Presbyterian Senior Living Services, Inc.

Consolidated Financial Statements

December 31, 2021 and 2020

Certification of Chief Executive and Chief Financial Officers

We are responsible for the consolidated financial statements of Presbyterian Senior Living Services, Inc., as of December 31, 2021 and 2020, and attest that they are accurate, complete and fairly presented.

The accuracy and completeness of financial information depends on our systems, process and most importantly our integrity. Our commitment to integrity is reflected in the code of conduct that the leadership of Presbyterian Senior Living has established as the standard for the entire organization. We believe that this commitment, our processes and internal controls produce financial information that can be trusted.

Consolidated financial statements report our financial position and results using numbers and prescribed rules. They also include a significant amount of information that is required by financial reporting standards. We believe these consolidated financial statements disclose information that is important to create a complete picture of our stewardship of financial resources.

Consolidated financial statements alone can never reflect the breadth and depth of our stewardship of this ministry. They do not report on our most significant assets, our employees and volunteers. They also do not reflect our most important stewardship role: our commitment to provide Christian understanding and compassion to those seniors entrusted to our care. We believe that we continue to successfully fulfill the financial and nonfinancial aspects of our mission, extending a proud tradition of ministry that has served older persons guided by the life and teachings of Jesus for the past 115 years.

Finally, we believe in openly and honestly sharing information. Please feel free to contact either of us if you have questions on any part of this report, or if we can be of further assistance in understanding Presbyterian Senior Living's mission.

Jim Bernardo
Chief Executive Officer
Presbyterian Senior Living

Dyan McAlister
Chief Financial Officer
Presbyterian Senior Living

Independent Auditors' Report

To the Board of Directors of
Presbyterian Senior Living Services, Inc.

Opinion

We have audited the consolidated financial statements of Presbyterian Senior Living Services, Inc. (the Corporation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets (deficit) and cash flows for the years 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 the Corporation as of December 31, 2021 and 2020, and the results of their operations, changes in net assets (deficit) and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

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 GAAP, 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 Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors' 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 Corporation'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 Corporation'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.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 8, 2022

Presbyterian Senior Living Services, Inc.

Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 3,231,435	$ 1,472,762
Investments	1,924,740	1,730,791
Restricted deposits and funded reserves	1,890,545	1,798,120
Accounts receivable, net	605,602	909,248
Assets whose use is limited	2,270,200	4,154,919
Other assets	261,138	311,800
Property and equipment, net	26,193,280	26,251,649
Total assets	$ 36,376,940	$ 36,629,289
Liabilities and Net Assets (Deficit)		
Accounts payable	$ 700,487	$ 466,467
Accrued expenses	622,359	596,623
Resident deposits	41,280	89,000
Entrance fees payable	12,625,990	13,655,486
Other liabilities	9,201	63,966
CARES Act funding liabilities	143,010	378,227
Long-term debt	13,747,332	14,623,314
Due to affiliated entity	24,448,364	24,402,329
Deferred revenues from entrance fees	4,557,908	4,290,732
Total liabilities	56,895,931	58,566,144
Net Assets (Deficit)		
Without donor restrictions	(21,262,786)	(22,677,021)
With donor restrictions	743,795	740,166
Total net assets (deficit)	(20,518,991)	(21,936,855)
Total liabilities and net assets (deficit)	$ 36,376,940	$ 36,629,289

See notes to consolidated financial statements

Presbyterian Senior Living Services, Inc.

Consolidated Statements of Operations and Changes in Net Assets (Deficit)
Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Revenues, gains and other support:		
Resident services:		
Resident services	$ 12,806,357	$ 12,710,637
Amortization of entrance fees	962,791	945,811
Total resident services	13,769,148	13,656,448
Contributions, gifts, and bequests	5,979	10,752
Government grants	1,169,009	1,000,900
Government stimulus	711,731	488,522
Net assets released from restrictions	8,389	44,293
Total operating revenues and other support	15,664,256	15,200,915
Expenses:		
Nursing services	2,648,877	2,502,348
Rehabilitation	647,183	715,575
Recreation and special services	422,229	382,365
Pharmacy	103,839	67,881
Social services	54,384	72,787
Physician services	25,000	25,000
Food services	2,106,195	2,164,413
Building operations and maintenance	2,731,106	2,595,101
Housekeeping	403,310	328,278
Laundry and linen	55,596	58,452
Management and general	2,158,237	2,501,952
Employee benefits	481,858	589,524
Interest	614,154	577,405
Depreciation	1,891,504	2,276,474
Fundraising	52,476	44,456
Total expenses before nonrecurring expenses	14,395,948	14,902,011
Nonrecurring expenses, COVID-19	202,093	866,349
Operating income (loss)	1,066,215	(567,445)
Other income (loss):		
Investment income, net of investment expense	115,689	55,776
Realized gain (loss) on investments	116,890	(55,083)
Unrealized gain on investments	115,441	245,909
Total other income	348,020	246,602
Revenues in excess of (less than) expenses and change in net assets without donor restrictions	1,414,235	(320,843)

See notes to consolidated financial statements

Presbyterian Senior Living Services, Inc.

Consolidated Statements of Operations and Changes in Net Assets (Deficit)
Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets With Donor Restrictions		
Contributions, gifts, grants and bequests	$ 2,029	$ 30,390
Investment income, net of investment expense	9,989	28,301
Net assets released from restrictions	(8,389)	(44,293)
Change in net assets with donor restrictions	3,629	14,398
Change in net deficit	1,417,864	(306,445)
Net Assets (Deficit), Beginning	(21,936,855)	(21,630,410)
Net Assets (Deficit), Ending	$ (20,518,991)	$ (21,936,855)

See notes to consolidated financial statements

Presbyterian Senior Living Services, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net deficit	$ 1,417,864	$ (306,445)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	1,891,504	2,276,474
Proceeds from nonrefundable entrance fees and deposits	1,207,040	882,236
Amortization of entrance fees	(962,791)	(945,811)
(Recoveries of) provision for doubtful collections	(41,237)	150,863
Unrealized gain on investments	(115,441)	(245,909)
Realized (gain) loss on investments	(116,890)	55,083
Amortization of deferred financing costs	26,018	21,905
Changes in assets and liabilities:		
Accounts receivable	138,211	(173,309)
Entrance fees receivable	206,672	277,922
Other assets	50,662	53,158
Accounts payable	234,020	(294,203)
Accrued expenses	25,736	77,422
Other liabilities	(54,765)	(65,228)
CARES Act funding liabilities	(235,217)	378,227
Net cash provided by operating activities	3,671,386	2,142,385
Cash Flows From Investing Activities		
Acquisition of property and equipment	(1,833,135)	(1,099,825)
Purchases of investments	(634,175)	(5,340,602)
Proceeds from sale of investments	500,104	5,220,285
Net cash used in investing activities	(1,967,206)	(1,220,142)
Cash Flows From Financing Activities		
Refunds of entrance fees and deposits	(2,664,899)	(2,493,364)
Proceeds from refundable entrance fees and deposits	1,610,610	1,323,408
Principal payments on long-term debt	(902,000)	(796,664)
Proceeds from issuance of debt	-	4,000,000
Financing costs incurred	-	(69,103)
Change in due to affiliated entity	46,035	1,434,661
Net cash (used in) provided by financing activities	(1,910,254)	3,398,938
Net change in cash, cash equivalents and restricted cash	(206,074)	4,321,181
Cash, Cash Equivalents and Restricted Cash, Beginning	4,983,147	661,966
Cash, Cash Equivalents and Restricted Cash, Ending	$ 4,777,073	$ 4,983,147
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 591,133	$ 553,457
Reconciliation of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	$ 3,231,435	$ 1,472,762
Cash included in assets whose use is limited	1,545,638	3,510,385
Total cash, cash equivalents and restricted cash	$ 4,777,073	$ 4,983,147

See notes to consolidated financial statements

1. General Information

Presbyterian Senior Living Services, Inc. (an affiliate of PHI, doing business as Presbyterian Senior Living) (the Corporation) is a not-for-profit corporation, which operates Glen Meadows Retirement Community Inc., a Continuing Care Retirement Community, (the Community) located in Glen Arm, Maryland, which provides housing, health care and other related services to the elderly. The Glen Meadows Foundation (the Foundation) was established for the exclusive benefit of the Community and certain assets held by the Corporation are designated for the Foundation. The Corporation and Foundation are governed by independent Boards of Directors, who are elected by the Board of Trustees of PHI, doing business as Presbyterian Senior Living, the Corporation's parent organization.

The Community contains 113 independent living cottages, 84 independent living apartments, 36 assisted living units and a 31-bed skilled nursing facility. The Community covers approximately 60 acres of the 483-acre site owned by the Corporation.

The Corporation was formed on July 1, 1999, whereby all operations of Presbyterian Senior Services, Inc. (PSSI) were transferred to Presbyterian Senior Living Services, Inc. and Glen Meadows Retirement Community, Inc. PSSI's corporate existence was discontinued. Under this structure, the property, plant and certain equipment of PSSI were transferred to Glen Meadows Retirement Community, Inc., and the operations, other assets and all liabilities of PSSI were transferred to the Corporation, which is a fully controlled subsidiary of Presbyterian Senior Living, located in Dillsburg, Pennsylvania.

2. Summary of Significant Accounting Policies

Basis of Consolidation and Accounting

The consolidated financial statements of the Corporation include the financial position and operations of the Community and the Foundation. These consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. All material intercompany transactions have been eliminated.

Income Taxes

The Corporation and its subsidiaries are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and have been recognized as tax exempt under Section 501(a) of the IRC.

Use of Estimates

The preparation of consolidated financial statements in accordance 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents, for the purposes of the consolidated statements of financial position and cash flows, except for those included in investments or assets whose use is limited. The Corporation's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 per bank. At times during 2021 and 2020, the Corporation's cash balances may have exceeded the FDIC coverage. The Corporation has not experienced any loss in these accounts.

Restricted cash included in restricted deposits and funded reserves on the consolidated statements of financial position represents the cash portion of amounts required to be set aside by the Maryland Department of Aging to maintain and fund an operating reserve as discussed in Note 5. Restricted cash in assets whose use is limited represents cash and cash equivalents held for the Glen Meadows Foundation.

Investments and Investment Risk

The Corporation's investments are comprised of a variety of financial instruments. The fair values reported in the consolidated statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the statements of financial position could change materially in the near term.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of (less than) expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Accounts Receivable, Net

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired.

Included in accounts receivable, net are entrance fee receivables. Entrance fee receivables are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves are measured at fair value and is a portion of the investment portfolio allocable to this purpose in the consolidated statements of financial position and include the Maryland Department of Aging Operating Reserve.

Assets Whose Use is Limited

Assets whose use is limited are measured at fair value on the consolidated statements of financial position and include assets designated for capital projects and restricted by donors for capital improvements, charity care and scholarships.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value on the date of donation. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets for property and equipment. The Corporation's policy is to capitalize items in excess of $3,000 or for a group of items that are the same or similar in nature or function as a group totaling $3,000 or more and benefits more than one year.

Depreciable lives are determined as follows:

Land improvements	15-25 years
Buildings and improvements	10-40 years
Departmental equipment, furniture and fixtures	10-25 years
Vehicles	5 years

Deferred Financing Costs

The Corporation has deferred the costs incurred for obtaining the proceeds of the Corporation's long-term debt. These costs are being amortized over the life of the related debt agreement using the straight-line method, which approximates the effective interest method. Amortization expense is expected to be $26,018 for each of the next five years. Unamortized deferred financing costs are a direct deductions from the associated long-term debt included on consolidated statements of financial position and associated amortization expense is included as a component of interest expense on the consolidated statements of operations and changes in net assets (deficit).

Resident Deposits

Entrance fees and waiting list deposits received from prospective residents prior to occupancy under residence and care agreements are included in resident deposits on the consolidated statements of financial position. These deposits are transferred to deferred revenue upon occupancy of the related independent living units.

Deferred Revenue From Entrance Fees, Entrance Fees Payable and Amortization of Entrance Fees

Residents entering the Community execute a residence and care agreement, which requires payment of an entrance fee, based on the unit to be occupied. Ten percent of the entrance fee, as approved by the Maryland Department of Aging, is due upon execution of the agreement and the remainder is due upon occupancy. For the 100 percent refundable contracts, entrance fees are refundable in full upon termination of the agreement and subsequent reoccupancy of the unit. These entrance fees are not being amortized into revenue and are reflected as a liability in entrance fees payable on the consolidated statements of financial position. The Community also offers a 50 percent and a 75 percent nonrefundable contract.

The nonrefundable portion of the fee is amortized to revenue over the estimated life expectancy of each resident using the straight-line method, which approximates the period of time that services under the resident agreements are expected to be transferred to residents and the Corporation's performance obligation to the residents is satisfied and is classified as deferred revenue from entrance fees on the consolidated statements of financial position.

The portion of the guaranteed fee refundable upon reoccupancy is not being amortized and is reflected as a liability in entrance fees payable on the consolidated statements of financial position. The agreements provide for potential death or termination refunds of the nonrefundable portion if reoccupancy occurs before the contractual amortization is completed in accordance with the terms of the agreements. The remaining amount of unamortized, nonrefundable entrance fees is recorded as revenue upon surrender of the independent living unit. The gross contractual refund obligations under existing resident agreements was $13,896,965 at December 31, 2021.

Net Assets (Deficit)

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets available for use subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor Restrictions

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose to which the donation is restricted is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets (deficit) as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restriction in the accompanying consolidated financial statements.

The Corporation reports noncash gifts as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Resident Services Revenue

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

Resident services revenue is primarily comprised of independent living, assisted living and health center revenue streams, which are primarily derived from providing housing, skilled nursing, personal care and independent living services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, personal care and independent living revenues are recognized on a daily or month-to-month basis as services are rendered. Resident services revenue includes revenues from therapy services, other services such as housekeeping, laundry, transportation and other revenues from residents are considered one performance obligation which is satisfied over time as services are rendered. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to the resident in a retail setting (for example, pharmaceuticals and medical equipment), and the Corporation does not believe it is required to provide additional goods or services related to that sale.

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Resident services revenue for ancillary services is generally billed monthly in arrears.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. The Corporation's agreements with third-party payors provide for payments at amounts different from established rates. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Corporation estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends and retroactive adjustments are recognized in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payors follows:

Medicaid: Nursing services provided to Medicaid beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical diagnosis and other factorsi and the reimbursement methodology is subject to various limitations and adjustments. The Corporation's existence in Maryland exposes it to the risk of changes in Medicaid reimbursement in this state.

Medicare: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the Corporation's clinical assessment of its residents. The Corporation is required to clinically assess its residents at predetermined time periods throughout the year which are subject to review and adjustment by the Medicare program.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates based upon contractual obligations (i.e. the terms/rates agreed upon in the respective contracts).

Revenues From Provider Relief Funds

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

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources.

The Corporation has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the PRF, which were received and recognized as follows:

PRF Reporting Period	Payment Received Period	Total Payments Received	Revenues Recognized for the Years Ended December 31, 2021	2020
Period 1	April 10, 2020 to June 30, 2020	$ 418,029	$ -	$ 418,029
Period 2	July 1, 2020 to December 31, 2020	70,493	-	70,493
Period 3	January 1, 2021 to June 30, 2021	42,200	42,200	-
Period 4	July 1, 2021 to December 31, 2021	660,080	660,080	-
	Total	$ 1,190,802	$ 702,280	$ 488,522

The Corporation's methodology for calculating lost revenues in 2021 and 2020 was the difference between 2019 actual resident service revenues (base year) compared to actual resident service revenues in 2020 and 2021. The Corporation recorded revenues in government stimulus in the accompanying consolidated statements of operations and changes in net assets (deficit).

The Corporation also received funding from various state and local funding sources of $9,451 in 2021 to offset lost revenues and eligible expenses in accordance with the terms and conditions of the respective funding sources. The Corporation incurred lost revenues and eligible expenses of $9,451 in 2021 and therefore revenues were recognized and included in government stimulus in the accompanying consolidated statements of operation and changes in net assets (deficit).

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these consolidated financial statements were available to be issued.

Paycheck Protection Program and Subsequent Event

In April 2020, the Corporation received proceeds in the amount of $1,000,900 under the Paycheck Protection Program (PPP) (PPP Advance Round 1) which was established as part of the CARES Act (as amended by the Economic Aid Act (EAA) on December 27,2020) and is administered through the Small Business Administration (SBA). In January 2021, the Corporation also received second draw PPP loans in the amount of $1,169,009 (PPP Advance Round 2).

The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period.

The Corporation initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived. Any unforgiven portion is payable over five years at an interest rate of 1 percent with payments deferred until the SBA remits the organization's loan forgiveness amount to the lender, or, if the organization does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

Through December 31, 2020, the Corporation expended $1,000,900 of the PPP Advance Round 1 funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, and therefore, applied for forgiveness. Legal release was received during November 2020, therefore, the Corporation recorded government grants revenue of $1,000,900 within its consolidated statement of operations and changes in net assets (deficit) for the year ended December 31, 2020.

Through December 31, 2021, the Corporation expended $1,169,009 of the PPP Advance Round 2 funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, and therefore, applied for forgiveness. Legal release was received during December 2021, therefore, the Corporation recorded government grants revenue of $1,169,009 within its consolidated statement of operations and changes in net assets (deficit) for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), the Corporation is required to maintain its PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. The Corporation does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

Medicare Advance Payments

The CARES Act also included provisions to expand the U.S. Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. The Corporation received $378,227 in payments under this program during 2020. The outstanding balance at December 31, 2021 and 2020 was $143,010 and $378,227 respectively, which are recorded as CARES Act funding liabilities in the accompanying consolidated statements of financial position. Repayment occurs automatically through a partial offset in Medicare payments due to the Corporation for services rendered to Medicare program beneficiaries. Repayment of the advances began in April 2021 and will end 17 months later (29 months from initial payment), at which time the advances are required to be repaid in full. The Corporation expects services rendered during 2022 to be sufficient to offset the payments received.

Charity Care

Charity care is measured based on the Corporation's direct and indirect costs of providing charity care services. If the Corporation's costs cannot be specifically attributed to services provided to charity care patients, the Corporation uses reasonable techniques to estimate these costs.

The Corporation's policy is to provide services without charge, or at amounts less than its established rates, to residents who meet the certain need-based criteria. These criteria consider resident income and expenses, financial resources, state and federal government requirements and other sources of payment for services which may be provided. The Corporation also receives donations and income from permanently restricted trusts and investments designated to the needs of its residents under this policy.

Amounts the Corporation provided and received for resident financial support are as follows for the years ended December 31:

	2021	2020
Charity care provided at the estimated cost thereof, net of amounts received from residents and third-party payors	$ 630,473	$ 707,390
Additional benevolent care provided at amounts less than pre-established charges for private pay services	551,294	709,558
Giving and income designated for resident financial support	8,135	10,631

Advertising

Advertising costs are expensed in the years incurred. Total advertising expense for the years ended December 31, 2021 and 2020, amounted to $23,316 and $27,879, respectively.

Performance Indicator

The Corporation measures the performance of its operations using the consolidated statements of operations and changes in net assets (deficit), which includes a performance indicator of operations labeled as "revenues in excess of (less than) expenses."

Subsequent Events

The Corporation has evaluated subsequent events through April 8, 2022, which is the date the consolidated financial statements were available to be issued.

New Accounting Pronouncement, Reference Rate Reform

During March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The Corporation is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its consolidated financial statements.

3. Resident Services Revenue

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors which include the following:

- Payors (Medicare, Medicaid, managed or other insurance) have different reimbursement and payment methodologies
- Length of the resident's stay or service
- Method of reimbursement (fee-for-service or capitation)
- Corporation's line of business that provided the service (skilled nursing, assisted living, independent living and outpatient)

The composition of resident services revenue by payor and level of care for the years ended December 31:

	2021					
	Independent Living	Assisted Living	Health Center	Outpatient	Other	Total
Private pay	$ 7,006,000	$ 2,648,564	$ 575,900	$ 44,763	$ -	$ 10,275,227
Medicare	328,597	198,625	1,109,923	-	-	1,637,145
Medicaid	-	-	829,905	-	-	829,905
Other	-	252	-	14,919	48,909	64,080
Amortization of nonrefundable entrance fees	366,693	596,098	-	-	-	962,791
Total	$ 7,701,290	$ 3,443,539	$ 2,515,728	$ 59,682	$ 48,909	$ 13,769,148

	2020					
	Independent Living	Assisted Living	Health Center	Outpatient	Other	Total
Private pay	$ 6,797,981	$ 2,636,529	$ 837,983	$ 55,761	$ -	$ 10,328,254
Medicare	327,471	258,640	667,561	-	-	1,253,672
Medicaid	-	-	957,398	-	-	957,398
Other	-	-	99,033	13,037	59,243	171,313
Amortization of nonrefundable entrance fees	546,719	399,092	-	-	-	945,811
Total	$ 7,672,171	$ 3,294,261	$ 2,561,975	$ 68,798	$ 59,243	$ 13,656,448

4. Investments, Assets Whose Use is Limited and Fair Value Measurements

The composition of investments and assets whose use is limited as of December 31 is as follows:

	2021	2020
Cash	$ 1,449,819	$ 3,397,923
Money market funds	95,819	112,461
Marketable equity securities	572,004	517,144
Mutual funds:		
Equity	1,536,665	1,441,322
Fixed income	2,431,178	2,214,980
Total investments and assets whose use is limited	6,085,485	7,683,830
Less:		
Restricted deposits and funded reserves (Note 5)	(1,890,545)	(1,798,120)
Assets whose use is limited:		
Designated for renovations and charity care	(820,381)	(756,996)
Project fund	(1,449,819)	(3,397,923)
Total investments	$ 1,924,740	$ 1,730,791

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Money market funds are valued based on the carrying amount which approximates fair value due to the short-term nature of these instruments.

Marketable equity securities and mutual funds are valued at fair value based on quoted market prices in active markets.

The investments and assets whose use is limited included in the above table are measured at fair value and considered Level 1 financial instruments. Cash is presented in the tables above in the total line to reconcile total assets whose use is limited and investments to the consolidated statements of financial position.

5. Restricted Deposits and Funded Reserves

The Corporation is required by the Maryland Department of Aging to maintain and fund an operating reserve based on the Corporation's operating expenses for the most recent fiscal year, excluding depreciation and amortization. Annual contributions to the operating reserve equaling at least 15 percent of the calculated reserve amount are required. As of December 31, 2021 and 2020, the operating reserve fund balance was $1,890,545 and $1,798,120, respectively, representing cumulative contributions and earnings in satisfaction of the minimum operating reserve amount. No additional contributions are anticipated to be made based on the following computations:

Total 2020 operating expenses	$ 14,902,011
Less:	
Depreciation	(2,276,474)
Amortization	(21,905)
Total expenses subject to operating reserve (A)	12,603,632
Operating reserve requirement - 15% of (A)	1,890,545
Operating reserve fund as of December 31, 2021	$ 1,890,545
Total 2019 operating expenses	$ 14,245,094
Less:	
Depreciation	(2,241,480)
Amortization	(16,146)
Total expenses subject to operating reserve (A)	11,987,468
Operating reserve requirement - 15% of (A)	1,798,120
Operating reserve fund as of December 31, 2020	$ 1,798,120

As of December 31, 2021, the Corporation has cash and cash equivalents and investments (Note 6) available, which could be used to fund future reserve requirements.

6. Liquidity

The Corporation's financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position comprise the following:

	2021	2020
Cash and cash equivalents	$ 3,231,435	$ 1,472,762
Investments	1,924,740	1,730,791
Accounts receivable, net	605,602	909,248
Total	$ 5,761,777	$ 4,112,801

As a part of the Corporation'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 Corporation invests cash in excess of daily requirements in short-term investments.

7. Related-Party Transactions

Presbyterian Senior Living provides the Corporation with various management and administrative services including a full-time licensed administrator who is responsible for the Community's operation, a full-time bookkeeper and a human resources employee. The Corporation incurred fees under the arrangement of $1,315,193 and $1,389,263 for the years ended December 31, 2021 and 2020, respectively. This fee is classified as general and administrative expenses on the consolidated statements of operations and changes in net assets (deficit).

As of December 31, 2021 and 2020, the amounts payable to Presbyterian Senior Living were $24,448,364 and $24,402,329, respectively and is included in due to affiliated entity on the consolidated statements of financial position. The amounts due are subordinate to principal and interest payments on the Corporation's long-term indebtedness. The parent has pledged continued support and has the financial ability to provide continued support to the Corporation if needed.

Prelude Systems, Inc. (Prelude) is a joint venture between Presbyterian Senior Living and Diakon Lutheran Social Ministries (Diakon). Prelude is an information technology services organization with a wide range of programs designed to support the information systems needs of Presbyterian Senior Living and Diakon as well as other health care and community service organizations. During 2021 and 2020, the Corporation incurred expenses related to Prelude of $89,740 and $93,845, respectively, for information services provided by Prelude, of which $3,443 is included in accounts payable as of December 31, 2020. No amounts were payable as of December 31, 2021.

8. Property and Equipment

A summary of property and equipment and accumulated depreciation as of December 31 is as follows:

	2021		2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 14,182,370	$ -	$ 14,182,370	$ -
Land and improvements	3,111,886	2,851,084	3,111,886	2,741,802
Building and improvements	48,419,558	37,482,087	46,730,681	35,773,197
Departmental equipment, furniture and fixtures	2,958,819	2,739,702	2,930,701	2,674,747
Vehicles	255,993	255,993	255,993	255,993
Construction in progress	593,520	-	485,757	-
	$ 69,522,146	43,328,866	$ 67,697,388	41,445,739
Net book value		$ 26,193,280		$ 26,251,649

Land consists of 455 acres, of which 60 acres are utilized for the Community. The remaining land may be available for future expansion.

9. Long-Term Debt

Long-term debt as of December 31 consists of the following:

	2021	2020
Term loan, principal and interest are payable in equal monthly installments of $100,483, interest is fixed at 4.15% through April 2022. In May 2022, the interest rate will reset to LIBOR plus 2.75%. Principal balloon payment and interest outstanding are due in April 2027.	$ 10,089,499	$ 10,853,241
Term loan, principal and interest are payable in equal monthly installments of $23,935, interest is fixed at 3.80% through April 2027. Principal balloon payment and interest outstanding are due in April 2027.	3,796,073	3,934,331
Less deferred financing costs	(138,240)	(164,258)
Total long-term debt	$ 13,747,332	$ 14,623,314

The above obligations are subject to various covenants, which include the achievement of certain pre-established financial indicators.

Maturities for the five years subsequent to December 31, 2021, and thereafter are as follows:

Years ending December 31:	
2022	$ 940,212
2023	980,009
2024	1,020,123
2025	1,064,673
2026	1,109,743
Thereafter	8,770,812
Total	$ 13,885,572

10. Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2021	2020
Subject to expenditure for specified purpose:		
Caring community	$ 19,917	$ 19,509
Community enhancement	9,125	8,073
Subject to the passage of time:		
Contributions receivable	-	4,500
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Educational Scholarship	2,085	2,606
Benevolent care and capital improvements	293,978	287,338
Subject to endowment spending policy and appropriation:		
Educational Scholarship	51,383	51,383
Benevolent care and capital improvements	367,307	366,757
	$ 743,795	$ 740,166

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2021	2020
Satisfaction of purpose restrictions:		
Community enhancement	$ 269	$ 20,203
Restricted-purpose spending-rate distributions and appropriations:		
Educational Scholarship	1,600	500
Capital improvements	6,520	23,590
Total	$ 8,389	$ 44,293

12. Endowments

The endowments consist of donor-restricted funds established for a variety of purposes supporting the Corporation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Corporation has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence described in state laws. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Corporation considers the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The following schedule represents endowment net asset composition by type of fund and changes in endowment net assets for the years ended December 31, 2021 and 2020.

	With Donor Restrictions	
	2021	2020
Endowment net assets, beginning of year	$ 708,084	$ 692,524
Investment income	9,989	28,301
Contributions	550	11,349
Appropriation of endowment assets for expenditures	(3,870)	(24,090)
Endowment net assets, end of year	$ 714,753	$ 708,084

Amounts to be held in perpetuity totaled $418,690 and $418,140 for the years ended December 31, 2021 and 2020, respectively.

Funds With Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Corporation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as net assets without donor restrictions. The Corporation's policy states that should a fund fall below the original principal balance the Corporation would curtail spending in the fund until it returned to its original principal balance. There were no such deficiencies reported as of December 31, 2021 or 2020.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a composite of public market indexes based on the mix of investments held, while assuming a moderate level of investment risk. The Corporation's goal is that its endowment funds, over time, to provide an average rate of return of approximately the consumer price index plus the investment spending percentage plus one percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Corporation has a total return policy for calculating the amounts available for distribution each year. It is a percent of its endowment fund's average fair value over the prior three calendar year ends. This percentage per the policy was up to 4.0 percent for 2021 and 2020. Actual distributions are for specific projects approved by the Board of Directors. If the total return amount exceeds the actual earnings of the endowment funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, then from the accumulated net capital gains of endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the fund balance. In establishing this policy, the Corporation considered the long-term expected return on its endowment assets. Accordingly, over the long term, the Corporation intends that the current spending policy will allow its endowment funds to grow at an average of inflation plus one percent annually. This is consistent with the Corporation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

13. Retirement Plan

The Corporation participates in the defined-contribution retirement plan of Presbyterian Senior Living. This plan covers all employees who have completed one year of service and have reached the age of 21. Vesting occurs after three years of service. Contributions to the plan are at the discretion of the Board of Trustees of Presbyterian Senior Living and employees have the ability to direct how their contributions are invested. For the years ended December 31, 2021 and 2020, retirement plan expense totaled approximately $27,493 and $31,104, respectively.

14. Functionalized Expenses

The consolidated statements of operations and changes in net assets (deficit) report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis. Benefits and payroll taxes are allocated on the basis of total wages. Information technology and insurance are allocated on direct cost and management fees are allocated based on the home office direct costs.

The costs of providing services and supporting activities are as follows for the years ended December 31, 2021 and 2020:

	2021			
	Resident Services	General and Administrative	Fundraising and Development	Total
Salaries and wages	$ 4,670,280	$ 201,300	$ -	$ 4,871,580
Employee benefits and other employee costs	515,775	23,174	-	538,949
Payroll taxes	350,995	15,129	-	366,124
Professional services	655,883	18,825	-	674,708
Management services	463,474	799,243	52,476	1,315,193
Accounting fees	-	1,374	-	1,374
Advertising and promotion	23,316	-	-	23,316
Office expenses	337,162	206,157	-	543,319
Information technology	79,653	10,087	-	89,740
Occupancy	1,106,180	9,789	-	1,115,969
Travel	6,034	833	-	6,867
Conferences and meetings	1,941	1,825	-	3,766
Interest	545,123	69,031	-	614,154
Insurance	206,747	1,206	-	207,953
Training and development	-	9,325	-	9,325
Depreciation	1,880,533	10,971	-	1,891,504
Bad debt	-	(41,237)	-	(41,237)
Pharmacy	103,839	-	-	103,839
Medical supplies	262,574	-	-	262,574
Therapy services	636,060	-	-	636,060
Dietary services	334,123	-	-	334,123
Food, beverages and supplies	875,465	-	-	875,465
Maintenance and repairs	150,105	3,271	-	153,376
Total cost of services provided	$ 13,205,262	$ 1,340,303	$ 52,476	$ 14,598,041

	2020			
	Resident Services	General and Administrative	Fundraising and Development	Total
Salaries and wages	$ 4,794,054	$ 142,419	$ -	$ 4,936,473
Employee benefits and other employee costs	601,760	40,769	-	642,529
Payroll taxes	353,837	10,512	-	364,349
Professional services	582,035	101,676	-	683,711
Management services	441,369	903,438	44,456	1,389,263
Legal fees	-	44,004	-	44,004
Advertising and promotion	27,879	-	-	27,879
Office expenses	682,338	239,657	-	921,995
Information technology	83,297	10,548	-	93,845
Occupancy	1,006,846	9,209	-	1,016,055
Travel	6,133	1,451	-	7,584
Conferences and meetings	1,459	1,185	-	2,644
Interest	512,505	64,900	-	577,405
Insurance	187,209	1,092	-	188,301
Training and development	-	6,835	-	6,835
Depreciation	2,263,270	13,204	-	2,276,474
Bad debt	-	150,863	-	150,863
Pharmacy	67,881	-	-	67,881
Medical supplies	372,314	-	-	372,314
Therapy services	705,829	-	-	705,829
Dietary services	268,529	-	-	268,529
Food, beverages and supplies	854,690	-	-	854,690
Maintenance and repairs	163,819	5,089	-	168,908
Total cost of services provided	$ 13,977,053	$ 1,746,851	$ 44,456	$ 15,768,360

15. Commitments and Contingencies

Senior Living Services Industry

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

COVID-19

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Corporation's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were available to be issued. COVID-19 may impact various parts of the Corporation's 2022 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.