Parker Health Group, Inc.
and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2022 and 2021

Parker Health Group, Inc. and Subsidiaries

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December 31, 2022 and 2021

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Parker Health Group, Inc. and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 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 on pages 22-23 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

Wilkes-Barre, Pennsylvania
June 15, 2023

Parker Health Group, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 12,675,118	$ 20,530,634
Prepaid expenses and other receivables	129,895	421,485
Accounts receivable, net	1,569,399	1,165,776
Total current assets	14,374,412	22,117,895
Investments	1,688,777,946	1,912,111,095
Investment in Joint Venture	2,910,398	-
Property and Equipment, Net	135,587,063	129,216,152
Intangible Assets	372,000	372,000
Total assets	$ 1,842,021,819	$ 2,063,817,142
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 754,821	$ 1,484,136
Construction payable	2,515,780	2,593,513
Accrued expenses	9,168,447	8,250,359
Total current liabilities	12,439,048	12,328,008
Accrued Pension Cost	9,233,318	20,691,532
Total liabilities	21,672,366	33,019,540
Net Assets Without Donor Restrictions	1,820,349,453	2,030,797,602
Total liabilities and net assets	$ 1,842,021,819	$ 2,063,817,142

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, 2022 and 2021

	2022	2021
Revenues		
Revenue from residential facilities	$ 34,846,139	$ 31,923,916
COVID-19 grant income	920,165	3,056,374
Investment income and other revenue	48,168,458	307,511,292
Total revenues	83,934,762	342,491,582
Expenses		
Salaries and wages	46,397,511	37,189,947
Employee benefits	20,579,433	22,082,311
Supplies and other	23,134,470	24,041,974
Depreciation	6,775,645	4,902,736
Intangible assets impairment loss	-	1,129,091
Bad debt	282,001	404,901
NJ provider tax assessment	1,539,391	1,532,927
Total expenses	98,708,451	91,283,887
Operating (loss) income	(14,773,689)	251,207,695
Net Periodic Pension Costs, Nonoperating	1,898,388	1,785,366
Loss on Disposal of Property and Equipment	(269,538)	(28,967)
Loss on Investment in Joint Venture	(689,602)	-
Net Change in Unrealized Gains and Losses on Investments	(210,944,809)	(80,967,144)
Revenues (less than) in excess of expenses	(224,779,250)	171,996,950
Pension Liability Adjustment	14,331,101	(5,090,268)
Change in net assets without donor restrictions	(210,448,149)	166,906,682
Net Assets, Beginning	2,030,797,602	1,863,890,920
Net Assets, Ending	$ 1,820,349,453	$ 2,030,797,602

See notes to consolidated financial statements

Parker Health Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets without donor restrictions	$ (210,448,149)	$ 166,906,682
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Bad debt	282,001	404,901
Depreciation	6,775,645	4,902,736
Loss on disposal of property and equipment	269,538	28,967
Intangible assets impairment loss	-	1,129,091
Net realized and unrealized gains and losses on investments	194,015,406	(194,984,499)
Loss in investment in joint venture	689,602	-
Pension liability adjustment	(14,331,101)	5,090,268
Changes in assets and liabilities:		
Prepaid expenses and other receivables	291,590	(48,343)
Accounts receivable	(685,624)	98,323
Accounts payable and accrued expenses	188,773	(1,293,320)
Accrued pension costs	2,872,887	987,804
Net cash used in operating activities	(20,079,432)	(16,777,390)
Cash Flows From Investing Activities		
Contribution to investment in joint venture	(3,600,000)	-
Net sales of investments	29,317,743	46,124,437
Purchases of property and equipment	(13,493,827)	(15,974,176)
Net cash provided by investing activities	12,223,916	30,150,261
Net change in cash and cash equivalents	(7,855,516)	13,372,871
Cash and Cash Equivalents, Beginning	20,530,634	7,157,763
Cash and Cash Equivalents, Ending	$ 12,675,118	$ 20,530,634
Supplemental Disclosure of Noncash Investing Activities		
Construction payable for property and equipment	$ 2,515,780	$ 2,593,513

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, Inc. (Stonegate), Parker at Monroe, Inc. (Monroe), Parker at Somerset, Inc. (Somerset), Parker Home and Community Based Services, Inc. (PHCBS) and Parker Rehabilitation Services, Inc. (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, 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 15, 2023, the date the consolidated financial statements were available to be issued.

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 $436,887 and $269,114 at December 31, 2022 and 2021, 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 (less than) 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 of $253,125 and $318,750 as of December 31, 2022 and 2021, respectively. 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.

Investment in Joint Venture

In October 2021, PHCBS and Association Health Group, Inc. (VNAHG) entered into a contribution agreement to form Parker Advanced Care Institute at VNAHG, Inc. (PACI), a New Jersey nonprofit corporation, to provide home-based primary medical care which began operations in 2022. PHCBS holds a 50% membership interest in PACI. Total estimated capital contributions for the Company are $11,500,000, of which $3,600,000 was paid during 2022 and the remainder is payable annually over a three year period. The Company remaining contributions are expected to be financed with the investments.

The Company recognized a loss on their investment in PACI of $689,602 in 2022. Summarized financial information related to PACI as of and for the year ending December 31, 20220 is presented below:

Net revenue	$	8,251,859
Revenues less than expenses		(1,774,761)
Total assets		3,350,805
Total liabilities		1,130,009

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 $6,775,645 in 2022 and $4,902,736 in 2021.

Intangible Assets

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. No impairment loss was recognized in the year ended December 31, 2022. 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 2022 and 2021, other than the intangible asset impairment loss 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 Company 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 $920,165 in 2022 and $930,550 in 2021.

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. No other funding sources were received in 2022.

The Company incurred lost revenues and eligible expenses of $920,165 in 2022 and $3,056,374 in 2021 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 2020 through 2022.

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, loss on disposal of property and equipment, loss on investment in joint venture, and the net change in unrealized gains and losses on investments and other activities considered to be more unusual and nonrecurring in nature.

Revenues (Less than) in Excess of Expenses

The consolidated statements of operations and changes in net assets include the determination of revenues (less than) in excess of expenses. Changes in net assets without donor restrictions, which are excluded from the determination of revenues (less than) 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

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 2022 and 2021, 75,650 and 61,171 calls were written, respectively. At December 31, 2022 and 2021, the Company had 7,750 and 4,768 call options outstanding, respectively. They received $4,278,277 and $1,734,043 in premiums for these calls in 2022 and 2021, respectively. The fair value of the derivatives was $751,850 and $183,842 at December 31, 2022 and 2021, 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 2021 amounts have been reclassified to conform to the 2022 consolidated financial statement presentation.

Accounting Standard Adopted

In 2022, the Company adopted FASB Accounting Standards Update (ASU) No. 2018-14, *Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU 2018-14 eliminated certain disclosures, including amounts in accumulated other comprehensive income to be recognized as components of net periodic benefit cost, and the amount and timing of plan assets to be returned to the employer, over the next fiscal year, and amended and simplified disclosures for nonpublic entities related to Level 3 assets and liabilities. ASU No. 2018-14 also eliminated the requirement to disclose certain effects of a one-percentage point change in assumed healthcare cost trend rates and added disclosures for a description of the reasons for significant gains and losses affecting the projected benefit obligation for the period. The adoption of ASU No. 2018-14 did not have an impact on the Company's financial position or results of operations.

Future Accounting Pronouncements

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, respectively, the FASB also issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses;* ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses;* ASU No. 2019-05 *Targeted Transition Relief*; ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*; and ASU No. 2020-03, *Codification Improvements to Financial Instruments*. ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will its results of operations, financial position, and cash flows.

2. Liquidity and Availability of Resources

As of December 31, 2022 and 2021, the Company's financial assets available for general expenditures within one year of the consolidated balance sheets date consist of the following:

	2022	2021
Cash and cash equivalents	$ 12,675,118	$ 20,530,634
Accounts receivable, net	1,569,399	1,165,776
Investments	1,688,777,946	1,912,111,095
Total	$ 1,703,022,463	$ 1,933,807,505

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:

	2022	2021
Cash and cash equivalents	$ 23,857,853	$ 23,954,570
Marketable equity securities:		
Johnson & Johnson	598,731,857	602,729,792
Other	506,914,375	614,612,132
Mortgage backed-securities	19,950,753	10,770,019
Alternative investment funds	113,274,925	203,122,853
U.S. Treasury and other government obligations	12,699,394	12,453,201
Mutual funds,		
Equity	233,906,107	243,699,155
Exchange traded funds:		
Vanguard Large Cap	35,099,906	44,533,762
Vanguard FTSE Developed Market	37,525,335	45,652,965
Other	66,739,191	74,320,188
Corporate bonds	40,078,250	36,262,458
Total	$ 1,688,777,946	$ 1,912,111,095

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

	2022	2021
Interest and dividends	$ 35,695,717	$ 34,027,817
Net realized gain on sales of investments	16,929,403	275,951,643
Investment expense	(4,472,188)	(2,468,361)
Total	$ 48,152,932	$ 307,511,099
Net change in unrealized gains and losses on investments	$ (210,944,809)	$ (80,967,144)

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, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate bonds	$ -	$ 40,078,250	$ -	$ 40,078,250
Mutual funds:				
Equity	233,906,107	-	-	233,906,107
Exchange traded funds:				
Vanguard FTSE Developed Market	37,525,335	-	-	37,525,335
Vanguard Large Cap	35,099,906	-	-	35,099,906
Other	66,739,191	-	-	66,739,191
Marketable equity securities:				
Johnson & Johnson	598,731,857	-	-	598,731,857
Other	506,914,375	-	-	506,914,375
U.S. Treasury and other government obligations	-	12,699,394	-	12,699,394
Mortgage backed-securities	-	19,950,753	-	19,950,753
Total investments in the fair value hierarchy	$ 1,478,916,771	$ 72,728,397	$ -	1,551,645,168
Cash and cash equivalents				23,857,853
Alternative investment funds measured at net asset value (a)				113,274,925
Total investments				$ 1,688,777,946

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
Alternative investment funds measured at net asset value (a)				203,122,853
Total investments				$ 1,912,111,095

(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, 2022 and 2021.

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 funds measured at net asset value as a practical expedient consist of the following at December 31:

	2022 Fair Value (in 000's)	2021 Fair Value (in 000's)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Axiom International Small Cap (a)	$ 35,106	$ 52,583	Monthly	15 days
Ashmore EM Blended Debt Fund LP (b)	-	50,139	Annually	Quarterly
Orbis Institutional Global Equity LP (c)	47,841	54,267	Daily	Daily
Sands Capital Emerging Markets Growth Feeder Fund (d)	30,209	46,078	Monthly	10 days
Ziegler Link-Age Fund III, L.P. (e)	119	56	Quarterly, after funded commitment satisfied	Quarterly

(a) 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.

(b) 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. The Company liquidated this investment in 2022.

(c) 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.

(d) 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.

(e) 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:

	2022	2021
Land and land improvements	$ 14,358,153	$ 14,325,262
Buildings and improvements	143,361,820	104,934,008
Furniture, fixtures and equipment	32,484,200	21,968,554
Vehicles	875,338	904,448
Construction in progress	12,161,131	48,381,412
Total	203,240,642	190,513,684
Less accumulated depreciation	67,653,579	61,297,532
Property and equipment, net	$ 135,587,063	$ 129,216,152

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 $4,980,000 as of December 31, 2022, 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, 2022:

	Skilled Nursing	Assisted Living	Adult Day	Rehabilitation	Total
Private pay	$ 19,641,643	$ 4,016,587	$ 812,091	$ 59,645	$ 24,529,966
Medicaid	4,402,280	205,929	65,600	-	4,673,809
Medicare	2,444,216	-	-	1,363,814	3,808,030
Managed care	1,033,571	-	-	800,763	1,834,334
Total	$ 27,521,710	$ 4,222,516	$ 877,691	$ 2,224,222	$ 34,846,139

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

7. Retirement 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:

	2022	2021
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 89,634,846	$ 77,852,632
Service cost	6,471,274	6,317,682
Interest cost	2,549,981	2,066,290
Actuarial (gain) loss	(32,665,527)	5,015,315
Benefits paid	(1,832,381)	(1,617,073)
Benefit obligation, end of year	64,158,193	89,634,846
Change in plan assets:		
Fair value of plan assets, beginning of year	68,943,314	63,239,172
Actual return on plan assets	(13,886,058)	3,821,215
Employer contributions	1,700,000	3,500,000
Benefits paid	(1,832,381)	(1,617,073)
Fair value of plan assets, end of year	54,924,875	68,943,314
Funded status	$ (9,233,318)	$ (20,691,532)

Components of net periodic benefit cost at December 31:

	2022	2021
Operating:		
Service cost, included in employee benefits	$ 6,471,274	$ 6,317,682
Nonoperating:		
Interest cost	2,549,981	2,066,290
Expected return on plan assets	(5,873,164)	(5,450,714)
Amortization of unrecognized net loss	1,424,795	1,599,058
Total net periodic benefit cost	$ 4,572,886	$ 4,532,316

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

	2022	2021	2022 Target Asset Allocation	2021 Target Asset Allocation
Asset categories:				
Equity securities	75 %	46 %	75 %	75 %
Fixed income and other securities	25	54	25	25
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, 2022 and 2021:

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 602,600	$ -	$ -	$ 602,600
Collective investment funds:				
Fixed income	-	13,545,171	-	13,545,171
Mutual funds:				
Equity	40,774,634	-	-	40,774,634
Total investments in the fair value hierarchy	$ 41,377,234	$ 13,545,171	$ -	54,922,405
Cash and cash equivalents				2,470
Total				$ 54,924,875

	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	$ 31,548,145	$ 36,747,299	$ -	68,295,444
Cash and cash equivalents				647,870
Total				$ 68,943,314

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.

- 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:	
2023	$ 2,047,957
2024	2,269,140
2025	2,573,045
2026	2,876,748
2027	3,181,766
2028-2032	20,496,889

The Company expects to contribute approximately $3,000,000 to the Plan in the upcoming year.

A net loss of $13,225,078 in 2022 and $27,556,179 in 2021 represents the unrecognized component of net periodic benefit cost included in net assets without donor restrictions at year-end. Significant components of actuarial gain in 2022 impacting the projected benefit obligation include changes in the discount rate, demographic experience changes and updates to mortality assumptions. There was no prior service cost unrecognized in net assets without donor restriction at December 31, 2022 and 2021.

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

	2022	**2021**
Discount rate	5.29 %	2.99 %
Rate of compensation increase	4.00	15.00/4.00 *

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

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

	2022	2021
Rate of compensation increase	15.00/4.00 %*	3.00 %
Discount rate	2.99	2.57
Expected return on plan assets	8.50	8.50

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

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 $56,000 and $60,000 for December 31, 2022 and 2021, 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.

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, 2022 and 2021, approximately 35% and 32%, 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 2022:

	Resident Services	Management and General	Total
Salaries and wages	$ 37,090,056	$ 9,307,455	$ 46,397,511
Employee benefits	16,452,290	4,127,143	20,579,433
Supplies and other	11,076,528	12,057,942	23,134,470
Depreciation	6,775,645	-	6,775,645
Bad debt	-	282,001	282,001
NJ provider tax assessment	1,539,391	-	1,539,391
Total	$ 72,933,910	$ 25,774,541	$ 98,708,451

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 assets 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

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 $5,349,515 and $6,925,316 in 2022 and 2021, 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 $796,000 and $1,178,236 at December 31, 2022 and 2021, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets.

Parker Health Group, Inc. and Subsidiaries

Consolidating Balance Sheet
December 31, 2022

	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	$ 3,524,809	$ 8,733	$ 524,362	$ 762,541	$ 482,214	$ 375,509	$ 6,698,921	$ 298,029	$ 12,675,118
Prepaid expenses and other receivables	15,334	-	19,396	20,861	40,424	10,193	(9,833)	33,520	129,895
Accounts receivable, net	85,968	-	28,703	78,589	991,397	275,387	-	109,355	1,569,399
Total current assets	3,626,111	8,733	572,461	861,991	1,514,035	661,089	6,689,088	440,904	14,374,412
Investments	-	1,688,777,946	-	-	-	-	-	-	1,688,777,946
Investment in Joint Venture	-	-	-	-	-	-	2,910,398	-	2,910,398
Property and Equipment, Net	12,272,818	-	19,168,189	33,329,011	48,269,848	339,120	21,817,668	390,409	135,587,063
Intangible Assets	-	-	-	-	-	-	372,000	-	372,000
Total assets	$ 15,898,929	$ 1,688,786,679	$ 19,740,650	$ 34,191,002	$ 49,783,883	$ 1,000,209	$ 31,789,154	$ 831,313	$ 1,842,021,819
Liabilities and Net Assets									
Current Liabilities									
Accounts payable	$ 94,433	$ -	$ 83,729	$ 127,505	$ 102,090	$ 3,744	$ 334,084	$ 9,236	$ 754,821
Construction payable	45,530	-	(162)	35,808	254,619	-	2,179,985	-	2,515,780
Accrued expenses	418,310	1,027,025	147,974	197,264	810,257	58,853	6,503,755	5,009	9,168,447
Total current liabilities	558,273	1,027,025	231,541	360,577	1,166,966	62,597	9,017,824	14,245	12,439,048
Accrued Pension Cost	-	-	-	-	-	-	9,233,318	-	9,233,318
Total liabilities	558,273	1,027,025	231,541	360,577	1,166,966	62,597	18,251,142	14,245	21,672,366
Net Assets Without Donor Restrictions	15,340,656	1,687,759,654	19,509,109	33,830,425	48,616,917	937,612	13,538,012	817,068	1,820,349,453
Total liabilities and net assets	$ 15,898,929	$ 1,688,786,679	$ 19,740,650	$ 34,191,002	$ 49,783,883	$ 1,000,209	$ 31,789,154	$ 831,313	$ 1,842,021,819

Parker Health Group, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2022

	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	$ 8,474,220	$ -	$ 4,222,516	$ 9,335,969	$ 9,695,348	$ 2,224,222	$ 16,173	$ 877,691	$ 34,846,139
COVID-19 grant income	918,648	-	-	-	-	-	-	1,517	920,165
Investment income and other revenue	14,295	48,152,932	-	-	938	293	-	-	48,168,458
Total revenues	9,407,163	48,152,932	4,222,516	9,335,969	9,696,286	2,224,515	16,173	879,208	83,934,762
Expenses									
Salaries and wages	12,753,976	-	3,379,242	9,290,984	10,189,007	1,979,768	7,333,819	1,470,715	46,397,511
Employee benefits	5,171,294	-	1,350,641	3,735,412	4,079,806	765,023	4,902,417	574,840	20,579,433
Supplies and other	4,961,962	-	2,008,188	4,001,242	5,169,175	354,059	5,662,328	977,516	23,134,470
Depreciation	1,282,344	-	1,550,400	1,499,210	2,024,084	35,610	289,548	94,449	6,775,645
Bad debt	22,214	-	4,173	56,288	75,084	151,049	-	(26,807)	282,001
NJ provider tax assessment	642,883	-	-	494,379	402,129	-	-	-	1,539,391
Total expenses	24,834,673	-	8,292,644	19,077,515	21,939,285	3,285,509	18,188,112	3,090,713	98,708,451
Operating (loss) income	(15,427,510)	48,152,932	(4,070,128)	(9,741,546)	(12,242,999)	(1,060,994)	(18,171,939)	(2,211,505)	(14,773,689)
Net Periodic Pension Costs, Nonoperating	-	-	-	-	-	-	1,898,388	-	1,898,388
Loss on Disposal of Property and Equipment	(14,257)	-	(2,159)	(15,463)	(237,659)	-	-	-	(269,538)
Loss on Investment in Joint Venture	-	-	-	-	-	-	(689,602)	-	(689,602)
Net Change in Unrealized Gains and Losses on Investments	-	(210,944,809)	-	-	-	-	-	-	(210,944,809)
Revenues less than expenses	(15,441,767)	(162,791,877)	(4,072,287)	(9,757,009)	(12,480,658)	(1,060,994)	(16,963,153)	(2,211,505)	(224,779,250)
Pension Liability Adjustment	-	-	-	-	-	-	14,331,101	-	14,331,101
Net Asset Transfers	13,501,658	(61,512,751)	2,822,631	7,753,011	54,310,104	1,118,404	(20,352,746)	2,359,689	-
Change in net assets without donor restrictions	(1,940,109)	(224,304,628)	(1,249,656)	(2,003,998)	41,829,446	57,410	(22,984,798)	148,184	(210,448,149)
Net Assets, Beginning	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
Net Assets, Ending	$ 15,340,656	$ 1,687,759,654	$ 19,509,109	$ 33,830,425	$ 48,616,917	$ 937,612	$ 13,538,012	$ 817,068	$ 1,820,349,453