

# **The Episcopal Church Home, Inc.**

Financial Report  
December 31, 2020

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
The Episcopal Church Home, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Episcopal Church Home, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, and the results of its activities, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Cincinnati, Ohio  
June 3, 2021

The Episcopal Church Home, Inc.

Statements of Financial Position  
December 31, 2020 and 2019

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets:  |                      |                      |
| Cash and cash equivalents  | \$ 1,097,921         | \$ 479,293           |
| Resident accounts receivable, net (Note 2)                             | 718,646              | 1,607,534            |
| Prepaid expenses   | 142,558              | 152,883              |
| Other assets   | 24,120               | 54,370               |
| Investments and assets limited as to use (Note 3)                      | 10,469               | 15,727               |
| <b>Total current assets</b>  | <b>1,993,714</b>     | <b>2,309,807</b>     |
| Due from financially interrelated Foundation                           | 32,087               | 58,446               |
| Property and equipment, net (Note 4)                                   | 19,393,624           | 17,298,080           |
| Investments (Note 3)   | 1,984,139            | 1,776,661            |
| Interest in net assets of financially interrelated Foundation (Note 9) | 8,329,721            | 8,627,079            |
| <b>Total assets</b>  | <b>\$ 31,733,285</b> | <b>\$ 30,070,073</b> |
| <b>Liabilities and Net Assets</b>                                      |                      |                      |
| Current liabilities:   |                      |                      |
| Accounts payable   | \$ 2,109,450         | \$ 1,629,961         |
| Accrued expenses and other liabilities                                 | 554,184              | 650,889              |
| Refundable advance deposits  | 1,018,000            | 1,054,750            |
| Deferred entrance fees   | 383,000              | 381,000              |
| <b>Total current liabilities</b>                                       | <b>4,064,634</b>     | <b>3,716,600</b>     |
| Long-term debt (Note 5)  | 4,931,056            | 2,000,000            |
| Refundable advance deposits, less current portion                      | 10,398,089           | 10,536,688           |
| Deferred entrance fees, less current portion                           | 1,510,500            | 1,564,741            |
| <b>Total liabilities</b>   | <b>20,904,279</b>    | <b>17,818,029</b>    |
| Net assets:  |                      |                      |
| Without donor restrictions   | 1,871,689            | 2,990,884            |
| With donor restrictions  | 8,957,317            | 9,261,160            |
| <b>Total net assets</b>  | <b>10,829,006</b>    | <b>12,252,044</b>    |
| <b>Total liabilities and net assets</b>                                | <b>\$ 31,733,285</b> | <b>\$ 30,070,073</b> |

See notes to financial statements.

The Episcopal Church Home, Inc.

Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2020 and 2019

|  | 2020               | 2019               |
|--|--------------------|--------------------|
| Operating revenue:   |                    |                    |
| Net resident service revenue   | \$ 12,483,747      | \$ 17,060,623      |
| Amortization of entrance fees  | 393,644            | 307,583            |
| Other operating revenue (Note 11)                                    | 1,112,138          | 544,723            |
| Endowment income from financially interrelated Foundation            | 302,271            | 301,835            |
| <b>Total operating revenue</b>                                       | <b>14,291,800</b>  | <b>18,214,764</b>  |
| Operating expenses (Note 6):   |                    |                    |
| Salaries and wages   | 6,163,167          | 7,376,151          |
| Employee benefits and payroll taxes                                  | 2,275,794          | 2,154,467          |
| Marketing  | 90,973             | 214,816            |
| Supplies   | 426,899            | 1,044,061          |
| Food   | 523,693            | 750,681            |
| Professional and purchased services                                  | 3,335,921          | 4,831,339          |
| Utilities  | 755,363            | 774,468            |
| Insurance  | 794,397            | 250,406            |
| Depreciation   | 2,180,013          | 1,503,304          |
| Bad debt expense   | 101,840            | 139,790            |
| Other operating expenses   | 1,453,301          | 1,387,205          |
| <b>Total operating expenses</b>                                      | <b>18,101,361</b>  | <b>20,426,688</b>  |
| <b>Operating loss</b>  | <b>(3,809,561)</b> | <b>(2,211,924)</b> |
| Nonoperating income:   |                    |                    |
| Contributions  | 1,331              | 303,353            |
| Contributions from financially interrelated Foundation (Note 9)      | 1,258,300          | -                  |
| Investment income  | 173,060            | 246,293            |
| Interest expense   | (33,080)           | (51,250)           |
| <b>Total nonoperating income</b>                                     | <b>1,399,611</b>   | <b>498,396</b>     |
| <b>Deficit of revenues over expenses</b>                             | <b>(2,409,950)</b> | <b>(1,713,528)</b> |
| Member capital contributions (Note 9)                                | 1,250,000          | -                  |
| Net assets released from restrictions - used for capital             | 40,755             | 14,526             |
| <b>Change in net assets without donor restrictions</b>               | <b>(1,119,195)</b> | <b>(1,699,002)</b> |
| Change in net assets with donor restrictions:                        |                    |                    |
| Restricted contributions   | -                  | 40,507             |
| Change in market value of beneficial interests in perpetual trusts   | 34,270             | 64,911             |
| Change in net assets of financially interrelated Foundation (Note 9) | (297,358)          | 1,454,105          |
| Net assets released from restrictions - used for capital             | (40,755)           | (14,526)           |
| <b>Change in net assets with donor restrictions</b>                  | <b>(303,843)</b>   | <b>1,544,997</b>   |

(Continued)

The Episcopal Church Home, Inc.

Statements of Activities and Changes in Net Assets (Continued)  
Years Ended December 31, 2020 and 2019

|                             | 2020                        | 2019                 |
|-----------------------------|-----------------------------|----------------------|
| <b>Change in net assets</b> | <b>\$ (1,423,038)</b>       | <b>\$ (154,005)</b>  |
| Net assets:                 |                             |                      |
| Beginning                   | <u>12,252,044</u>           | 12,406,049           |
| Ending                      | <u><u>\$ 10,829,006</u></u> | <u>\$ 12,252,044</u> |

See notes to financial statements.

The Episcopal Church Home, Inc.

**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

|   | 2020               | 2019               |
|---|--------------------|--------------------|
| Cash flows from operating activities:   |                    |                    |
| Change in net assets  | \$ (1,423,038)     | \$ (154,005)       |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                    |                    |
| Depreciation and amortization   | 2,180,593          | 1,503,304          |
| Loss on sale of assets  | -                  | 130,761            |
| Provision for bad debt expense  | 101,840            | 139,790            |
| Amortization of entrance fees   | (393,644)          | (307,583)          |
| Gain on investments   | (193,220)          | (291,268)          |
| Change in net assets of financially interrelated Foundation   | 297,358            | (1,454,105)        |
| Member capital contributions  | (1,250,000)        | -                  |
| Change in operating assets and liabilities:   |                    |                    |
| Resident accounts receivable  | 787,048            | (634,473)          |
| Due from financially interrelated Foundation  | 26,359             | (38,576)           |
| Prepaid expenses and other assets   | 45,833             | 15,827             |
| Accounts payable  | 479,489            | (52,228)           |
| Accrued expenses and other liabilities  | (96,705)           | 85,893             |
| <b>Net cash provided by (used in) operating activities</b>  | <b>561,913</b>     | <b>(1,056,663)</b> |
| Cash flows from investing activities:   |                    |                    |
| Purchase of property and equipment  | (4,275,557)        | (1,320,233)        |
| Purchase of investments   | (129,502)          | (105,150)          |
| Sales and maturities of investments   | 115,244            | 87,552             |
| <b>Net cash used in investing activities</b>  | <b>(4,289,815)</b> | <b>(1,337,831)</b> |
| Cash flows from financing activities:   |                    |                    |
| Entrance fees collected   | 782,114            | 1,308,343          |
| Entrance fees refunded  | (616,060)          | (593,995)          |
| Proceeds from long-term debt  | 3,000,000          | 500,000            |
| Principal payments on long-term debt  | -                  | (8,163)            |
| Payment of debt issuance costs  | (69,524)           | -                  |
| Member capital contributions  | 1,250,000          | -                  |
| <b>Net cash provided by financing activities</b>  | <b>4,346,530</b>   | <b>1,206,185</b>   |
| <b>Net change in cash and cash equivalents</b>  | <b>618,628</b>     | <b>(1,188,309)</b> |
| Cash and cash equivalents:  |                    |                    |
| Beginning   | 479,293            | 1,667,602          |
| Ending  | \$ 1,097,921       | \$ 479,293         |

See notes to financial statements.

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies

**Nature of operations:** The Episcopal Church Home, Inc. (the Organization) is a Kentucky nonprofit organization located in Louisville, Kentucky. The Organization operates a senior residential health care facility and home known as the Episcopal Church Home (ECH). ECH has licenses to operate up to 93 skilled nursing facility beds, 46 nursing home beds, and 127 personal care beds, 52 of which are located in a designated special care unit for memory-impaired persons. St. Luke's Chapel is located adjacent to ECH and its accounts and activities are included with those of ECH. The Organization also owns and operates Dudley Square, an independent living retirement community consisting of 62 townhouses on a site adjacent to ECH. Residents of Dudley Square have lifetime occupancy rights in return for payment of residency fees including advance entrance fees that are partially refundable.

Effective December 30, 2018, control of the Organization was effectively obtained by Episcopal Retirement Services as a result of the Affiliation Agreement described in Note 9.

**Basis of presentation:** The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

**Net assets without donor restrictions:** Net assets without donor restrictions are net assets that are free of donor-imposed restrictions as well as net assets designated by the governing board for specific purposes.

**Net assets with donor restrictions:** Net assets with donor restrictions include net assets from grants, contributions, investment income or other inflows where the use is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by specified actions of the Organization.

Also included in net assets with donor restrictions are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, which include gifts and pledges for endowment wherein donors stipulate that the corpus of the gift be held in perpetuity and only the income is utilized. Other permanently restricted items in this net asset category include the Organization's interest in the values of certain perpetual trusts and annuity and life income gifts for which the principal is held in perpetuity and the income may or may not be subject to donor restrictions.

Contributions are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. When a donor restriction expires, these net assets 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. Contributions received with donor-imposed restrictions, where the restrictions are met in the same fiscal year, are reported as net assets without donor restrictions.

Net assets with donor restrictions consist of the following at December 31:

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Subject to expenditure for specific purposes                                 | \$ 20,759           | \$ 26,726           |
| Subject to expenditure due to time restrictions - pledges                    | 15,000              | 45,250              |
| Not subject to expenditure - beneficial interest in trusts                   | 591,837             | 562,105             |
| Not subject to expenditure - interest in financially interrelated foundation | 8,329,721           | 8,627,079           |
| <b>Total net assets with donor restrictions</b>                              | <b>\$ 8,957,317</b> | <b>\$ 9,261,160</b> |

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

**Use of estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Tax status:** The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

The Organization is subject to examination by taxing authorities; however, no examinations are in progress. Management believes the Organization is not subject to tax examinations for years prior to 2017.

**Compliance:** The Organization is affected by the health care economy in the State of Kentucky and is subject to local, state, and federal rules and regulations. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Violations of these regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue for resident services. Management believes that the Organization is in substantial compliance with current laws and regulations.

**Interests in financially interrelated entities:** A recipient entity and a specified beneficiary are financially interrelated entities if one of the entities has the ability to influence the operating and financial decisions of the other and one of the entities has an ongoing economic interest in the net assets of the other. On October 1, 2016, as a result of the Affiliation (Note 9), The Episcopal Church Home Foundation, Inc. (the Foundation) was established and certain investments were transferred from the Organization to the Foundation. The Foundation was established for the sole purpose to support the Organization through fund-raising and investment activities. As such, the Organization has an ongoing and residual right to the Foundation's net assets. The Organization recognizes and adjusts its interest in the net assets of the Foundation based on the fair value of the Foundation's underlying net assets, as reflected in the accompanying financial statements.

**Cash and cash equivalents:** Cash equivalents include all highly liquid investments with original maturities of three months or less. Deposits in banks at times may exceed federally insured limits.

**Resident accounts receivable:** Resident accounts receivable consists of amounts due from residents and third-party payors, less an estimate for uncollectible accounts. The allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. See Note 2.

The Episcopal Church Home, Inc.

Notes to Financial Statements

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Revenue recognition:** The Organization's principal activities are providing housing, health care and other related services for older adults. Revenue is derived from participation in the Medicaid and Medicare programs, as well as from private pay residents and insurance companies. Revenue is recorded at standard billing rates and differences between billing rates and amounts paid under these programs are recorded as contractual adjustments. Amounts earned under the Medicaid and Medicare programs that make up a significant portion of net resident service revenue earned during 2020 and 2019 are as follows:

|          | 2020 | 2019 |
|----------|------|------|
| Medicare | 16%  | 28%  |
| Medicaid | 8%   | 6%   |

**Senior living revenue:** Resident fees at assisted living communities consist of regular monthly charges for basic housing and support services and fees for additional requested services, such as assisted living services, personalized health services and ancillary services. Fees are specified in agreements with residents. Contracts with residents that are within the scope of ASC Topic 606 are generally short-term in nature. The Organization has determined that services performed under those contracts are considered one performance obligation in accordance with ASC Topic 606 as such services are regarded as a series of distinct events with the same timing and pattern of transfer to the resident or customer. Revenue is recognized for those contracts when the performance obligation is satisfied by transferring control of the service provided to the resident or customer, which is generally when the services are provided over time.

**Continuing care contracts:** Residents entering into a Dudley Square independent living unit are required to execute a resident agreement. The agreements require the residents to pay an entrance fee prior to occupancy. The agreements stipulate that a portion of the entrance fee is partially refundable within 90 days after the death of the resident, permanent transfer of the resident out of the Dudley Square units to other units of ECH or another organization, or termination of the agreement by the resident. For agreements entered into subsequent to July 1, 2006 and prior to April 1, 2018, the residency fee is refundable, less 1% for each month of occupancy, up to 25%, for a minimum refund of 75%. For agreements entered into prior to July 1, 2006, the minimum refund is 82%. For agreements entered into after April 1, 2018, the residency is refundable, less 10% upon occupancy and 1% for each month of occupancy, up to 25%.

The refundable portion of the entrance fees is reported as "Refundable advance deposits" in the accompanying statement of financial position with a portion classified as a current liability based on the Organization's prior experience with refund requests.

The nonrefundable portion of the entrance fees is reported as "Deferred entrance fees" in the accompanying statement of financial position with a portion classified as a current liability based on estimates of amounts expected to be amortized to revenue in the next fiscal year. Nonrefundable entrance fees are considered to contain a material right associated with living in the units and access to future services, which is the performance obligation. The nonrefundable portion of the deferred entrance fee is amortized to revenue using the straight-line method over the estimated remaining useful life expectancy of the residents. Any unamortized entrance fees at the time of the resident's death or termination of occupancy are recorded as revenue.

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### **Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

The agreements require the residents to pay a monthly service charge for services provided and use of the Organization's facilities. Revenue from monthly service charges is reported at the amount that reflects the consideration to which the Organization expects to be entitled to for services as provided in the agreements. These amounts are due from residents and are recognized over time as performance obligations are satisfied. Generally, the performance obligation related to these monthly maintenance fees is considered to be the ongoing ability of the resident to continue to occupy the unit each month and, accordingly, revenue is recognized monthly as this service is provided. Management has determined that the monthly service charge is sufficient to cover the costs of any future service obligations of the residents. As such, the Organization has not recorded a liability for the present value of the net costs of any future service obligations.

**Skilled nursing facility:** In the skilled nursing facility, the Organization is paid fixed daily rates from governmental and contracted third party payers, and the Organization charges a predetermined fixed daily rate for private pay residents. These fixed daily rates and certain other fees are billed monthly. The Organization currently uses the "most likely amount" technique to estimate revenue in accordance with ASC Topic 606, although rates are generally known and considered fixed prior to services being performed, whether included in the resident agreement or contracted with governmental or third party payers. Rate adjustments from Medicare or Medicaid are recorded when known (without regard to when the assessment is paid or withheld), and subsequent adjustments to these amounts are recorded in revenues when known. Billings under certain of these programs are subject to audit and possible retroactive adjustments, and related revenue is recorded at the amount the Organization ultimately expects to receive, which is inclusive of the estimated retroactive adjustments or refunds, if any, under reimbursement programs. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods, or as final settlements are determined. Revenue is recognized when performance obligations are satisfied by transferring control of the service provided to the resident, which is based on a day of healthcare services to the resident.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations may result in significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

**Grant revenue:** Grant support is reported as other operating revenue in the period in which the Organization meets the required terms and conditions of the grant.

**Charity care:** The Organization provides care to residents who meet certain criteria under its charity care policy without charge. Key elements used to determine eligibility include a resident's demonstrated inability to pay. Because the Organization does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as revenue. The Organization has estimated the costs foregone for services and supplies furnished under the Organization's charity care policy aggregated to approximately \$206,000 and \$124,000 for the years ended December 31, 2020 and 2019, respectively.

**Operating indicator:** The statement of activities includes an intermediate indicator of operations labeled as "operating loss." Changes in net assets which are excluded from the operating measure typically include the transfers to and changes in net assets of interrelated Foundation, contributions, investment income, and interest expense.

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 1. Organization and Summary of Significant Accounting Policies (Continued)

**Investments:** Investments are carried at fair value with unrealized gains or losses included in the statement of activities without donor restrictions unless the investment income is restricted by donor or law and is then recorded in change in net assets with donor restrictions. Contributed investments are recorded at fair value on the date of the gift. Realized gains or losses on investments sold are determined on a specific identification basis.

**Assets limited as to use:** Assets limited as to use consist of cash and cash equivalents and investments and are limited as to use and include certain amounts internally designated as limited by the Board of Directors.

**Property and equipment:** Property and equipment are recorded at cost if purchased, or fair market value as of the date of donation, and depreciated over their estimated useful lives using the straight-line method of depreciation. Estimated useful lives are as follows:

|                                   |             |
|-----------------------------------|-------------|
| Land improvements                 | 10-20 years |
| Buildings and improvements        | 10-40 years |
| Furniture, fixtures and equipment | 5-10 years  |
| Vehicles                          | 5 years     |

Property and equipment is subject to an impairment assessment whenever events or circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable from future cash flows. If the carrying amount is considered impaired, an impairment charge is recorded for the amount by which the carrying value exceeds its fair value. Management has concluded that no events or circumstances indicating potential impairment occurred for the years ended December 31, 2020 and 2019.

**Advertising:** Advertising costs are charged to operations when incurred. Advertising expense was approximately \$91,000 and \$215,000 for the years ended December 31, 2020 and 2019, respectively.

**Retirement plan:** The Organization sponsors a defined contribution retirement plan covering all full time employees age 21 and older with at least one year of employment with the Organization. The Organization matches each participant's contribution up to a maximum percentage of annual compensation. Retirement plan expense was approximately \$103,000 and \$130,000 for the years ended December 31, 2020 and 2019, respectively.

**Interest expense:** Interest expense is recognized as incurred on outstanding long-term debt (Note 5). No interest payments have been made over the life of the related party note. Therefore, interest is accrued on this note as of December 31, 2020 and 2019 and totals \$191,641 and \$75,000, respectively. The accrued interest is recorded within accounts payable. The costs incurred related to the issuance of debt are presented net of the related long-term debt and are amortized to interest expense over the life of the related debt using the effective interest method. Amortization of debt issuance costs included in interest expense amounted to \$580 and \$0 for 2020 and 2019, respectively. The Organization capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the constructed asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$84,141 and \$0 during 2020 and 2019, respectively. Details of interest cost incurred for 2020 and 2019 are as follows:

|   | 2020              | 2019             |
|---|-------------------|------------------|
| Interest cost charged to operations                 | \$ 32,500         | \$ 51,250        |
| Amortization of debt issuance costs                 | 580               | -                |
| Interest cost capitalized to property and equipment | 84,141            | -                |
| <b>Total interest cost incurred</b>                 | <b>\$ 117,221</b> | <b>\$ 51,250</b> |

**Notes to Financial Statements**

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**Note 1. Organization and Summary of Significant Accounting Policies (Continued)**

**Recent accounting pronouncements:**

**Fair value measurements:** In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the FASB Concepts Statement, including consideration of costs and benefits.

The following disclosure requirements were removed from Topic 820:

1. The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy.
2. The policy for timing of transfers between levels.
3. The valuation processes for Level 3 fair value measurements.
4. For nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

The following disclosure requirements were modified in Topic 820:

1. In lieu of a roll forward for Level 3 fair value investments, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities.
2. The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization retrospectively adopted this update for the removal, modification, or addition of certain fair value disclosures presented in Note 8 of the financial statements.

**Leases:** In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating leases, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest cumulative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The Organization continues to assess the effect the guidance will have on its existing accounting policies and the financial statements.

**Subsequent events:** The Organization has evaluated subsequent events for potential recognition and/or disclosure through June 3, 2021, the date the financial statements were available to be issued.

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 2. Resident Accounts Receivable

The Organization provides services without collateral to its facility residents, many of whom are local residents and who are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at December 31 is as follows:

|  | 2020                     | 2019                       |
|--|--------------------------|----------------------------|
| Medicare                                   | \$ 228,246               | \$ 646,143                 |
| Medicaid                                   | 97,654                   | 198,441                    |
| Insurance                                  | 173,867                  | 369,253                    |
| Private and other                          | 358,434                  | 658,435                    |
|  | <u>858,201</u>           | <u>1,872,272</u>           |
| Less: allowance for uncollectable accounts | (139,555)                | (264,738)                  |
| <b>Resident accounts receivable, net</b>   | <u><u>\$ 718,646</u></u> | <u><u>\$ 1,607,534</u></u> |

Bad debt expense for the years ended December 31, 2020 and 2019 was \$101,840 and \$139,790, respectively.

#### Note 3. Investments and Assets Limited as to Use

The composition of investments and assets limited as to use as of December 31 is set forth in the following table:

|  | 2020                       | 2019                       |
|--|----------------------------|----------------------------|
| Cash   | \$ 10,469                  | \$ 15,727                  |
| Money market funds                             | 50,559                     | 24,944                     |
| Equity securities                              | 1,098,355                  | 953,338                    |
| Mutual funds                                   | 243,388                    | 236,274                    |
| Beneficial interest in perpetual trusts        | 591,837                    | 562,105                    |
|  | <u>1,994,608</u>           | <u>1,792,388</u>           |
| Less: current portion                          | (10,469)                   | (15,727)                   |
| <b>Total investments, less current portion</b> | <u><u>\$ 1,984,139</u></u> | <u><u>\$ 1,776,661</u></u> |

Internally designated cash that is limited as to use totaled \$10,469 and \$15,727 as of December 31, 2020 and 2019, respectively.

Investment income is comprised of the following for the years ended December 31:

|                                     | 2020                     | 2019                     |
|-------------------------------------|--------------------------|--------------------------|
| Realized and unrealized gain        | \$ 169,581               | \$ 226,358               |
| Interest and dividends, net of fees | 3,479                    | 19,935                   |
| <b>Investment income</b>            | <u><u>\$ 173,060</u></u> | <u><u>\$ 246,293</u></u> |

The Episcopal Church Home, Inc.

Notes to Financial Statements

**Note 4. Property and Equipment**

Property and equipment consists of the following at December 31:

|                                    | 2020                 | 2019                 |
|------------------------------------|----------------------|----------------------|
| Land                               | \$ 804,971           | \$ 804,971           |
| Land improvements                  | 237,357              | 220,095              |
| Buildings and improvements         | 36,528,030           | 32,471,227           |
| Furniture, fixtures and equipment  | 3,066,976            | 2,973,331            |
| Vehicles                           | 110,592              | 110,592              |
| Construction in progress           | 1,251,734            | 1,143,885            |
| <b>Total</b>                       | <b>41,999,660</b>    | <b>37,724,101</b>    |
| Less: accumulated depreciation     | (22,606,036)         | (20,426,021)         |
| <b>Property and equipment, net</b> | <b>\$ 19,393,624</b> | <b>\$ 17,298,080</b> |

Depreciation expense on property and equipment totaled \$2,180,013 and \$1,503,304 in 2020 and 2019, respectively.

During 2020, the Organization began the initial stages of a renovation plan (the Master Plan). New admittances into the skilled nursing facility were stopped in order to begin renovations on the units and execute the Master Plan. As a result, the Organization experienced declines in net resident revenue in 2020. Additional declines in revenue are possible until the Master Plan is complete and normal occupancy levels are reestablished. In connection with the Master Plan, the Organization recognized additional depreciation expense of approximately \$945,000 in 2020 for assets that have a known change in life and will be disposed of due to the Master Plan. Approximately \$315,000 of additional depreciation expense is expected in 2021 on those same assets. The Organization plans to fund the costs of the Master Plan with various financing (see Note 5), capital campaign contributions, and new entrance fees generated from the project.

**Note 5. Long-Term Debt**

The following is a summary of long-term debt at December 31:

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Note payable, related party, permitting borrowings up to \$5,000,000 until a period at the discretion of the related party. The note requires quarterly interest only payments through April 2020 at a fixed rate of 3%. Beginning July 1, 2020, and through the maturity date in April 2043, the note bears interest at a rate of 4% and requires quarterly payments of interest. The note is subordinated to the construction loan and principal payments are at the discretion of the lender. | \$ 5,000,000        | \$ 2,000,000        |
| Construction loan permitting borrowings up to \$13,000,000 through the draw period that ends November 24, 2022 (the conversion date), at which point the loan is converted to a term note. The loan bears interest at 4.02% during the draw period and requires monthly interest only payments through the conversion date. The term note will require monthly principal and interest payments after the conversion date and through its maturity on November 24, 2030.                          | -                   | -                   |
| Less: unamortized debt issuance costs  | (68,944)            | -                   |
| <b>Long-term debt</b>  | <b>\$ 4,931,056</b> | <b>\$ 2,000,000</b> |

The Episcopal Church Home, Inc.

Notes to Financial Statements

**Note 6. Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis between program services, management and general, and fundraising expenses. Natural expenses attributable to more than one function are allocated using certain cost allocation techniques. Depreciation expense is allocated based on square footage and employee benefits related expenses are allocated based on headcount. Expenses by functional area for the years ended December 31 are as follows:

|  | 2020                 |                        |                   |                      |
|--|----------------------|------------------------|-------------------|----------------------|
|  | Program Services     | Management and General | Fundraising       | Total Expenses       |
| Salaries, wages, employee benefits and payroll taxes | \$ 7,107,937         | \$ 1,221,439           | \$ 109,585        | \$ 8,438,961         |
| Professional and purchased services                  | 2,203,939            | 1,130,332              | 1,650             | 3,335,921            |
| Marketing  | -                    | 90,973                 | -                 | 90,973               |
| Supplies and food                                    | 943,967              | 5,502                  | 1,123             | 950,592              |
| Utilities  | 755,363              | -                      | -                 | 755,363              |
| Insurance  | -                    | 794,397                | -                 | 794,397              |
| Depreciation   | 1,897,585            | 282,428                | -                 | 2,180,013            |
| Miscellaneous  | 830,599              | 717,505                | 7,037             | 1,555,141            |
|  | <u>\$ 13,739,390</u> | <u>\$ 4,242,576</u>    | <u>\$ 119,395</u> | <u>\$ 18,101,361</u> |

  

|  | 2019                 |                        |                   |                      |
|--|----------------------|------------------------|-------------------|----------------------|
|  | Program Services     | Management and General | Fundraising       | Total Expenses       |
| Salaries, wages, employee benefits and payroll taxes | \$ 8,532,774         | \$ 884,123             | \$ 113,721        | \$ 9,530,618         |
| Professional and purchased services                  | 3,338,754            | 1,492,035              | 550               | 4,831,339            |
| Marketing  | -                    | 214,816                | -                 | 214,816              |
| Supplies and food                                    | 1,778,081            | 16,520                 | 141               | 1,794,742            |
| Utilities  | 774,468              | -                      | -                 | 774,468              |
| Insurance  | -                    | 250,406                | -                 | 250,406              |
| Depreciation   | 1,308,546            | 194,758                | -                 | 1,503,304            |
| Miscellaneous  | 1,086,485            | 430,772                | 9,738             | 1,526,995            |
|  | <u>\$ 16,819,108</u> | <u>\$ 3,483,430</u>    | <u>\$ 124,150</u> | <u>\$ 20,426,688</u> |

**Note 7. Commitments and Contingencies**

**Litigation:** The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

**Commitments:** During 2020, the Organization entered into a general construction contract for the Master Plan as described in Note 1. As of December 2020, the Organization was contractually committed for construction costs of approximately \$14,100,000.

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 7. Commitments and Contingencies (Continued)

**Health plan:** The Organization's employees are covered under an affiliated entity's (Episcopal Retirement Homes) partially self-funded health benefit plan for their health care costs. The Organization reimburses Episcopal Retirement Homes for claims paid on their behalf. This plan also covers employees of affiliated entities. Under this plan, the Organization is responsible for the first \$100,000 of claims per employee incurred annually. The annual aggregate limit for all participant claims, which includes all entities covered under this plan, is approximately \$3,000,000 in 2020 and 2019. Third party insurance coverage is responsible for amounts in excess per employee and in excess of the aggregate limit. The health insurance expense is based upon actual claims paid, reinsurance premiums, administration fees, and provisions for unpaid and unasserted claims at year-end.

Health insurance expense for the years ended December 31, 2020 and 2019, was approximately \$1,181,000 and \$1,051,000, respectively. A liability for estimated claims outstanding at December 31, 2020 and 2019, of approximately \$220,000 and \$177,000, respectively, has been recorded for management's estimate of claims incurred but not yet reported and is included in accounts payable on the accompanying statements of financial position.

#### Note 8. Fair Value Measurements

For amounts reported at fair value, the Organization adheres to the U.S. GAAP framework for measuring fair value which establishes a fair value hierarchy consisting of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Following is a description of the valuation methodologies used for assets measured at fair value.

**Money market funds:** Valued at the net asset value of underlying assets.

**Equity securities and mutual funds:** Valued at the closing price reported on the active market on which the individual securities are traded.

**Beneficial interest in perpetual trusts:** Beneficial interest in perpetual trusts is recorded at fair value on a recurring basis. Fair value measurement is based upon the fair value of assets held in the perpetual trusts as reported by the trustees at December 31, 2020 and 2019. The Organization considers the measurement of its beneficial interest in the perpetual trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

The Episcopal Church Home, Inc.

Notes to Financial Statements

**Note 8. Fair Value Measurements (Continued)**

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

**Interest in net assets of interrelated foundation:** Interest in net assets of interrelated foundation is recorded at fair value on a recurring basis. Fair value measurement is based upon the fair value of assets held in the interrelated foundation at December 31, 2020 and 2019. The Organization considers the measurement of its interest in net assets of interrelated foundation to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the interrelated foundation's assets, the Organization will never receive those assets or have the ability to redeem them.

The following tables present the balances of investments measured at fair value on a recurring basis as of December 31:

|   | 2020                |                  |                     |                      |
|---|---------------------|------------------|---------------------|----------------------|
|   | Level 1             | Level 2          | Level 3             | Total                |
| Assets:   |                     |                  |                     |                      |
| Investments:  |                     |                  |                     |                      |
| Money market funds  | \$ -                | \$ 50,559        | \$ -                | \$ 50,559            |
| Equity securities   | 1,098,355           | -                | -                   | 1,098,355            |
| Mutual funds  | 243,388             | -                | -                   | 243,388              |
| Beneficial interest in perpetual trusts                       | -                   | -                | 591,837             | 591,837              |
| Cash and cash equivalents                                     | -                   | -                | -                   | 10,469               |
| <b>Total investments</b>                                      |                     |                  |                     | <b>1,994,608</b>     |
| Other assets:   |                     |                  |                     |                      |
| Interest in net assets of financially interrelated Foundation | -                   | -                | 8,329,721           | 8,329,721            |
| <b>Total assets at fair value</b>                             | <b>\$ 1,341,743</b> | <b>\$ 50,559</b> | <b>\$ 8,921,558</b> | <b>\$ 10,324,329</b> |

|   | 2019                |                  |                     |                      |
|---|---------------------|------------------|---------------------|----------------------|
|   | Level 1             | Level 2          | Level 3             | Total                |
| Assets:   |                     |                  |                     |                      |
| Investments:  |                     |                  |                     |                      |
| Money market funds  | \$ -                | \$ 24,944        | \$ -                | \$ 24,944            |
| Equity securities   | 953,338             | -                | -                   | 953,338              |
| Mutual funds  | 236,274             | -                | -                   | 236,274              |
| Beneficial interest in perpetual trusts                       | -                   | -                | 562,105             | 562,105              |
| Cash and cash equivalents                                     | -                   | -                | -                   | 15,727               |
| <b>Total investments</b>                                      |                     |                  |                     | <b>1,792,388</b>     |
| Other assets:   |                     |                  |                     |                      |
| Interest in net assets of financially interrelated Foundation | -                   | -                | 8,627,079           | 8,627,079            |
| <b>Total assets at fair value</b>                             | <b>\$ 1,189,612</b> | <b>\$ 24,944</b> | <b>\$ 9,189,184</b> | <b>\$ 10,419,467</b> |

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 8. Fair Value Measurements (Continued)

The Organization evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets.

The table below sets forth changes in the Plan's Level 3 investment assets attributable to purchases and the amounts of any transfers into or out of Level 3 of the fair value hierarchy for the years ended December 31:

|                          | 2020    | 2019   |
|--------------------------|---------|--------|
| Purchases                | 289,841 | 25,814 |
| Transfers into Level 3   | -       | -      |
| Transfers out of Level 3 | -       | -      |

#### Note 9. Affiliation Agreement and Interest in Financially Interrelated Foundation

Effective October 1, 2016, the Organization entered into the Affiliation Agreement (the Affiliation) with Episcopal Retirement Services (ERS). Concurrently with the Affiliation with ERS, the Organization revised its legal name to be The Episcopal Church Home, Inc. and established a new legal entity, The Episcopal Church Home Foundation, Inc. (the Foundation). The Foundation is governed by an independent Board of Directors and is organized to solely support the Organization. In connection with the Affiliation, certain investments and beneficial interests in assets have been transferred from the Organization to the Foundation.

The purpose of the Affiliation with ERS is to further the charitable missions of both ERS and the Organization through various shared affiliation benefits and goals. The Organization amended and restated its articles and bylaws and established a nonprofit corporate membership structure with ERS obtaining 80% interest and the Foundation obtaining 20% interest in the Organization. The Board of Directors of the Organization is comprised of 9 voting members and 1 non-voting member with ERS appointing 5 of the 9 voting member positions.

The Organization recognizes its interest, and any changes in its interest, in the net assets of the Foundation as a financially interrelated entity. At December 31, 2020 and 2019, the Organization's interest in the net assets of the Foundation is \$8,329,721 and \$8,627,079, respectively.

ERS provides the Organization with management services under the terms of the Affiliation. These management services are provided by Episcopal Retirement Homes, Inc. (ERH), a subsidiary of ERS. Annual management fees to be paid to ERH were established at amounts ranging from \$1,582,000 to \$1,692,000 annually through June 30, 2019. After that date, fees are adjusted annually. Fees paid under the Affiliation totaled \$1,404,216 and \$1,711,860 for the years ended December 31, 2020 and 2019, respectively and are recorded within professional and purchased services on the statements of activities and changes in net assets. At December 31, 2020 and 2019, \$605,128 and \$967,556, respectively, was owed to ERH and is included in "Accounts payable" on the accompanying statements of financial position. For the year ended December 31, 2020, ERH and the Foundation transferred \$1,000,000 and \$250,000, respectively, to the Organization for the Master Plan. This amount is reported as "Member capital contributions" on the accompanying statements of activities and changes in net assets.

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 9. Affiliation Agreement and Interest in Financially Interrelated Foundation (Continued)

The Foundation has agreed to make certain specified contributions to the Organization in addition to operational support contributions as approved by the Foundation Board annually. There were operational support contributions of \$302,271 and \$301,835 for the years ended December 31, 2020 and 2019, respectively. The Foundation also provided an additional discretionary contribution of \$1,100,000 to the Organization for the year ended December 31, 2020 to support operations that were disrupted upon the commencement of the Master Plan. For the years ended December 31, 2020 and 2019, the Foundation released \$158,300 and \$0 of contributions received on behalf of the Organization, respectively. This amount is reported within Contributions from financially interrelated Foundation on the accompanying statements of activities and changes in net assets.

The Affiliation is scheduled to terminate on October 31, 2021. The termination will have no impact on the Organization's governance and ERS will continue to maintain its 80% interest in the Organization. ERS and the Foundation had the ability to unwind the Affiliation by providing written notice between July 1, 2018 and October 31, 2018. This unwind provision was not exercised. As a result, ERS effectively gained control of the Organization as of December 30, 2018.

The following summarizes the financial position of the financially interrelated Foundation at December 31:

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Cash   | \$ 104,550          | \$ 65,000           |
| Pledge receivables   | 10,000              | -                   |
| Investments  | 4,923,338           | 5,899,252           |
| Beneficial interests   | 2,773,920           | 2,421,273           |
| Investment in the Organization                                       | 550,000             | 300,000             |
|  | <u>8,361,808</u>    | <u>8,685,525</u>    |
| <b>Liabilities</b>   |                     |                     |
| Net payable to the Organization                                      | <u>32,087</u>       | <u>58,446</u>       |
| Net assets, end of year  | 8,329,721           | 8,627,079           |
| Net assets of financially interrelated Foundation, beginning of year | <u>8,627,079</u>    | <u>7,172,974</u>    |
| <b>Change in net assets of financially interrelated Foundation</b>   | <u>\$ (297,358)</u> | <u>\$ 1,454,105</u> |

## The Episcopal Church Home, Inc.

### Notes to Financial Statements

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#### Note 10. Liquidity and Availability

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As part of the Organization's liquidity management, monetary amounts in excess of monthly requirements for general expenditures is invested in various investments. As of December 31, 2020 and 2019, financial assets available for general expenditures within one year are comprised of the following:

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| Financial assets at year end:  |                     |                     |
| Cash and cash equivalents  | \$ 1,097,921        | \$ 479,293          |
| Accounts receivable  | 718,646             | 1,607,534           |
| Pledge receivables   | 15,000              | 45,250              |
| Other receivables  | 32,087              | 58,446              |
| Investments  | 1,994,608           | 1,792,388           |
| Interest in net assets of financially interrelated Foundation              | 8,329,721           | 8,627,079           |
| <b>Total financial assets</b>  | <b>12,187,983</b>   | <b>12,609,990</b>   |
| Less amounts not available for general expenditures within one year:       |                     |                     |
| Assets held for residents  | (7,080)             | (9,803)             |
| Other assets limited as to use by internal designation                     | (10,469)            | (15,727)            |
| Assets with donor restrictions   | (8,957,317)         | (9,261,160)         |
| <b>Financial assets available for general expenditures within one year</b> | <b>\$ 3,213,117</b> | <b>\$ 3,323,300</b> |

#### Note 11. Coronavirus Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law. The CARES Act legislation is intended to provide relief for organizations that have been negatively impacted by the COVID-19 pandemic. One of the many provisions of the CARES Act established a Provider Relief Fund for allocation by the U.S. Department of Health and Human Services (HHS). The Organization received \$1,010,499 in distributions from the Provider Relief Fund. These funds were awarded to provide economic relief to support costs related to the disruption of operations due to the coronavirus pandemic. During 2020, the Organization recognized \$1,010,499 in other operating revenue for funds which the Organization believes have met the required terms and conditions. The terms and conditions of the Provider Relief Fund require that the funds are utilized to compensate for lost revenues that are attributable to the pandemic and for eligible costs to prevent, prepare for, and respond to the pandemic that are not covered by other sources. In addition, Provider Relief Fund recipients are subject to other terms and conditions, including certain reporting requirements. Any funds not used in accordance with the terms and conditions must be returned to HHS.