United Methodist Retirement Communities, Inc. and Affiliates

Consolidated Financial Report
with Supplemental Information
June 30, 2021

Contents

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Independent Auditor's Report

To the Board of Trustees
United Methodist Retirement Communities, Inc.
and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of United Methodist Retirement Communities, Inc. and Affiliates (the "Organization") which comprise the consolidated balance sheet as of June 30, 2021 and 2020 and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The consolidated financial statements as of and for the year ended June 30, 2020 were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Methodist Retirement Communities, Inc. and Affiliates as of June 30, 2021 and 2020 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
United Methodist Retirement Communities, Inc.
and Affiliates

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021 on our consideration of United Methodist Retirement Communities, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Methodist Retirement Communities, Inc. and Affiliates' internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 28, 2021

Consolidated Balance Sheet

June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 28,628,121	$ 24,103,703
Resident accounts receivable - Net (Note 3)	4,802,681	4,027,932
Accounts receivable - Affiliates (Note 18)	106,078	59,121
Current portion of pledges receivable (Note 4)	1,076,663	1,841,239
Estimated third-party payor settlements	148,410	115,736
Current portion of assets limited as to use (Note 5)	178,662	215,847
Other current assets	3,034,347	2,855,918
Total current assets	37,974,962	33,219,496
Assets Limited as to Use - Net of current portion (Note 5)	59,744,235	48,691,845
Property and Equipment - Net (Note 6)	233,085,850	237,772,233
Beneficial Interest in Trust	1,327,748	1,465,127
Pledges Receivable - Net of current portion (Note 4)	1,751,265	1,687,073
Right-of-use Asset - Net (Note 11)	687,861	859,821
Other Noncurrent Assets		
Investment in and loans due from related organizations (Note 18)	7,088,244	4,334,516
Other noncurrent assets	1,241,768	1,142,073
Total assets	**$ 342,901,933**	**$ 329,172,184**

Consolidated Balance Sheet (Continued)

June 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 5,629,470	$ 7,112,105
Accounts payable - Affiliates (Note 18)	31,581	75,822
Current portion of long-term debt (Note 9)	4,841,584	6,302,231
Current portion of Holland facility lease liability (Note 11)	192,798	178,900
Current portion of refundable advances on life leases (Note 12)	5,183,900	5,089,400
Estimated third-party payor settlements	1,315,048	1,172,048
Accrued liabilities and other (Note 7)	15,041,322	9,503,162
Total current liabilities	32,235,703	29,433,668
Long-term Debt - Net of current portion (Note 9)	103,091,514	109,119,576
Line of Credit (Note 8)	-	885,234
Holland Facility Lease Liability - Net of current portion (Note 11)	670,347	863,147
Other Long-term Liabilities		
Deferred life lease income (Note 12)	26,833,425	25,967,645
Refundable advances on life leases - Net of current portion (Note 12)	42,405,048	39,492,626
Fair value of interest rate swap agreements (Note 10)	318,783	3,876,006
Other long-term liabilities	439,293	616,861
Total other long-term liabilities	69,996,549	69,953,138
Total liabilities	205,994,113	210,254,763
Net Assets		
Without donor restrictions	102,029,666	89,638,249
With donor restrictions (Notes 14 and 15)	21,268,835	18,056,068
Without donor restrictions - Noncontrolling interest	13,609,319	11,223,104
Total net assets	136,907,820	118,917,421
Total liabilities and net assets	**$ 342,901,933**	**$ 329,172,184**

See notes to consolidated financial statements.

Consolidated Statement of Activities

Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenue		
Net service revenue (Note 3)	$ 130,155,015	$ 124,153,763
Investment income	3,302,254	335,593
Life lease income (Note 12)	4,214,977	4,214,831
Gain on sale of property	521,302	-
Contributions	1,464,228	595,488
CARES Act revenue (Note 22)	8,183,685	1,692,479
Other operating revenue	3,592,670	5,643,149
Net assets released from restrictions used in operations	2,821,115	1,300,239
Total operating revenue	154,255,246	137,935,542
Operating Expenses		
Salaries and wages	49,066,911	48,221,897
Employee benefits and payroll taxes	10,798,751	10,481,266
Operating supplies and expenses	6,400,885	8,759,901
Professional services and consultant fees	44,282,425	41,323,328
Repairs and maintenance	2,410,978	2,419,418
Utilities	3,159,300	3,028,525
Depreciation	16,100,591	14,860,709
Interest	4,013,807	4,518,658
Property taxes	1,765,066	1,702,183
Amortization of right-of-use asset (Note 11)	174,649	171,964
Provision for bad debts	490,403	229,279
Quality assurance assessment	1,025,055	1,124,674
Other	7,958,331	5,273,257
Total operating expenses	147,647,152	142,115,059
Operating Income (Loss)	6,608,094	(4,179,517)
Nonoperating Income (Loss)		
Unrealized gain (loss) on investments (Note 5)	3,617,138	(852,264)
Change in value of charitable gift annuities	159	4,405
Change in fair value of interest rate swap agreements (Note 10)	345,653	(1,286,460)
Gain from investment in joint ventures (Note 18)	3,206,455	743,364
Total nonoperating income (loss)	7,169,405	(1,390,955)
Excess of Revenue Over (Under) Expenses	13,777,499	(5,570,472)
Net Assets Released from Restrictions for Capital Purposes	1,000,133	2,032,568
Increase (Decrease) in Net Assets without Donor Restrictions	**$ 14,777,632**	**$ (3,537,904)**
Amounts Attributable to Noncontrolling Interest and Controlling Interest		
Consolidated increase (decrease) in net assets without donor restrictions attributable to:		
Noncontrolling interest	$ 2,386,215	$ 1,129,109
Controlling interest	12,391,417	(4,667,013)
Consolidated increase (decrease) in net assets without donor restrictions	**$ 14,777,632**	**$ (3,537,904)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Years Ended June 30, 2021 and 2020

	Without Donor Restrictions - Controlling Interest	Without Donor Restrictions - Noncontrolling Interest	With Donor Restrictions	Total
Balance - July 1, 2019	$ 94,305,262	$ 10,093,995	$ 18,332,192	$ 122,731,449
Excess of revenue (under) over expenses	(6,699,581)	1,129,109	-	(5,570,472)
Net assets released from restrictions for capital purposes	2,032,568	-	-	2,032,568
Restricted contributions	-	-	3,814,159	3,814,159
Restricted investment loss	-	-	(894,692)	(894,692)
Change in present value of pledges receivable	-	-	25,502	25,502
Change in value of beneficial interest in trusts	-	-	111,714	111,714
Net assets released from restrictions	-	-	(3,332,807)	(3,332,807)
Balance - June 30, 2020	89,638,249	11,223,104	18,056,068	118,917,421
Excess of revenue over expenses	11,391,284	2,386,215	-	13,777,499
Net assets released from restrictions for capital purposes	1,000,133	-	-	1,000,133
Restricted contributions	-	-	3,158,761	3,158,761
Restricted investment income	-	-	4,052,506	4,052,506
Change in present value of pledges receivable	-	-	(43,560)	(43,560)
Change in value of beneficial interest in trusts	-	-	(133,692)	(133,692)
Net assets released from restrictions	-	-	(3,821,248)	(3,821,248)
Balance - June 30, 2021	**$ 102,029,666**	**$ 13,609,319**	**$ 21,268,835**	**$ 136,907,820**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 17,990,399	$ (3,814,028)
Adjustments to reconcile increase (decrease) in net assets to net cash and restricted cash from operating activities:		
Depreciation	16,100,591	14,860,709
Amortization of Holland facility finance lease	174,649	171,964
Net realized and unrealized (gain) loss on investments	(9,137,489)	2,205,372
Amortization of deferred debt issuance costs, discount, and premium	(56,700)	(37,950)
Provision for bad debts	490,403	229,279
Amortization of deferred life lease income	(4,214,977)	(4,214,831)
Proceeds from deferred life leases	5,761,469	5,127,097
Refunds of deferred life leases	(446,766)	(832,632)
Gain from investment in joint ventures	(3,206,455)	(743,364)
Change in fair value of interest rate swap agreements	(345,653)	1,286,460
Loss (gain) on perpetual trust	133,692	(111,714)
Contributions received for capital purposes	-	(1,082,812)
Gain on disposal of property and equipment	(521,302)	-
Noncash CARES Act revenue - Gain on forgiveness of Paycheck Protection Program loans	(4,771,480)	-
Changes in operating assets and liabilities that (used) provided cash and restricted cash:		
Resident accounts receivable	(1,265,152)	(714,052)
Accounts receivable - Affiliates	173	805,033
Pledges receivable	700,384	2,189,865
Other assets	221,046	(447,276)
Accounts payable	(1,482,235)	(1,005,803)
Accounts payable - Affiliates	(44,241)	(683,799)
Accrued and other liabilities	5,491,030	2,661,297
Estimated third-party settlements	110,326	(69,210)
Net cash and restricted cash provided by operating activities	21,681,712	15,779,605
Cash Flows from Investing Activities		
Purchase of property and equipment	(12,257,432)	(11,867,964)
Proceeds from sale of property and equipment	1,364,526	-
Purchases of investments	(12,224,428)	(13,799,470)
Proceeds from sale and maturities of investments	3,414,586	18,439,255
Payments on notes receivable	50,563	-
Net cash and restricted cash used in investing activities	(19,652,185)	(7,228,179)
Cash Flows from Financing Activities		
Net change in checks issued in excess of bank balance	-	(59,781)
Net change in lines of credit	(885,234)	(175,575)
Principal payment on long-term debt	(57,306,483)	(3,249,041)
Proceeds from issuance of long-term debt	51,145,000	4,771,480
Proceeds from life lease obligations	6,693,039	6,569,083
Refunds of life lease obligations	(3,920,463)	(6,201,431)
Payments on Holland facility lease liability	(178,902)	(166,523)
Contributions received for capital purposes	-	1,082,812
Change in other long-term liabilities	(177,568)	(189,119)
Premium on issuance of long-term debt	4,613,165	-
Payment of debt issuance costs	(1,112,211)	-
Settlement of interest rate swap agreement	(3,211,570)	-
Net cash and restricted cash (used in) provided by financing activities	(4,341,227)	2,381,905
Net (Decrease) Increase in Cash and Restricted Cash	(2,311,700)	10,933,331

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows (Continued)

Years Ended June 30, 2021 and 2020

	2021	2020
Cash and Restricted Cash - Beginning of year	$ 31,392,070	$ 20,458,739
Cash and Restricted Cash - End of year	**$ 29,080,370**	**$ 31,392,070**
Classification of Cash and Restricted Cash		
Cash	$ 28,628,121	$ 24,103,703
Cash in assets limited as to use	452,249	7,288,367
Total cash and restricted cash	**$ 29,080,370**	**$ 31,392,070**
Supplemental Cash Flow Information - Cash paid for interest	$ 3,721,956	$ 4,312,219

Note 1 - Nature of Business

United Methodist Retirement Communities, Inc. and Affiliates (the "Organization") is a faith-based organization dedicated to Christian, compassionate, and creative responses to the provision of health care, housing, and supportive services to older adults. The Organization, governed by a board of trustees, provides housing, health care, and other related services to residents.

The following organizations are affiliated with the Organization and have been consolidated in accordance with accounting principles generally accepted in the United States of America:

- United Methodist Retirement Communities, Inc. (UMRC) was established to provide housing, health care, memory care, and other related services to residents through the operation of a continuing care retirement community in Chelsea, Michigan and independent living cottages in Dexter, Michigan (Cedars of Dexter).
- UMRC Foundation (UMRC Foundation), a Michigan nonprofit organization, controls and manages the unrestricted and donor-restricted investments for the benefit of the Organization, implements fund development plans, communicates with donors, and supports the Organization's activities and programs. UMRC is the sole corporate member of UMRC Foundation.
- Porter Hills Presbyterian Village, Inc. (Porter Hills) was established to provide housing, health care, memory care, and other related services to residents through the operation of a continuing care retirement community in Grand Rapids, Michigan. UMRC is the sole corporate member of Porter Hills Presbyterian Village, Inc.
- Porter Hills Home Health Services West (Home Health) was established to provide skilled home care to residents of the western Michigan area. Porter Hills is the sole corporate member of Home Health.
- Porter Hills Foundation (the "Foundation") was established during the year ended June 30, 1996. The Foundation's primary purpose is to raise funds, invest assets, and monitor growth to ensure the operating entities of Porter Hills are able to continue as an in-depth, innovative, and inclusive senior living and services resource. Porter Hills is the sole corporate member of the Foundation.
- Cook Valley Estates (Cook Valley) was established during the year ended June 30, 1999 to provide independent housing for the elderly in Grand Rapids, Michigan. Cook Valley Estates functions under Porter Hills Presbyterian Village, Inc.'s federal ID. Porter Hills is the sole corporate member of Cook Valley.
- Meadowlark Retirement Community (Meadowlark) was purchased during the year ended June 30, 1998 to provide assisted living care, memory care, and independent living for the elderly in Sparta, Michigan. Porter Hills is the sole corporate member of Meadowlark.
- Detroit Affordable Assisted Living Limited Dividend Housing Association Limited Partnership (DAAL) was formed as a limited partnership on February 25, 2010 under the laws of the Michigan Uniform Partnership Act, as regulated by the Michigan State Housing Development Authority (MSHDA), for the purpose of constructing and operating a rental housing project. DAAL commenced operations in March 2013. DAAL is an 80-unit elderly affordable assisted living facility in Detroit, Michigan. DAAL has qualified for and been allocated low-income housing tax credit as of May 10, 2011 pursuant to Internal Revenue Code Section 42. The Organization is a 0.0051 percent general partner in DAAL. The Organization controls the major operating and financial policies of DAAL. Under the terms of a Regulatory Agreement executed in connection with obtaining a HOME loan, MSHDA regulates rental rates and distributions to owners. The Regulatory Agreement contains requirements, including operating policies, maintaining a reserve fund for replacement, maintaining an operating insurance escrow, and limiting distributions to owners.

Note 1 - Nature of Business (Continued)

- Washtenaw PACE, Inc. d/b/a Huron Valley PACE (Huron Valley PACE); The Cascade PACE, Inc. d/b/a Thome PACE (Thome PACE); and LifeCircles, Inc. (LifeCircles) are all Michigan nonprofit organizations that operate Programs of All-inclusive Care for the Elderly (PACE) in Michigan in the Ypsilanti, Jackson, Muskegon, and Holland areas and communities surrounding them. Once an individual has been enrolled in a PACE, all of his or her medical needs must be provided, according to the participant plan, through the staff of the PACE and its network of providers. The Organization has a 100 percent and 80 percent controlling financial interest in Huron Valley PACE and Thome PACE, respectively. Porter Hills Presbyterian Villages, Inc. has a 53.2 percent controlling interest in LifeCircles. The Organization has guaranteed approximately $5,500,000 and $4,000,000 of indebtedness incurred by Huron Valley PACE and Thome PACE, respectively. Porter Hills Presbyterian Village, Inc. has guaranteed a maximum of $4,100,000 of indebtedness incurred by LifeCircles. Huron Valley PACE, Thome PACE, and LifeCircles commenced operations in March 2014, March 2016, and May 2007, respectively.

- Bailey's Grove Retirement Community, Inc. (Bailey's Grove); Sparta Retirement Community, Inc. d/b/a Harvest Way Retirement Community, Inc. (Harvest Way); Senora Woods Retirement Community, Inc. d/b/a Oak Ridge Retirement Community, Inc. (Oak Ridge); River Grove Retirement Community, Inc. (River Grove); Station Creek Retirement Community, Inc. (Station Creek); and Walker Meadow Retirement Community, Inc. (Walker Meadow) (collectively, the "HUDs"), of which the Porter Hills Presbyterian Village, Inc. is the sole member of each, were established to provide independent housing for the elderly in western Michigan. The HUDs operate under Section 202 of the National Housing Act and are regulated by the U.S. Department of Housing and Urban Development (US HUD) with respect to rental charges and operating methods. A Regulatory Agreement with US HUD was signed in connection with the mortgage note. There were no violations of this agreement noted for the years ended June 30, 2021 and 2020.

- Porter Hills at Home d/b/a Avenues (Avenues) was established during the year ended June 30, 2012 as a membership program for the elderly of the western Michigan area who want to live at home and have services come to them. Avenues is a wholly owned subsidiary of Porter Hills.

- UMRCPH, Inc. was established on November 15, 2019 to provide management support for the Organization.

- The Organization includes entities that compose an obligated group, The United Methodist Retirement Communities, Inc. Obligated Group (the "Obligated Group"), as defined by the master trust indenture, amended and restated as of September 1, 2013, which includes the accounts of the following entities: UMRC, UMRC Foundation, Porter Hills, Home Health, Cook Valley, Meadowlark, and the Foundation.

Subsequent to June 30, 2021, the UMRC Foundation and Foundation, listed above, merged into one organization.

The Organization is also affiliated with the following entities, which are not required to be consolidated in accordance with accounting principles generally accepted in the United States of America; the investment in these entities is accounted for in the Organization's consolidated financial statements under the equity method:

- Silver Maples of Chelsea (SMOC) is a Michigan nonprofit organization that provides housing and assisted living services to residents through the operation of a retirement facility in Chelsea, Michigan. The Organization is a 50 percent member of SMOC.

Note 1 - Nature of Business (Continued)

- Sylvan Pines Limited Dividend Housing Associated LLC (Sylvan Pines) is an affordable housing project with which the Organization has a management agreement. The Organization is a 1 percent member of Sylvan Pines.
- VOANS Senior Community Care of Michigan, Inc. (Lansing PACE) is a Michigan nonprofit organization that operates a PACE in Lansing, Michigan and counties surrounding Lansing. Once an individual has been enrolled in a PACE, all of his or her medical needs must be provided, according to the participant plan, through the staff of the PACE and its network of providers. The Organization is a 20 percent member of Lansing PACE. Lansing PACE commenced operations in April 2015.
- Emmanuel Hospice is a joint venture agreement with St. Ann's Home, Inc.; Clark Retirement Communities, Inc.; and Sunset Manor, Inc. This joint venture provides hospice services to residents of the western Michigan area. Porter Hills Presbyterian Village, Inc. is an 18 percent member of Emmanuel Hospice.
- EHCO Group, LLC d/b/a Tandem 365 (Tandem 365) is a joint venture agreement with Clark Retirement Communities Inc.; Holland Home; Life EMS; and Sunset Manor, Inc. This joint venture partners with insurance companies insuring individuals in western Michigan to provide assistance to the individuals with health care coordination and other health care needs. Porter Hills Presbyterian Village, Inc. is a 20 percent member.
- Thome Rivertown Neighborhood Senior Non-Profit Housing Corporation d/b/a Rivertown Senior Apartments, of which the Organization is a 50 percent owner

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Organization maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. During the years ended June 30, 2021 and 2020, the Organization had cash balances that exceeded the insured limits.

Resident Accounts Receivable

Accounts receivable for residents, insurance companies, and governmental agencies are based on net charges. An allowance for uncollectible accounts is established based 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. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Note 2 - Significant Accounting Policies (Continued)

Assets Limited as to Use

Assets limited as to use include assets designated by the board of trustees to fund benevolent care, future capital purchases, and endowment assets, which include amounts over which the board retains control and may, at its discretion, subsequently use for other purposes. Also included are unexpended assets that are time or purpose restricted by donors. Assets limited as to use also include deposits to a bond debt services reserve and bond sinking funds for the Series 2020, 2019, and 2013 limited obligation revenue bonds. The bond agreements required that assets be set aside for the payment of principal and interest related to the bonds. Assets limited as to use also include deposits made on future entrance fee contracts.

Investments

Investments in mutual funds and equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet and are considered trading securities. Fair value is primarily based on quoted market prices. Alternative investments in multistrategy and hedge funds are measured at net asset value (NAV) of the investment companies. Investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends, is included as a component of the decrease in net assets without donor restrictions, unless the income or loss is restricted by donor or law.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Pledges Receivable

Pledges receivable include unconditional promises to give that are expected to be collected in future years. The pledges are recorded as contributions with donor restrictions at the present value of future cash flows. The discounts on the pledged amounts approximate current market rates at initial recognition. Amortization of the discounts is reported as contributions in the net assets with donor restrictions class.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed principally on the straight-line basis over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Costs of maintenance and repairs are charged to expense when incurred.

Interest Rate Swaps

Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of decrease in net assets without donor restrictions.

Note 2 - Significant Accounting Policies (Continued)

Debt Issuance Costs and Bond Issuance Premium

Deferred financing fees and a bond issuance premium were incurred by the Organization in connection with obtaining the bond financing. Debt issuance costs are recorded as a reduction to long-term debt and are amortized as an increase to interest expense ratably over the term of the debt. Debt issuance costs net of accumulated amortization are $2,253,355 and $1,409,140 at June 30, 2021 and 2020, respectively. Amortization costs totaling $253,262 and $103,675 for 2021 and 2020, respectively, related to debt issuance costs are included in interest expense in the consolidated statement of activities. The bond issuance premium is recorded as an increase to long-term debt and is amortized as a reduction to interest expense ratably over the term of the debt.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

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, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Net Service Revenue

Resident care service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided. These amounts are due from residents or third-party payors. The Organization considers any amounts not collected to represent an impairment loss or bad debt. Performance obligations are determined based on the nature of the services provided by the Organization. The majority of the Organization’s health care services represents a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered.

UMRC, Porter Hills, Home Health, Cook Valley, and Meadowlark

The Organization has concluded that each day that a resident receives services represents a separate contract and performance obligation based on the fact that residents have unilateral rights to terminate the contract with either advanced notice or a change in care needs with no penalty or compensation due. The Organization recognizes revenue under the residency agreements based upon the predominant component, either the lease or nonlease component, of the contracts rather than allocating the consideration and separately accounting for it. The Organization has concluded that the nonlease components of the agreements, with respect to their communities, are the predominant component of the contracts; therefore, the Organization recognizes revenue for these residency agreements under Accounting Standards Codification (ASC) 606.

The Organization also provides certain ancillary services that are not included in the bundle of services and, as such, are treated as separate performance obligations satisfied over time as the services are rendered.

Note 2 - Significant Accounting Policies (Continued)

Entrance fee contracts generally contain two payment streams: the entrance fees and the monthly fees. Both the entrance fees and monthly fees are specified in the contract with the resident. The entrance fees are fixed amounts paid at the time the contract is signed and the resident takes occupancy. Entrance fees are a combination of refundable and nonrefundable.

Refundable entrance fees are those entrance fees that are guaranteed to be refunded regardless of when the contract is terminated. The refundable portion of entrance fees is not included in the transaction price, as the Organization expects to refund those amounts to residents. Nonrefundable entrance fees are those entrance fees that are refundable on a decreasing basis for a fixed period of time, at which point the entrance fees become nonrefundable and would be considered part of the transaction price.

The nonrefundable portion of the entrance fees represents a right to the resident of access to future services. This right is deemed to be the Organization’s performance obligation. The nonrefundable portion is recorded as deferred revenue from entrance fees and is amortized to income using a time-based measurement to recognize revenue over the expected estimated resident life, beginning with the move-in date through the estimated remaining life of a resident.

The Organization recognizes the monthly fee component of entrance fees as revenue when the services for the month are performed (that is, the Organization satisfies the performance obligation).

The Organization determines the transaction price based on contractually agreed-upon amounts or rates. Variable consideration related to settlements is addressed below.

A summary of the payment arrangements with major third-party payors is as follows:

- **Medicare** - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Organization that are subject to review and final approval by Medicare.
- **Medicaid** - Medicaid reimburses the Organization for routine service costs on a per diem basis, prospectively determined. The Medicaid payment is a cost-based reimbursement system that also includes a quality assurance supplement (QAS). The QAS is a reimbursement based on Medicaid occupancy and is related to the provider tax assessed to nursing homes.
- **Other** - Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per diem, discounts from established charges, and prospectively determined daily rates.

Huron Valley PACE, Thome PACE, and LifeCircles

Huron Valley PACE, Thome PACE, and LifeCircles contract MDCH and Centers for Medicare & Medicaid Services (CMS) to provide Medicare and Medicaid services to participants who meet the following criteria:

- The participant is at least 55 years of age.
- The participant resides in the approved geographic area of the respective organization.
- The participant is certified as meeting the State of Michigan criteria for a nursing facility level of care.
- The participant will be able to remain safe in his or her home.

Note 2 - Significant Accounting Policies (Continued)

Performance obligations are determined based on Huron Valley PACE's, Thome PACE's, and LifeCircles' commitment to provide ongoing services and care coordination as they are needed by enrolled participants and, as such, are treated as a single performance obligation satisfied over time. Huron Valley PACE, Thome PACE, and LifeCircles have concluded that each month that a participant is eligible to receive services under the contract represents a separate contract and performance obligation based on the fact that participants have unilateral rights to terminate the contract after each month with no penalty or compensation due.

Huron Valley PACE, Thome PACE, and LifeCircles determine the transaction price based on contractually agreed-upon amounts or rates. Under the terms of the contracts, program service fees are collected for those participants who were enrolled in the program prior to the monthly cutoff. After the cutoff, participants are considered enrolled in the following month. MDCH will review and adjust payments semiannually based on the enrollment guidelines for the previous 12-month period. Service fees are based on set capitated rates determined annually by MDCH and CMS, prospectively set based on the collective historical frailty factor of enrollees. Under the contracts with the Michigan Department of Community Health (MDCH) and CMS, Huron Valley PACE, Thome PACE, and LifeCircles are responsible for providing care, as described within the contracts, above that which is covered by the capitated rate. Huron Valley PACE, Thome PACE, and LifeCircles make an initial and ongoing evaluation of a participant’s creditworthiness or obtain third-party verification of payment coverage and, as such, consider the credit risks they assume and any billed amounts not expected to be collected from participants or third parties for services rendered to represent bad debt expense.

MDCH may perform an immediate review of a random sample of initial Michigan Medicaid Nursing Facility Level of Care Determinations to validate the accuracy of the determinations made. If a participant is found to be ineligible for PACE services, MDCH will recover all Medicaid payments made for PACE services rendered during the period of ineligibility. For the years ended June 30, 2021 and 2020, there were no reviews performed by MDCH.

The Organization

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) that such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Variable consideration may also exist in the form of settlements with third-party payors as a result of retroactive adjustments due to audits, reviews, or investigations. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity. The Organization has not applied a constraint to the transaction price for settlement estimates, as the Organization has determined that it is not probable that a significant reversal in the amount of the cumulative revenue recognized would occur in the future.

The Organization has applied the practical expedient provided by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 340-40-25-4, and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Note 2 - Significant Accounting Policies (Continued)

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year in which the contributions are received are reported as unrestricted contributions in the accompanying financial statements.

Grant Revenue

Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met is recorded as deferred revenue.

Excess of Revenue Over (Under) Expenses

Excess of revenue over (under) expenses is considered the performance indicator in these financial statements. Changes in net assets without donor restrictions, which are excluded from excess of revenue over (under) expenses, consistent with industry practice, include, when applicable, transfers from (to) affiliates and net assets released from restrictions for capital purchases.

Income Taxes

No provision for income taxes has been included in the financial statements since the Organization is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code.

Charity Care

The Organization provides care to residents who meet certain criteria under its benevolent care policy without charge or at amounts less than its established rates. The Organization maintains records to identify and monitor the level of benevolent care it provides. The costs associated with benevolent care services include both direct costs and estimated indirect costs, as calculated by management. The level of benevolent care provided by the Organization, which represents the difference between the estimated cost of providing care and the payments received for services rendered, was approximately $948,000 and $982,000 for the years ended June 30, 2021 and 2020, respectively.

In addition, under arrangements with various governmental insurance programs, the Organization provides significant care to the local indigent population for which reimbursement for services rendered is generally less than the cost of providing such services. The Organization recognizes net service revenue to the extent of the Medicaid contractual rates. The difference between recognized net service revenue for Medicaid residents based upon established private-pay rates and the Medicaid contractual rates was approximately $3,450,000 and $2,020,000 during the years ended June 30, 2021 and 2020, respectively.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing general health care and support services have been reported on a functional basis in Note 20. The Organization provides general health care services to residents within its geographic location, including skilled nursing services, home care, rehabilitation, assisted living, and independent living. The consolidated financial statements report certain categories of expenses that are attributable to more than one function. These expenses are allocated based on reasonable estimates. The expenses that are allocated are salaries and wages and employee benefits and payroll taxes based on time and effort, as well as depreciation, which is allocated on a square footage basis. Although the methods of allocation are considered appropriate, other methods could be used that would produce different amounts.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including October 28, 2021, which is the date the consolidated financial statements were available to be issued.

Upcoming Accounting Pronouncement

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*. The standard provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The standard applies only to contracts, hedging relationships, and other transactions that reference LIBOR or other reference rates expected to be discontinued because of reference rate reform. The standard is effective for March 12, 2020 through December 31, 2022.

Note 3 - Resident Accounts Receivable and Net Service Revenue

The details of resident accounts receivable as of June 30 are set forth below:

	2021	2020
Resident accounts receivable	$ 5,432,792	$ 4,564,008
Less - Allowance of uncollectible accounts	(630,111)	(536,076)
Net resident accounts receivable	$ 4,802,681	$ 4,027,932

The Organization provides services without collateral to residents, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from residents and third-party payors was as follows:

	2021	2020
Medicare and Medicare Advantage	55 %	56 %
Medicaid	12	17
Private	33	27
Total	100 %	100 %

The Organization disaggregates revenue from contracts with customers by payor types and service lines. The Organization has determined that the disaggregation of revenue into these categories achieves the disclosure objective to depict the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Tables providing details of these factors are presented below.

Note 3 - Resident Accounts Receivable and Net Service Revenue (Continued)

The composition of net service revenue by primary payor for the years ended June 30 is as follows:

	2021	2020
Private	$ 40,665,826	$ 43,135,669
Medicaid	41,557,704	38,452,737
Medicare and Medicare Advantage	47,931,485	42,565,357
Total net service revenue	$ 130,155,015	$ 124,153,763

Revenue from residents' deductibles and coinsurance is included in the categories presented above based on the primary payor.

The composition of net service revenue based on the Organization's lines of business for the years ended June 30 is as follows:

	2021	2020
Independent living	$ 16,808,930	$ 17,527,551
Assisted living	19,387,391	20,899,331
Skilled nursing	20,699,036	21,202,661
Home health care	3,356,195	3,514,129
PACE services	69,903,463	61,010,091
Total	$ 130,155,015	$ 124,153,763

For performance obligations related to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Note 4 - Pledges Receivable

Pledges receivable consist of unconditional promises to give as follows as of June 30:

	2021	2020
Amounts due in:		
Less than one year	$ 1,076,663	$ 1,841,239
One to five years	690,063	1,204,014
More than five years	1,338,951	731,001
Less allowance	(60,644)	(97,944)
Less unamortized discount	(217,105)	(149,998)
Total	$ 2,827,928	$ 3,528,312

Promises due in one to five years were discounted using a rate of 3.5 percent at June 30, 2021 and 2020. Promises due in more than five years were discounted using the 10-year Treasury rate (1.45 and 0.66 percent at June 30, 2021 and 2020, respectively). Promises due in less than one year were not discounted.

Note 5 - Assets Limited as to Use

Assets limited as to use have been designated by the board of trustees for specific purposes or included in endowment funds. The balance of investments held in these funds as of June 30 is summarized in the following schedule:

	2021	2020
Cash and investments designated by the board of trustees for various purposes, including benevolent care, capital outlay, endowment assets, and other	$ 35,673,759	$ 30,166,310
Purpose-restricted assets - Donor restrictions for specific programs or capital improvements	4,874,606	1,846,775
Permanently restricted endowment funds	12,238,553	11,598,553
Debt service reserve fund, Series 2013 limited obligation revenue bonds	757,548	788,292
Debt service reserve fund, Series 2019 limited obligation revenue bonds	1,736,165	1,911,143
Debt service reserve fund, Series 2020 limited obligation revenue bonds	4,095,188	-
Series 2014 MSF Bond proceeds restricted for capital purposes	-	468,749
Life lease escrow	288,458	1,538,333
Thome PACE financing arrangement	100,000	100,000
Under escrow agreement - Held for Avenues by Porter Hills entrance fees	158,620	489,537
Total assets limited as to use	59,922,897	48,907,692
Less current portion	178,662	215,847
Total long-term assets limited as to use	$ 59,744,235	$ 48,691,845

Assets limited as to use, stated at fair value (as further disclosed in Note 17), at June 30 include the following:

	2021	2020
Cash	$ 7,713,694	$ 10,457,638
Mutual funds	413	14,159,404
Equity investments	27,334,071	4,260,022
Debt investments	17,282,307	5,034,877
Multistrategy and hedge funds	7,592,412	14,995,751
Total	$ 59,922,897	$ 48,907,692

Investment income (loss) and realized and unrealized gains (losses) on investments are reported as follows for the years ended June 30:

	2021	2020
Interest and dividend income - Without donor restrictions	$ 1,145,724	$ 629,400
Interest and dividends - With donor restrictions	751,653	230,930
Net realized gain (loss) on sale of investments - Without donor restrictions	2,219,498	(227,486)
Net realized gain on sale of investments - With donor restrictions	1,171,093	132,698
Net unrealized gain (loss) on investments - Without donor restrictions	3,617,138	(852,264)
Net unrealized gain (loss) on investments - With donor restrictions	2,129,760	(1,258,320)
Investment advisory fees - Without donor restrictions	(62,968)	(66,321)
Total investment income (loss)	$ 10,971,898	$ (1,411,363)

Note 6 - Property and Equipment

Property and equipment as of June 30 are summarized as follows:

	2021	2020	Depreciable Life - Years
Land and land improvements	$ 22,630,301	$ 23,351,891	0-20
Buildings and building improvements	327,371,844	316,720,598	10-40
Furniture, fixtures, and equipment	61,903,540	58,299,271	5-10
Construction in progress	521,482	3,704,246	-
Total cost	412,427,167	402,076,006	
Accumulated depreciation	179,341,317	164,303,773	
Net property and equipment	$ 233,085,850	$ 237,772,233	

Note 7 - Accrued Liabilities

The following is the detail of accrued liabilities:

	2021	2020
Accrued salaries and wages	$ 2,360,406	$ 2,583,141
Accrued employee benefits and payroll taxes	2,250,737	2,333,938
Accrued interest	875,404	788,508
Other accrued liabilities	9,554,775	3,797,575
Total	$ 15,041,322	$ 9,503,162

Note 8 - Line of Credit

Under a line of credit agreement with a financial institution, the Organization had available borrowings of $1,000,000. Borrowings were collateralized by certain building, land, and investments of the Organization. The agreement expires on October 5, 2023, at which time all outstanding principal is due. Interest accrued monthly at 319 basis points above the one-month LIBOR, with an effective rate of 3.35 percent at June 30, 2020. The line of credit agreement balance fluctuates between zero and fully drawn throughout the year based on the needs of the Organization, with the outstanding balance as of June 30, 2020 totaling $885,234. During 2021, the line of credit was paid off using proceeds from the $10,000,000 line of credit described below.

Under a line of credit agreement with a financial institution, the Organization has available borrowings of $10,000,000. Borrowings are collateralized by certain building, land, and investments of the Organization. The agreement expires on September 24, 2023, at which time all outstanding principal is due. Interest accrued monthly at 190 basis points above the one-month LIBOR, with an effective rate of 2.00 percent at June 30, 2021. The line of credit agreement balance fluctuates between zero and fully drawn throughout the year based on the needs of the Organization, with the outstanding balance as of June 30, 2021 totaling $0.

LifeCircles

Under a line of credit agreement with a local bank, LifeCircles had available borrowings of $500,000 at June 30, 2020. The line of credit matured on April 23, 2021 and was not renewed. Effective June 30, 2020, borrowings bear interest at the one-month LIBOR plus 3.00 percent, an effective rate of 3.16 percent at June 30, 2020. The line of credit was collateralized by substantially all assets of LifeCircles and limited guarantees by Porter Hills and Trinity Health Systems. The line of credit was used to fund any checks issued in excess of bank balance. At June 30, 2020, there was no outstanding balance drawn down from the line of credit.

Note 8 - Line of Credit (Continued)

Thome PACE

Under a line of credit agreement with a bank, Thome PACE has available borrowings of $250,000. The related promissory note bears interest at prime plus 150 basis points (effectively, 4.75 percent at June 30, 2021 and 2020). The line of credit is collateralized by all real and personal property and accounts receivable of Thome PACE and certificates of deposit from the Organization and Region II Commission on Services to the Aging d/b/a Region 2 Area Agency on Aging, a member of Thome PACE, in the amounts of $100,000 and $25,000, respectively. There was no outstanding borrowing on the line of credit at June 30, 2021 and 2020.

Note 9 - Long-term Debt

Long-term debt at June 30 is as follows:

	2021	2020
Series 2012 Economic Development Corporation of the Village of Chelsea Limited Obligation Refunding Revenue Bonds (Series 2012 Bonds), collateralized by all assets of the Obligated Group, with a final maturity of November 15, 2027. Concurrent with the issuance of the Series 2012 Bonds, a bank purchased the Series 2012 Bonds pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to 65 percent of the London Interbank Offered Rate (LIBOR) index plus 153 basis points (effectively 1.06 and 1.10 percent at June 30, 2021 and 2020, respectively), plus monthly principal payments ranging from $55,000 to $70,000. An interest rate swap, as described in Note 10, was entered into that essentially fixes the interest rate on 50 percent of the outstanding principal balance of the Series 2012 Bonds. The interest rate swap expired on November 1, 2019. A forward interest rate swap was entered into on December 29, 2017, effective November 1, 2019 through November 15, 2027, that essentially fixes the interest rate on 50 percent of the outstanding principal amount of the Series 2012 Bonds	$ 4,760,000	$ 5,400,000
Series 2013 Michigan Strategic Fund Limited Obligation Revenue Refunding Bonds (Series 2013 Bonds), collateralized by all assets of the Organization. Interest is due in semiannual installments at a fixed rate of 6.25 percent, plus annual principal payments ranging from $440,000 to $760,000 beginning in 2034 through the final maturity date of November 15, 2043	5,875,000	5,875,000
Series 2013 Michigan Strategic Fund Limited Obligation Revenue Refunding Bonds (Series 2013 MSF Bonds), collateralized by all assets of the Organization, with a final maturity of September 5, 2043. The Series 2013 MSF Bonds were subsequently purchased by a financial institution pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to the sum of 67 percent of the LIBOR index plus 319 basis points (effectively 2.25 percent at June 30, 2020), plus monthly principal payments ranging from $30,432 to $39,677 through the mandatory redemption date of October 5, 2023. The bond owner agreement is guaranteed by the members of the Organization and is subject to certain covenants. An interest rate swap, as described in Note 10, has been entered into related to the Series 2013 MSF Bonds to essentially fix the interest rate and expires concurrent with the mandatory redemption date. During 2021, the bonds were paid in full with the proceeds from the issuance of the Series 2020 Bonds described below	-	15,431,761

Note 9 - Long-term Debt (Continued)

	2021	2020
Series 2013 Economic Development Corporation of the Charter Township of Grand Rapids Limited Obligation Revenue Refunding Bonds (Series 2013 EDC Bonds), collateralized by all assets of the Organization, with a final maturity of September 5, 2043. The Series 2013 EDC Bonds were subsequently purchased by a financial institution pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to the sum of 67 percent of the LIBOR index plus 319 basis points (effectively 2.25 percent at June 30, 2020), plus monthly principal payments ranging from $59,466 to $77,529 through the mandatory redemption date of October 5, 2023. The bond owner agreement is guaranteed by the members of the Organization and is subject to certain covenants. An interest rate swap, as described in Note 10, has been entered into related to the Series 2013 EDC Bonds to essentially fix the interest rate and expires concurrent with the mandatory redemption date. During 2021, the bonds were paid in full with the proceeds from the issuance of the Series 2020 Bonds described below	$ -	$ 16,929,458
Series 2014 Economic Development Corporation of the City of Dexter Limited Obligation Refunding Revenue Bonds (Series 2014 Bonds), collateralized by all assets of the Obligated Group, with a final maturity of January 1, 2041 and subject to a mandatory tender date of December 16, 2024. Concurrent with the issuance of the Series 2014 Bonds, a bank purchased the Series 2014 Bonds pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to 67 percent of the LIBOR index plus 164 basis points (effectively 1.17 and 1.21 percent at June 30, 2021 and 2020, respectively), plus monthly principal payments ranging from approximately $30,000 to $52,000. An interest rate swap, as described in Note 10, was entered into that essentially fixes the interest rate on 50 percent of the outstanding principal balance of the Series 2014 Bonds. The interest rate swap expires on December 5, 2024	9,403,694	9,755,820
Series 2014 Economic Development Corporation of the Charter Township of Grand Rapids Limited Obligation Revenue Refunding Bonds (Series 2014 EDC Bonds), collateralized by all assets of the Organization, with a final maturity of September 5, 2043. The Series 2014 EDC Bonds were subsequently purchased by a financial institution pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to the sum of 67 percent of the LIBOR index plus 314 basis points (effectively 2.21 percent at June 30, 2020), plus monthly principal payments ranging from $17,536 to $22,700 through the mandatory redemption date of October 5, 2023. The bond owner agreement is guaranteed by the members of the Organization and is subject to certain covenants. An interest rate swap, as described in Note 10, has been entered into to essentially fix the interest rate and expires concurrent with the mandatory redemption date. During 2021, the bonds were paid in full with the proceeds from the issuance of the Series 2020 Bonds described below	-	8,864,181

Note 9 - Long-term Debt (Continued)

	2021	2020
Series 2015 Economic Development Corporation of the Charter Township of Grand Rapids Limited Obligation Revenue Refunding Bonds (Series 2015 EDC Bonds), collateralized by all assets of the Organization, with a final maturity of October 5, 2023. The Series 2015 EDC Bonds were subsequently purchased by a financial institution pursuant to a bond owner agreement. Under the terms of the bond owner agreement, interest is payable monthly at a variable rate equal to the sum of 67 percent of the LIBOR index plus 314 basis points (effectively 2.21 percent at June 30, 2021), plus monthly principal payments ranging from $11,564 to $14,651 through the mandatory redemption date of October 5, 2023. The bond owner agreement is guaranteed by the members of the Organization and is subject to certain covenants. An interest rate swap, as described in Note 10, has been entered into to essentially fix the interest rate and expires concurrent with the mandatory redemption date. During 2021, the bonds were paid in full with the proceeds from the issuance of the Series 2020 Bonds described below	$ -	$ 5,893,516
Construction Revolver Loan, collateralized by all assets of the Organization, with a final maturity of October 5, 2021. Under the terms of the loan agreement, interest is due monthly at the LIBOR index plus 159 basis points (effectively 1.69 percent at June 30, 2020). Principal and all accrued, unpaid interest, if any, are due in full at the maturity date. The balance was repaid in full during the fiscal year ended June 30, 2021	-	4,999,466
Series 2019 Michigan Strategic Fund Limited Obligation Refunding Revenue Bonds (Series 2019 Bonds), collateralized by all assets of the Organization. Interest is due in semiannual installments at fixed rates ranging from 4 percent to 5 percent, plus annual principal payments ranging from $10,000 to $2,020,000 through the maturity date of November 15, 2049	16,990,000	17,205,000
Notes payable to a bank through the Paycheck Protection Program (PPP) in the amount of $1,083,980 to LifeCircles and $3,687,500 to Porter Hills. The loans were obtained based on the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the Small Business Administration (SBA), which has also issued guarantees to the bank for the loan. The notes are unsecured and contain a six-month deferral period that expired in November 2020, during which no principal or interest payments were due. Additionally, the loans may be eligible for forgiveness, subject to the SBA acceptance of an application for forgiveness submitted by the Organization. Following the expiration of the deferral period, any portion of the notes not forgiven requires monthly principal and interest installments based on an interest rate of 1.00 percent through April 2022. The Organization has the right to prepay any amount outstanding at any time without penalty. Under the Paycheck Protection Flexibility Act of 2020, loan payments of principal and interest are deferred until either (1) the date that the SBA remits the Organization's loan forgiveness amount to the lender or (2) if the Organization does not apply for loan forgiveness, 10 months after the end of the Organization's loan forgiveness covered period. During 2021, the Paycheck Protection Program loans were forgiven in full by the lender and Small Business Administration. The forgiveness is recognized in CARES Act revenue within the consolidated statement of activities	-	4,771,480

Note 9 - Long-term Debt (Continued)

	2021	2020
Series 2020 Michigan Strategic Fund Limited Obligation Refunding Revenue Bonds (Series 2020 MSF Bonds), collateralized by all assets of the Organization. Interest is due in semiannual installments at fixed rates ranging from 4 to 5 percent, plus annual principal payments ranging from $105,000 to $1,220,000 through the maturity date of May 15, 2044	$ 15,310,000	$ -
Series 2020 Economic Development Corporation of the Charter Township of Grand Rapids Limited Obligation Refunding Revenue Bonds (Series 2020 EDC Bonds), collateralized by all assets of the Organization. Interest is due in semiannual installments at fixed rates ranging from 4 to 5 percent, plus annual principal payments ranging from $135,000 to $2,440,000 through the maturity date of May 15, 2044	31,535,000	-
Note payable to a bank, collateralized by all assets of the Organization. Interest is due in monthly installments at a fixed rate of 2.60 percent, plus annual principal payments ranging from $65,000 to $80,000 through the maturity date of May 5, 2025	3,360,000	-
Series 2018 Michigan Strategic Fund Variable Rate Limited Obligation Revenue Bonds (Series 2018 Bonds), collateralized by all assets of Huron Valley PACE and guaranteed by the Organization. The Series 2018 bonds were subsequently purchased by a financial institution pursuant to a bond owner agreement. Under the terms of the bond owner agreement, principal payments began on January 1, 2020 and are due monthly, following a 24-month interest-only period, through the mandatory tender date of January 4, 2028. The Series 2018 Bonds bear a variable interest rate of 83 percent of LIBOR plus 165 basis points (effectively 1.45 and 1.50 percent at June 30, 2021 and 2020, respectively)	4,541,671	4,730,341
LifeCircles has a note payable to a financial institution that bears interest at the one-month LIBOR plus 3.00 percent per annum in 2021 and 2020 (an effective interest rate of 3.10 percent and 3.16 percent at June 30, 2021 and 2020, respectively). Monthly payments of principal and interest of $64,548, plus additional principal, are due quarterly, totaling 50 percent of a defined excess cash flow calculation, which is subject to meeting a minimum liquidity threshold. The note matures on December 23, 2021, at which time all remaining principal and interest are due. The note is collateralized by a mortgage on substantially all assets of LifeCircles and is guaranteed up to $6 million by Porter Hills and Trinity Health Systems	1,947,538	4,882,751
Series 2014 Michigan Strategic Fund Variable Rate Limited Obligation Revenue Bonds (Series 2014 MSF Bonds), collateralized by all assets of Thome PACE and guaranteed by the Organization. The Series 2014 MSF Bonds were purchased by Chelsea State Bank pursuant to a bond purchase and continuing covenant agreement. Principal payments began on January 1, 2020 and are due monthly, following a 24-month interest-only period, until final maturity on December 1, 2029. The Series 2014 MSF Bonds bear an interest rate of 3 percent through December 1, 2024, at which time the interest rate will become variable at the Federal Home Loan Bank of Indianapolis advance rate plus 70 basis points	3,480,820	3,508,972

Note 9 - Long-term Debt (Continued)

	2021	2020
DAAL entered into a loan agreement in April 2012 for the principal amount of $2,000,000. Interest is charged at a rate of 1 percent, commencing in March 2015. Annual principal payments of $1,200 are due in 49 equal installments. On the maturity date, a final payment in an amount equal to the entire outstanding balance and accrued interest is due	$ 1,991,600	$ 1,992,800
DAAL entered into a loan agreement in April 2013 for $1,273,944. The loan is non-interest bearing and is due in its entirety in February 2065. The loan is secured by the mortgage dated April 11, 2012	1,273,944	1,273,944
DAAL entered into a loan agreement in December 2013 for $554,543. The loan is non-interest bearing and is due in its entirety in February 2065. The loan is secured by the mortgage dated April 11, 2012	554,543	554,543
DAAL entered into a HOME loan agreement with the Charter County of Wayne, Michigan (the "County") in February 2012 to provide $500,000. The loan is non-interest bearing. Principal will be payable commencing on the first day of the first month after the expiration of the affordability period. If the borrower complies with the terms in the loan agreement for the period of affordability, then the principal amount of $500,000 may be forgiven at the option of the County. The note is secured by a fourth priority mortgage agreement	500,000	500,000
DAAL entered into a HOME loan agreement with MSHDA in December 2011 to provide $2,000,000. Interest is charged at a rate of 3 percent, with a maturity date of December 2051. No principal payments on the note will be required as long as any deferred developer fee remains unpaid. The note is secured by a second priority mortgage agreement	2,000,000	2,000,000
DAAL has a non-interest-bearing promissory note issued on November 7, 2011 due to Presbyterian Villages of Michigan (PVM) on November 7, 2061. The note is secured by an unrecorded mortgage held in escrow by the law offices of Dykema Gossett PLLC. No principal payments are due until the maturity date of the note except upon PVM's election with a 30-day notice or upon the occurrence of a default	332,500	332,500
Unamortized premium or discount	6,330,143	1,929,414
Unamortized debt issuance costs	(2,253,355)	(1,409,140)
Long-term debt less unamortized discount/premium and debt issuance costs	107,933,098	115,421,807
Less current portion	4,841,584	6,302,231
Long-term portion	$ 103,091,514	$ 109,119,576

Note 9 - Long-term Debt (Continued)

The balance of the above debt matures as follows:

Years Ending	Amount
2022	$ 4,841,584
2023	2,988,543
2024	3,073,127
2025	3,160,530
2026	3,137,926
Unamortized net premium	6,330,143
Unamortized debt discount	(2,253,355)
Thereafter	86,654,600
Total	$ 107,933,098

Under the agreements with the banks, the Organization and its affiliates are subject to various financial covenants with respect to liquidity, additional indebtedness, debt service coverage, and others. Management believes the Organization is in compliance with all covenants at June 30, 2021.

Note 10 - Derivatives

The Organization is exposed to certain risks in the normal course of its business operations. The Organization manages risks relating to the variability of future cash flows through the use of derivatives. The only derivative instrument used by the Organization is an interest rate swap agreement. The interest rate swap agreement is used by the Organization to manage the risk associated with interest rates on variable rate borrowings. Hedge accounting is not used for the interest rate swap agreement held by the Organization. The interest rate swap agreement is reported in the consolidated balance sheet at fair value.

As of June 30, 2021 and 2020, the Organization held an interest rate swap agreement on which the Organization received variable rates and paid fixed rates, with details identified in the tables below. The difference between the rates is recorded as a realized gain or loss in the consolidated statement of activities, as noted in the table below, as an adjustment to interest expense. The Organization has recorded the fair value of the interest rate swap agreement, which resulted in a liability of $318,783 and $3,876,006 at June 30, 2021 and 2020, respectively. The change in fair value of the interest rate swap agreement is recorded as a nonoperating activity in the consolidated statement of activities, as noted in the table below.

At June 30, the Organization had the following interest rate swap agreements:

Counterparty	Maturity Date	Fixed Rate Paid	Variable Rate Received	2021 - Notational Amount	2020 - Notational Amount
Huntington Bank	October 5, 2023	2.34%	67 percent of one-month LIBOR	$ -	$ 45,529,030
First Midwest Bank	October 5, 2023	3.60%	67 percent of one-month LIBOR plus 210 basis points	-	1,583,816
Huntington Bank	December 5, 2024	1.695%	67 percent of one-month LIBOR	4,701,812	4,877,910
Huntington Bank	November 15, 2027	1.83%	65 percent of one-month LIBOR	2,380,000	2,700,000

Note 10 - Derivatives (Continued)

The amounts recognized in the decrease in net assets without donor restrictions for derivatives not designated as hedging instruments are as follows:

	2021	2020	Reported in Consolidated Statement of Activities as
Change in fair value	$ 345,653	$ (1,286,460)	Change in fair value of interest rate swap agreement
Realized loss	(390,829)	(596,213)	Interest expense
Total	$ (45,176)	$ (1,882,673)	

Note 11 - Leases

Lease for Muskegon Facility

In January 2015, LifeCircles entered into operating lease agreements with Senior Resources, a related party, and two unrelated parties, where the Organization leases certain portions of the building to the identified parties. The terms of the lease agreements include base rent through December 2015 and renew annually at the base rent, adjusted by the Consumer Price Index. The lease agreements are able to be canceled by either party after the initial one-year term. Rental income of $50,046 and $49,224 from Senior Resources and $108,529 and $110,757 from unrelated parties was recognized for the years ended June 30, 2021 and 2020, respectively.

Lease for Holland Facility

The Organization leases its Holland facility from a third party under a long-term lease agreement, which is classified as a finance lease. Under the terms of the lease agreement, payments are due monthly through June 30, 2025, with the option to extend the lease for two additional five-year terms. The discount rate for the finance lease is 5.43 percent at June 30, 2021 and 2020. The terms of the lease call for monthly rental payments of $19,256 with scheduled increases through June 2018, at which time the rental payments are adjusted based on the Consumer Price Index. The Organization received a lease incentive of $250,000 at the inception of the lease, which is recorded as a liability for deferred revenue on the consolidated balance sheet and amortized over the life of the lease on a straight-line basis. The unamortized portion of the deferred lease incentive was $100,000 and $125,000 at June 30, 2021 and 2020, respectively.

For the year ended June 30, 2021, amortization, net of $25,000 of amortization of deferred lease incentives, and interest expense were $174,649 and $52,174, respectively. For the year ended June 30, 2020, amortization, net of $25,000 of amortization of deferred lease incentives, and interest expense were $171,964 and $61,522, respectively.

Future minimum annual commitments under the finance lease are as follows:

Years Ending June 30	Amount
2022	$ 234,915
2023	238,814
2024	242,771
2025	246,788
Less amount representing interest	(100,143)
Total	$ 863,145

Note 11 - Leases (Continued)

Expenses recognized under the finance lease for the years ended June 30, 2021 and 2020 consist of amortization of the right-of-use asset of $174,649 and $171,964, respectively, and $52,174 and $61,522 of interest on the lease liability for the years ended June 30, 2021 and 2020, respectively.

Note 12 - Entrance Fee Contracts

The Organization offers a type B and C independent living life lease contracts to incoming residents, with refundable options ranging from 0 to 90 percent. The obligations under these contracts are as follows:

Deferred Life Lease Income

Deferred life lease income represents remaining unamortized nonrefundable entrance fees paid by a resident upon entering into a continuing care agreement and is amortized to income using the straight-line method over the greater of the estimated remaining life expectancy of the resident or state law. Amortization of entrance fee revenue totaled $4,214,977 and $4,214,831 for the years ended June 30, 2021 and 2020, respectively.

Refundable Advances on Life Leases

Refundable advances on life leases represent the refundable portion of the entrance fee paid to Chelsea Retirement Community, Cedars of Dexter, Porter Hills Presbyterian Village, and Cook Valley residents. The refundable notes are non-interest bearing and are refundable to the resident upon the earlier of occupancy by another resident or an identified period of time from the end of the resident's occupancy based on contract terms.

The balance of entrance fee contract liabilities as of June 30 is as follows:

	2021	2020
Deferred life lease income	$ 26,833,425	$ 25,967,645

	2021	2020
Refundable advances on life leases	$ 47,588,948	$ 44,582,026
Less current portion	(5,183,900)	(5,089,400)
Long-term portion	$ 42,405,048	$ 39,492,626

Note 13 - Retirement Plans

Defined Contribution Retirement Plans

The Organization sponsors two defined contribution retirement plans, one for employees of Porter Hills Presbyterian Villages, Inc. and one for nonunion employees of United Methodist Retirement Communities, Inc. The Porter Hills Presbyterian Villages, Inc. plan provides for a safe harbor matching contribution formula where the employer matches 100 percent of elective contributions up to 3 percent and 50 percent of elective contributions in excess of 3 percent, up to 5 percent of the participants' eligible compensation (match not to exceed 4 percent of the participant’s eligible compensation). The United Methodist Retirement Communities, Inc. plan matches 100 percent of contributions for nonunion employees up to 5 percent of the employees' elective contributions. Employer matching contributions to the plan totaled approximately $1,661,000 and $1,037,000 for the years ended June 30, 2021 and 2020, respectively. During 2021, the Organization elected to terminate the Porter Hills Presbyterian Villages, Inc. plan effective December 31, 2020. The employees of Porter Hills became eligible to join the United Methodist Retirement Communities, Inc. plan effective January 1, 2021.

Note 13 - Retirement Plans (Continued)

Multiemployer Defined Benefit Pension Plan

The Organization participates in the SEIU National Industry Pension Plan - United States (the "Pension Plan"), a multiemployer defined benefit retirement plan for the benefit of all employees covered under the service and maintenance unit based on employee hours worked. The plan number and employer identification number of the Pension Plan are 001 and 52-6148540, respectively, and the collective bargaining agreement, which requires organization participation in the Pension Plan, expires on December 31, 2021. The position of the Organization relative to other contributors to the multiemployer plan has not been determined with respect to plan assets and accumulated benefits. In the event of a withdrawal from the Pension Plan and certain other conditions, a contributor to a multiemployer plan may be liable to the Pension Plan for a portion of the underfunded status.

The financial risks of participating in multiemployer plans are different from single-employer defined benefit pension plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer discontinues contributions to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If a participating employer chooses to stop participating in a plan, a withdrawal liability may be created based on the unfunded vested benefits for all employees in the plan.

The Organization's contribution to the Pension Plan was $190,098 and $156,413 for the years ended June 30, 2021 and 2020, respectively. Based on the latest plan information as of December 31, 2020, the year end of the Pension Plan, the Organization's contributions to the Pension Plan represent less than 1 percent of total contributions received by the Pension Plan.

As of June 30, 2021 and 2020, the certification zone status of the plan, as defined by the Department of Labor Pension Protection Act, was red, in critical status, indicating the following:

- The plan is less than 65 percent funded, and it is projected not to have sufficient assets to pay promised benefits within seven years.
- The plan has an accumulated funding deficiency for the current plan year or is projected to have an accumulated funding deficiency for any of the three succeeding plan years (four years if the plan is less than 65 percent funded).
- The plan is projected not to have sufficient assets to pay promised benefits within five years.
- (a) The present value of benefits for inactive participants is greater than the present value of the benefits for active participants, (b) its expected contributions are less than the sum of its normal cost and the interest on its unfunded liabilities, and (c) the plan will have a funding deficiency within five years.

If the Organization withdraws its participation in the Pension Plan, the Organization could, under the terms of the plan, be subject to a penalty. In addition, to the extent that the Pension Plan is underfunded, the Organization's future contributions to the plan may increase to cover retirement benefits of employees of other companies participating in the plan.

Note 14 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2021	2020
Donor restricted for specific program use	$ 4,422,743	$ 31,271
Capital expenditures	342,256	1,341,989
Builder fund	109,607	90,816
Pledges receivable	2,827,928	3,528,312
Beneficial interest in trust	1,327,748	1,465,127
Held in perpetuity - Donor-restricted endowments	12,238,553	11,598,553
Total	$ 21,268,835	$ 18,056,068

Note 15 - Donor-restricted and Board-designated Endowments

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All income generated from restricted assets is classified as restricted income in the consolidated statement of changes in net assets and is released from restriction upon the Organization meeting the donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) investment earnings on the donor-restricted endowment funds until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 14,231,189	$ -	$ 14,231,189
Donor-restricted endowment funds	-	15,644,756	15,644,756
Total	$ 14,231,189	$ 15,644,756	$ 29,875,945

Note 15 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 11,787,800	$ 11,628,817	$ 23,416,617
Changes in value of assets limited as to use	1,952,943	4,031,676	5,984,619
Contributions	1,719,623	1,323,689	3,043,312
Appropriation of endowment assets for expenditure	(1,229,177)	(1,339,426)	(2,568,603)
Endowment net assets - End of year	$ 14,231,189	$ 15,644,756	$ 29,875,945

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 11,787,800	$ -	$ 11,787,800
Donor-restricted endowment funds	-	11,628,817	11,628,817
Total	$ 11,787,800	$ 11,628,817	$ 23,416,617

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 12,370,085	$ 12,255,731	$ 24,625,816
Changes in value of assets limited as to use	1,868,380	(964,667)	903,713
Contributions	2,022,439	599,865	2,622,304
Appropriation of endowment assets for expenditure	(4,473,104)	(262,112)	(4,735,216)
Endowment net assets - End of year	$ 11,787,800	$ 11,628,817	$ 23,416,617

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters

The Organization has an investment committee made up of board members and other community advisors. The investment committee directs investment strategies through an investment policy statement. Also, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Note 15 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year the earnings from the endowment funds to be used for the intended purpose identified by the board and donors. Spending for board-designated noncapital purposes of unrestricted board-designated endowment funds is set at 5 percent of the average value of endowment investments, plus an allocation of investment management fees and general operating expenses. Spending for board-designated capital expenditures of unrestricted board-designated endowment funds is set at the discretion of the board.

The Organization has borrowed funds from board-designated endowment funds to provide financing for new business startup and working capital. The financing carries an approved interest rate and maturity schedule. The Organization was able to repay $826,000 and $447,000 of the financed amount to the board-designated endowment funds during the years ended June 30, 2021 and 2020, respectively. The remaining balance of funds due back to the board-designated endowment funds totaled $0 and $826,000 at June 30, 2021 and 2020, respectively.

Note 16 - Fund Held at the Community Foundation for Southeast Michigan

The Organization has certain funds donated by outside donors for the benefit of the Organization that are held and managed by the Community Foundation for Southeast Michigan (CFSEM). Such contributions are subject to variance power maintained by CFSEM and, therefore, are not recognized on the consolidated balance sheet. The fair value of these funds was $3,318,782 and $2,688,788 at June 30, 2021 and 2020, respectively. Earnings are available for operations at the discretion of CFSEM and are treated as contributions in the year received. Contributions received for the years ended June 30, 2021 and 2020 are $126,749 and $189,243, respectively.

Note 17 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 17 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets and liabilities measured at fair value on a recurring basis at June 30, 2021 and 2020 and the valuation techniques used by the Organization to determine those fair values:

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Assets				
Assets limited as to use:				
Mutual funds	$ 413	$ -	$ -	$ 413
Equity securities	27,334,071	-	-	27,334,071
Debt securities	-	17,282,307	-	17,282,307
Total assets limited as to use	27,334,484	17,282,307	-	44,616,791
Beneficial interest in trusts	-	-	1,327,748	1,327,748
Total	$ 27,334,484	$ 17,282,307	$ 1,327,748	45,944,539
Investments measured at NAV - Multistrategy and hedge funds				7,592,412
Total assets				$ 53,536,951
Liabilities - Interest rate swap agreements	$ -	$ 318,783	$ -	$ 318,783

Note 17 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Assets				
Assets limited as to use:				
Mutual funds	$ 14,159,404	$ -	$ -	$ 14,159,404
Equity securities	4,260,022	-	-	4,260,022
Debt securities	-	5,034,877	-	5,034,877
Total assets limited as to use	18,419,426	5,034,877	-	23,454,303
Beneficial interest in trusts	-	-	1,465,127	1,465,127
Total	$ 18,419,426	$ 5,034,877	$ 1,465,127	24,919,430
Investments measured at NAV - Multistrategy and hedge funds				14,995,751
Total assets				$ 39,915,181
Liabilities - Interest rate swap agreements	$ -	$ 3,876,006	$ -	$ 3,876,006

The fair value of the interest rate swap agreement at June 30 was determined primarily based on Level 2 inputs. The Level 2 inputs used in estimating the fair value of the interest rate swap agreement include the notational amount, effective interest rate, and maturity date.

The fair value of the beneficial interest in trusts at June 30, 2021 and 2020 was determined based on the present value of the future cash flows using management's best estimate of key assumptions provided by the trustee.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020 are as follows:

Balance at July 1, 2020	$ 1,465,127
Change in interest and present value of trusts	(137,379)
Balance at June 30, 2021	$ 1,327,748
Balance at July 1, 2019	$ 1,349,416
Change in interest and present value of trusts	115,711
Balance at June 30, 2020	$ 1,465,127

Investments in Entities that Calculate Net Asset Value per Share

The Organization holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

Note 17 - Fair Value Measurements (Continued)

At June 30, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2021	June 30, 2020	June 30, 2021		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
BlackRock Appreciation	$ 2,549,984	$ 2,193,383	$ -	Quarterly	93 days
Weatherlow Offshore	3,189,840	2,237,872	-	Quarterly	65 days
ABS Offshore	1,852,588	2,501,284	-	Daily	45 days
FEG Select Bond	-	3,435,789	-	Monthly	10 days
FEG Select International Equity	-	2,194,681	-	Monthly	20 days
FEG Select Domestic Equity	-	2,432,742	-	Monthly	5 days
Total	$ 7,592,412	$ 14,995,751	$ -		

BlackRock Appreciation, Weatherlow Offshore, and ABS Offshore include a diversified portfolio of non-U.S. stocks of high-quality companies, with the objective of achieving long-term capital appreciation.

The underlying securities of FEG Select include various equity securities and both taxable and nontaxable bonds.

Note 18 - Related Party Transactions

The following is a description of transactions between the Organization and related parties:

Accounts Receivable

The details of related party accounts receivable at June 30 are as follows:

	2021	2020
Sylvan Pines	$ 23,588	$ 7,603
SMOC	-	16,655
Other	82,490	34,863
Total accounts receivable - Affiliates	$ 106,078	$ 59,121

Accounts Payable

The details of related party accounts payable at June 30 are as follows:

	2021	2020
Trinity Health Systems	$ 29,320	$ 51,171
Senior Resources	119	24,651
Other	2,142	-
Total accounts payable - Affiliates	$ 31,581	$ 75,822

Note 18 - Related Party Transactions (Continued)

Investments in and Loans Due from Related Organizations

Investments in and loans due from related organizations reported in the consolidated balance sheet as a long-term asset at June 30, 2021 and 2020 are as follows:

	2021	2020
Note receivable from Lansing PACE	$ 507,294	$ 557,857
Investment in SMOC	5,948,619	3,216,331
Investment in Emmanuel Hospice	439,699	405,810
Investment in Tandem 365	192,632	154,518
Total investment in and loans due from related organizations	$ 7,088,244	$ 4,334,516

Gain on investments in joint ventures for the years ended June 30, 2021 and 2020 was $3,206,455 and $743,364, respectively.

Management Fee Revenue

Management fee revenue, included in other operating revenue, from related parties for management and financial services for the years ended June 30 is as follows:

	2021	2020
Sylvan Pines	$ 62,401	$ 59,927
SMOC	-	114,258
Total management fee revenue	$ 62,401	$ 174,185

Developer Fee

Developer fees are payable to an affiliate of the general partner for services rendered in negotiating, coordinating, and supervising the planning, architectural, engineering, and construction services necessary for construction of the DAAL rental housing project. The development agreement specifies total payment of $1,538,741. The developer fees are capitalized as part of the building and improvements and have been earned and recognized in accordance with the development fee arrangement. As of June 30, 2021 and 2020, $665,029 of these developer fees is considered deferred and is payable from cash flow, as defined in the agreement. No interest is accrued or accumulated on any deferred developer fees.

Operating Deficit Guarantee

As provided for in the DAAL partnership agreement, in the event that, at any time during the term of the partnership agreement, (i) an operating deficit exists and (ii) the general partner does not make an operating deficit contribution to DAAL pursuant to the partnership agreement, the limited partner shall advance funds to the general partner in the amount necessary for the general partner to make the required operating deficit contribution up to the maximum amount, as set forth in the partnership agreement.

Note 19 - Contingencies

DAAL's low-income housing tax credit is contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credit plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Note 19 - Contingencies (Continued)

The Organization entered into capital advances with the U.S. Department of Housing and Urban Development, which was used to assist in financing the construction of projects in accordance with the provisions of Section 202 of the Housing Act of 1959. The capital advances bear no interest, are not required to be repaid as long as the housing remains available to eligible very low-income elderly households for a period of 40 years, and will expire at various times through 2046. The Organization is subject to the additional requirements of the HUD Section 202 program. If default occurs, then HUD, at its option, may accelerate the entire principal balance and charge interest at a specified interest rate. The Organization has recognized the capital advance as income in a previous year and intends to comply with the time requirement and Section 202. The capital advance is collateralized by certain land and buildings of the Organization.

The balance of the capital advances at June 30 is as follows:

	2021	2020
Bailey's Grove	$ 2,949,676	$ 2,949,676
Harvest Way	2,875,200	2,875,200
Oak Ridge	2,728,026	2,728,026
River Grove	2,913,800	2,913,800
Station Creek	3,510,200	3,510,200
Walker Meadow	2,389,557	2,389,557
Total capital advances	$ 17,366,459	$ 17,366,459

Note 20 - Functional Expenses

Expenses related to providing these services for the year ended June 30, 2021 are as follows:

	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 37,426,866	$ 10,720,922	$ 919,123	$ 49,066,911
Employee benefits and payroll taxes	7,707,346	2,862,286	229,119	10,798,751
Operating supplies and expenses	5,515,383	799,972	85,530	6,400,885
Professional services and consultant fees	39,268,874	4,805,240	208,311	44,282,425
Repairs and maintenance	2,336,556	74,422	-	2,410,978
Utilities	2,453,302	705,998	-	3,159,300
Depreciation	15,545,884	522,754	31,953	16,100,591
Interest	3,759,473	254,334	-	4,013,807
Property taxes	1,750,438	14,628	-	1,765,066
Amortization of right-of-use asset	174,649	-	-	174,649
Provision for bad debts	490,403	-	-	490,403
Quality assurance assessment	1,025,055	-	-	1,025,055
Other	4,665,718	3,166,561	126,052	7,958,331
Total	$ 122,119,947	$ 23,927,117	$ 1,600,088	$ 147,647,152

Note 20 - Functional Expenses (Continued)

Expenses related to providing these services for the year ended June 30, 2020 are as follows:

	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 37,787,179	$ 9,516,602	$ 918,116	$ 48,221,897
Employee benefits and payroll taxes	7,821,238	2,461,818	198,210	10,481,266
Operating supplies and expenses	7,652,408	1,050,736	56,757	8,759,901
Professional services and consultant fees	35,914,039	5,221,278	188,011	41,323,328
Repairs and maintenance	2,350,453	68,965	-	2,419,418
Utilities	2,482,688	545,837	-	3,028,525
Depreciation	14,234,982	564,804	60,923	14,860,709
Interest	4,259,670	258,988	-	4,518,658
Property taxes	1,688,076	14,107	-	1,702,183
Amortization of right-of-use asset	171,964	-	-	171,964
Provision for bad debts	229,279	-	-	229,279
Quality assurance supplement	1,124,674	-	-	1,124,674
Other	1,539,618	3,532,780	200,859	5,273,257
Total	$ 117,256,268	$ 23,235,915	$ 1,622,876	$ 142,115,059

Note 21 - Liquidity and Availability of Resources

The Organization has $33,536,880 and $28,190,756 of financial assets available within one year of June 30, 2021 and 2020 to meet cash needs for general expenditure consisting of cash of $28,628,121 and $24,103,703, resident accounts receivable of $4,802,681 and $4,027,932, and accounts receivable - affiliates of $106,078 and $59,121, respectively. In addition, the Organization has $35,673,759 and $30,166,310 of board-designated assets at June 30, 2021 and 2020, respectively, that could be made available for general expenditure subject to the direction of the board. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, $21,624,000 and $20,861,000 at June 30, 2021 and 2020, respectively. The Organization has a process to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 22 - Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. During the last quarter of fiscal year 2020, the Organization’s operations were impacted, as shelter-in-place orders and a government mandate to suspend elective procedures reduced volumes and move-ins during the period. There also were increases in expenses due to the increased costs of additional infection controls implemented.

Note 22 - Impact of COVID-19 (Continued)

CARES Act

Enacted on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was established, which authorized $100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the COVID-19 pandemic, such as forgone revenue from lower admissions and occupancy, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. Further, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19.

Provider Relief Funds

On April 10, 2020, the U.S. Department of Health and Human Services (HHS) began making payments to health care providers from the $100 billion appropriation. These are payments to health care providers that will not need to be repaid as long as the Organization complies with certain terms and conditions outlined by HHS.

As of June 30, 2021 and 2020, the Organization received and recognized as CARES Act revenue approximately $689,000 and $1,692,000, respectively, of payments as part of general and targeted distributions of the CARES Act Provider Relief Fund.

The Organization relied upon guidance issued by HHS through the date the financial statements are available to be issued. The terms and conditions first require the health care provider to identify health care-related expenses attributed to COVID-19 that no other source has reimbursed or is obligated to reimburse. If those expenses do not exceed the funding received, the health care provider then applies the funds to patient care lost revenue. HHS' June 11, 2021 notice, *Post-Payment Notice of Reporting Requirements*, provided health care providers three options to calculate patient care lost revenue. To determine the total distributions to be recognized as revenue as of June 30, 2021 and 2020, the Organization totaled unreimbursed related expenses attributed to COVID-19 and calculated resident care lost revenue based on the actual quarterly resident care revenue for the relevant period and actual quarterly resident care revenue for the base period.

HHS' requirements for the uses of the CARES Act funds are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as CARES Act revenue during the years ended June 30, 2021 and 2020. Any changes in amounts recognized as a result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

Coronavirus Relief Fund

The CARES Act established the $150 billion Coronavirus Relief Fund, from which the U.S. Department of the Treasury has made payments to states and eligible units of local government. The CARES Act requires that the payments from the Coronavirus Relief Fund only be used to cover qualified expenses, including necessary expenditures incurred as a result of COVID-19.

During the years ended June 30, 2021 and 2020, the Organization received approximately $2,723,000 and $0, respectively, of payments as part of distributions of the CARES Act Coronavirus Relief Fund passed through the State of Michigan. The payments were reimbursements from the State of Michigan's Department of Health and Human Services (MDHHS) for COVID-19 testing costs and direct care worker wage premiums incurred by the Organization. The Organization has recognized $2,723,000 and $0 as CARES Act revenue within the consolidated statement of activities for 2021 and 2020, respectively, as it has asserted that it has met the conditions and restrictions outlined by MDHHS.

Note 22 - Impact of COVID-19 (Continued)

Paycheck Protection Program Loan

In April 2020, the Organization received loans from a financial institution through the Paycheck Protection Program under the CARES Act, as described in Note 9. During 2021, the PPP loans were forgiven in full by the Small Business Administration. The Organization concluded to recognize the forgiveness of the PPP loans as CARES Act revenue on the consolidated statement of activities for the fiscal year ending June 30, 2021.

Management has concluded the barriers to revenue recognition are met for CARES Act and related funds and recognized as CARES Act revenue for the years ended June 30 are as follows:

	2021	2020
Provider Relief Funds	$ 689,027	$ 1,692,479
Forgiveness of PPP loans	4,771,480	-
Coronavirus Relief Funds	2,723,178	-
Total	$ 8,183,685	$ 1,692,479

Supplemental Information

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Independent Auditor's Report on Supplemental Information

To the Board of Trustees
United Methodist Retirement Communities, Inc.
and Affiliates

We have audited the consolidated financial statements of United Methodist Retirement Communities, Inc. and Affiliates as of and for the years ended June 30, 2021 and 2020 and have issued our report thereon dated October 28, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2021 consolidated financial statements as a whole. The supplemental consolidating and combining information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2021 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2021 consolidated financial statements as a whole.

Plante & Moran, PLLC

October 28, 2021

Consolidating Balance Sheet

June 30, 2021

	Obligated Group	PACE Entities	Porter Hills HUD Entities	Avenues by Porter Hills	DAAL	UMRCPH, Inc.	Eliminating Entries	Total
Assets								
Current Assets								
Cash	$ 10,210,451	$ 17,538,795	$ 179,625	$ 720,425	$ 6,106	$ (27,281)	$ -	$ 28,628,121
Resident accounts receivable - Net	4,173,777	621,411	6,225	584	684	-	-	4,802,681
Accounts receivable - Affiliates	147,477	-	-	-	-	1,082,373	(1,123,772)	106,078
Current portion of pledges receivable	1,076,663	-	-	-	-	-	-	1,076,663
Estimated third-party payor settlements	-	148,410	-	-	-	-	-	148,410
Current portion of assets limited as to use	178,662	-	-	-	-	-	-	178,662
Other current assets	1,074,837	256,269	5,943	-	1,314,465	382,833	-	3,034,347
Total current assets	16,861,867	18,564,885	191,793	721,009	1,321,255	1,437,925	(1,123,772)	37,974,962
Assets Limited as to Use - Net of current portion	59,585,615	-	-	158,620	-	-	-	59,744,235
Property and Equipment - Net	175,804,541	24,967,440	17,806,211	-	14,335,898	171,760	-	233,085,850
Beneficial Interest in Trust	1,327,748	-	-	-	-	-	-	1,327,748
Pledges Receivable - Net of current portion	1,751,265	-	-	-	-	-	-	1,751,265
Right-of-use Asset - Net	-	687,861	-	-	-	-	-	687,861
Other Noncurrent Assets								
Investment in and loans due from related organizations	43,059,607	-	-	-	-	-	(35,971,363)	7,088,244
Other noncurrent assets	29,000	-	1,064,519	-	148,249	-	-	1,241,768
Total other noncurrent assets	43,088,607	-	1,064,519	-	148,249	-	(35,971,363)	8,330,012
Total assets	**$ 298,419,643**	**$ 44,220,186**	**$ 19,062,523**	**$ 879,629**	**$ 15,805,402**	**$ 1,609,685**	**$ (37,095,135)**	**$ 342,901,933**

Consolidating Balance Sheet (Continued)

June 30, 2021

	Obligated Group	PACE Entities	Porter Hills HUD Entities	Avenues by Porter Hills	DAAL	UMRCPH, Inc.	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)								
Current Liabilities								
Accounts payable	$ 1,645,843	$ 2,498,310	$ 71,738	$ 6,645	$ 835,816	$ 571,118	$ -	$ 5,629,470
Accounts payable - Affiliates	675,507	373,038	92,245	14,563	-	-	(1,123,772)	31,581
Current portion of long-term debt	2,332,509	2,507,875	-	-	1,200	-	-	4,841,584
Current portion of Holland facility lease liability	-	192,798	-	-	-	-	-	192,798
Current portion of refundable advances on life leases	5,183,900	-	-	-	-	-	-	5,183,900
Estimated third-party payor settlements	-	1,315,048	-	-	-	-	-	1,315,048
Accrued liabilities and other	5,857,068	6,998,771	81,152	20,076	834,446	1,249,809	-	15,041,322
Total current liabilities	15,694,827	13,885,840	245,135	41,284	1,671,462	1,820,927	(1,123,772)	32,235,703
Long-term Debt - Net of current portion	89,208,622	7,372,818	-	-	6,842,574	-	(332,500)	103,091,514
Holland Facility Lease Liability - Net of current portion	-	670,347	-	-	-	-	-	670,347
Other Long-term Liabilities								
Deferred life lease income	25,638,336	-	-	1,195,089	-	-	-	26,833,425
Refundable advances on life leases - Net of current portion	42,405,048	-	-	-	-	-	-	42,405,048
Fair value of interest rate swap agreements	318,783	-	-	-	-	-	-	318,783
Other long-term liabilities	223,841	100,023	233,425	-	-	-	(117,996)	439,293
Total other long-term liabilities	68,586,008	100,023	233,425	1,195,089	-	-	(117,996)	69,996,549
Total liabilities	173,489,457	22,029,028	478,560	1,236,373	8,514,036	1,820,927	(1,574,268)	205,994,113
Net Assets (Deficiency in Net Assets)								
Without donor restrictions	103,661,351	15,373,653	18,583,963	(356,744)	499,552	(211,242)	(35,520,867)	102,029,666
With donor restrictions	21,268,835	-	-	-	-	-	-	21,268,835
Without donor restrictions - Noncontrolling interest	-	6,817,505	-	-	6,791,814	-	-	13,609,319
Total net assets (deficiency in net assets)	124,930,186	22,191,158	18,583,963	(356,744)	7,291,366	(211,242)	(35,520,867)	136,907,820
Total liabilities and net assets (deficiency in net assets)	**$ 298,419,643**	**$ 44,220,186**	**$ 19,062,523**	**$ 879,629**	**$ 15,805,402**	**$ 1,609,685**	**$ (37,095,135)**	**$ 342,901,933**

United Methodist Retirement Communities, Inc. and Affiliates

Consolidating Statement of Activities

Year Ended June 30, 2021

	Obligated Group	PACE Entities	Porter Hills HUD Entities	Avenues by Porter Hills	DAAL	UMRCPH, Inc.	Eliminating Entries	Total
Operating Revenue								
Net service revenue	$ 58,005,767	$ 69,903,463	$ 1,663,507	$ -	$ 582,278	$ -	$ -	$ 130,155,015
Investment income	3,301,817	-	221	216	-	-	-	3,302,254
Life lease income	4,026,363	-	-	188,614	-	-	-	4,214,977
Gain on sale of property	521,302	-	-	-	-	-	-	521,302
Contributions	1,464,228	-	-	-	-	-	-	1,464,228
CARES Act revenue	7,099,705	1,083,980	-	-	-	-	-	8,183,685
Other operating revenue	2,954,252	922,928	125,585	242,814	79,539	13,570,275	(14,302,723)	3,592,670
Net assets released from restrictions used in operations	2,821,115	-	-	-	-	-	-	2,821,115
Total operating revenue	80,194,549	71,910,371	1,789,313	431,644	661,817	13,570,275	(14,302,723)	154,255,246
Operating Expenses								
Salaries and wages	30,309,357	12,728,739	373,124	112,550	131,765	6,187,284	(775,908)	49,066,911
Employee benefits and payroll taxes	5,896,018	2,920,436	61,312	18,473	22,276	1,880,236	-	10,798,751
Operating supplies and expenses	3,666,044	2,275,473	92,577	123	58,087	308,581	-	6,400,885
Professional services and consultant fees	13,013,447	40,526,256	234,986	56,795	82,740	1,852,924	(11,484,723)	44,282,425
Repairs and maintenance	2,123,508	4,077	160,442	-	63,303	72,768	(13,120)	2,410,978
Utilities	1,894,496	311,379	243,198	-	94,161	616,066	-	3,159,300
Depreciation	13,410,485	1,230,526	923,579	-	516,917	19,084	-	16,100,591
Interest	3,587,450	346,427	-	-	79,930	-	-	4,013,807
Property taxes	1,765,066	-	-	-	-	-	-	1,765,066
Amortization of right-of-use asset	-	174,649	-	-	-	-	-	174,649
Provision for bad debts	490,403	-	-	-	-	-	-	490,403
Quality assurance assessment	1,025,055	-	-	-	-	-	-	1,025,055
Other	4,796,328	2,243,348	350,484	63,973	169,501	2,363,669	(2,028,972)	7,958,331
Total operating expenses	81,977,657	62,761,310	2,439,702	251,914	1,218,680	13,300,612	(14,302,723)	147,647,152
Operating (Loss) Income	(1,783,108)	9,149,061	(650,389)	179,730	(556,863)	269,663	-	6,608,094
Nonoperating Income								
Investment income	3,617,138	-	-	-	-	-	-	3,617,138
Change in value of charitable gift annuities	159	-	-	-	-	-	-	159
Change in fair value of interest rate swap agreements	345,653	-	-	-	-	-	-	345,653
Gain from investment in joint ventures	8,960,431	-	-	-	-	-	(5,753,976)	3,206,455
Total nonoperating income	12,923,381	-	-	-	-	-	(5,753,976)	7,169,405
Excess of Revenue Over (Under) Expenses	11,140,273	9,149,061	(650,389)	179,730	(556,863)	269,663	(5,753,976)	13,777,499
Transfer (to) from Affiliate	(54,370)	54,370	-	-	-	-	-	-
Net Assets Released from Restrictions for Capital Purposes	1,000,133	-	-	-	-	-	-	1,000,133
Increase (Decrease) in Net Assets without Donor Restrictions	**$ 12,086,036**	**$ 9,203,431**	**$ (650,389)**	**$ 179,730**	**$ (556,863)**	**$ 269,663**	**$ (5,753,976)**	**$ 14,777,632**

United Methodist Retirement Communities, Inc. and Affiliates

Obligated Group Combining Balance Sheet

June 30, 2021

	Porter Hills Presbyterian Village, Inc.	Chelsea Retirement Community	Cook Valley Estates	Cedars of Dexter	Meadowlark Retirement Community	Porter Hills Home Health Services West	Porter Hills Foundation	UMRC Foundation	Corporate	Eliminating Entries	Total
Assets											
Current Assets											
Cash	$ 3,423,461	$ 4,446,720	$ (8,057)	$ 776,805	$ (2,514)	$ 4,848	$ (16,294)	$ 1,091,069	$ 494,413	$ -	$ 10,210,451
Resident accounts receivable - Net	1,281,962	2,027,085	243,754	666	23,371	596,939	-	-	-	-	4,173,777
Accounts receivable - Affiliates	3,223,288	4,242,052	(14,333)	2,314,117	(943,492)	(4,961,185)	(73,840)	2,097,237	808,795	(6,545,162)	147,477
Current portion of pledges receivable	-	-	-	-	-	-	307,269	769,394	-	-	1,076,663
Current portion of assets limited as to use	-	78,662	-	-	-	-	-	-	100,000	-	178,662
Other current assets	217,133	587,131	20,847	8,139	4,282	5,432	3,643	-	228,230	-	1,074,837
Total current assets	8,145,844	11,381,650	242,211	3,099,727	(918,353)	(4,353,966)	220,778	3,957,700	1,631,438	(6,545,162)	16,861,867
Assets Limited as to Use - Net of current portion	1,831,221	2,520,574	2,070,848	182,935	193,119	-	14,064,474	38,722,444	-	-	59,585,615
Property and Equipment - Net	56,553,701	67,748,692	27,127,153	14,529,318	6,171,129	931	-	755,035	2,918,582	-	175,804,541
Beneficial Interest in Trust	-	-	-	-	-	-	865,606	462,142	-	-	1,327,748
Pledges Receivable	-	-	-	-	-	-	1,124,899	626,366	-	-	1,751,265
Other Noncurrent Assets											
Investment in and loans due from related organizations	1,028,367	-	-	-	-	-	-	-	67,733,244	(25,702,004)	43,059,607
Other noncurrent assets	-	-	-	-	-	29,000	-	-	-	-	29,000
Total other noncurrent assets	1,028,367	-	-	-	-	29,000	-	-	67,733,244	(25,702,004)	43,088,607
Total assets	**$ 67,559,133**	**$ 81,650,916**	**$ 29,440,212**	**$ 17,811,980**	**$ 5,445,895**	**$ (4,324,035)**	**$ 16,275,757**	**$ 44,523,687**	**$ 72,283,264**	**$ (32,247,166)**	**$ 298,419,643**

Obligated Group Combining Balance Sheet (Continued)

June 30, 2021

	Porter Hills Presbyterian Village, Inc.	Chelsea Retirement Community	Cook Valley Estates	Cedars of Dexter	Meadowlark Retirement Community	Porter Hills Home Health Services West	Porter Hills Foundation	UMRC Foundation	Corporate	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)											
Current Liabilities											
Accounts payable	$ 747,208	$ 482,688	$ 322,902	$ -	$ 59,240	$ 5,171	$ 14,217	$ -	$ 14,417	$ -	$ 1,645,843
Accounts payable - Affiliates	-	-	-	-	-	-	-	3,038,908	4,181,761	(6,545,162)	675,507
Current portion of long-term debt	548,095	875,000	480,484	362,508	66,422	-	-	-	-	-	2,332,509
Current portion of refundable advances on life leases	1,184,600	1,290,500	1,706,400	1,002,400	-	-	-	-	-	-	5,183,900
Accrued liabilities and other	1,516,000	2,903,958	368,696	-	160,499	771,162	28,119	14,912	93,722	-	5,857,068
Total current liabilities	3,995,903	5,552,146	2,878,482	1,364,908	286,161	776,333	42,336	3,053,820	4,289,900	(6,545,162)	15,694,827
Long-term Debt - Net of current portion	24,314,750	27,657,952	26,727,083	9,041,186	2,496,018	-	-	-	3,360,000	(4,388,367)	89,208,622
Other Long-term Liabilities											
Deferred life lease income	7,356,920	3,703,433	10,568,222	4,009,761	-	-	-	-	-	-	25,638,336
Refundable advances on life leases - Net of current portion	10,775,035	9,381,185	15,521,717	6,727,111	-	-	-	-	-	-	42,405,048
Fair value of interest rate swap agreements	-	112,566	-	206,217	-	-	-	-	-	-	318,783
Other long-term liabilities	176,126	-	-	-	-	-	12,761	34,954	-	-	223,841
Total other long-term liabilities	18,308,081	13,197,184	26,089,939	10,943,089	-	-	12,761	34,954	-	-	68,586,008
Total liabilities	46,618,734	46,407,282	55,695,504	21,349,183	2,782,179	776,333	55,097	3,088,774	7,649,900	(10,933,529)	173,489,457
Net Assets (Deficiency in Net Assets)											
Without donor restrictions	20,940,399	35,243,634	(26,255,292)	(3,537,203)	2,663,716	(5,100,368)	12,233,828	24,227,458	64,558,816	(21,313,637)	103,661,351
With donor restrictions	-	-	-	-	-	-	3,986,832	17,207,455	74,548	-	21,268,835
Total net assets (deficiency in net assets)	20,940,399	35,243,634	(26,255,292)	(3,537,203)	2,663,716	(5,100,368)	16,220,660	41,434,913	64,633,364	(21,313,637)	124,930,186
Total liabilities and net assets (deficiency in net assets)	**$ 67,559,133**	**$ 81,650,916**	**$ 29,440,212**	**$ 17,811,980**	**$ 5,445,895**	**$ (4,324,035)**	**$ 16,275,757**	**$ 44,523,687**	**$ 72,283,264**	**$ (32,247,166)**	**$ 298,419,643**

Obligated Group Combining Statement of Activities

Year Ended June 30, 2021

	Porter Hills Presbyterian Village, Inc.	Chelsea Retirement Community	Cook Valley Estates	Cedars of Dexter	Meadowlark Retirement Community	Porter Hills Home Health Services West	Porter Hills Foundation	UMRC Foundation	Corporate	Eliminating Entries	Total
Operating Revenue											
Net service revenue	$ 19,318,709	$ 28,942,701	$ 2,008,970	$ 2,235,031	$ 2,144,161	$ 3,356,195	$ -	$ -	$ -	$ -	$ 58,005,767
Investment income	-	-	33	-	-	-	1,209,458	2,108,767	-	(16,441)	3,301,817
Life lease income	1,386,614	533,381	1,572,982	533,386	-	-	-	-	-	-	4,026,363
Gain on sale of property	284,315	-	-	-	-	-	-	-	236,987	-	521,302
Contributions	-	-	-	-	-	-	105,418	1,358,810	-	-	1,464,228
CARES Act revenue	5,209,112	1,428,516	101,905	-	330,326	29,846	-	-	-	-	7,099,705
Other operating revenue	1,711,266	99,642	690,352	5	20,810	41,510	-	175,000	942,566	(726,899)	2,954,252
Net assets released from restrictions used in operations	-	-	-	-	-	-	732,059	2,089,056	-	-	2,821,115
Total operating revenue	27,910,016	31,004,240	4,374,242	2,768,422	2,495,297	3,427,551	2,046,935	5,731,633	1,179,553	(743,340)	80,194,549
Operating Expenses											
Salaries and wages	10,897,253	13,699,844	685,842	402,700	1,198,294	2,406,496	205,654	713,469	542,376	(442,571)	30,309,357
Employee benefits and payroll taxes	1,824,483	2,877,253	77,155	115,894	224,293	499,930	29,235	198,973	48,802	-	5,896,018
Operating supplies and expenses	1,023,528	2,023,681	183,821	119,347	156,127	59,747	2,607	86,029	11,157	-	3,666,044
Professional services and consultant fees	4,947,184	5,734,744	361,978	206,425	326,315	648,701	312,214	188,163	462,723	(175,000)	13,013,447
Repairs and maintenance	332,726	1,071,708	315,964	305,077	75,054	22,979	-	-	-	-	2,123,508
Utilities	736,220	745,268	219,512	101,135	92,361	-	-	-	-	-	1,894,496
Depreciation	5,711,936	4,309,455	1,852,670	597,892	557,251	2,518	-	31,953	346,810	-	13,410,485
Interest	877,675	1,128,005	945,910	348,507	100,393	-	-	-	203,401	(16,441)	3,587,450
Property taxes	183,437	879,399	309,496	339,791	52,943	-	-	-	-	-	1,765,066
Provision for bad debts	225,692	156,797	-	-	-	107,914	-	-	-	-	490,403
Quality assurance assessment	577,689	447,366	-	-	-	-	-	-	-	-	1,025,055
Other	1,947,376	2,006,801	171,499	67,310	69,574	198,667	438,703	646,927	(641,201)	(109,328)	4,796,328
Total operating expenses	29,285,199	35,080,321	5,123,847	2,604,078	2,852,605	3,946,952	988,413	1,865,514	974,068	(743,340)	81,977,657
Operating (Loss) Income	(1,375,183)	(4,076,081)	(749,605)	164,344	(357,308)	(519,401)	1,058,522	3,866,119	205,485	-	(1,783,108)
Nonoperating Income (Loss)											
Investment income	-	-	-	-	-	-	739,960	2,877,178	-	-	3,617,138
Change in value of charitable gift annuities	-	-	-	-	-	-	159	-	-	-	159
Change in fair value of interest rate swap agreements	75,665	68,118	79,436	115,071	7,985	-	-	-	(622)	-	345,653
Gain from investment in joint ventures	-	-	-	-	-	-	-	-	18,363,894	(9,403,463)	8,960,431
Total nonoperating income	75,665	68,118	79,436	115,071	7,985	-	740,119	2,877,178	18,363,272	(9,403,463)	12,923,381
Excess of Revenue (Under) Over Expenses	(1,299,518)	(4,007,963)	(670,169)	279,415	(349,323)	(519,401)	1,798,641	6,743,297	18,568,757	(9,403,463)	11,140,273
Transfer (to) from Affiliate	(810,027)	2,248,439	(3,739,602)	-	4,841,367	-	(349,326)	(2,248,439)	3,218	-	(54,370)
Net Assets Released from Restrictions for Capital Purposes	-	-	-	-	-	-	-	1,000,133	-	-	1,000,133
(Decrease) Increase in Net Assets without Donor Restrictions	**$ (2,109,545)**	**$ (1,759,524)**	**$ (4,409,771)**	**$ 279,415**	**$ 4,492,044**	**$ (519,401)**	**$ 1,449,315**	**$ 5,494,991**	**$ 18,571,975**	**$ (9,403,463)**	**$ 12,086,036**

PACE Entities Combining Balance Sheet

June 30, 2021

	Huron Valley PACE	LifeCircles, Inc.	Thome PACE	Total
Assets				
Current Assets				
Cash	$ 6,293,487	$ 8,206,272	$ 3,039,036	$ 17,538,795
Resident accounts receivable - Net	369,125	26,698	225,588	621,411
Estimated third-party payor settlements	-	148,410	-	148,410
Other current assets	46,952	209,317	-	256,269
Total current assets	6,709,564	8,590,697	3,264,624	18,564,885
Property and Equipment - Net	9,201,438	11,073,550	4,692,452	24,967,440
Right-of-use Asset - Net	-	687,861	-	687,861
Total assets	**$ 15,911,002**	**$ 20,352,108**	**$ 7,957,076**	**$ 44,220,186**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 12,347	$ 2,249,129	$ 236,834	$ 2,498,310
Accounts payable - Affiliates	117,381	129,683	125,974	373,038
Current portion of long-term debt	196,465	1,947,538	363,872	2,507,875
Current portion of Holland facility lease liability	-	192,798	-	192,798
Estimated third-party payor settlements	749,048	55,900	510,100	1,315,048
Accrued liabilities and other	3,312,375	798,668	2,887,728	6,998,771
Total current liabilities	4,387,616	5,373,716	4,124,508	13,885,840
Long-term Debt	4,344,065	-	3,028,753	7,372,818
Holland Facility Lease Liability - Net of current portion	-	670,347	-	670,347
Other Long-term Liabilities	-	100,023	-	100,023
Total liabilities	8,731,681	6,144,086	7,153,261	22,029,028
Net Assets				
Without donor restrictions	7,179,321	7,550,944	643,388	15,373,653
Without donor restrictions - Noncontrolling interest	-	6,657,078	160,427	6,817,505
Total net assets	7,179,321	14,208,022	803,815	22,191,158
Total liabilities and net assets	**$ 15,911,002**	**$ 20,352,108**	**$ 7,957,076**	**$ 44,220,186**

PACE Entities Combining Statement of Activities

Year Ended June 30, 2021

	Huron Valley PACE	LifeCircles, Inc.	Thome PACE	Total
Operating Revenue				
Net service revenue	$ 20,205,698	$ 30,392,133	$ 19,305,632	$ 69,903,463
CARES Act revenue	-	1,083,980	-	1,083,980
Other operating revenue	297,221	154,082	471,625	922,928
Total operating revenue	20,502,919	31,630,195	19,777,257	71,910,371
Expenses				
Salaries and benefits	4,175,712	6,875,745	4,597,718	15,649,175
Operating supplies and expenses	805,786	826,867	642,820	2,275,473
Professional services and consultant fees	11,788,225	15,897,958	12,840,073	40,526,256
Repairs and maintenance	-	-	4,077	4,077
Utilities	83,861	150,157	77,361	311,379
Depreciation	503,091	464,065	263,370	1,230,526
Interest	72,125	156,636	117,666	346,427
Amortization of right-of-use asset	-	174,649	-	174,649
Other	413,693	1,068,621	761,034	2,243,348
Total expenses	17,842,493	25,614,698	19,304,119	62,761,310
Excess of Revenue Over Expenses	2,660,426	6,015,497	473,138	9,149,061
Transfer from Affiliate	-	54,370	-	54,370
Increase in Net Assets without Donor Restrictions	**$ 2,660,426**	**$ 6,069,867**	**$ 473,138**	**$ 9,203,431**

Porter Hills HUD Entities Combining Balance Sheet

June 30, 2021

	HUD Corporate Division	Bailey's Grove	Harvest Way	Oak Ridge	River Grove	Station Creek	Walker Meadow	Total
Assets								
Current Assets								
Cash	$ -	$ 18,957	$ 7,717	$ 64,742	$ 70,083	$ 17,610	$ 516	$ 179,625
Resident accounts receivable - Net	-	3,194	117	2,012	-	902	-	6,225
Other current assets - Prepaid expenses	-	2,464	-	-	2,576	903	-	5,943
Total current assets	-	24,615	7,834	66,754	72,659	19,415	516	191,793
Property and Equipment - Net	8,139,242	1,775,358	1,540,816	1,343,004	1,640,942	2,234,733	1,132,116	17,806,211
Other Noncurrent Assets	-	175,096	119,313	264,421	155,949	228,146	121,594	1,064,519
Total assets	**$ 8,139,242**	**$ 1,975,069**	**$ 1,667,963**	**$ 1,674,179**	**$ 1,869,550**	**$ 2,482,294**	**$ 1,254,226**	**$ 19,062,523**
Liabilities and Net Assets (Deficiency in Net Assets)								
Current Liabilities								
Accounts payable	$ -	$ 13,883	$ 532	$ 822	$ 34,344	$ 15,197	$ 6,960	$ 71,738
Accounts payable - Affiliates	-	12,456	12,404	12,465	14,583	14,769	25,568	92,245
Accrued liabilities and other	-	13,290	19,655	16,118	8,496	14,346	9,247	81,152
Total current liabilities	-	39,629	32,591	29,405	57,423	44,312	41,775	245,135
Other Long-term Liabilities	(17,366,459)	2,961,354	2,914,395	2,798,996	2,944,332	3,555,554	2,425,253	233,425
Total liabilities	(17,366,459)	3,000,983	2,946,986	2,828,401	3,001,755	3,599,866	2,467,028	478,560
Net Assets (Deficiency in Net Assets) - Without donor restrictions	25,505,701	(1,025,914)	(1,279,023)	(1,154,222)	(1,132,205)	(1,117,572)	(1,212,802)	18,583,963
Total liabilities and net assets (deficiency in net assets)	**$ 8,139,242**	**$ 1,975,069**	**$ 1,667,963**	**$ 1,674,179**	**$ 1,869,550**	**$ 2,482,294**	**$ 1,254,226**	**$ 19,062,523**

Porter Hills HUD Entities Combining Statement of Activities

Year Ended June 30, 2021

	HUD Corporate Division	Bailey's Grove	Harvest Way	Oak Ridge	River Grove	Station Creek	Walker Meadow	Total
Operating Revenue								
Net service revenue	$ -	$ 244,059	$ 266,664	$ 320,255	$ 318,483	$ 272,576	$ 241,470	$ 1,663,507
Investment income	-	38	23	53	33	51	23	221
Other operating revenue	-	18,888	19,700	14,712	32,445	22,100	17,740	125,585
Total operating revenue	-	262,985	286,387	335,020	350,961	294,727	259,233	1,789,313
Expenses								
Salaries and wages	-	65,266	63,332	61,412	60,048	57,382	65,684	373,124
Employee benefits and payroll taxes	-	11,234	11,706	5,190	7,862	12,856	12,464	61,312
Operating supplies and expenses	-	15,210	15,350	16,408	14,395	10,320	20,894	92,577
Professional services and consultant fees	-	64,437	34,430	34,430	34,460	37,022	30,207	234,986
Repairs and maintenance	-	36,740	15,930	16,251	56,857	16,798	17,866	160,442
Utilities	-	46,785	54,104	33,284	38,456	38,563	32,006	243,198
Depreciation	317,295	87,830	117,491	86,614	97,022	110,561	106,766	923,579
Other	-	18,048	65,229	68,596	63,478	74,614	60,519	350,484
Total expenses	317,295	345,550	377,572	322,185	372,578	358,116	346,406	2,439,702
Operating (Loss) Income	(317,295)	(82,565)	(91,185)	12,835	(21,617)	(63,389)	(87,173)	(650,389)
Excess of Revenue (Under) Over Expenses	(317,295)	(82,565)	(91,185)	12,835	(21,617)	(63,389)	(87,173)	(650,389)
(Decrease) Increase in Net Assets without Donor Restrictions	**$ (317,295)**	**$ (82,565)**	**$ (91,185)**	**$ 12,835**	**$ (21,617)**	**$ (63,389)**	**$ (87,173)**	**$ (650,389)**