REFORMED CHURCH MINISTRIES TO THE AGING,
THE PARTICULAR SYNOD OF THE MID-ATLANTICS, INC.
Financial Statements
December 31, 2022
With Independent Auditor's Report

ADVISORY TAX AUDIT

Reformed Church Ministries to the Aging,
The Particular Synod of the Mid-Atlantics, Inc.
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December 31, 2022 (With Summarized Financial Information for 2021)

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Reformed Church Ministries to the Aging,
The Particular Synod of the Mid-Atlantics, Inc.:

Opinion

We have audited the accompanying financial statements of Reformed Church Ministries to the Aging, The Particular Synod of the Mid-Atlantics, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Reformed Church Ministries to the Aging, The Particular Synod of the Mid-Atlantics, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Reformed Church Ministries to the Aging, The Particular Synod of the Mid-Atlantics, Inc.'s December 31, 2021 financial statements, and we expressed an unmodified audit opinion on the audited financial statements in our report dated November 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

WithumSmith+Brown, PC

August 16, 2023

Reformed Church Ministries to the Aging,
The Particular Synod of the Mid-Atlantics, Inc.
Statement of Financial Position
December 31, 2022 (With Summarized Financial Information for 2021)

	2022	2021
Assets		
Current assets		
Cash	$ 853,155	$ 790,633
Accounts receivable, net	1,066,728	2,000,968
Investments	23,087,280	29,838,961
Residents' funds	30,868	24,731
Prepaid expenses and other current assets	599,153	597,843
Interest receivable	39,629	28,344
Total current assets	25,676,813	33,281,480
Property and equipment, net	10,642,045	11,424,280
Operating right-of-use-asset, net	35,059	-
Other assets		
Investment - beneficial interest in perpetual trust	647,973	820,659
Investment - deferred compensation	228,844	252,606
Residents' security deposits - restricted	234,084	265,763
Deposits	18,600	5,600
Total other assets	1,129,501	1,344,628
Total assets	$ 37,483,418	$ 46,050,388
Liabilities and Net Assets		
Current liabilities		
Current maturities of long-term debt	$ -	$ 550,838
Accounts payable and accrued expenses	1,709,572	1,502,246
Residents' funds	30,868	24,731
Current portion of lease liability - operating	32,710	-
Total current liabilities	1,773,150	2,077,815
Long-term liabilities		
Deferred compensation payable	228,844	252,606
Long-term lease liability - operating, less current portion	2,349	-
Residents' security deposits	234,084	265,763
Total liabilities	2,238,427	2,596,184
Net assets		
Without donor restrictions	33,950,676	42,015,302
With donor restrictions	1,294,315	1,438,902
Total net assets	35,244,991	43,454,204
Total liabilities and net assets	$ 37,483,418	$ 46,050,388

The Notes to Financial Statements are an integral part of this statement.

Reformed Church Ministries to the Aging, The Particular Synod of the Mid-Atlantics, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022 (With Summarized Financial Information for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues				
Net patient service revenues				
Nursing	$ 10,455,600	$ -	$ 10,455,600	$ 12,387,174
Residential	2,953,444	-	2,953,444	2,899,891
Ancillaries	1,031,396	-	1,031,396	796,977
Net assets released from restrictions	16,006	(16,006)	-	-
	14,456,446	(16,006)	14,440,440	16,084,042
Operating expenses				
Program services	18,255,374	-	18,255,374	17,831,286
General and administrative	1,359,673	-	1,359,673	1,350,513
Fundraising development	39,950	-	39,950	79,706
	19,654,997	-	19,654,997	19,261,505
Deficiency of operating revenues over expenses	(5,198,551)	(16,006)	(5,214,557)	(3,177,463)
Other revenues (expenses)				
CARES grant funding	58,749		58,749	103,532
Contributions - Reformed Churches	23,630	-	23,630	23,098
Contributions - other	201,976	43,909	245,885	109,565
Special events	35,622	-	35,622	38,439
Legacies and bequests	42,775	-	42,775	31,500
Investment income, net	(3,216,677)	196	(3,216,481)	4,059,718
Change in beneficial interest in perpetual trust	-	(172,686)	(172,686)	52,293
Interest expense	(12,150)	-	(12,150)	(31,115)
	(2,866,075)	(128,581)	(2,994,656)	4,387,030
Change in net assets	(8,064,626)	(144,587)	(8,209,213)	1,209,567
Net assets				
Beginning of year	42,015,302	1,438,902	43,454,204	42,244,637
End of year	$ 33,950,676	$ 1,294,315	$ 35,244,991	$ 43,454,204

The Notes to Financial Statements are an integral part of this statement.

Reformed Church Ministries to the Aging, The Particular Synod of the Mid-Atlantics, Inc.
Statement of Cash Flows
Year Ended December 31, 2022 (With Summarized Financial Information for 2021)

	2022	2021
Operating activities		
Change in net assets	$ (8,209,213)	$ 1,209,567
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	1,516,260	1,460,842
Amortization of right-of-use asset	35,791	-
Interest expense on deferred debt issuance costs	-	10,383
Change in beneficial interest in perpetual trust	172,686	(52,293)
Realized and unrealized losses (gains) on investments	3,765,313	(3,276,789)
Changes in		
Accounts receivable	934,240	(863,082)
Prepaid expenses and other current assets	(1,310)	(198,230)
Interest receivable	(11,285)	38,848
Accounts payable and accrued expenses	207,326	(81,900)
Deferred compensation payable	23,762	20,388
Operating lease liability	(35,791)	-
Net cash used in operating activities	(1,602,221)	(1,732,266)
Investing activities		
Residents' security deposits	(31,679)	(76,181)
Purchases of property and equipment	(734,025)	(758,408)
Increase in deferred compensation investment	(23,762)	(20,388)
Changes in deposits	(13,000)	-
Proceeds from sale of investments	8,094,058	11,819,887
Purchases of investments	(5,107,690)	(9,628,520)
Net cash provided by investing activities	2,183,902	1,336,390
Financing activity		
Payment of long-term debt	(550,838)	(729,842)
Net cash used in financing activity	(550,838)	(729,842)
Net change in cash, restricted cash, and restricted cash equivalents	30,843	(1,125,718)
Cash, restricted cash, and restricted cash equivalents		
Beginning of year	1,056,396	2,182,114
End of year	$ 1,087,239	$ 1,056,396
Reconciliation of cash, restricted cash and restricted cash equivalents		
Cash	$ 853,155	$ 790,633
Restricted cash for residents' security deposits	234,084	265,763
Total cash, restricted cash, and restricted cash equivalents as recorded on the statement of financial position	$ 1,087,239	$ 1,056,396
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 16,097	$ 3,947
Supplemental schedule of noncash investing and financing activities		
Change in resident funds	$ 6,137	$ (4,573)

The Notes to Financial Statements are an integral part of this statement.

Reformed Church Ministries to the Aging,
The Particular Synod of the Mid-Atlantics, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022 (With Summarized Financial Information for 2021)

	2022				2021
	Program Services	General and Administrative	Fundraising Development	Total	Total
Operating expenses					
Salaries and wages	$ 7,773,971	$ 716,195	$ 33,729	$ 8,523,895	$ 8,675,675
Contracted outside services	1,696,628	-	-	1,696,628	1,692,260
Payroll taxes and employee benefits	2,600,504	-	-	2,600,504	2,495,706
Food products and tableware	676,195	-	-	676,195	496,763
General supplies	154,229	5,500	-	159,729	164,081
Website	-	6,600	-	6,600	11,888
Linens and miscellaneous table supplies	14,823	-	-	14,823	13,051
Medical expenses	1,840,891	-	-	1,840,891	1,898,403
Patient entertainment	12,344	-	-	12,344	9,813
Patient lost items	2,500	-	-	2,500	2,070
Patient transportation	4,027	-	-	4,027	6,920
Repairs and maintenance	169,287	-	-	169,287	152,361
Contracted services facilities	211,394	-	-	211,394	208,452
Provider tax	307,865	-	-	307,865	325,014
Advertising	-	33,108	-	33,108	31,150
Utilities	623,197	-	-	623,197	467,202
Professional fees	-	135,529	-	135,529	102,296
Auditing fees	-	52,977	-	52,977	51,948
Legal fees	-	124,166	-	124,166	27,935
Financial services	-	45,960	-	45,960	40,486
Computer maintenance	88,387	164,147	-	252,534	351,902
Travel	-	6,616	-	6,616	784
Postage	4,129	4,129	-	8,258	8,893
Events	21,747	-	-	21,747	21,694
Training and education	5,095	9,045	-	14,140	14,620
Printing	-	7,096	2,034	9,130	6,720
Employment ads	55,337	-	-	55,337	87,506
Dues, fees, and subscriptions	35,277	12,499	-	47,776	42,048
Lease expense	25,386	10,278	4,187	39,851	45,199
Miscellaneous	14,608	6,458	-	21,066	28,010
Insurance	416,456	4,207	-	420,663	319,813
Depreciation	1,501,097	15,163	-	1,516,260	1,460,842
Total expenses	$ 18,255,374	$ 1,359,673	$ 39,950	$ 19,654,997	$ 19,261,505

The Notes to Financial Statements are an integral part of this statement.

1. NATURE OF ORGANIZATION

Reformed Church Ministries to the Aging, The Particular Synod of the Mid-Atlantics, Inc. (the “Organization”), incorporated in 1961 as a New Jersey not-for-profit corporation, was organized to aid and assist The Particular Synod of the Mid-Atlantics, Inc., an ecclesiastical assembly and judicatory of the Reformed Church in America, in its care for the aged and to establish, maintain, support, and operate a home (or homes) and other programs for the aged.

The facility, located in Old Bridge, New Jersey, is a long-term care facility consisting of 108 skilled nursing beds and 48 licensed assisted living units accommodating 54 beds. The assisted living program is designed to foster continued independence of residents who require varying levels of assistance with activities of daily living.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and board of trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has a beneficial interest in a perpetual trust, restricted in perpetuity to continue the purpose of the Organization. Income generated by the assets can be used for operating activities.

Donor restricted contributions are recorded as net assets without donor restrictions if the restriction is satisfied in the same year. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Expenses are directly charged to the program activities other than those that benefit multiple functions, which are allocated. Such allocations are determined by management on an equitable basis. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort (salaries and wages and payroll taxes and employee benefits) and square footage (repairs and maintenance, utilities, insurance, and depreciation).

Comparative Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, this information should be read in conjunction with the Organization's financial statements as of and for the year ended December 31, 2021 from which the summarized information was derived.

Revenue Recognition
The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers ("ASC 606)*. ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*) and most industry-specific guidance. ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Nursing Service Revenues
Nursing service revenues are reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered.

The Organization is reimbursed for services rendered to covered program residents as determined by reimbursement formulas. Revenues are initially recorded at standard billing rates. The differences between billing rates and the amounts reimbursable by third-party payors and resident payments are recorded as contractual adjustments to reported revenue. The Medicare system is a prospective rate reimbursement system, which is based on prior-year regional costs, as determined by reimbursement formulas, adjusted for inflation. The Organization's Medicaid rate is based on requirements contained in New Jersey Administrative Code ("N.J.A.C.") 8:85 as determined by the Department of Human Services and Division of Aging Services.

Residential Revenues
In general, revenues are recognized based on the number of days a resident resides in the facility located in Old Bridge, New Jersey, multiplied by the daily rate. Contractual allowances, if any, are provided for at the time revenue is recorded.

The Organization derives revenues primarily from nursing and residential services provided to residents. The Organization reports revenue from resident's services at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from residents, governmental programs (Medicare and Medicaid), and private insurers and include variable consideration for retrospective revenue adjustments due to settlements of audits, reviews, and investigations. Generally, the Organization bills the residents and the third-party payors monthly after the services are performed. Revenue for performance obligations is satisfied at a point in time when the goods and services are provided and when the Organization does not believe that it is required to provide additional goods, services, or obligations to the residents. The Organization's ability to collect revenue is affected by a variety of factors, including general economic conditions and each third-party payor's and patient's financial capability.

The Organization determines the transaction price based on standard billing rates for goods and services provided, reduced by contractual adjustments provided to a third-party payor, discounts provided to uninsured patients, and patient responsibility in accordance with the Organization's policy, and/or implicit price concessions provided to uninsured patients and patient responsibility after insurance. The Organization determines its estimates of contractual adjustments based on contractual agreements, its discount policies, and its historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience for each applicable resident's portfolio.

Agreements with third-party payors typically provide for payments at less than standard billing rates. A summary of the payment arrangements with major third-party payors is as follows:

- Medicare - A prospective rate reimbursement system, which is based on prior-year regional costs, as determined by reimbursement formulas, adjusted for inflation.
- Medicaid - Based on requirements contained in N.J.A.C. 8:85 as determined by the Department of Human Services and Division of Aging Services.
- Private insurers - Payment agreements with third-party payors generally provide for payment using prospectively determined rates, discounts from standard billing rates, and prospectively determined daily rates.

Contractual adjustments, or differences in standard billing rates and the payments derived from contractual terms with governmental and private insurers, are recorded based on management's best estimates in the period in which services are performed and a payment methodology is established with the patient. Recorded estimates for past contractual adjustments are subject to change, in large part, due to ongoing contract negotiations and regulation changes, which are typical in the U.S. healthcare industry. Revisions to estimates are recorded as contractual adjustments in the periods in which they become known and may be subject to further revisions. Subsequent changes in estimates for third-party payors that are determined to be the result of an adverse change in a payor's ability to pay are recorded as bad debt expense. Bad debt expense for the years December 31, 2022 and 2021 was $502,923 and $278,413, respectively.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation, as well as significant regulatory action, and in the normal course of business, the Organization is subject to contractual reviews and audits. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. In addition, the Organization's contracts with private insurers may provide for a retroactive audit or review of claims. The Organization believes that it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements from governmental agencies and private insurers.

Retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements, if applicable, are estimated and accrued based on settlement agreements and historical settlement experience in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. No adjustment has been recorded as the Organization does not expect there to be any retrospective adjustments for services performed prior to December 31, 2022.

A summary of patient services by revenue and by payor source consisted of the following for the years ended December 31:

	2022	2021
Nursing service revenues, net		
Private resident revenue	$ 4,382,035	$ 4,973,492
Medicaid resident revenue	2,712,963	2,566,172
Medicare resident revenue	2,987,943	4,356,199
Managed care revenue	372,659	491,311
	$ 10,455,600	$ 12,387,174
Residential service revenues, net		
Private resident revenue	$ 2,927,408	$ 2,880,872
Medicaid resident revenue	26,036	19,019
	$ 2,953,444	$ 2,899,891

Ancillary service revenues by type of service consisted of the following for the years ended December 31:

	2022	2021
Ancillary service revenues, net		
Therapy	$ 930,789	$ 741,635
Miscellaneous	100,607	55,342
	$ 1,031,396	$ 796,977

Contract Assets and Liabilities
Amounts related to nursing and residential services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of nursing and residential services provided to patients who are still receiving services at the end of the year. There are no contract assets at December 31, 2022 and 2021 or January 1, 2021.

Amounts received related to services that have not yet been provided to clients are contract liabilities. Contract liabilities consist of payments made by customers or third-party payors for services not yet performed which represent fees received in advance to fund nursing and residential services. Contract liabilities are recognized into revenues when the performance obligations are satisfied in the following year. There are no contract liabilities at December 31, 2022 and 2021 or January 1, 2021.

Contribution Revenue
Contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Beneficial interest in perpetual trust is permanently restricted by the donor. Investment earnings that are realized in the current year and that are available for distribution are recorded in net assets without donor restrictions.

The unrealized income/loss as a result of market fluctuation is recorded in net assets with donor restrictions and increases/decreases the principal amount. Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at market value based on quoted market prices in the statement of financial position. Investment expenses are shown net of investment income.

Investment - Deferred Compensation

The investment is carried at fair value. The investment represents amounts contributed to a 457(b) plan for an officer and key employee of the Organization. See Note 11 for additional information about the terms of the plan.

Property and Equipment

Property and equipment are carried at cost. Depreciation charges with respect to property and equipment have been made by the Organization using the straight-line method over the estimated useful lives of the assets as follows:

Description	Estimated Life (Years)
Building and improvements	5-31.5
Furniture and fixtures	5-10
Dining room and kitchen equipment	3-10
Other equipment	3-10
Automotive equipment	3-5

Expenditures for maintenance and repairs are charged to activities as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, would be included in property and equipment.

Leases

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of twelve months or less. The Organization recognizes the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

Effective January 1, 2022, the Organization accounts for leases with a term greater than twelve months in accordance with ASC 842. In accordance with ASC 842, the Organization determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use asset and lease liability at the lease commencement date. Contract terms determine if a lease will be accounting for as an operating lease or finance lease. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated useful life. All other leases are categorized as operating leases. The Organization has no financing leases. Based on the lease contracts, non-lease components are separated and recorded as other liabilities, as applicable. As a result, the non-lease components are not included in the lease calculation. The lease terms used to calculate the right-of-use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

For operating leases, the lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on the risk-free rate. Right-of-use assets are recognized based on the initial present value of the fixed lease payments, plus initial direct costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations. Lease expense for operating leases is recognized on a straight-line basis over the lease term and is included in lease expense in the accompanying statement of activities and changes in net assets.

Several key estimates and judgements are used to determine the right-of-use assets and operating lease liabilities including the discount rate used to discount the unpaid lease payments to present value, lease term, and lease payments. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease. If that rate cannot be readily determinable, the Organization has elected to utilize the risk-free rate of return for U.S. Treasury securities of a similar term at the date of inception.

Long-Lived Asset Impairment
Long-lived assets are reviewed for impairment when events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. A property’s value is impaired only if management’s estimate of the aggregate future cash flows (undiscounted) to be generated by the property is less than the carrying value of the property. No such assessment was required for the years ended December 31, 2022 and 2021.

Income Taxes
The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Therefore, no provision has been made for income taxes on the statement of activities and changes in net assets.

The Organization files tax returns in the U.S. federal jurisdiction and New Jersey. The Organization has evaluated uncertain tax positions in accordance with accounting standards regarding accounting for contingencies and has determined it has no uncertain tax positions as of December 31, 2022 and 2021.

Use of Estimates
The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising
Advertising costs are expensed as incurred and were $33,108 and $31,150 for the years ended December 31, 2022 and 2021, respectively.

Performance Indicator
The statement of activities and changes in net assets includes deficiency of operating revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indictor, consistent with industry practice, include investment income, contributions and bequests, special events, CARES grant funding, change in beneficial interest in perpetual trust, and interest expense.

Recently Adopted Accounting Pronouncements
Leases
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires the Organization to recognize a “right-of-use” asset and a corresponding lease liability initially measured at the present value of the lease payments on the statement of financial position for all of the Organization’s lease obligations, except for certain leases classified as short-term leases. The Organization adopted the new standard effective January 1, 2022, using the modified retrospective approach.

Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption. The implementation of this standard did not have a material impact to the statement of activities and changes in net assets or cash flows.

Upon adoption, the Organization recognized $70,850 in a right-of-use (“ROU”) asset related to its leased property. A corresponding lease liability of $70,850 was also recognized.

Gifts In-Kind
During the year ended December 31, 2022, the Organization adopted the presentation and disclosure requirements of ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The adoption of the ASU did not have a material effect on the Organization’s financial statements.

The Organization is not aware of any accounting pronouncements, not yet adopted, that would have a material effect on its current or prospective financial statements.

Reclassifications
Certain prior-year amounts have been reclassified to conform to current-year presentation.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures were as follows:

	2022	2021
Financial assets		
Cash	$ 853,155	$ 790,633
Accounts receivable, net	1,066,728	2,000,968
Investments - without donor restrictions	23,087,280	29,838,961
Interest receivable	39,629	28,344
Total financial assets	25,046,792	32,658,906
Less: Restricted assets	646,342	618,243
Total financial assets and liquidity resources	$ 24,400,450	$ 32,040,663

The financial assets above are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Generally, annual operating revenues cover expenses. The Organization's financial assets listed above that will cover any additional cash flow needs not covered by operating revenues.

4. ACCOUNTS RECEIVABLE AND CREDIT POLICIES

Accounts receivable at December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Accounts receivable, net	$ 1,066,728	$ 2,000,968

The accounts receivable balance, net as of January 1, 2021 was $1,137,886.

Accounts receivable are unsecured obligations due from Medicaid, Medicare, patients, or their insurance company under terms requesting payments within 30 days from the service date. Patient receivable balances with invoice dates over 30 days old are reviewed for delinquency. Accounts are deemed delinquent if, after 30 days, no contact can be made with the patient or insurance company to assure payment. Once private pay account balances are deemed delinquent, they begin accruing interest on a monthly basis of 1.5% for a total annual rate of 18%. During 2022 and 2021, the Organization did not charge patients interest on their delinquent account balances.

Accounts receivable are stated at the amount billed to the patient or the appropriate third-party payor. Payments of accounts receivable are allocated to the specific invoices identified on the payor's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of the amount that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date, and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

5. INVESTMENTS

Investments consist of the following at December 31:

	2022		2021	
	Cost	**Market**	**Cost**	**Market**
Money market funds	$ 774,492	$ 774,492	$ 645,139	$ 645,139
Investment grade taxable	5,948,056	5,429,997	5,342,679	5,298,301
International bonds	212,839	194,797	221,600	220,440
Global high yield taxable bonds	620,371	557,682	592,932	620,581
U.S. equities - large cap	5,673,030	8,893,216	6,092,723	11,461,075
U.S. equities - mid cap	1,363,809	1,871,474	2,326,699	3,170,288
U.S. equities - small cap	1,139,474	1,443,838	1,832,215	2,589,500
International developed equities	1,066,667	1,163,150	2,254,404	2,788,929
Emerging markets equities	668,120	611,098	668,120	798,898
Other funds	1,287,568	1,234,957	1,287,568	1,332,505
Commodities	1,100,000	912,579	1,100,000	913,305
	$ 19,854,426	$ 23,087,280	$ 22,364,079	$ 29,838,961

The following summarizes the investment return and its classification in the statement of activities and changes in net assets for the years ended December 31:

	2022	2021
Interest and dividends	$ 676,216	$ 922,393
Realized gains	476,715	626,891
Unrealized (losses) gains	(4,242,028)	2,649,898
	(3,089,097)	4,199,182
Less: Investment fees	127,384	139,464
Investment income, net	$ (3,216,481)	$ 4,059,718

Beneficial Interest in Perpetual Trust

Under the terms of a perpetual trust held and administered by a third party, the Organization is the beneficiary of income earned on this trust's assets in perpetuity. The Organization recognizes the fair value of the trust's assets as an asset, beneficial interest in perpetual trust, and the increase (decrease) in fair value as revenue with donor restrictions. The change in value recognized in 2022 and 2021 was an unrealized gain (loss) of ($172,686) and $52,293, respectively.

The Organization records income as without donor restrictions in the period it is received from the trust.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Land	$ 1,586,445	$ 1,586,445
Building and improvements	24,196,307	24,151,538
Furniture and fixtures	1,240,035	1,240,035
Dining room and kitchen equipment	886,244	836,069
Office equipment	1,866,316	1,334,948
Other equipment	3,625,974	3,518,261
Automotive equipment	109,821	109,821
	33,511,142	32,777,117
Less: Accumulated depreciation	22,869,097	21,352,837
Property and equipment, net	$ 10,642,045	$ 11,424,280

Depreciation expense included as a charge to operations for the years ended December 31, 2022 and 2021 amounted to $1,516,260 and $1,460,842, respectively.

7. LEASES

The Organization leases various equipment and vehicles for operations. The leases have varying expiration dates through January 2024.

The statement of financial position includes operating lease right-of-use assets and liabilities at December 31, 2022 and 2021 as follows:

	2022
Operating lease right-of-use asset, gross	$ 70,850
Less: Accumulated amortization of right-of-use asset	35,791
Total operating lease right-of-use asst, net	$ 35,059
Current portion of lease liabilities - operating	$ 32,710
Long-term lease liabilities - operating	2,349
Total operating lease liabilities	$ 35,059

Operating lease expense for the year ended December 31, 2022 was $36,273. There was no variable lease expense for the year ended December 31, 2022.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability for the years ending December 31:

2023	$	32,873
2024		2,349
Total undiscounted future lease payments		35,222
Less: Imputed interest		163
Total operating lease liabilities at December 31, 2022	$	35,385

The weighted average remaining lease term and the weighted average discount rate for the operating lease liability at December 31, 2022 was 1.03 years and 0.95%, respectively.

Lease expense for the various equipment and vehicles for the year ended December 31, 2021 was $30,082.

8. RECURRING FAIR VALUE MEASUREMENTS

The Organization's investments are recorded at fair value in accordance with the accounting pronouncement on fair value measurements, which established a framework for measuring fair value and clarifies that fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date).

The accounting pronouncement on fair value measurements establishes a three-tier fair value hierarchy, which classifies the inputs used in measuring fair value. These tiers include:

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

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities (interest rates, prepayment speeds, credit risk, etc.).

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose value is determined using pricing models, discounted cash flows, or similar methodologies, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in the methodologies used at December 31, 2022 and 2021, and there were no transfers between any of the fair value measurement levels for the years ended December 31, 2022 and 2021.

The following tables summarize investments without donor restrictions which have been accounted for at fair value on a recurring basis as of December 31, 2022 and 2021, along with the basis for the determination of fair value:

	2022			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Money market funds	$ 774,492	$ 774,492	$ -	$ -
Investment grade taxable	5,429,997	5,429,997	-	-
International bonds	194,797	194,797	-	-
Global high yield taxable bonds	557,682	557,682	-	-
U.S. equities - large cap	8,893,216	8,893,216	-	-
U.S. equities - mid cap	1,871,474	1,871,474	-	-
U.S. equities - small cap	1,443,838	1,443,838	-	-
International developed equities	1,163,150	1,163,150	-	-
Emerging markets equities	611,098	611,098	-	-
Other funds	1,234,957	1,234,957	-	-
Commodities	912,579	912,579	-	-
	$ 23,087,280	$ 23,087,280	$ -	$ -
Deferred compensation				
Target date 2035	$ 203,823	$ 203,823	$ -	$ -
Fidelity select energy fund	25,021	25,021	-	-
Total deferred compensation	$ 228,844	$ 228,844	$ -	$ -

	2021			
	Total	(Level 1)	(Level 2)	(Level 3)
Assets				
Money market funds	$ 645,139	$ 645,139	$ -	$ -
Investment grade taxable	5,298,301	5,298,301	-	-
International bonds	220,440	220,440	-	-
Global high yield taxable bonds	620,581	620,581	-	-
U.S. equities - large cap	11,461,075	11,461,075	-	-
U.S. equities - mid cap	3,170,288	3,170,288	-	-
U.S. equities - small cap	2,589,500	2,589,500	-	-
International developed equities	2,788,929	2,788,929	-	-
Emerging markets equities	798,898	798,898	-	-
Other funds	1,332,505	1,332,505	-	-
Commodities	913,305	913,305	-	-
	$ 29,838,961	$ 29,838,961	$ -	$ -
Deferred compensation				
Target date 2035	$ 232,082	$ 232,082	$ -	$ -
Fidelity 500 fund	9,927	9,927	-	-
Fidelity Growth fund	8,592	8,592	-	-
Fidelity Growth Discovery fund	2,005	2,005	-	-
Total deferred compensation	$ 252,606	$ 252,606	$ -	$ -

9. RESIDENTS' FUNDS

Residents' funds and residents' security deposits are restrictive in nature and are not available for operations.

10. RELATED PARTY TRANSACTIONS

The Organization provides medical and other employee benefits for eligible employees through the Board of Pensions of the Reformed Church in America ("RCA"). The Organization also participates in the RCA multiemployer defined contribution retirement annuity plan (the "Plan"). The Organization has a contributory thrift and savings plan for salaried employees meeting certain service requirements, which qualifies under Section 403(b) of the Internal Revenue Code. The Plan provides for employer contributions for eligible employees of 4% to 6.5%. Contributions into the Plan are made based on specific eligibility requirements. For the years ended December 31, 2022 and 2021, the total Plan expense amounted to $257,468 and $246,367, respectively.

11. DEFERRED COMPENSATION

A deferred compensation agreement was entered into with an officer and a qualified employee of the Organization and funded in accordance with the requirements of Section 457(b) of the Internal Revenue Service. Under the current agreement, the Organization maintains the investment. The amount of $228,844 and $252,606 due under the agreement was accrued and included in deferred compensation payable at December 31, 2022 and 2021, respectively.

The 457(b) expense for the years ended December 31, 2022 and 2021 amounted to $25,283 and $20,388, respectively. Discretionary contributions are based on a percentage of compensation of an officer and employee in accordance with the plan document. Benefits earned under the plan are fully vested.

12. LONG-TERM DEBT

The New Jersey Economic Development Authority (the "Authority") issued The New Jersey Economic Development Authority Economic Development Bond (Reformed Church Home Project), Series 2012A, in the aggregate amount of $6,705,000 with an interest rate of 2.29% due through September 2022. The proceeds of the bonds were loaned by the Authority to the Organization to pay off the existing bond issue and pay certain costs associated with the issuance of the bonds under the terms of a loan agreement dated August 28, 2012 (the "Loan Agreement").

The obligation arising from the Loan Agreement was secured by a first lien mortgage on the facility and by a first lien and security interest in and for the gross receipts and property of the Organization. On September 1, 2022, the Organization repaid the total outstanding amount of the loan with all outstanding interest.

The loan balance at December 31, 2022 and 2021 was $-0- and $558,602, respectively. Unamortized debt issuance costs at December 31, 2022 and 2021 was $-0- and $7,764.

13. NET ASSETS

Components of net assets are as follows at December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating	$ 33,950,676	$ -	$ 33,950,676
Benevolent fund	-	396,749	396,749
Restricted for renovations	-	6,046	6,046
Other purpose restrictions	-	243,547	243,547
Beneficial interest in perpetual trust	-	647,973	647,973
	$ 33,950,676	$ 1,294,315	$ 35,244,991

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating	$ 42,015,302	$ -	$ 42,015,302
Benevolent fund	-	396,553	396,553
Restricted for renovations	-	6,046	6,046
Other purpose restrictions	-	215,644	215,644
Beneficial interest in perpetual trust	-	820,659	820,659
	$ 42,015,302	$ 1,438,902	$ 43,454,204

14. CONCENTRATION OF CREDIT RISK

Financial investments which potentially subject the Organization to concentrations of credit risk consist of cash and investments. The Organization has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of $250,000. Any loss incurred or a lack of access to such funds could have a significant impact on the Organization’s financial condition, results of operations and cash flows.

The Organization grants credit without collateral to its residents, the majority of whom are insured under third-party payor agreements.

The mix of receivables from residents and third-party payors as of December 31 is as follows:

	2022	2021
Private	47 %	30 %
Managed care/caid	6	9
Medicaid	42	47
Medicare	5	14
	100 %	100 %

The Organization invests certain of its surplus operating funds in various investment vehicles which are not insured or guaranteed by the U.S. Government. Management monitors the soundness of these institutions and has not experienced any collection losses with these institutions.

Revenues from the Medicare and Medicaid programs accounted for approximately 27% and 25%, respectively, of the facility's skilled nursing patient revenue for the year ended December 31, 2022, and 34% and 21%, respectively, of the facility's skilled nursing patient revenue for the year ended December 31, 2021.

15. MEDICAL MALPRACTICE INSURANCE

The Organization has medical malpractice insurance coverage on an occurrence basis underwritten by a commercial insurance company. At December 31, 2022, primary coverage is $1,000,000 per occurrence and $3,000,000 in the aggregate. In addition, the Organization has an umbrella policy for $5,000,000.

16. COMMITMENTS AND CONTINGENCIES

Litigation

The Organization is the defendant in pending legal actions in the normal course of business. The ultimate outcome of these actions is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements. In the opinion of management, the outcome of any existing actions will not exceed the Organization's insurance limits and are not considered to be material in relation to the Organization's financial position.

17. SELF-INSURED HEALTH PLAN

In 2017, the Organization began operating a self-insured health plan for all employees. The health plan is administered by a third party. Because of the potential catastrophic claims, the Organization has purchased stop-loss insurance that becomes effective when claims exceed $60,000 per employee, per year.

The Organization has set aside a reserve of $126,000 and $153,000 as of December 31, 2022 and 2021, respectively, to cover potential claims incurred but not reported. However, the Organization exceeded the stop-loss insurance limit in 2022 and 2021, resulting in a receivable in the amount of $118,940 and $157,325, respectively, net of checks received prior to year-end.

18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through August 16, 2023, the date the financial statements were available to be issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred that require disclosure in or adjustment to the financial statements.