidation**

All material intercompany transactions and balances have been eliminated in the consolidation.

**Use of Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid instruments with original maturities, when acquired, of three months or less. At December 31, 2021 and 2020, cash equivalents consisted primarily of money market accounts with brokers. Deposit accounts restricted internally by the Board and/or externally by regulators are considered to be cash and cash equivalents.

Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents.

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**Security Deposits and Personal Funds**

Security deposits and personal funds held on behalf of the residents are maintained in bank accounts separate from the Organization's accounts. Interest earned is credited to the residents' accounts. The Organization has fiduciary responsibility for the administration of the bank accounts and the distribution of funds to the residents.

**Investments and Investment Return**

The Organization's investments have been classified as current based on the availability of these investments to fund current operations as needed.

The Organization measures equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in excess (deficiency) of revenues over expenses. Investments in the Catholic United Investment Trust ("CUIT") Funds are recorded at net asset value ("NAV"), as a practical expedient, to determine fair value of the investments. Gains and losses on the sale of securities are recorded on the trade date and are determined using the weighted average cost method.

**Assets Limited as to Use**

Assets limited as to use include cash held in an escrow account as required by the bond agreement. Amounts required to meet current liabilities are included in current assets.

**Patient Accounts Receivable, Net**

Patient accounts receivable, net reflect the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. At December 31, 2021 and 2020, the Organization had net patient accounts receivable, net of \$3,992,835 and \$3,571,195, respectively.

The Organization performs individual credit risk assessments which evaluates the individual circumstances, abilities and intentions of each patient prior to providing the patient services. If subsequent to providing the services the Organization becomes aware of patient-specific events, facts or circumstances indicating patients no longer have the ability or intention to pay the amount of consideration to which the Organization expected to be entitled for providing the patient services, then the related patient receivable balances are directly allowed against. At December 31, 2021 and 2020, there was \$2,101,888 and \$1,689,954, respectively, recorded as an allowance for doubtful accounts.

**Contract Assets and Liabilities**

Amounts related to licensed home care services provided to clients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of home care services provided to residents who are still receiving services at the end of the year. There are no contract assets at December 31, 2021 or 2020, or January 1, 2020.

Amounts received related to services that have not yet been provided to clients are contract liabilities. Contract liabilities consist of payments made by customers or third-party payors for services not yet performed which represent fees received in advance to fund future home care services. Contract liabilities are recognized into revenues when the performance obligations are satisfied in the following year. At December 31, 2021 and 2020, there were contract liabilities of \$426,970 and \$2,174,732, respectively. There were no contract liabilities at January 1, 2020.

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**Property and Equipment and Depreciation**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Items with a cost in excess of \$500 and an estimated useful life of greater than one year are capitalized.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

| <u>Description</u>         | <u>Estimated Life (Years)</u> |
|----------------------------|-------------------------------|
| Land improvements          | 15                            |
| Buildings and improvements | 10-40                         |
| Furnishings and equipment  | 5-10                          |

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

**Estimated Liabilities Due to/Due from Third-Party Payors**

The Organization is responsible to report to various third parties, among which are Medicare and Medicaid. The Organization is also responsible to report to the State of New Jersey with regard to the quarterly assessment tax on nursing homes.

**Refund Liabilities**

The consideration that the Organization has received from patients for which it does not expect to be entitled is recorded as a refund liability.

**Net Assets**

Net assets without donor restrictions represent funds having no restrictions as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose.

**Net Patient Service Revenues**

Net patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Net patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

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**Contributions**

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

| <u>Nature of the Gift</u>                                                                            | <u>Value Recognized</u>                                                                     |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <i>Conditional gifts, with or without restriction</i>                                                |                                                                                             |
| Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met |
| <i>Unconditional gifts, with or without restriction</i>                                              |                                                                                             |
| Received at date of gift – cash and other assets                                                     | Fair value                                                                                  |
| Received at date of gift – property, equipment and long-lived assets                                 | Estimated fair value                                                                        |
| Expected to be collected within one year                                                             | Net realizable value                                                                        |
| Collected in future years                                                                            | Initially reported at fair value determined using the discounted present value of           |

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

**Contributed Services**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

**Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of operations and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the job responsibility, square footage and other factors.

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**Debt Issuance Costs**

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method. Amortization of debt issuance costs is included in interest expense.

**Income Taxes**

Peace Care and Affiliates are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Peace Care and Affiliates are subject to federal income tax on any unrelated business taxable income.

**Reclassification**

Certain amounts in the prior year consolidated financial statements have been reclassified to conform with the current year presentation. The reclassifications had no effect on changes in net assets.

**2. NET PATIENT SERVICE REVENUE**

Fees for long-term, post-acute and respite care services are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing healthcare services. These amounts are due from patients, third-party payors and others, and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Generally, the Organization bills its patients and third-party payors after the services are performed or has completed its portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

**Performance Obligations**

Performance obligations are determined based on the nature of the services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization's revenues from contracts with its patients are all earned over time as the patients are receiving healthcare services. The Organization measures the performance obligation on a recurring basis as patients can be discharged daily, either at their request or because treatment is no longer required, with no future performance obligation by either party.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed.

**Transaction Price**

The Organization determines the transaction price based on standard charges for services to be performed. Agreements with third-party payors provide for payments at prospectively determined rates. However, residents are liable for the differences between these payments received and the standard charges.

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**Third-Party Payors and Significant Judgments**

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

*Medicare.* The Organization is reimbursed for services rendered to patients covered by the federal Medicare program on a prospective payment system for Part A Medicare services and on a fee schedule basis for Part B Medicare therapy services. The reimbursement plan is on a prospective basis, and no additional settlement will be made on the difference between the rates paid and actual costs.

*Medicaid.* The Organization is reimbursed for services rendered to Title XIX state-sponsored Medicaid patients on the basis of estimated per diem rates. The reimbursement plan is on a prospective basis, and no additional settlement will be made on the difference between the interim per diem rates paid and actual costs.

The Organization has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Organization under these agreements includes prospectively determined daily rates and discounts from established charges.

The Organization is responsible to report to various third parties, among which are the Centers for Medicare and Medicaid Services (“CMS”), the New Jersey State Department of Health – Division of Health Economics, as well as the Internal Revenue Service and the New Jersey Division of Consumer Affairs, Charities Registration Section.

Revenues and receivables arising from services to Medicaid patients are dependent upon final audit and negotiations between the Organization and its third-party payors. The New Jersey State Department of Health – Division of Health Economics has the right to audit the Organization and adjust assigned rates of Medicaid reimbursement accordingly. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Medicare Part “A” services for the Organization are reimbursed under a Prospective Payment System (“PPS”), which is a case mix system of mutually exclusive groups with varying prices. The groupings are based on patient assessment data. The Organization has filed a cost report with CMS in connection with the Medicare program. This report is subject to audit and retroactive adjustments. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations. For the years ended December 31, 2021 and 2020, there was no additional revenue that was recognized due to changes in the Organization’s estimates of discounts and contractual adjustments for performance obligations satisfied in prior years.

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Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near-term.

**Refund Liabilities**

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2021 and 2020, the Organization has recorded a liability for refunds to third-party payors and patients of approximately \$960,492 and \$565,679, respectively.

**Revenue Composition**

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by factors including payors, service line, method of reimbursement and timing of when revenue is recognized.

The composition of resident and patient care service revenue by primary payor and by service line for the years ended December 31, are follows:

| Revenue Composition | 2021                 |                   |                   |                      |
|---------------------|----------------------|-------------------|-------------------|----------------------|
|                     | Skilled Nursing      | Medical Day Care  | Ancillaries       | Total                |
| Medicaid            | \$ 10,705,002        | \$ 704,665        | \$ 493,214        | \$ 11,902,881        |
| Medicare            | 11,041,534           | -                 | -                 | 11,041,534           |
| Private and other   | 3,034,769            | -                 | -                 | 3,034,769            |
|                     | <u>\$ 24,781,305</u> | <u>\$ 704,665</u> | <u>\$ 493,214</u> | <u>\$ 25,979,184</u> |

  

| Revenue Composition | 2020                 |                   |                   |                      |
|---------------------|----------------------|-------------------|-------------------|----------------------|
|                     | Skilled Nursing      | Medical Day Care  | Ancillaries       | Total                |
| Medicaid            | \$ 10,306,683        | \$ 723,712        | \$ 667,357        | \$ 11,697,752        |
| Medicare            | 9,240,440            | -                 | -                 | 9,240,440            |
| Private and other   | 3,432,963            | -                 | -                 | 3,432,963            |
|                     | <u>\$ 22,980,086</u> | <u>\$ 723,712</u> | <u>\$ 667,357</u> | <u>\$ 24,371,155</u> |

**Portfolio Approach**

The Organization has elected to use the portfolio approach as a practical expedient to account for contracts as a collective group, rather than individually, as indicated in FASB ASC 606-10-10-4, because the financial statement effects are not expected to materially differ from an individual contract approach.



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**3. CONCENTRATIONS**

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party-payor agreements. The mix of net receivables from patients and third-party payors at December 31, is as follows:

|                   | <u>2021</u> | <u>2020</u> |
|-------------------|-------------|-------------|
| Medicaid          | 39%         | 37%         |
| Medicare          | 38%         | 27%         |
| Private and other | <u>23%</u>  | <u>36%</u>  |
|                   | <u>100%</u> | <u>100%</u> |

The majority of services are paid by the State of New Jersey. Thus, the Organization is highly dependent on the New Jersey State reimbursement system. Any reductions in state funding may strongly impact revenues in the future.

Financial investments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and investments. The Organization maintains its cash in interest-bearing bank accounts which, at times, may exceed federally insured limits. In an attempt to limit the credit risk, the Organization places all funds with high-quality financial institutions for cash and cash equivalents or in investments with actively traded markets.

As of December 31, 2021 and 2020, approximately 46% each year of the St. Joseph’s employees worked under a collective bargaining agreement, which expires on September 15, 2023. As of December 31, 2021 and 2020, 30% and 25%, respectively, of St. Ann’s employees worked under a collective bargaining agreement, which expires on September 30, 2023.

**4. COVID-19 PANDEMIC AND CARES ACT FUNDING**

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (“COVID-19”) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as the suspension of certain programs and procedures at health care facilities.

As a result of the COVID-19 pandemic, the Organization experienced declines in census and increased expenditures to keep staff and residents safe during 2021 and 2020. Additional expenditures included the purchase of personal protective equipment, sick pay for employees, cleaning costs, and mandatory testing of staff.

The Organization will continue to monitor compliance with the terms and conditions of the provider relief fund and the effect of the pandemic on the Organization’s revenues and expenses. The terms and conditions governing the provider relief fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, the Organization’s ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the consolidated financial statements compared to the Organization’s provider relief fund reporting could differ. Provider relief fund payments are subject to government oversight, including potential audits.

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During the year ended December 31, 2021 and 2020, the Organization received \$175,183 and \$1,916,603, respectively, of stimulus funding through the United State Department of Health and Human Services (“HHS”) grants and recognized the full amount as grant revenue based on incurred eligible expenses under the grant. These distributions from the provider relief fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

During the year ended December 31, 2020, the Organization received \$2,174,732 of accelerated Medicare payments as provided for in *the Coronavirus Aid, Relief, and Economic Security Act* (“CARES Act”). These amounts are expected to be recaptured by the Centers for Medicare & Medicaid Services (“CMS”) according to the payback provisions. Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withheld amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%. At December 31, 2021, the remaining unpaid advance was treated solely as current in the consolidated statements of financial position as the Organization is ahead on required repayment terms.

During the years ended December 31, 2020, the Organization received Paycheck Protection Program (“PPP”) loans established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full time equivalent (FTE) and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The PPP loan of \$3,380,509 is recorded as a contribution during the year ended December 31, 2020 since the conditions have been met. As of December 31, 2021, the full amount of the PPP loan has been formally forgiven.

**5. INVESTMENTS AND FAIR VALUE MEASUREMENTS AND DISCLOSURES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

*Level 1* - Quoted prices in active markets for identical assets or liabilities.

*Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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**Recurring Measurements**

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31:

|                                        | 2021                 |                                                                |                                               |                                           |                             |
|----------------------------------------|----------------------|----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------|
|                                        | Fair Value           | Fair Value Measurements Using                                  |                                               |                                           | Investments Measured at NAV |
|                                        |                      | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |                             |
| <b>Assets</b>                          |                      |                                                                |                                               |                                           |                             |
| Investments                            |                      |                                                                |                                               |                                           |                             |
| Equities                               |                      |                                                                |                                               |                                           |                             |
| Money market funds                     | \$ 17,985            | \$ 17,985                                                      | \$ -                                          | \$ -                                      | \$ -                        |
| Energy                                 | 40,851               | 40,851                                                         | -                                             | -                                         | -                           |
| Financial                              | 64,268               | 64,268                                                         | -                                             | -                                         | -                           |
| Mutual funds                           |                      |                                                                |                                               |                                           |                             |
| Money market funds                     | 1,133,655            | 1,133,655                                                      | -                                             | -                                         | -                           |
| International equity                   | 1,423,650            | 1,423,650                                                      | -                                             | -                                         | -                           |
| ESG equity ETF                         | 5,945,039            | 5,945,039                                                      | -                                             | -                                         | -                           |
| Total return fund                      | 5,619,392            | 5,619,392                                                      | -                                             | -                                         | -                           |
| Mid cap index fund                     | 735,251              | 735,251                                                        | -                                             | -                                         | -                           |
| Small cap index fund                   | 715,279              | 715,279                                                        | -                                             | -                                         | -                           |
| Catholic United Investment Trust funds |                      |                                                                |                                               |                                           |                             |
| Domestic large cap equity              | 2,030,580            | -                                                              | -                                             | -                                         | 2,030,580                   |
| Domestic small cap equity              | 41,829               | -                                                              | -                                             | -                                         | 41,829                      |
| International equity                   | 97,811               | -                                                              | -                                             | -                                         | 97,811                      |
| Fixed income                           | 6,601,896            | -                                                              | -                                             | -                                         | 6,601,896                   |
|                                        | <u>\$ 24,467,486</u> | <u>\$ 15,695,370</u>                                           | <u>\$ -</u>                                   | <u>\$ -</u>                               | <u>\$ 8,772,116</u>         |
|                                        |                      |                                                                |                                               |                                           |                             |
|                                        | 2020                 |                                                                |                                               |                                           |                             |
|                                        | Fair Value           | Fair Value Measurements Using                                  |                                               |                                           | Investments Measured at NAV |
|                                        |                      | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |                             |
| <b>Assets</b>                          |                      |                                                                |                                               |                                           |                             |
| Investments                            |                      |                                                                |                                               |                                           |                             |
| Equities                               |                      |                                                                |                                               |                                           |                             |
| Energy                                 | \$ 30,849            | \$ 30,849                                                      | \$ -                                          | \$ -                                      | \$ -                        |
| Financial                              | 50,568               | 50,568                                                         | -                                             | -                                         | -                           |
| Mutual funds                           |                      |                                                                |                                               |                                           |                             |
| Money market funds                     | 1,204,708            | 1,204,708                                                      | -                                             | -                                         | -                           |
| International equity                   | 639,150              | 639,150                                                        | -                                             | -                                         | -                           |
| Total return fund                      | 685,632              | 685,632                                                        | -                                             | -                                         | -                           |
| Mid cap index fund                     | 5,136,461            | 5,136,461                                                      | -                                             | -                                         | -                           |
| Small cap index fund                   | 1,282,265            | 1,282,265                                                      | -                                             | -                                         | -                           |
| 500 index fund                         | 4,941,178            | 4,941,178                                                      | -                                             | -                                         | -                           |
| Catholic United Investment Trust funds |                      |                                                                |                                               |                                           |                             |
| Money market funds                     | 262,305              | -                                                              | -                                             | -                                         | 262,305                     |
| Domestic large cap equity              | 2,271,841            | -                                                              | -                                             | -                                         | 2,271,841                   |
| Domestic small cap equity              | 460,006              | -                                                              | -                                             | -                                         | 460,006                     |
| International equity                   | 744,615              | -                                                              | -                                             | -                                         | 744,615                     |
| Fixed income                           | 4,409,809            | -                                                              | -                                             | -                                         | 4,409,809                   |
|                                        | <u>\$ 22,119,387</u> | <u>\$ 13,971,111</u>                                           | <u>\$ -</u>                                   | <u>\$ -</u>                               | <u>\$ 8,148,576</u>         |

The Organization invests in various investment securities and mutual funds held by the Catholic United Investment Trust. These investments are measured at fair value using NAV per share (or its equivalent) practical expedient, and therefore, have not been classified in the fair value hierarchy.

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The amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2021 and 2020.

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. There are no investment securities classified within Level 3 of the hierarchy.

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

**Alternative Investments**

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

The specific investment objectives of the CUIT Funds are as follows:

| <u>Investment</u> | <u>Fair Value</u>   |                     | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Notice Period Redemption</u> |
|-------------------|---------------------|---------------------|-----------------------------|-----------------------------|---------------------------------|
|                   | <u>2021</u>         | <u>2020</u>         |                             |                             |                                 |
| CUIT Funds        | \$ <u>8,772,116</u> | \$ <u>8,148,576</u> | \$ <u>-</u>                 | Daily                       | One day notice                  |

**Money Market Fund**

To seek optimal current income consistent with the preservation of capital by investing in high-quality, short-term cash and debt obligations having a weighted average maturity of 90 days or less.

**Equity Funds**

To provide investors current income and long-term appreciation through investments in equity securities primarily issued by companies with large and small market capitalizations, as well as U.S. Government securities (and securities of its agencies and instrumentalities) and other fixed income securities. The International Equity Fund's objective is to provide investors long-term capital appreciation by investing primarily in a broadly diversified portfolio of equity securities of well-established companies based in those countries included in the Morgan Stanley Capital International All Country World Ex-USA Index that are believed to have above-average market appreciation potential.

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**Fixed Income**

To seek a maximum level of current income to the extent consistent with preservation of capital by investing primarily in a diversified portfolio of securities issued by the U.S. government, its agencies and instrumentalities, fixed income obligations of corporations, mortgage-backed and asset-backed securities.

**6. INTEREST RATE SWAP AGREEMENT**

**Cash Flow Hedge**

In 2010, St. Ann's entered into an interest rate swap agreement ("interest swap") with TD Bank N.A. as the counterparty. The swap agreement was terminated on June 1, 2020. As a result, there were no amounts reported for the fair value of the interest rate swap agreement at December 31, 2021 and 2020. The change in fair value of \$74,900 for the year ended December 31, 2020 is recognized in the accompanying consolidated statements of operations and changes in nets assets on a separate line.

The differential interest required to be paid, or that will be received, under the interest swap is accrued consistent with the terms of the agreement and is recognized in interest expense as accrued. Terms of the agreement require the differential interest to be paid or received monthly.

Management designated the interest rate swap agreement as a cash flow hedging instrument. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of net assets without donor restrictions and reclassified into excess revenues over expenses in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current excess revenues over expenses.

The carrying amount of the interest swap was adjusted to its fair value at the end of the year which, because of changes in the forecasted levels of LIBOR, resulted in reporting a liability for the fair value of the future net payments forecasted under the interest swap. The value is measured based on an estimate of the amount needed to settle the agreement as calculated by the counterparty to the swap agreement. The interest rate swap effectively fixes the Organization's interest rate at 5.30% per annum on notional amounts of \$9,975,189 until its termination on June 1, 2020.

**7. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

|                                | <u>2021</u>          | <u>2020</u>          |
|--------------------------------|----------------------|----------------------|
| Land                           | \$ 5,278,902         | \$ 5,278,902         |
| Buildings and improvements     | 56,515,533           | 56,076,669           |
| Furnishings and equipment      | 7,058,353            | 6,850,877            |
| Vehicles                       | 448,855              | 448,855              |
| Construction in progress       | <u>32,055</u>        | <u>-</u>             |
|                                | 69,333,698           | 68,655,303           |
| Less: Accumulated depreciation | <u>(42,465,164)</u>  | <u>(40,630,825)</u>  |
|                                | <u>\$ 26,868,534</u> | <u>\$ 28,024,478</u> |

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**8. LINE OF CREDIT**

St. Ann's has an unsecured line of credit with Provident Bank. The maximum amount available under this arrangement is \$500,000 and interest is charged at the bank's prime rate (4.50% as of December 31, 2021 and 2020). The line of credit will mature on November 30, 2022. As of December 31, 2021 and 2020 and during the years ended, there were no outstanding borrowings against the line.

**9. LONG-TERM DEBT**

**St. Joseph's**

During May 2000, St. Joseph's entered into an agreement with TD Bank, N.A. (formerly known as Commerce Bank, N.A.) whereby Series A First Mortgage Revenue Bonds were issued by the New Jersey Economic Development Authority, the proceeds of which were used to make a loan to St. Joseph's for its building expansion and renovation project.

Thirteen million dollars of Series A Bonds were issued with a 25-year term. The first three years of the loan required interest-only payments at 6.2%. Beginning in June 2004, principal and interest payments were made monthly with the interest rate fixed for a 10-year period at 4.5%. Starting in June 2013 and for the next 10 years, the rate will be equivalent to the 10-year Treasury Index on May 18, 2013 plus 150 basis points for an effective interest rate of 3.42%. For the final two years, the interest rate will be equivalent to the two-year Treasury Index plus 150 basis points. The final maturity date on the Series A Bonds is May 2025.

All land, buildings, equipment and accounts receivable of St. Joseph's are pledged as collateral, and the mortgage also includes a first security interest in gross revenues, equipment, furnishings and fixtures. The loan balance as of December 31, 2021 and 2020 was \$2,829,039 and \$3,596,849, respectively. Unamortized debt issuance costs as of December 31, 2021 and 2020 were \$37,556 and \$61,727, respectively.

**St. Ann's**

In May 2010, St. Ann's entered into an agreement with New Jersey Health Care Facilities Financing Authority ("NJHCFFA") to refinance the revenue bond debt whereby Series 2010 Revenue Bonds were issued, the proceeds of which were used to make a loan to St. Ann's for its building expansion and renovation project. The Series 2010 Revenue Bonds financing agreement is secured by substantially all assets and gross receipts of St. Ann's. In accordance with the Bond agreement, St. Ann's set aside \$59,332 in a separate cash account held by the bank. In addition, there are other covenants and reporting requirements under the terms of the agreement.

For the first ten years, the Series 2010 Bonds bore interest at a floating rate recalculated monthly. The floating rate was equal to the sum of the adjusted LIBOR plus 365 basis points, multiplied by 69% and was hedged by an interest rate swap agreement, resulting in an effective fixed rate of 5.30%. The effective floating rate for the period January 1, 2020 to June 1, 2020 was 4.5%. The swap agreement was terminated on June 1, 2020.

The Series 2010 Revenue Bonds required monthly payments of interest only through May 2012. Beginning June 2012, monthly installments of \$67,009, representing interest and principal, were payable through the date of the first interest rate reset on May 1, 2020.

On May 1, 2020, the interest rate was reset and fixed at 3% on the outstanding balance as of that date for a term of 10 years. The agreement stipulates two additional interest rate resets, on May 1, 2030 and May 1, 2035, with a final maturity date of May 1, 2040.

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

The loan balance as of December 31, 2021 and 2020 was \$9,412,034 and \$9,698,837, respectively. Unamortized debt issuance costs as of December 31, 2021 and 2020 was \$227,227 and \$248,623, respectively.

As of December 31, 2021, the future loan payments are due as follows:

|            |                      |
|------------|----------------------|
| 2022       | \$ 1,125,723         |
| 2023       | 1,144,390            |
| 2024       | 1,189,372            |
| 2025       | 696,295              |
| 2026       | 378,906              |
| Thereafter | <u>7,706,387</u>     |
|            | <u>\$ 12,241,073</u> |

Interest expense was \$447,697 and \$600,927 for the years ended December 31, 2021 and 2020, respectively, which includes \$45,567 and \$49,982 of amortization of debt issuance costs for the years ended December 31, 2021 and 2020, respectively.

**10. PENSION PLANS**

St. Joseph's has a noncontributory defined benefit pension plan, a church plan, covering all employees who meet the eligibility requirements. St. Joseph's funding policy is to make the minimum annual contribution as St. Joseph's may determine to be appropriate from time to time. St. Joseph's expects to contribute approximately \$265,000 to the plan in 2021.

The Plan was frozen December 31, 2011.

St. Joseph's uses a December 31 measurement date for the plan. Information about the plan's funded status follows:

|                                | <b>Pension Benefits</b> |                       |
|--------------------------------|-------------------------|-----------------------|
|                                | <u>2021</u>             | <u>2020</u>           |
| Accumulated benefit obligation | \$ (14,251,162)         | \$ (15,211,178)       |
| Fair value of plan assets      | <u>9,657,007</u>        | <u>9,022,159</u>      |
| Funded status                  | <u>\$ (4,594,155)</u>   | <u>\$ (6,189,019)</u> |

Assets and liabilities recognized in the consolidated statements of financial position:

|                        | <b>Pension Benefits</b> |                     |
|------------------------|-------------------------|---------------------|
|                        | <u>2021</u>             | <u>2020</u>         |
| Noncurrent liabilities | <u>\$ 4,594,155</u>     | <u>\$ 6,189,019</u> |

Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consist of:

|          | <b>Pension Benefits</b> |                     |
|----------|-------------------------|---------------------|
|          | <u>2021</u>             | <u>2020</u>         |
| Net loss | <u>\$ 3,703,209</u>     | <u>\$ 5,091,733</u> |

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

The accumulated benefit obligation for the defined benefit pension plan was \$14,251,162 and \$15,211,178 at December 31, 2021 and 2020, respectively.

Other significant balances and costs are:

|                           | <b>Pension Benefits</b> |             |
|---------------------------|-------------------------|-------------|
|                           | <b>2021</b>             | <b>2020</b> |
| Employer contribution     | \$ 265,000              | \$ 265,000  |
| Benefits paid             | 758,930                 | 703,726     |
| Net periodic benefit cost | 58,660                  | 126,058     |

The components of net periodic benefit cost other than the service cost component were \$58,660 and \$126,058 at December 31, 2021 and 2020, respectively, and are included in nonoperating expenses in the consolidated statements of operations and changes in net assets.

Other changes in plan assets and benefit obligations recognized outside of excess of revenues over expenses:

|                                  | <b>Pension Benefits</b> |             |
|----------------------------------|-------------------------|-------------|
|                                  | <b>2021</b>             | <b>2020</b> |
| Amount arising during the period |                         |             |
| Net (gain) loss                  | \$ (953,348)            | \$ 555,432  |

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized into net periodic benefit cost over the next fiscal year are \$277,647, \$0 and \$0, respectively.

Significant assumptions include:

Weighted-average assumptions used to determine benefit obligations and benefit costs:

|                                | <b>Pension Benefits</b> |             |
|--------------------------------|-------------------------|-------------|
|                                | <b>2021</b>             | <b>2020</b> |
| Discount rate                  | 2.55%                   | 2.14%       |
| Expected return on plan assets | 8.00%                   | 8.00%       |
| Rate of compensation increase  | 0.00%                   | 0.00%       |

St. Joseph's has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

**Plan Assets**

The following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.



**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

The following table sets forth the pension plan assets at fair value, held in the Wilmington Trust Collective Investment Trust, measured using NAV per share as a practical expedient as of December 31, 2021 and 2020:

| Asset class              | Fair Value Measurement Using<br>Investments Measured at NAV |                     |
|--------------------------|-------------------------------------------------------------|---------------------|
|                          | 2021                                                        | 2020                |
| Mutual funds             |                                                             |                     |
| Large cap value          | \$ 1,919,752                                                | \$ 1,711,008        |
| Overseas equity          | 1,110,221                                                   | 1,179,561           |
| Small cap growth         | 478,092                                                     | 493,691             |
| Small cap value          | 488,582                                                     | 515,817             |
| Fixed income             | 3,701,743                                                   | 3,347,072           |
| Large cap growth         | <u>1,958,617</u>                                            | <u>1,775,010</u>    |
| Total investments at NAV | <u>\$ 9,657,007</u>                                         | <u>\$ 9,022,159</u> |

The following table summarizes investments measured at fair value using NAV per share as a practical expedient.

|              | Fair Value          |                     | Unfunded<br>Commitments | Redemption<br>Frequency | Notice Period<br>Redemption |
|--------------|---------------------|---------------------|-------------------------|-------------------------|-----------------------------|
|              | 2021                | 2020                |                         |                         |                             |
| Mutual funds | <u>\$ 9,657,007</u> | <u>\$ 9,022,159</u> | <u>\$ -</u>             | Daily                   | One day notice              |

The pension plan's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the plan formulates the investment portfolio composed of the optimal combination of equity, debt and cash equivalents. Through portfolio diversification, the plan is seeking to earn a competitive rate of return while assuming a reasonable level of risk.

The expected returns on plan assets are developed in conjunction with actuaries and investment advisors and take into account long-term expectations for future returns and investment strategy. Amounts are compared to historical averages for reasonableness.

**Cash Flows**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2021:

|           | Pension<br>Benefits |
|-----------|---------------------|
| 2022      | \$ 903,054          |
| 2023      | 892,449             |
| 2024      | 893,287             |
| 2025      | 880,833             |
| 2026      | 877,442             |
| 2027-2031 | 4,115,386           |

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**Defined Contribution Plans**

Starting January 1, 2012, a defined contribution plan was established by St. Joseph's covering substantially all eligible employees that are over age twenty-one who have completed one year of service and one thousand hours or more of service. Employees are not required to make voluntary contributions to the discretionary plan in order to receive the employer's annual contribution. The annual discretionary employer contribution to the plan is determined by the Board of Trustees. For the year ended December 31, 2021, St. Joseph's accrued \$129,815 as a contribution to the plan in 2022. St. Joseph's did not contribute to the plan for the year ended December 31, 2020.

St. Ann's adopted a pension plan under the Internal Revenue Code Section 403(b) for all eligible employees. The plan allows each participating employee to contribute a certain percentage of his or her compensation, tax deferred, as defined by the plan. St. Ann's has the option, at the discretion of the Board of Trustees, to match employee deferrals. St. Ann's basic contribution rate is 3.0% of eligible participants' compensation as defined by the plan. For the years ended December 31, 2021 and 2020, St. Ann's contributed \$139,469 and \$159,406 to the plan, respectively.

**11. SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**Variable Consideration**

Estimates of variable consideration in determining the transaction price for patient service revenue as described in Notes 1 and 2.

**Litigation**

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. These allegations are in areas covered by the Organization's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial statements of the Organization. Events could occur that would change this estimate in the near term.

**Federal Awards**

Financial awards from federal, state and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions.

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**12. LIQUIDITY AND AVAILABILITY**

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditure are:

|                                                                         | <u>2021</u>          | <u>2020</u>          |
|-------------------------------------------------------------------------|----------------------|----------------------|
| Financial assets at year end                                            |                      |                      |
| Cash and cash equivalents                                               | \$ 2,573,377         | \$ 6,006,150         |
| Cash, resident security deposits and personal funds                     | 534,077              | 615,159              |
| Investments                                                             | 24,467,486           | 22,119,387           |
| Patient accounts receivable, net                                        | 3,992,835            | 3,571,195            |
| Estimated amounts due from third-party payors                           | 99,665               | -                    |
| Assets limited as to use, cash                                          | <u>59,332</u>        | <u>59,332</u>        |
| Total financial assets                                                  | <u>31,726,772</u>    | <u>32,371,223</u>    |
| Less financial assets not available to be used within one year          |                      |                      |
| Net assets with donor restrictions                                      | (264,902)            | (212,521)            |
| Funds held by trustees                                                  | (534,077)            | (615,159)            |
| Assets limited as to use, cash                                          | <u>(59,332)</u>      | <u>(59,332)</u>      |
|                                                                         | <u>(858,311)</u>     | <u>(887,012)</u>     |
| Financial assets available to meet general expenditures within one year | <u>\$ 30,868,461</u> | <u>\$ 31,484,211</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. At December 31, 2021 and 2020, the Organization has \$500,000 available through a line of credit to support operations.

**13. NET ASSETS**

Net assets with donor restrictions at December 31, 2021 and 2020 were available for the following purposes:

|                                    | <u>2021</u>       | <u>2020</u>       |
|------------------------------------|-------------------|-------------------|
| Capital acquisitions               | \$ 117,857        | \$ 98,813         |
| Technology to enhance patient care | 86,115            | 98,963            |
| Nursing                            | 25,000            | -                 |
| Patient activities program         | <u>35,930</u>     | <u>14,745</u>     |
|                                    | <u>\$ 264,902</u> | <u>\$ 212,521</u> |

**14. MEDICAL MALPRACTICE COVERAGE AND CLAIMS**

The Organization purchases professional health care liability insurance on an occurrence basis. Based upon the Organization's claims experience, there has been no accrual recorded as of December 31, 2021 and 2020. It is reasonably possible that this could change materially in the future.

**Peace Care, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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**15. RELATED-PARTY TRANSACTIONS**

During 2021 and 2020, Peace Care, Inc. received contributions and grants of \$330,000 and \$363,083, respectively from its sole member, Peace Ministries, Inc., comprised of grants of \$330,000 and \$300,000 and contributed services of \$-0- and \$63,083, respectively.

**16. NEW ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE**

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which will require expanded disclosures for lessors. It also requires lessees to recognize a “right to use” asset and a corresponding lease liability initially measured at the present value of the lease payments on the consolidated statements of financial position for all of the Organization’s lease obligations, except for certain leases classified as short-term leases. ASU 2016-02 is effective for the Organization for the annual period beginning on January 1, 2022.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which addresses the accounting for financial instruments and is effective for the Organization for the annual period beginning January 1, 2023. This ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates.

The Organization is currently evaluating the effect that these pronouncements will have on its consolidated financial statements and related disclosures.

**17. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 27, 2022, which is the date the consolidated financial statements were available to be issued. Based upon this evaluation, the Organization has determined that there were no other subsequent events that have occurred, other than as noted below, which require recognition or disclosure in the financial statements.

In January 2022, St. Joseph’s received round four funding of provider relief funds totaling \$235,596.

**SUPPLEMENTARY INFORMATION**

**Peace Care, Inc. and Affiliates**  
**Consolidating Statement of Financial Position**  
**December 31, 2021**

|                                                                               | Peace Care<br>St Ann's | Peace Care<br>St. Joseph's | Peace Care,<br>Inc. | Eliminations        | Total                |
|-------------------------------------------------------------------------------|------------------------|----------------------------|---------------------|---------------------|----------------------|
| <b>Assets</b>                                                                 |                        |                            |                     |                     |                      |
| Current assets                                                                |                        |                            |                     |                     |                      |
| Cash and cash equivalents                                                     | \$ 2,223,056           | \$ 163,217                 | \$ 187,104          | \$ -                | \$ 2,573,377         |
| Cash, resident security deposits and personal funds                           | 370,607                | 163,470                    | -                   | -                   | 534,077              |
| Investments                                                                   | 16,606,113             | 7,861,373                  | -                   | -                   | 24,467,486           |
| Patient accounts receivable, net                                              | 2,028,552              | 1,964,283                  | -                   | -                   | 3,992,835            |
| Due from affiliates                                                           | 110,348                | 86,840                     | -                   | (197,188)           | -                    |
| Estimated amounts due from third-party payors                                 | -                      | 99,665                     | -                   | -                   | 99,665               |
| Prepaid expenses                                                              | <u>307,333</u>         | <u>174,249</u>             | <u>-</u>            | <u>-</u>            | <u>481,582</u>       |
| Total current assets                                                          | 21,646,009             | 10,513,097                 | 187,104             | (197,188)           | 32,149,022           |
| Noncurrent assets                                                             |                        |                            |                     |                     |                      |
| Assets limited as to use, cash                                                | 59,332                 | -                          | -                   | -                   | 59,332               |
| Property and equipment, net                                                   | <u>12,143,628</u>      | <u>14,724,906</u>          | <u>-</u>            | <u>-</u>            | <u>26,868,534</u>    |
| Total assets                                                                  | <u>\$ 33,848,969</u>   | <u>\$ 25,238,003</u>       | <u>\$ 187,104</u>   | <u>\$ (197,188)</u> | <u>\$ 59,076,888</u> |
| <b>Liabilities and Net Assets</b>                                             |                        |                            |                     |                     |                      |
| Current liabilities                                                           |                        |                            |                     |                     |                      |
| Accounts payable and accrued expenses                                         | \$ 1,418,815           | \$ 1,569,258               | \$ -                | \$ -                | \$ 2,988,073         |
| Current maturities of long-term debt                                          | 305,830                | 819,893                    | -                   | -                   | 1,125,723            |
| Accrued pension payable                                                       | 32,001                 | 125,000                    | -                   | -                   | 157,001              |
| Due to affiliates                                                             | 66,205                 | 54,766                     | 76,217              | (197,188)           | -                    |
| Deferred revenue                                                              | -                      | 13,889                     | -                   | -                   | 13,889               |
| Current portion of CMS advance                                                | 369,396                | 57,574                     | -                   | -                   | 426,970              |
| Estimated liabilities due to third-party payors                               | 960,492                | -                          | -                   | -                   | 960,492              |
| Resident security deposits and personal funds                                 | <u>370,607</u>         | <u>163,470</u>             | <u>-</u>            | <u>-</u>            | <u>534,077</u>       |
| Total current liabilities                                                     | 3,523,346              | 2,803,850                  | 76,217              | (197,188)           | 6,206,225            |
| Accrued pension payable                                                       | -                      | 4,594,155                  | -                   | -                   | 4,594,155            |
| Long-term debt, net of current portion<br>and unamortized debt issuance costs | <u>8,878,977</u>       | <u>1,971,590</u>           | <u>-</u>            | <u>-</u>            | <u>10,850,567</u>    |
| Total liabilities                                                             | <u>12,402,323</u>      | <u>9,369,595</u>           | <u>76,217</u>       | <u>(197,188)</u>    | <u>21,650,947</u>    |
| Net assets                                                                    |                        |                            |                     |                     |                      |
| Without donor restrictions                                                    | 21,412,504             | 15,723,763                 | 24,772              | -                   | 37,161,039           |
| With donor restrictions                                                       | <u>34,142</u>          | <u>144,645</u>             | <u>86,115</u>       | <u>-</u>            | <u>264,902</u>       |
| Total net assets                                                              | <u>21,446,646</u>      | <u>15,868,408</u>          | <u>110,887</u>      | <u>-</u>            | <u>37,425,941</u>    |
| Total liabilities and net assets                                              | <u>\$ 33,848,969</u>   | <u>\$ 25,238,003</u>       | <u>\$ 187,104</u>   | <u>\$ (197,188)</u> | <u>\$ 59,076,888</u> |

See Independent Auditor's Report.

**Peace Care, Inc. and Affiliates**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**Year Ended December 31, 2021**

|                                                                               | Peace Care St. Ann's       |                         |                      | Peace Care St. Joseph's    |                         |                      | Peace Care Inc.            |                         |                   | Eliminations     | Total                      |                         |                      |
|-------------------------------------------------------------------------------|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|----------------------|----------------------------|-------------------------|-------------------|------------------|----------------------------|-------------------------|----------------------|
|                                                                               | Without Donor Restrictions | With Donor Restrictions | Total                | Without Donor Restrictions | With Donor Restrictions | Total                | Without Donor Restrictions | With Donor Restrictions | Total             |                  | Without Donor Restrictions | With Donor Restrictions | Total                |
| <b>Operating revenues</b>                                                     |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Net patient service revenues                                                  |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Skilled nursing                                                               |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Medicaid                                                                      | \$ 5,220,594               | \$ -                    | \$ 5,220,594         | \$ 5,484,408               | \$ -                    | \$ 5,484,408         | \$ -                       | \$ -                    | \$ -              | \$ -             | \$ 10,705,002              | \$ -                    | \$ 10,705,002        |
| Medicare                                                                      | 4,690,751                  | -                       | 4,690,751            | 6,350,783                  | -                       | 6,350,783            | -                          | -                       | -                 | -                | 11,041,534                 | -                       | 11,041,534           |
| Private                                                                       | 2,078,042                  | -                       | 2,078,042            | 956,727                    | -                       | 956,727              | -                          | -                       | -                 | -                | 3,034,769                  | -                       | 3,034,769            |
| Medical daycare                                                               | 704,665                    | -                       | 704,665              | -                          | -                       | -                    | -                          | -                       | -                 | -                | 704,665                    | -                       | 704,665              |
| Ancillaries                                                                   | <u>185,280</u>             | <u>-</u>                | <u>185,280</u>       | <u>307,934</u>             | <u>-</u>                | <u>307,934</u>       | <u>-</u>                   | <u>-</u>                | <u>-</u>          | <u>-</u>         | <u>493,214</u>             | <u>-</u>                | <u>493,214</u>       |
| Total net patient service revenues                                            | 12,879,332                 | -                       | 12,879,332           | 13,099,852                 | -                       | 13,099,852           | -                          | -                       | -                 | -                | 25,979,184                 | -                       | 25,979,184           |
| Contributed services                                                          | 142,038                    | -                       | 142,038              | 142,038                    | -                       | 142,038              | -                          | -                       | -                 | (284,076)        | -                          | -                       | -                    |
| Net assets released from restrictions -                                       |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Patient activities                                                            | <u>-</u>                   | <u>-</u>                | <u>-</u>             | <u>5,865</u>               | <u>(5,865)</u>          | <u>-</u>             | <u>-</u>                   | <u>-</u>                | <u>-</u>          | <u>-</u>         | <u>5,865</u>               | <u>(5,865)</u>          | <u>-</u>             |
| Total operating revenues                                                      | <u>13,021,370</u>          | <u>-</u>                | <u>13,021,370</u>    | <u>13,247,755</u>          | <u>(5,865)</u>          | <u>13,241,890</u>    | <u>-</u>                   | <u>-</u>                | <u>-</u>          | <u>(284,076)</u> | <u>25,985,049</u>          | <u>(5,865)</u>          | <u>25,979,184</u>    |
| <b>Operating expenses</b>                                                     |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Health care services                                                          | 12,481,258                 | -                       | 12,481,258           | 12,593,536                 | -                       | 12,593,536           | -                          | -                       | -                 | -                | 25,074,794                 | -                       | 25,074,794           |
| Management and general                                                        | <u>2,003,388</u>           | <u>-</u>                | <u>2,003,388</u>     | <u>2,158,903</u>           | <u>-</u>                | <u>2,158,903</u>     | <u>373,675</u>             | <u>-</u>                | <u>373,675</u>    | <u>(296,924)</u> | <u>4,239,042</u>           | <u>-</u>                | <u>4,239,042</u>     |
| Total operating expenses                                                      | <u>14,484,646</u>          | <u>-</u>                | <u>14,484,646</u>    | <u>14,752,439</u>          | <u>-</u>                | <u>14,752,439</u>    | <u>373,675</u>             | <u>-</u>                | <u>373,675</u>    | <u>(296,924)</u> | <u>29,313,836</u>          | <u>-</u>                | <u>29,313,836</u>    |
| Net operating loss                                                            | <u>(1,463,276)</u>         | <u>-</u>                | <u>(1,463,276)</u>   | <u>(1,504,684)</u>         | <u>(5,865)</u>          | <u>(1,510,549)</u>   | <u>(373,675)</u>           | <u>-</u>                | <u>(373,675)</u>  | <u>12,848</u>    | <u>(3,328,787)</u>         | <u>(5,865)</u>          | <u>(3,334,652)</u>   |
| <b>Nonoperating revenues, gains and other support</b>                         |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Contributions and grants                                                      | 402,435                    | 25,005                  | 427,440              | 232,312                    | 176,394                 | 408,706              | 330,000                    | -                       | 330,000           | (12,848)         | 951,899                    | 201,399                 | 1,153,298            |
| Special events                                                                | 22,020                     | -                       | 22,020               | 24,260                     | -                       | 24,260               | -                          | -                       | -                 | -                | 46,280                     | -                       | 46,280               |
| Net investment return                                                         | 1,684,576                  | -                       | 1,684,576            | 853,474                    | -                       | 853,474              | -                          | -                       | -                 | -                | 2,538,050                  | -                       | 2,538,050            |
| Miscellaneous                                                                 | 12,938                     | -                       | 12,938               | 84,289                     | -                       | 84,289               | -                          | -                       | -                 | -                | 97,227                     | -                       | 97,227               |
| Net assets released from restrictions - capital acquisitions                  | <u>5,608</u>               | <u>(5,608)</u>          | <u>-</u>             | <u>124,697</u>             | <u>(124,697)</u>        | <u>-</u>             | <u>12,848</u>              | <u>(12,848)</u>         | <u>-</u>          | <u>-</u>         | <u>143,153</u>             | <u>(143,153)</u>        | <u>-</u>             |
| Total nonoperating revenues, gains and other support                          | <u>2,127,577</u>           | <u>19,397</u>           | <u>2,146,974</u>     | <u>1,319,032</u>           | <u>51,697</u>           | <u>1,370,729</u>     | <u>342,848</u>             | <u>(12,848)</u>         | <u>330,000</u>    | <u>(12,848)</u>  | <u>3,776,609</u>           | <u>58,246</u>           | <u>3,834,855</u>     |
| <b>Nonoperating expenses</b>                                                  |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Direct costs of special events                                                | 9,426                      | -                       | 9,426                | 7,929                      | -                       | 7,929                | -                          | -                       | -                 | -                | 17,355                     | -                       | 17,355               |
| Fundraising                                                                   | 79,061                     | -                       | 79,061               | 116,144                    | -                       | 116,144              | -                          | -                       | -                 | -                | 195,205                    | -                       | 195,205              |
| Net periodic pension benefit costs                                            | <u>-</u>                   | <u>-</u>                | <u>-</u>             | <u>58,660</u>              | <u>-</u>                | <u>58,660</u>        | <u>-</u>                   | <u>-</u>                | <u>-</u>          | <u>-</u>         | <u>58,660</u>              | <u>-</u>                | <u>58,660</u>        |
| Total nonoperating expenses                                                   | <u>88,487</u>              | <u>-</u>                | <u>88,487</u>        | <u>182,733</u>             | <u>-</u>                | <u>182,733</u>       | <u>-</u>                   | <u>-</u>                | <u>-</u>          | <u>-</u>         | <u>271,220</u>             | <u>-</u>                | <u>271,220</u>       |
| Net nonoperating gain (loss)                                                  | <u>2,039,090</u>           | <u>19,397</u>           | <u>2,058,487</u>     | <u>1,136,299</u>           | <u>51,697</u>           | <u>1,187,996</u>     | <u>342,848</u>             | <u>(12,848)</u>         | <u>330,000</u>    | <u>(12,848)</u>  | <u>3,505,389</u>           | <u>58,246</u>           | <u>3,563,635</u>     |
| Changes in net assets before other changes                                    | 575,814                    | 19,397                  | 595,211              | (368,385)                  | 45,832                  | (322,553)            | (30,827)                   | (12,848)                | (43,675)          | -                | 176,602                    | 52,381                  | 228,983              |
| <b>Pension adjustment</b>                                                     |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Change in defined benefit pension plan gains and losses                       | <u>-</u>                   | <u>-</u>                | <u>-</u>             | <u>1,388,524</u>           | <u>-</u>                | <u>1,388,524</u>     | <u>-</u>                   | <u>-</u>                | <u>-</u>          | <u>-</u>         | <u>1,388,524</u>           | <u>-</u>                | <u>1,388,524</u>     |
| <b>Excess (deficiency) of revenues over Expenses and change in net assets</b> | 575,814                    | 19,397                  | 595,211              | 1,020,139                  | 45,832                  | 1,065,971            | (30,827)                   | (12,848)                | (43,675)          | -                | 1,565,126                  | 52,381                  | 1,617,507            |
| <b>Net assets</b>                                                             |                            |                         |                      |                            |                         |                      |                            |                         |                   |                  |                            |                         |                      |
| Beginning of year                                                             | <u>20,836,690</u>          | <u>14,745</u>           | <u>20,851,435</u>    | <u>14,703,624</u>          | <u>98,813</u>           | <u>14,802,437</u>    | <u>55,599</u>              | <u>98,963</u>           | <u>154,562</u>    | <u>-</u>         | <u>35,595,913</u>          | <u>212,521</u>          | <u>35,808,434</u>    |
| End of year                                                                   | <u>\$ 21,412,504</u>       | <u>\$ 34,142</u>        | <u>\$ 21,446,646</u> | <u>\$ 15,723,763</u>       | <u>\$ 144,645</u>       | <u>\$ 15,868,408</u> | <u>\$ 24,772</u>           | <u>\$ 86,115</u>        | <u>\$ 110,887</u> | <u>\$ -</u>      | <u>\$ 37,161,039</u>       | <u>\$ 264,902</u>       | <u>\$ 37,425,941</u> |

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