Parker Health Group, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2021 and 2020

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Independent Auditors' Report

To the Board of Trustees of
Parker Health Group, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Parker Health Group, Inc. and Subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and the results of their operations, changes in their net assets 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 Company 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 Company'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 Company'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 Company'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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Iselin, New Jersey
June 8, 2022

Parker Health Group, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 20,530,634	$ 7,157,763
Prepaid expenses and other receivables	421,485	373,142
Accounts receivable, net	1,165,776	1,669,000
Total current assets	22,117,895	9,199,905
Investments	1,912,111,095	1,763,251,033
Property and Equipment, Net	129,216,152	115,383,595
Intangible Assets	372,000	1,501,073
Total assets	$ 2,063,817,142	$ 1,889,335,606
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,484,136	$ 1,365,098
Construction payable	2,593,513	2,390,051
Accrued expenses	8,250,359	7,076,077
Total current liabilities	12,328,008	10,831,226
Accrued Pension Cost	20,691,532	14,613,460
Total liabilities	33,019,540	25,444,686
Net Assets Without Donor Restrictions	2,030,797,602	1,863,890,920
Total liabilities and net assets	$ 2,063,817,142	$ 1,889,335,606

See notes to consolidated financial statements

Parker Health Group, Inc. and Subsidiaries

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

	2021	2020
Revenues		
Revenue from residential facilities	$ 31,923,916	$ 31,145,931
COVID-19 grant income	3,056,374	1,336,388
Investment income and other revenue	307,511,292	137,834,312
Total revenues	342,491,582	170,316,631
Expenses		
Salaries and wages	37,189,947	36,281,466
Employee benefits	22,082,311	19,550,414
Supplies and other	24,041,974	21,889,791
Depreciation and amortization	4,902,736	6,659,047
Intangible assets impairment loss	1,129,091	-
Goodwill impairment loss	-	508,991
Bad debt	404,901	479,862
NJ provider tax assessment	1,532,927	1,519,358
Total expenses	91,283,887	86,888,929
Operating income	251,207,695	83,427,702
Net Periodic Pension Costs, Nonoperating	1,785,366	1,196,176
(Loss) Gain on Disposal of Fixed Assets	(28,967)	36,425
Net Change in Unrealized Gains and Losses on Investments	(80,967,144)	70,776,754
Revenues in excess of expenses	171,996,950	155,437,057
Pension Liability Adjustment	(5,090,268)	(3,224,929)
Change in net assets without donor restrictions	166,906,682	152,212,128
Net Assets, Beginning	1,863,890,920	1,711,678,792
Net Assets, Ending	$ 2,030,797,602	$ 1,863,890,920

See notes to consolidated financial statements

Parker Health Group, Inc. and Subsidiaries

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

	2021	2020
Cash Flows From Operating Activities		
Change in net assets without donor restrictions	$ 166,906,682	$ 152,212,128
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Bad debt	404,901	479,862
Depreciation and amortization	4,902,736	6,659,047
Loss (gain) on disposal of property and equipment	28,967	(36,425)
Intangible assets impairment loss	1,129,091	-
Goodwill impairment loss	-	508,991
Net realized and unrealized gains and losses on investments	(194,984,499)	(160,849,932)
Pension liability adjustment	5,090,268	3,224,929
Changes in assets and liabilities:		
Prepaid expenses and other receivables	(48,343)	141,422
Accounts receivable	98,323	(434,362)
Accounts payable, construction payable and accrued expenses	(1,096,731)	(2,648,223)
Accrued pension costs	987,804	712,051
Net cash used in operating activities	(16,580,801)	(30,512)
Cash Flows From Investing Activities		
Net sales of investments	46,124,437	13,596,809
Purchases of property and equipment, net	(16,170,765)	(18,512,472)
Net cash provided by (used in) investing activities	29,953,672	(4,915,663)
Net change in cash and cash equivalents	13,372,871	(4,946,175)
Cash and Cash Equivalents, Beginning	7,157,763	12,103,938
Cash and Cash Equivalents, Ending	$ 20,530,634	$ 7,157,763
Supplemental Disclosure of Noncash Investing Activities		
Construction payable for property and equipment	$ 2,593,513	$ 2,390,051

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Parker Health Group, Inc. (PHG) provides high quality long-term care services, offering a continuum of aging services, including residential and home and community based programs. Specializing in skilled nursing facilities, post-acute, assisted living, adult day services, rehabilitation services and memory care.

PHG is the sole corporate member of The Francis E. Parker Memorial Home, Inc. (the Home), FE Parker Assisted Living (Stonegate), Parker at Monroe (Monroe), Parker at Somerset (Somerset), Parker Home and Community Based Services (PHCBS), and Parker Rehabilitation Services (Rehab). On September 1, 2018, the Board of Trustees of the Home approved the transfer of the endowment fund to the newly incorporated Parker Foundation, Inc. (Parker Foundation). PHG is also the sole corporate member of Parker Foundation.

The consolidated financial statements include the accounts of PHG and its wholly owned affiliates of the Home, Parker Foundation, Stonegate, Monroe, Somerset, Rehab and PHCBS (collectively, the Company). All significant intercompany transactions and balances have been eliminated in consolidation.

The Company includes four skilled nursing facilities. The Home is comprised of two skilled nursing facilities, Parker at Landing Lane (Landing Lane) and Parker at River Road (River Road). Landing Lane located in New Brunswick, New Jersey serves 47 residents and River Road located in Piscataway, New Jersey serves 79 residents. Monroe in Monroe Township, New Jersey is a skilled nursing facility, which serves 96 residents. Somerset located in Somerset, New Jersey is a skilled nursing facility, which serves 120 residents and patients. The Company also includes Stonegate, an assisted living facility that serves 60 residents. The Company also includes PHCBS with locations in Highland Park and Monroe Township (suspended operations in March 2020 and resumed operations in August 2021), serves approximately 75 participants daily as well as Rehab, a rehabilitation program, provides physical, occupational and speech therapy to residents and community members.

The Company evaluated subsequent events for recognition or disclosure through June 8, 2022, the date the consolidated financial statements were available to be issued.

In October 2021, PHCBS and Association Health Group, Inc. (VNAHG) entered into a contribution agreement to form Parker Advanced Care Institute at VNAGH, Inc., a New Jersey nonprofit corporation, to provide home-based primary medical care which is expected to begin operations in 2022. Total estimated capital contributions for Parker are $11,500,000, of which $3,600,000 will be paid on the closing date and the remainder is payable annually over a three year period.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents, excluding investments.

Accounts Receivable, Residents

The Company 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. The allowance for doubtful accounts for accounts receivable, residents was $269,114 and $289,274 at December 31, 2021 and 2020, respectively. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed impaired.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income (including realized and unrealized gains and losses on investments, investment expense, interest and dividends) is included in the determination of revenues in excess of 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.

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

The Company has alternative investment funds (the Funds) that are stated at fair value which is based on the Company's percentage of the net asset value of the fund as this represents a practical expedient of fair value. The Funds represent ownership interests in managed funds that primarily invests in securities which are traded on domestic and international exchanges. The Company's ownership structure does not provide for control over the related investees, and the Company's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. The Company has unfunded commitments as of December 31, 2021 of $318,750. The Company has no plans to sell the Fund or a portion of the amounts currently owned except for Ashmore EM Blended Debt Fund LP which was liquidated in 2022. Financial information used by the Company to evaluate the Funds are provided by the investment manager or general partner, and includes fair value valuations of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the Funds are audited annually by independent auditors, although the timing of reporting the results of the audit does not coincide with the Company's annual consolidated financial statement reporting. There is uncertainty in the accounting for the Funds arising from factors such as a lack of active markets, lack of transparency in underlying holdings, and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates of fair value will change in the near term.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was $4,902,736 in 2021 and $6,553,408 in 2020.

Goodwill and Intangible Assets

The Company elected the Private Company Council Alternative (Topic 350) for goodwill and as a result, goodwill is amortized on the straight-line basis over the remaining lease term of the Monroe Adult Day Center. Goodwill is tested for impairment when a triggering event occurs that indicates the fair value of the Company may be below the carrying value. In March 2020, a triggering event occurred as the Monroe Adult Day Center was closed. An impairment loss of $508,991 was recognized in the year ended December 31, 2020.

Intangible assets are comprised of purchased licenses to operate 31 nursing home beds and are determined to have an indefinite useful life. The assets are not amortized, but instead tested for impairment at least annually in accordance with the authoritative guidance which also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment annually. An impairment loss of $1,129,091 was recognized in the year ended December 31, 2021. Under the State of New Jersey's add a bed program, the Company also has the ability to add twelve more beds to its existing license.

Impairment of Long-lived Assets

The Company reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, if the Company determines the estimated future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. No impairment losses were recognized in 2021 and 2020, other than the goodwill and intangible asset impairment losses referenced above.

Net Assets Without Donor Restrictions

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

Revenue From Residential Facilities

Revenue from residential facilities is reported at the amount that reflects the consideration the Company 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. Revenue from residential facilities is recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of skilled nursing, assisted living, adult day care, and rehabilitation revenue streams, which are primarily derived from providing housing, skilled nursing, assisted living, adult day, and rehabilitation services to residents at a stated daily, monthly, or per service fee, net of any explicit or implicit price concessions. The Company has determined that the services included in the fee represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Company considers the services provided to residents in to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living, adult day care, and rehabilitation revenues are recognized on a daily or month-to-month basis as services are rendered.

The Company receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Company 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.

COVID-19 Grant Income

COVID-19 grant income is primarily comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Company 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 measured and 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 hospitals and other healthcare providers. In accordance with the terms and conditions of PRF, the Company could apply the funding lost revenues and eligible expenses not reimbursed from other sources. The Company received PRF payments of $930,550 in 2021 and $1,336,388 in 2020.

The Company also received funding from other funding sources of $2,125,824 in 2021 to offset eligible expenses in accordance with the terms and condition of the respective funding sources.

The Company incurred lost revenues and eligible expenses of $3,056,374 in 2021 and $1,336,388 in 2020 in accordance with the terms of the respective funding sources. These amounts were recognized and included in COVID-19 grant income in the accompanying consolidated statements of operations and changes in net assets.

The Company's methodology for calculating lost revenues was the difference between 2019 revenue from residential facilities as compared to actual revenue from residential facilities in 2021 and 2020.

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.

Measure of Operations

The Company's income from operations includes all operating revenues and expense that are an integral part of its program and supporting activities. Nonoperating activities are limited to net periodic pension costs, nonoperating and the net change in unrealized gains and losses on investments and other activities considered to be more unusual and nonrecurring in nature.

Revenues in Excess of Expenses

The consolidated statements of operations and changes in net assets include the determination of revenues in excess of expenses. Changes in net assets without donor restrictions, which are excluded from the determination of revenues in excess of expenses consistent with industry practice, include the pension liability adjustment.

Estimated Malpractice Costs

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

Derivative Financial Instrument

During 2020, the Company entered into call option agreements, which are considered derivative financial instruments, in order to manage market risk related to certain equities. The derivatives are reported at fair value in the consolidated balance sheet. During 2021 and 2020, 61,171 and 28,445 calls were written, respectively. At December 31, 2021 and 2020, the Company had 4,768 and 5,850 call options outstanding, respectively. They received $1,734,043 and $1,294,170 in premiums for these calls in 2021 and 2020, respectively. The fair value of the derivatives was $183,842 and $348,450 at December 31, 2021 and 2020, respectively, and is included in investments on the consolidated balance sheets.

Income Taxes

The Company is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on its income under Section 501(a) of the IRC.

Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 consolidated financial statement presentation.

Future Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842) (as amended)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize right-to-use assets and lease liabilities, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Company's leasing activities. The Company will be required to adopt the guidance in ASU No. 2016-02 for years beginning after December 15, 2021. The Company has not yet determined the impact ASU No. 2016-02 will have on its consolidated financial statements.

During August 2018, the FASB issued ASU No. 2018-14, *Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 modifies and clarifies the required disclosures for employers that sponsor defined benefit pension or other postretirement plans. These amendments remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. ASU No. 2018-14 is effective for fiscal years ending after December 15, 2021. The Company does not believe that the adoption of ASU No. 2018-14 will have a material effect on its consolidated results of operation, financial position and cash flows.

2. Liquidity and Availability of Resources

As of December 31, 2021 and 2020, the Company's financial assets available for general expenditure within one year of the balance sheets date consist of the following:

	2021	2020
Cash and cash equivalents	$ 20,530,634	$ 7,157,763
Accounts receivable, net	1,165,776	1,669,000
Investments	1,912,111,095	1,763,251,033
Total	$ 1,933,807,505	$ 1,772,077,796

The Company's investments are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the information above.

As part of the Company'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.

3. Investments

Investments consist of the following at December 31:

	2021	2020
Cash and cash equivalents	$ 23,954,570	$ 38,985,441
Marketable equity securities:		
Johnson & Johnson	602,729,792	554,316,586
Other	614,612,132	285,879,623
Mortgage backed-securities	10,770,019	10,687,085
Alternative investment fund	203,122,853	24,409,407
U.S. Treasury and other government obligations	12,453,201	12,807,575
Mutual funds:		
Equity	243,699,155	552,529,190
Fixed	-	25,032,992
Exchange traded funds:		
Ishares Core S&P 500	-	33,616,549
Vanguard Large Cap	44,533,762	48,133,428
Vanguard FTSE Developed Market	45,652,965	-
Other	74,320,188	90,596,869
Corporate bonds	36,262,458	86,256,288
Total	$ 1,912,111,095	$ 1,763,251,033

Investment performance, with the exception of the net change in unrealized gains and losses on investments, is included in investment income and other revenue on the consolidated statements of operations and changes in net assets and consists of the following:

	2021	2020
Interest and dividends	$ 34,027,817	$ 50,316,701
Net realized gain on sales of investments	275,951,643	90,073,178
Investment expense	(2,468,361)	(2,558,790)
Total	$ 307,511,099	$ 137,831,089
Net change in unrealized gains and losses on investments	$ (80,967,144)	$ 70,776,754

4. Fair Value Measurements

The Company measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

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

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

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

The fair value of the Company's investments was measured using the following inputs at December 31, 2021:

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate bonds	$ -	$ 36,262,458	$ -	$ 36,262,458
Mutual funds:				
Equity	243,699,155			243,699,155
Exchange traded funds:				
Vanguard FTSE Developed Market	45,652,965	-	-	45,652,965
Vanguard Large Cap	44,533,762	-	-	44,533,762
Other	74,320,188	-	-	74,320,188
Marketable equity securities:				
Johnson & Johnson	602,729,792	-	-	602,729,792
Other	614,612,132	-	-	614,612,132
U.S. Treasury and other government obligations	-	12,453,201	-	12,453,201
Mortgage backed-securities	-	10,770,019	-	10,770,019
Total investments in the fair value hierarchy	$ 1,625,547,994	$ 59,485,678	$ -	1,685,033,672
Cash and cash equivalents				23,954,570
Investment measured at net asset value (a)				203,122,853
Total investments				$ 1,912,111,095

The fair value of the Company's investments was measured using the following inputs at December 31, 2020:

	Assets at Fair Value as of December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate bonds	$ -	$ 86,256,288	$ -	$ 86,256,288
Mutual funds:				
Equity	552,529,190	-	-	552,529,190
Fixed	25,032,992	-	-	25,032,992
Exchange traded funds:				
Ishares Core S&P 500	33,616,549	-	-	33,616,549
Vanguard Large Cap	48,133,428	-	-	48,133,428
Other	90,596,869	-	-	90,596,869
Marketable equity securities:				
Johnson & Johnson	554,316,586	-	-	554,316,586
Other	285,879,623	-	-	285,879,623
U.S. Treasury and other government obligations	-	12,807,575	-	12,807,575
Mortgage backed-securities	-	10,687,085	-	10,687,085
Total investments in the fair value hierarchy	$ 1,590,105,237	$ 109,750,948	$ -	1,699,856,185
Cash and cash equivalents				38,985,441
Investment measured at net asset value (a)				24,409,407
Total investments				$ 1,763,251,033

(a) Certain investments that are measured at net asset value (NAV) per share (or its equivalent) have not been classified in the fair value hierarchy. The amounts presented above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

The Company did not have any financial assets measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2021 and 2020.

Mutual funds, exchange traded funds and marketable equity securities are valued at fair value, which are the amounts reported in the consolidated balance sheets, based on quoted market prices.

U.S. Treasury and other government obligations, corporate bonds and mortgage backed-securities are estimated using quoted market prices, if available, or estimated using quoted market prices of similar securities.

The Company's alternative investment fund measured at net asset value as a practical expedient consist of the following at December 31:

	2021 Fair Value (in 000's)	2020 Fair Value (in 000's)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Limited partnerships, hedge fund (a)	$ -	$ 24,409	Monthly, after initial one year lock up	45 days
Axiom International Small Cap (b)	52,583	-	Monthly	15 days
Ashmore EM Blended Debt Fund LP (c)	50,139	-	Annually	Quarterly
Orbis Institutional Global Equity LP (d)	54,267	-	Daily	Daily
Sands Capital Emerging Markets Growth Feeder Fund (e)	46,078	-	Monthly	10 days
Ziegler Link-Age Fund III, L.P. (f)	56	-	Quarterly, after funded commitment satisfied	Quarterly

(a) This principal purpose of this fund is to seek capital appreciation through investing in investment funds managed by third-party investment managers who employ a variety of alternative investment strategies. Investments include nontraditional instruments such as total return swaps or options, futures contracts, distressed investments, hedge funds, debt securities, comingled private investment funds, mortgage-related bonds and fixed income securities. The fund has redemption restrictions with an initial lock-up of the funds for one year. After the last business day of initial year, at least 50 percent of the portfolio will be invested in classes whose corresponding investments in their respective investment funds offer at least quarterly liquidity.

(b) The principal purpose of this fund is to invest in international small cap funds traded on the national market. Investments include common and preferred stock as well as short-term investments. The fund has a monthly redemption with a fifteen-day notice period.

(c) The Ashmore EM Blended Debt Fund LP is a fund that actively allocates assets across the external debt, local currency, and corporate debt investment themes. The fund has an annual redemption with a quarterly notice period.

(d) The principal purpose of this fund is to invest in domestic and international common stock traded on the national market. The fund has a daily redemption with a daily notice period.

(e) The principal purpose of this fund is to achieve long-term capital appreciation through the master fund of international common stock. The fund has a monthly redemption with a ten-day notice period.

(f) The principal purpose of this fund is to generate returns for investors while fostering collaboration and innovation between strategic investors and portfolio companies in the aging and post-acute sector. The fund has a quarterly redemption after the funded commitment is fully satisfied with a quarterly notice period.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Land and land improvements	$ 14,325,262	$ 14,325,262
Buildings and improvements	104,934,008	104,235,574
Furniture, fixtures and equipment	21,968,554	19,104,586
Vehicles	904,448	844,798
Construction in progress	48,381,412	33,405,509
Total	190,513,684	171,915,729
Less accumulated depreciation	61,297,532	56,532,134
Property and equipment, net	$ 129,216,152	$ 115,383,595

In January 2019, the Company began an expansion and renovation project for Somerset. The total future commitments of the Company under this contract are approximately $12,747,000, which is anticipated to be financed with the Company's investments.

6. Revenue From Residential Facilities

The Company 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.

Revenue from residential facilities consist of the following for the year ended December 31, 2021:

	Skilled Nursing	Assisted Living	Adult Day	Rehabilitation	Total
Private pay	$ 17,769,923	$ 3,622,372	$ 243,257	$ 30,061	$ 21,665,613
Medicaid	4,630,720	273,486	10,376	-	4,914,582
Medicare	2,383,186	-	-	1,347,916	3,731,102
Managed care	818,133	-	-	794,486	1,612,619
Total	$ 25,601,962	$ 3,895,858	$ 253,633	$ 2,172,463	$ 31,923,916

Revenue from residential facilities consist of the following for the year ended December 31, 2020:

	Skilled Nursing	Assisted Living	Adult Day	Rehabilitation	Total
Private pay	$ 16,394,270	$ 3,529,284	$ 306,079	$ 54,525	$ 20,284,158
Medicaid	3,655,881	230,424	28,904	-	3,915,209
Medicare	3,876,675	-	-	1,033,295	4,909,970
Managed care	1,323,911	-	-	712,683	2,036,594
Total	$ 25,250,737	$ 3,759,708	$ 334,983	$ 1,800,503	$ 31,145,931

7. Pension Plans

Defined Benefit Pension Plan

The Company sponsors a defined benefit pension plan (the Plan) covering substantially all of its employees. Benefits under the Plan are based on average compensation and years of service. The Company's funding policy is to contribute annually at least the minimum amounts required under the Employee Retirement Income Security Act of 1974.

The following is a summary of the Plan's funded status at December 31:

	2021	2020
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 77,852,632	$ 62,498,505
Service cost	6,317,682	4,737,992
Interest cost	2,066,290	2,103,244
Actuarial loss	5,015,315	9,971,507
Benefits paid	(1,617,073)	(1,458,616)
Benefit obligation, end of year	89,634,846	77,852,632
Change in plan assets:		
Fair value of plan assets, beginning of year	63,239,172	51,822,025
Actual return on plan assets	3,821,215	9,975,763
Employer contributions	3,500,000	2,900,000
Benefits paid	(1,617,073)	(1,458,616)
Fair value of plan assets, end of year	68,943,314	63,239,172
Funded status	$ (20,691,532)	$ (14,613,460)

Components of net periodic benefit cost at December 31:

	2021	2020
Operating:		
Service cost, included in employee benefits	$ 6,317,682	$ 4,737,992
Nonoperating:		
Interest cost	2,066,290	2,103,244
Expected return on plan assets	(5,450,714)	(4,487,496)
Amortization of unrecognized net loss	1,599,058	1,188,076
Total net periodic benefit cost	$ 4,532,316	$ 3,541,816

The following table sets forth the actual asset allocation and target asset allocation for Plan assets at December 31:

	2021	2020	2021 Target Asset Allocation	2020 Target Asset Allocation
Asset categories:				
Equity securities	46 %	55 %	75 %	55 %
Fixed income and other securities	54	45	25	45
Total	100 %	100 %	100 %	100 %

Investment objectives for the Plan assets are to:

- Preserve capital;
- Ensure that sufficient assets are available to provide a fully funded retirement plan for employees;
- Achieve the optimal return within specified risk tolerances;
- Invest assets prudently in a high-quality, diversified manner; and
- Adhere to established guidelines.

The Plan assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with the Company's risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management styles, providing a broad exposure to different segments of the fixed income and equity markets.

The overall expected long-term rate-of-return-on-assets assumption was chosen to anticipate the long range experience of the Plan, including the consideration of the allocation of the Plan assets between equity and debt securities. The recognition of inflationary trends in the economy was also considered to determine the overall expected long-term rate-of-return-on-assets.

The following tables summarize instruments measured at fair value on a recurring basis for the Plan as of December 31, 2021 and 2020:

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 231,685	$ -	$ -	$ 231,685
Collective investment funds, fixed income	-	36,747,299	-	36,747,299
Mutual funds, equity	31,316,460	-	-	31,316,460
Total investments in the fair value hierarchy	$ 31,316,460	$ 36,747,299	$ -	68,295,444
Cash and cash equivalents				647,870
Total				$ 68,943,314

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 310,966	$ -	$ -	$ 310,966
Collective investment funds, fixed income	-	28,229,265	-	28,229,265
Collective investment fund, equity	-	34,698,935	-	34,698,935
Total investments in the fair value hierarchy	$ 310,966	$ 62,928,200	$ -	63,239,166
Cash and cash equivalents				6
Total				$ 63,239,172

The following is a description of the valuation methodologies used for the plan's assets measured at fair value:

- Money market funds are valued at the quoted NAV of shares held by the Plan at year-end.
- Collective investment funds - fixed income are valued based on the NAV per unit of participation in the fund. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities and is considered to be a readily determinable fair value. The funds invest primarily in corporate debt securities and obligations issued or guaranteed by the U.S. government, its agencies and instrumentalities, with the objective of approximating as closely as possible the total rate of return for a specified benchmark.
- Collective investment fund - equity is valued based on the NAV per unit of participation in the fund. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities and is considered to be a readily determinable fair value. The fund invests primarily in U.S. and non U.S. equity securities with the objective of approximating as closely as practicable the capitalization weighed total return of the markets in certain countries for publicly traded equity securities.
- Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

Years ending December 31:	
2022	$ 1,822,090
2023	2,204,052
2024	2,203,302
2025	2,457,627
2026	2,681,204
2027-2031	16,363,925

The Company expects to contribute approximately $1,700,000 to the Plan in the upcoming year.

A net loss of $27,556,179 in 2021 and $22,510,423 in 2020 represents the unrecognized component of net periodic benefit cost included in net assets without donor restrictions at year-end. There was no prior service cost unrecognized in net assets without donor restriction at December 31, 2021 and 2020. The estimated amortization of unrecognized net loss that is expected to be recognized in net periodic pension cost in 2022 is $1,673,510.

The weighted-average assumptions used in computing the benefit obligation of the Plan at December 31 are as follows:

	2021	**2020**
Discount rate	2.99 %	2.57 %
Rate of compensation increase	15.00/4.00 *	3.00

* A rate of compensation increase of 15 percent was utilized for 2022 and 4 percent was utilized thereafter

The assumptions used to determine net periodic benefit cost are as follows:

	2021	2020
Rate of compensation increase	3.00 %	3.00 %
Discount rate	2.57	3.38
Expected return on plan assets	8.50	8.50

The measurement date used to determine the pension plan asset and benefit obligation information was December 31.

Defined Contribution Plan

The Company also maintains a 403(b) defined contribution plan covering substantially all full-time and part-time employees of PHG. The Plan does not allow for contributions by PHG. Certain administrative expenses of maintaining the Plan are paid for by PHG. These expenses were approximately $60,000 and $42,700 for December 31, 2021 and 2020, respectively, and are included in employee benefits on the consolidated statements of operations and changes in net assets.

8. Contingencies

As a not-for-profit corporation in the State of New Jersey, the Company is an organization which presently qualifies for an exemption from real property taxes; however, a number of cities, municipalities and school districts in the State of New Jersey have challenged and continue to challenge such exemption. The possible future financial effects of this matter on the Company, if any, are not presently determinable.

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. Recently, government activity has increased 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.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Company'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 Company'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, closure of certain facilities or service lines, 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.

9. Concentrations of Credit Risk

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

At December 31, 2021 and 2020, approximately 32 percent and 31 percent, respectively, of investments are holdings of Johnson & Johnson stock.

The Company grants credit without collateral to its residents, primarily related to providing residential and healthcare related services.

10. Functional Expenses

The Company provides housing, healthcare and other related services to residents within its geographic location.

Expenses relating to providing these services are as follows in 2021:

	Resident Services	Management and General	Total
Salaries and wages	$ 29,561,635	$ 7,628,312	$ 37,189,947
Employee benefits	15,993,229	6,089,082	22,082,311
Supplies and other	11,598,309	12,443,665	24,041,974
Depreciation	4,902,736	-	4,902,736
Intangible impairment loss	-	1,129,091	1,129,091
Bad debt	-	404,901	404,901
NJ provider tax assessment	1,532,927	-	1,532,927
Total	$ 63,588,836	$ 27,695,051	$ 91,283,887

Expenses relating to providing these services are as follows in 2020:

	Resident Services	Management and General	Total
Salaries and wages	$ 28,674,399	$ 7,607,067	$ 36,281,466
Employee benefits	13,220,557	6,329,857	19,550,414
Supplies and other	11,222,553	10,667,238	21,889,791
Depreciation and amortization	6,659,047	-	6,659,047
Goodwill impairment loss	-	508,991	508,991
Bad debt	-	479,862	479,862
NJ provider tax assessment	1,519,358	-	1,519,358
Total	$ 61,295,914	$ 25,593,015	$ 86,888,929

11. Self-Funded Plans

Effective January 1, 2018, the Company began a self-insurance program for its employee health insurance costs. Estimated self-insurance costs are accrued based upon data provided by the third-party administrator of the program and historical claim experience. Self-insurance costs incurred under this program were $6,925,316 and $6,197,221 in 2021 and 2020, respectively, and are included in employee benefits in the accompanying consolidated statements of operations and changes in net assets. The Company estimated self-insured health insurance liability was $1,178,236 and $820,000 at December 31, 2021 and 2020, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets.

12. Operating Lease

In 2018, the Company entered into a lease for space to operating the Monroe Adult Day Center. Future minimum base rental payments on this operating lease are as follows:

Years ending December 31:	
2022	$ 170,568
2023	181,939
2024	187,625
2025	62,542
Total	$ 602,674

Rental expense, including common area maintenance costs, related to this lease was $243,888 in 2021 and 2020.

Parker Health Group, Inc. and Subsidiaries

Consolidating Balance Sheet
December 31, 2021

	The Francis E. Parker Memorial Home	Parker Foundation	Parker at Stonegate	Parker at Monroe	Parker at Somerset	Parker Rehabilitation Services	Parker Health Group	PHCBS	Consolidated Balance
Assets									
Current Assets									
Cash and cash equivalents	$ 5,140,532	$ 415,262	$ 759,789	$ 1,305,806	$ 689,797	$ 331,467	$ 11,711,729	$ 176,252	$ 20,530,634
Prepaid expenses and other receivables	1,923	-	31,224	4,377	40,685	-	314,841	28,435	421,485
Accounts receivable, net	54,594	-	37,340	164,588	557,345	314,905	-	37,004	1,165,776
Total current assets	5,197,049	415,262	828,353	1,474,771	1,287,827	646,372	12,026,570	241,691	22,117,895
Investments	-	1,912,111,095	-	-	-	-	-	-	1,912,111,095
Property and Equipment, Net	12,678,673	-	20,141,067	34,598,496	6,216,353	243,610	54,897,103	440,850	129,216,152
Intangible Assets	-	-	-	-	-	-	372,000	-	372,000
Total assets	$ 17,875,722	$ 1,912,526,357	$ 20,969,420	$ 36,073,267	$ 7,504,180	$ 889,982	$ 67,295,673	$ 682,541	$ 2,063,817,142
Liabilities and Net Assets									
Current Liabilities									
Accounts payable	$ 124,580	$ -	$ 52,844	$ 71,618	$ 333,161	$ 4,985	$ 886,249	$ 10,699	$ 1,484,136
Construction payable	5,123	-	11,886	5,622	-	-	2,570,882	-	2,593,513
Accrued expenses	465,254	462,075	145,925	161,604	383,548	4,795	6,624,200	2,958	8,250,359
Total current liabilities	594,957	462,075	210,655	238,844	716,709	9,780	10,081,331	13,657	12,328,008
Accrued Pension Cost	-	-	-	-	-	-	20,691,532	-	20,691,532
Total liabilities	594,957	462,075	210,655	238,844	716,709	9,780	30,772,863	13,657	33,019,540
Net Assets Without Donor Restrictions	17,280,765	1,912,064,282	20,758,765	35,834,423	6,787,471	880,202	36,522,810	668,884	2,030,797,602
Total liabilities and net assets	$ 17,875,722	$ 1,912,526,357	$ 20,969,420	$ 36,073,267	$ 7,504,180	$ 889,982	$ 67,295,673	$ 682,541	$ 2,063,817,142

Parker Health Group, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2021

	The Francis E. Parker Memorial Home	Parker Foundation	Parker at Stonegate	Parker at Monroe	Parker at Somerset	Parker Rehabilitation Services	Parker Health Group	PHCBS	Consolidated Balance
Revenues									
Revenue from residential facilities	$ 7,385,457	$ -	$ 3,895,858	$ 8,334,978	$ 9,839,623	$ 2,172,463	$ 41,904	$ 253,633	$ 31,923,916
COVID-19 grant income	2,125,824	-	251,694	678,856	-	-	-	-	3,056,374
Investment income and other revenue	-	307,511,099	-	-	141	52	-	-	307,511,292
Total revenues	9,511,281	307,511,099	4,147,552	9,013,834	9,839,764	2,172,515	41,904	253,633	342,491,582
Expenses									
Salaries and wages	10,411,086	-	2,971,926	7,008,138	8,315,465	1,769,267	5,758,216	955,849	37,189,947
Employee benefits	5,577,261	-	1,526,665	3,789,243	4,473,580	871,818	5,363,120	480,624	22,082,311
Supplies and other	5,057,571	2,880,542	2,088,759	3,823,802	5,064,507	315,054	4,181,827	629,912	24,041,974
Depreciation and amortization	1,282,862	-	1,473,128	1,459,015	298,852	31,612	256,245	101,022	4,902,736
Intangible assets impairment loss	-	-	-	-	-	-	1,129,091	-	1,129,091
Bad debt	2,000	-	94	6,453	240,000	96,000	-	60,354	404,901
NJ provider tax assessment	609,979	-	-	480,677	442,271	-	-	-	1,532,927
Total expenses	22,940,759	2,880,542	8,060,572	16,567,328	18,834,675	3,083,751	16,688,499	2,227,761	91,283,887
Operating income (loss)	(13,429,478)	304,630,557	(3,913,020)	(7,553,494)	(8,994,911)	(911,236)	(16,646,595)	(1,974,128)	251,207,695
Net Periodic Pension Costs, Nonoperating	-	-	-	-	-	-	1,785,366	-	1,785,366
Loss on Disposal of Fixed Assets	(3,421)	-	(14,881)	(9,877)	(788)	-	-	-	(28,967)
Net Change in Unrealized Gains and Losses on Investments	-	(80,967,144)	-	-	-	-	-	-	(80,967,144)
Revenues in excess of (less than) expenses	(13,432,899)	223,663,413	(3,927,901)	(7,563,371)	(8,995,699)	(911,236)	(14,861,229)	(1,974,128)	171,996,950
Pension Liability Adjustment	-	-	-	-	-	-	(5,090,268)	-	(5,090,268)
Net Asset Transfers	17,575,948	(74,002,082)	3,706,241	7,256,972	8,156,436	1,001,685	34,419,868	1,884,932	-
Change in net assets without donor restrictions	4,143,049	149,661,331	(221,660)	(306,399)	(839,263)	90,449	14,468,371	(89,196)	166,906,682
Net Assets, Beginning	13,137,716	1,762,402,951	20,980,425	36,140,822	7,626,734	789,753	22,054,439	758,080	1,863,890,920
Net Assets, Ending	$ 17,280,765	$ 1,912,064,282	$ 20,758,765	$ 35,834,423	$ 6,787,471	$ 880,202	$ 36,522,810	$ 668,884	$ 2,030,797,602