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Messiah Lifeways and Controlled Entities

Consolidated Financial Statements
and Supplementary Information

June 30, 2022 and 2021

Messiah Lifeways and Controlled Entities

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June 30, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
Messiah Lifeways and Controlled Entities

Opinion

We have audited the consolidated financial statements of Messiah Lifeways and Controlled Entities (the Corporation), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of June 30, 2022 and 2021, and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 25 through 28 is presented for purposes of additional analysis and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
October 4, 2022

Messiah Lifeways and Controlled Entities

Consolidated Balance Sheets
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 15,224,921	$ 11,041,989
Current portion of assets whose use is limited	1,952,778	1,930,776
Accounts receivable:		
Residents, net	911,628	1,242,067
Other	142,707	662,471
Entrance fees receivable	168,000	-
Prepaid expenses and other current assets	1,008,089	897,119
Total current assets	19,408,123	15,774,422
Assets Whose Use is Limited, Net	2,664,784	2,663,294
Investments	55,362,202	67,662,153
Act 82 Reserve	2,880,000	2,645,000
Property and Equipment, Net	111,516,865	116,781,086
Contract Acquisition Costs, Net	249,168	284,723
Other Assets	828,058	1,059,531
Total assets	$ 192,909,200	$ 206,870,209
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 1,903,007	$ 1,836,638
Accounts payable:		
Trade	1,259,418	1,136,714
Construction	116,942	15,855
Entrance fees	62,592	-
Accrued expenses	2,738,178	3,059,118
Current portion of split-interest obligations	49,677	71,627
Refundable entrance fees	2,469,248	2,154,684
Total current liabilities	8,599,062	8,274,636
Long-Term Debt, Net	77,143,317	78,945,453
Refundable Entrance Fees and Deposits	22,208,086	22,786,006
Deferred Revenues From Entrance Fees	37,099,839	35,894,204
Derivative Financial Instruments	25,239	3,831,240
Split-Interest Obligations, Net	199,316	366,275
Total liabilities	145,274,859	150,097,814
Net Assets		
Without donor restrictions	27,355,994	31,593,959
With donor restrictions	20,278,347	25,178,436
Total net assets	47,634,341	56,772,395
Total liabilities and net assets	$ 192,909,200	$ 206,870,209

See notes to consolidated financial statements

Messiah Lifeways and Controlled Entities

Consolidated Statements of Operations and Changes in Net Assets
Years Ended June 30, 2022 and 2021

	2022	2021
Revenues Without Donor Restrictions		
Net resident service revenues	$ 45,610,714	$ 44,681,688
Other revenues	2,475,502	2,082,402
Grant revenue	1,490,444	1,890,112
Contributions and net assets released from restriction used for operations	1,476,687	1,343,319
Total revenues without donor restrictions	51,053,347	49,997,521
Expenses		
Salaries, wages and benefits	23,066,466	25,306,826
Fees, purchased services and supplies	11,995,425	12,212,135
Depreciation and amortization	8,242,068	8,272,631
Interest	3,070,409	3,135,167
Building operations and maintenance	2,616,448	2,292,341
Other operating expenses	1,160,636	1,147,118
Insurance and real estate taxes	2,106,410	2,048,920
Total expenses	52,257,862	54,415,138
Operating loss	(1,204,515)	(4,417,617)
Nonoperating Gains (Losses)		
Investment return	(7,146,801)	9,350,250
Contributions	184,875	130,465
Change in value of split-interest obligations	128,673	8,386
Change in fair value of derivative financial instruments	3,806,001	1,974,013
Loss on disposal of property and equipment	(65,942)	(67,603)
Other nonoperating gains	12,905	-
Revenues (less than) in excess of expenses	(4,284,804)	6,977,894
Net Assets Released From Restriction Used for Property and Equipment	46,839	61,807
Change in net assets without donor restrictions	(4,237,965)	7,039,701
Net Assets With Donor Restrictions		
Contributions:		
Purpose restricted	125,444	183,241
Held in perpetuity	225,467	1,225,654
Investment return	(3,799,100)	5,039,567
Change in value of split-interest obligations	26,525	2,814
Change in cash surrender value of life insurance and agency endowment, net of expense	(32,705)	(8,080)
Net assets released from restriction used for:		
Operations	(1,398,881)	(1,231,209)
Property and equipment	(46,839)	(61,807)
Change in net assets with donor restrictions	(4,900,089)	5,150,180
Change in net assets	(9,138,054)	12,189,881
Net Assets, Beginning	56,772,395	44,582,514
Net Assets, Ending	$ 47,634,341	$ 56,772,395

See notes to consolidated financial statements

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ (9,138,054)	$ 12,189,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,242,068	8,272,631
Loss on disposal of property and equipment	65,942	67,603
Amortization of bond premium	(153,265)	(160,734)
Amortization of debt issuance costs	100,871	104,200
Bad debt expense	105,000	99,996
Proceeds from entrance fees and entrance fee deposits, existing units	7,071,896	4,334,548
Amortization of entrance fees	(4,763,006)	(4,732,041)
Net realized and unrealized gains and losses on investments	13,060,177	(13,029,608)
Change in fair value of derivative financial instruments	(3,806,001)	(1,974,013)
Change in value of split-interest obligations	(155,198)	(11,200)
Contributions received restricted for long-term purposes	(350,911)	(1,408,895)
Changes in assets and liabilities:		
Accounts receivable, resident and other	580,503	630,306
Prepaid expenses and other current assets	(110,970)	(27,230)
Other assets	231,473	35,307
Accounts payable, trade	122,704	(334,916)
Accrued expenses	(320,940)	(424,694)
Deferred grant revenue	-	(935,132)
Net cash provided by operating activities	10,782,289	2,696,009
Cash Flows From Investing Activities		
Net purchases of assets whose use is limited and investments	(995,226)	(1,510,867)
Purchase of property and equipment	(2,907,147)	(2,925,745)
Net cash used in investing activities	(3,902,373)	(4,436,612)
Cash Flows From Financing Activities		
Repayment of long-term debt	(1,683,373)	(1,602,957)
Proceeds from refundable entrance fees, existing units	895,591	2,642,537
Refunds of entrance fees	(2,202,910)	(3,053,586)
Net repayments on split-interest obligations	(33,711)	(72,263)
Contributions received restricted for long-term purposes	350,911	1,408,895
Net cash used in financing activities	(2,673,492)	(677,374)
Net change in cash, cash equivalents and restricted cash and cash equivalents	4,206,424	(2,417,977)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	15,636,059	18,054,036
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 19,842,483	$ 15,636,059
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 15,224,921	$ 11,041,989
Assets whose use is limited	4,617,562	4,594,070
Total cash, cash equivalents and restricted cash and cash equivalents	$ 19,842,483	$ 15,636,059
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of capitalized interest	$ 3,145,378	$ 3,221,713
Supplemental Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	$ 116,942	$ 15,855

See notes to consolidated financial statements

1. Nature of Operations, Principles of Consolidation and Summary of Significant Accounting Policies

Organization

Messiah Lifeways and Controlled Entities (collectively, the Corporation) is comprised of the following:

Messiah Lifeways (ML) is a not-for-profit holding company (parent) which controls the following: Messiah Home d/b/a Messiah Lifeways at Messiah Village (the Village), Messiah Family Services d/b/a Messiah Lifeways at Mount Joy Country Homes (Mount Joy) and Messiah Lifeways Community Support Services (MLCSS). ML is the sole member of these three entities.

The Village is a not-for-profit corporation that operates a continuing care retirement community. The Village provides housing, healthcare and other related services to older adults through the operation of nursing facilities, personal care units, independent living cottages and independent living apartments.

Mount Joy is a not-for-profit corporation that provides housing to residents 55 and older through the operation of independent living cottages located in Mount Joy, Pennsylvania.

Messiah Lifeways Community Support is a not-for-profit corporation that provides a network of community services for older adults that includes home care, an adult day program and a senior center.

As a ministry of the Brethren in Christ Church, the Corporation's mission is to "responsibly enhance the lives of older adults with Christ-like love". The Corporation offers a network of opportunities for adults 55 and older in South Central, Pennsylvania.

The Village and Mount Joy both received a Certificate of Authority from the Pennsylvania Insurance Department to operate a Continuing Care Retirement Community (CCRC) under the Pennsylvania Continuing Care Provider Registration and Disclosure Act (Act 82).

The Corporation's operations are located in Mechanicsburg and Mount Joy, Pennsylvania. Their primary market area includes the greater Harrisburg area and surrounding communities.

Principles of Consolidation

The consolidated financial statements include the accounts of ML, the Village, Mount Joy and MLCSS after elimination of all significant intercompany balances and transactions.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents includes investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable, Residents

The Corporation assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired.

The allowance for uncollectable accounts totaled approximately $454,000 and $489,000 at June 30, 2022 and 2021, respectively.

Investments and Investment Risk

Investments include assets set aside by the Board of Directors for future capital improvements and charity care, over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets to be held by the Corporation in perpetuity; assets whose use by the Corporation has been limited by donors to specific purposes; and assets designated as a required reserve in accordance with Act 82.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including interest, dividends, capital gain distributions and realized and unrealized gains and losses) is included in revenues (less than) in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured using the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

Assets Whose Use is Limited

Assets whose use is limited generally includes Board-designated assets, assets held by a bond trustee under trust indentures, escrow funds held by the Borough of Mount Joy in connection with Mount Joy's multi-year expansion plan and entrance fee deposits for new independent living cottage units. Amounts available to meet current liabilities of the Corporation have been classified as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation was $8,206,513 in 2022 and $8,207,251 in 2021.

Gifts of long-lived assets such as land, buildings or equipment are reported as without donor-restricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contract Acquisition Costs, Net

Contract acquisition costs include incremental costs of obtaining residency agreements that would not have been incurred if the agreements were not obtained and are recorded at cost. Contract acquisition costs are amortized over the estimate life expectancy of the residents using the straight-line method, which approximates the period of time that goods and services are expected to be transferred to residents. Amortization of contract costs was $35,555 and $65,380 during the years ended June 30, 2022 and 2021, respectively.

Entrance Fees

The Village

Under certain entrance fee plans for independent living units, the Village receives payments in advance, in accordance with the terms of Residency Agreements. The entrance fee plans primarily consist of two refundable options and a nonrefundable option. The two refundable options have a guaranteed refund component of either 50% or 90% of the entrance fee paid with the balance refundable on a decreasing basis for 50 months. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for 50 months. In 2015, the 90% refund option was changed so that the 10% remaining balance is not available for refund.

Refunds to residents are paid after the independent living unit has been re-occupied by another resident and the entrance fee for the re-occupied independent living unit has been paid in full. At June 30, 2022, the gross amount of contractual refund obligations under the Village's existing resident agreements approximates $26,082,000.

At the end of each year, management estimates the portion of entrance fee refunds that will be paid the following year to Village residents who executed Residency Agreements. These amounts were approximately $2,142,000 and $1,825,000 at June 30, 2022 and 2021 and are classified as current liabilities in the consolidated balance sheets.

Mount Joy

Under entrance free plans for its independent living units, Mount Joy receives payments in advance, in accordance with the terms of Residency Agreements. The entrance fee plans primarily consist of three refundable options that had a guaranteed refund component of either 90%, 65% or 50% of the entrance fee paid with the balance refundable on a decreasing basis for 10, 35 or 50 months. In 2016, the 90% refund option was changed so that the 10% remaining balance is not available for refund. In January 2019, the entrance plan options changed. There are currently two refundable options and a nonrefundable option. One refundable option has a guaranteed refund component of 50% with the balance refundable on a decreasing basis for 50 months. Another refundable option has a guaranteed refund component of 90% with the remaining 10% not available for refund. The nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for 50 months.

Refunds to residents are paid after the independent living unit has been re-occupied by another resident and the entrance fee for the re-occupied independent living unit has been paid in full. At June 30, 2022, the gross amount of contractual refund obligations under Mount Joy's existing resident agreements approximates $8,749,000.

At the end of each year, management estimates the portion of entrance fee refunds that will be paid the following year to Village residents who executed Residency Agreements. These amounts were approximately $327,000 and $278,000 at June 30, 2022 and 2021, respectively, and are classified as current liabilities in the consolidated balance sheets.

General

The guaranteed refund component of entrance fees received is not amortized to revenue, and is classified as refundable entrance fees and deposits in the accompanying consolidated balance sheets. The balance of entrance fees received is amortized to revenue using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents, and is classified as deferred revenues from entrance fees in the accompanying consolidated balance sheets.

The majority of services provided to the Village's and Mount Joy's independent living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

Split-Interest Agreements

The Village receives charitable gift annuities as contributions. Under these agreements, the Village recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Village to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as net assets without donor-restricted contributions, unless otherwise restricted by the donor.

Starting in March 2016, the Village has received as contributions, charitable gift annuities. These arrangements represent contracts between the Mennonite Foundation (the Foundation) and the donors. Donors transfer cash or investments to the Foundation and, in turn, receive periodic distributions from the Foundation. The contributions received by the Village are the unconditional rights to receive the remainder interest in the gift annuities. The amount of the contribution is the difference between the asset received by the Foundation and the present value of the estimated future payments to be distributed by the Foundation to the annuitants. These contributions are recorded as with or without donor restrictions contributions, in accordance with donor restrictions.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are amortized using the effective-interest method, over the period of the related debt. Amortization expense, which is included as a component of interest expense, was $100,871 in 2022 and $104,200 in 2021.

Derivative Financial Instruments

The Village entered into interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the consolidated balance sheets and related changes in fair value are reported in the consolidated statements of operations and changes in net assets as change in fair value of derivative financial instruments.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. 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.

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

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

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees was $4,763,006 in 2022 and $4,732,041 in 2021.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Corporation estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Grant Revenue

Grant revenues includes amounts received from federal, state and other funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and accordingly, revenues are recognized when barriers are substantially met, which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporation received $862,414 in 2022 and $440,734 in 2021. The Corporation incurred lost revenues and eligible expenses of $862,414 in 2022 and $1,356,099 in 2021 in accordance with the terms of the respective funding sources. These amounts were recognized and included in grant revenue in the accompanying consolidated statements of operations and changes in net assets. The total PRF funding received to date through June 30, 2022 was $2,727,954.

The Corporation also received funding from various state and other funding sources. The Corporation received and recognized funding of $628,030 in 2022 and $534,013 in 2021, respectively, to offset eligible lost revenues and expenses in accordance with the terms and conditions of the respective funding sources.

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions of the funding sources could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these consolidated financial statements were issued.

Charity Care

The Village also provides charity care to residents who meet certain criteria without charge or at amounts less than its established rates. Because the Village does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. The costs associated with charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the residents receiving charity care. The Village provided charity care at a cost of approximately $730,000 in 2022 and $1,300,000 in 2021.

Medical Assistance Reimbursement and Cost of Providing Care

The Village provides nursing care to Medical Assistance program beneficiaries at amounts less than its cost of providing care. The Village maintains records to identify and monitor the difference between the cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered. The costs associated with the services provided to Medical Assistance program beneficiaries include both direct costs and estimated indirect costs. The difference between the estimated cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered was approximately $3,535,000 in 2022 and $4,331,000 in 2021.

Self-Insured Health Insurance

ML sponsors a self-funded employee benefit plan (the Plan) to provide healthcare benefits and services for its eligible employees and their dependents. ML contracts with an insurance company to provide certain administrative and other services in connection with the Plan. The contract also provides for a schedule of excess loss of $80,000 per participant and $1,000,000 in the aggregate.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

ML, the Village, Mount Joy and MLCSS are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on their exempt income under Section 501(a) of the IRC.

Measure of Operations

The Corporation's operating loss includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be more unusual and nonrecurring in nature.

Revenues (Less Than) in Excess of Expenses

The consolidated statements of operations and changes in net assets includes the determination of revenues (less than) in excess of expenses. Changes in without donor-restricted net assets which are excluded from the determination of revenues (less than) in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

New Accounting Pronouncement, Reference Rate Reform

In March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, *Reference Rate Reform (Topic 848).* This is an elective ASU and applies to entities that have contract, hedging relationships and other transactions that reference London Interbank Offered Rate (LIBOR). Provisions permits option expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships. This is an elective ASU applicable for a limited time through December 31, 2022. The Village has not yet made this election or determined the impact of the election of ASU No. 2020-04 on its consolidated financial statements.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through October 4, 2022, the date the consolidated financial statements were issued.

2. Net Resident Service Revenues

The Corporation disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Resident services revenue consists of the following for the years ended June 30:

	2022			
	Skilled Nursing	Personal Care	Independent Living	Total
Private	$ 14,240,732	$ 12,831,383	$ 8,980,389	$ 36,052,504
Medicare	1,116,829	-	-	1,116,829
Medical assistance	3,164,611	-	-	3,164,611
Commercial insurance	513,764	-	-	513,764
Subtotal	$ 19,035,936	$ 12,831,383	$ 8,980,389	40,847,708
Amortization of entrance fees				4,763,006
Total				$ 45,610,714

	2021			
	Skilled Nursing	Personal Care	Independent Living	Total
Private	$ 14,266,144	$ 11,384,619	$ 8,553,330	$ 34,204,093
Medicare	1,315,549	-	-	1,315,549
Medical assistance	3,656,855	-	-	3,656,855
Commercial insurance	773,150	-	-	773,150
Subtotal	$ 20,011,698	$ 11,384,619	$ 8,553,330	39,949,647
Amortization of entrance fees				4,732,041
Total				$ 44,681,688

Payment terms and conditions for the Corporation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying consolidated balance sheet. In 2022 and 2021, the Corporation recognized approximately $4,496,000 and $4,533,000, respectively, of revenue that was included in the deferred revenue from entrance fees balance as of July 1, 2021 and 2020, respectively. The Corporation applies the practical expedient in ASC 606, and therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The Village has agreements with third-party payors that provide for payments to the Village at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- **Medical Assistance:** The Pennsylvania Department of Human Services has a mandatory Medical Assistance managed care program, Community HealthChoices (CHC). The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible did not change under CHC.

  CHC became effective for the Village on January 1, 2020. Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). The rates paid by the MCOs are subject to a "floor" through December 31, 2022. The "floor" was equal to the average of each of the Village's prior four quarters (i.e. January 1, 2019 through December 31, 2019) medical assistance rates. Effective January 1, 2023, the medical assistance rate paid to the Village may be subject to negotiation with the MCO's.

- **Medicare** - Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

  As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Village's clinical assessment of its residents. The Village is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare Part A program.

3. Fair Value Measurements, Assets Whose Use is Limited, Investments and Financial Instruments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs. The Corporation held no Level 3 instruments as of June 30, 2022 or 2021.

The Corporation reports its investments and derivative financial instruments as fair value on a recurring basis in accordance with the fair value hierarchy. The fair values of the Corporation's investments and derivative financial instruments were determined using the following inputs at June 30:

	2022		
	Total	**Level 1**	**Level 2**
Assets:			
Investments:			
Marketable equity securities	$ 10,491,724	$ 10,491,724	$ -
Exchange traded funds	5,239,832	5,239,832	-
Equity mutual funds:			
Large value	14,140,341	14,140,341	-
International	4,091,714	4,091,714	-
Mid-cap growth	1,310,626	1,310,626	-
Small-cap growth	1,086,074	1,086,074	-
Small value	815,480	815,480	-
Fixed income mutual funds	16,471,395	16,471,395	-
Common trust fund	1,870,812	-	1,870,812
Corporate notes and bonds	80,237	-	80,237
Total investments	$ 55,598,235	$ 53,647,186	$ 1,951,049
Liability:			
Derivative financial instruments	$ 25,239	$ -	$ 25,239

	2021		
	Total	**Level 1**	**Level 2**
Assets:			
Investments:			
Marketable equity securities	$ 12,698,063	$ 12,698,063	$ -
Exchange traded funds	7,315,228	7,315,228	-
Equity mutual funds:			
Large value	16,221,621	16,221,621	-
International	5,153,232	5,153,232	-
Mid-cap growth	3,803,703	3,803,703	-
Small-cap growth	1,817,663	1,817,663	-
Small value	1,119,411	1,119,411	-
Fixed income mutual funds	18,718,980	18,718,980	-
Common trust fund	2,128,662	-	2,128,662
Corporate notes and bonds	97,248	-	97,248
Total investments	$ 69,073,811	$ 66,847,901	$ 2,225,910
Liability:			
Derivative financial instruments	$ 3,831,240	$ -	$ 3,831,240

The following reconciles investments by caption on the consolidated balance sheets:

	2022	2021
Total reported at fair values in the tables above	$ 55,598,235	$ 69,073,811
Plus cash and cash equivalents included in investments	2,643,967	1,233,342
Less Act 82 reserve	(2,880,000)	(2,645,000)
Investments	$ 55,362,202	$ 67,662,153

Valuation Methodologies

Investments are valued at fair value based on quoted market prices in active markets for marketable equity securities, exchange traded funds and mutual funds or estimated using quoted prices for corporate notes and bonds.

The Corporation invests in The Brethren in Christ Common Trust Funds whereby the common collective trusts allocates shares to participants based upon the relationship of the individual participants' investments of the total investments. The Corporation is invested in the Common Trust Funds Total Market Growth with Income Fund which is comprised of Level 1 equity securities and mutual funds. There are no restrictions on the funds and they may be withdrawn at any time.

The Corporation measures its derivative financial instruments (interest rate swap agreements) at fair value based on proprietary models of an independent third-party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments, and considers the credit risk of the Corporation. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Corporation would pay to terminate the agreements.

Investment Return

Investment return without donor restrictions is comprised of the following:

	2022	2021
Interest, dividends and capital gain distributions, net of expenses	$ 1,363,302	$ 893,643
Net realized gains and losses on sales of investments	1,576,854	1,081,328
Net unrealized gains and losses on investments	(10,086,957)	7,375,279
Total	$ (7,146,801)	$ 9,350,250

Investment return with donor restrictions is comprised of the following:

	2022	2021
Interest, dividends and capital gain distributions, net of expenses	$ 750,974	$ 466,566
Net realized gains and losses investments	746,142	533,465
Net unrealized gains and losses on investments	(5,296,216)	4,039,536
Total	$ (3,799,100)	$ 5,039,567

Statutory Minimum Liquid Reserve

In compliance with Section 9 of Act 82, the Board of Directors designated a portion of investments be "reserved" to meet the requirements of Act 82. The amounts designated were approximately $2,800,000 and $80,000 for the Village and Mount Joy, respectively, at June 30, 2022 and $2,575,000 and $70,000 for the Village and Mount Joy, respectively, at June 30, 2021. At June 30, 2022, the reserve was calculated as follows:

	Village	Mount Joy
Budgeted operating expenses for the year ending June 30, 2023	$ 51,243,463	$ 1,357,363
Less budgeted depreciation and amortization expense	(7,309,992)	(570,456)
Expenses subject to minimum liquid reserve requirement	43,933,471	786,907
Percentage of residents subject to entrance fee agreements at June 30, 2022	63.70 %	100 %
Subtotal	27,985,621	786,907
Statutory requirement	10 %	10 %
Statutory minimum liquid reserve requirement	$ 2,798,562	$ 78,691 (a)
Budgeted debt service requirements for the year ended June 30, 2023:		
Bonds:		
Principal	$ 1,757,570	$ -
Interest	2,337,881	-
Total budgeted debt service requirements	4,095,451	-
Percentage of residents subject to entrance fee agreements at June 30, 2022	63.70 %	100 %
Statutory minimum liquid reserve requirement	$ 2,608,802	$ - (b)
Greater of (a) or (b) above	$ 2,800,000	$ 80,000

Interest Rate Swap Agreements

In August 2009, in connection with a bank qualified tax-exempt term loan, the Village entered into an interest rate swap agreement (the 2009 Swap). According to the terms of the agreement, if 68% of the one-month LIBOR (0.76% at June 30, 2022) is less than the fixed rate of 2.985%, the Village must make a monthly payment to the counterparty. Conversely, if 68% of the one-month LIBOR is more than the fixed rate of 2.985%, the counterparty must make a monthly payment to the Village. The monthly payments are calculated by multiplying the notional amount ($5,015,000 at June 30, 2022) by the difference between 68% of the one-month LIBOR and the fixed rate of 2.985%. The agreement is scheduled to expire in July 2027. The bank qualified tax-exempt term loan was refinanced in May 2015. The interest rate swap agreement is still in place and is being used to fix the interest rate on a portion of the 2015B Bonds (Note 6).

In November 2018, in connection with a bank qualified tax-exempt term loan, the Village entered into an interest rate swap agreement (the 2018 Swap). According to the terms of the agreement, if 78% of the one-month LIBOR (0.87% at June 30, 2022) is less than the fixed rate of 2.221%, the Village must make a monthly payment to the counterparty. Conversely, if 78% of the one-month LIBOR is more than the fixed rate of 2.221%, the counterparty must make a monthly payment to the Village. The monthly payments are calculated by multiplying the notional amount ($35,745,904 at June 30, 2022) by the difference between 78% of the one-month LIBOR and the fixed rate of 2.221%. The agreement is scheduled to expire in July 2028. The interest rate swap agreement is being used to fix the interest rate on a portion of the 2015 Bonds and 2018 Bonds (Note 6).

The payments to or from the counterparty are classified as a component of interest expense in the consolidated statements of operations and changes in net assets, or capitalized to property and equipment in the consolidated balance sheets, if the funds from bond issues are used to finance construction. As a result of the swap agreements, additional interest of approximately $832,000 and $877,000 was incurred during 2022 and 2021, respectively.

The fair value of the agreements is estimated to be the amount the Village would pay or receive to terminate the agreements at June 30, 2022 and 2021. The Village estimates that it would have paid $25,239 and $3,831,240 on June 30, 2022 and 2021, respectively, to terminate the agreements. These amounts are classified as derivative financial instruments in the consolidated balance sheets.

Changes in the fair value of the agreements are included in revenues (less than) in excess of expenses since the agreements were not designated as hedging instruments. The change in the fair value of the agreements is classified as change in fair value of derivative financial instruments in the consolidated statements of operations and changes in net assets and was $3,806,001 and $1,974,013 in 2022 and 2021, respectively.

4. Liquidity and Availability of Resources

Financial assets available for general expenditures within one year of the consolidated balance sheets date, consist of the following at June 30:

	2022	2021
Cash and cash equivalents	$ 15,224,921	$ 11,041,989
Accounts receivable, resident, net	911,628	1,242,067
Accounts receivable, other and entrance fees receivable	310,707	662,471
Investments	55,362,202	67,662,153
Less, net assets with donor restrictions	(20,278,347)	(25,178,436)
Total	$ 51,531,111	$ 55,430,244

The Corporation designated a portion of its investments "reserved" to comply with the requirements of Act 82. Although the Corporation does not intend to utilize the reserves for general expenditures as part of its annual budget and approval process, amounts designated as the reserves could be made available as necessary. The Act 82 reserves do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Corporation invests excess cash in short-term investments. Additionally, certain Board-designated assets included in assets whose use is limited are designed for charity care, future capital expenditures and an operating reserve.

5. Property and Equipment, Net

Property and equipment are as follows:

	2022	2021
Land	$ 2,949,483	$ 2,949,483
Land improvements	6,148,591	5,804,071
Buildings and fixed equipment	186,689,699	185,214,409
Furniture and moveable equipment	15,424,078	15,635,777
Vehicles	1,097,338	1,212,083
Total	212,309,189	210,815,823
Less accumulated depreciation	101,165,782	94,260,278
Total	111,143,407	116,555,545
Construction-in-progress	373,458	225,541
Property and equipment, net	$ 111,516,865	$ 116,781,086

6. Long-Term Debt

Series A of 2015 Bonds

In May 2015, the West Shore Area Authority issued, on behalf of the Village, $24,080,000, of tax-exempt fixed rate revenue bonds, Series A of 2015 (the 2015A Bonds). The proceeds from the 2015A Bonds were used to refund the Series 2008B Bonds and the 2009 Term Loan, finance the cost of renovation of existing facilities, finance the costs of expansion, establish a debt service reserve fund and to pay the costs of issuing the 2015 Bonds.

The 2015A Bonds are comprised of $250,000 of serial bonds due July 2035; plus interest payable semi-annually at 4.3%; and $18,155,000 of term bonds due in varying annual installments through July 2035, plus interest payable semi-annually at 5.0%.

The Corporation is joint and severally obligated under the terms of the 2015A bonds.

Series B of 2015 Bonds

In October 2015, the West Shore Area Authority issued, on behalf of the Village, $54,725,000 of tax-exempt variable rate revenue bonds, Series B (the 2015B Bonds). The proceeds from the 2015B Bonds were used to finance the construction of Project Envision and for payment of certain costs of issuing the 2015B Bonds.

The 2015B Bonds are due in varying annual installments through July 2045 plus interest payable monthly at a rate equal to (79% of one-month LIBOR) plus 1.59% (2.47% at June 30, 2022).

The Corporation is joint and severally obligated under the terms of the 2015B bonds.

Series 2018 Bonds

In November 2018, the West Shore Area Authority issued, on behalf of the Village, $8,130,000, of tax-exempt fixed rate revenue bonds (the 2018 Bonds). The proceeds from the 2018 Bonds were used to refinance the Series 2008 Bonds, establish a debt service reserve fund and to pay the costs of issuing the 2018 Bonds.

The 2018 Bonds are comprised of $575,000 of serial bonds due in variable annual installments through July 2023 plus interest payable semi-annually at interest rates ranging from 4.0% to 5.0%; $1,800,000 of term bonds due July 2028; plus interest payable semi-annually at 5.0%; $1,565,000 of term bonds due July 2031; plus interest payable semi-annually at 5.0% and $3,210,000 of term bonds due July 2035, plus interest payable semi-annually at 5.0%.

The Corporation is joint and severally obligated under the terms of the 2018 bonds.

Security

The 2018 Bonds, 2015A Bonds and 2015B Bonds are secured on a parity basis by a first mortgage lien on and security interest in the Corporation's property and equipment, a security interest in the Corporation's revenues, as defined in the applicable agreements, and funds held by trustee under trust indentures.

Long-Term Debt Summary

Long-term debt is as follows at June 30:

	2022	2021
2018 Bonds	$ 7,150,000	$ 7,425,000
2015B Bonds	53,416,817	53,885,190
2015A Bonds	18,405,000	19,345,000
Long-term debt	78,971,817	80,655,190
Bond premium	1,127,035	1,280,300
Less current maturities	(1,903,007)	(1,836,638)
Less unamortized debt issuance costs	(1,052,528)	(1,153,399)
Long-term debt, net	$ 77,143,317	$ 78,945,453

Scheduled maturities of long-term debt and bond premium amortization are as follows:

	Debt Maturities	Amortization of Bond Premium
Years ending June 30:		
2023	$ 1,757,570	$ 145,437
2024	1,835,091	137,244
2025	1,901,545	128,653
2026	2,015,093	119,629
2027	2,116,692	110,138
Thereafter	69,345,826	485,934
Total	$ 78,971,817	$ 1,127,035

The bond premium is being amortized over the life of the 2015 Bonds and 2018 Bonds using the effective interest method. Amortization totaled $153,265 during 2022 and $160,734 during 2021.

7. Accrued Expenses

Accrued expenses are as follows at June 30:

	2022	2021
Salaries and wages and related payroll taxes	$ 353,100	$ 450,559
Paid time off	1,213,387	1,385,212
Interest	795,477	818,052
Other	376,214	405,295
Total	$ 2,738,178	$ 3,059,118

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following at June 30:

	2022	2021
Purpose restricted:		
Charity care	$ 4,181,836	$ 9,347,102
Lifeways Connection, capital and other	391,540	351,830
	4,573,376	9,698,932
Held in perpetuity with investment return available for:		
Charity care	14,089,946	13,866,479
Music therapy	1,587,539	1,586,539
Lifelong learning	27,486	26,486
	15,704,971	15,479,504
Total	$ 20,278,347	$ 25,178,436

9. Donor-Restricted Endowment Fund

The Corporation's endowment fund includes donor-restricted funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Corporation interprets relevant Pennsylvania state law governing the net asset classification of donor-restricted endowment funds to be held in perpetuity as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Village classifies as amounts held in perpetuity (a) the original value of all gifts donated; and (b) the present value of pledges and planned gifts that are designated as gifts to be held in perpetuity to the endowment fund. The remaining portion of the donor-restricted endowment fund not classified as held in perpetuity represents the return on net assets held in perpetuity and is generally classified as purpose restricted net assets. However, from time to time, the fair value of assets associated with the Corporation's donor-restricted endowment fund may fall below the level required to be retained as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of June 30, 2022 or 2021.

The Corporation adopted an investment policy for all investment funds, including its donor-restricted endowment fund. The policy states that the donor-restricted endowment fund shall be invested under the assumption that it shall exist in perpetuity. Therefore, the investment guidelines are based upon an investment time horizon of greater than five years so that interim fluctuations shall be viewed with appropriate perspective.

A total-return objective consistent with prudent risk-limits allows the investments to satisfy long-term objectives. In a total return strategy, investment results are achieved through capital appreciation and current yield. Asset allocation guidelines ensure adequate diversification in order to reduce the volatility of investment returns. The donor-restricted endowment fund is invested so as to maintain a risk level no greater than a standard deviation of 75% of the standard deviation of the general market as measured by the S&P 500 Index when measured over a five and ten (if available) year period.

The Corporation's investment policy, which includes the spending policy, states that the donor-restricted endowment fund shall be invested so as to generate a cash flow equal to a range of 4.0% to 7.0% of the average market value of the donor-restricted endowment fund for the past three years measured as of June 30. As part of the budget process, a specific percentage within the prescribed range is identified on an annual basis and approved by the Corporation's Board of Directors. This approved percentage of the donor-restricted endowment fund balance is generally released from purpose restricted net assets evenly over four quarters. This policy ensures that the competing needs of current and future generations of residents are in equilibrium.

Changes in with and without donor restrictions endowment net assets for the years ended June 30 are comprised of the following:

	With Donor Restrictions		
	Purpose Restricted	Held in Perpetuity	Total
Endowment net assets, June 30, 2020	$ 5,418,611	$ 14,253,850	$ 19,672,461
Investment return	5,039,567	-	5,039,567
Contributions	-	1,225,654	1,225,654
Change in cash surrender value of life insurance and value of agency endowment	(8,080)	-	(8,080)
Change in value of split-interest obligation	10,922	-	10,922
Net assets released from restrictions	(1,102,980)	-	(1,102,980)
Endowment net assets, June 30, 2021	9,358,040	15,479,504	24,837,544
Investment return	(3,799,100)	-	(3,799,100)
Contributions	-	225,467	225,467
Change in cash surrender value of life insurance and value of agency endowment	(32,705)	-	(32,705)
Change in value of split-interest obligation	(11,574)	-	(11,574)
Net assets released from restrictions	(1,322,040)	-	(1,322,040)
Endowment net assets, June 30, 2022	$ 4,192,621	$ 15,704,971	$ 19,897,592

10. Functional Expenses

The Corporation provides housing, healthcare and other related services to residents within its geographic location. The consolidated financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services are approximately as follows:

	2022			
	Program Service	General and Administrative	Fundraising	Total
Salaries and wages	$ 14,647,436	$ 2,164,165	$ 149,976	$ 16,961,577
Employee benefits	5,619,237	450,677	34,975	6,104,889
Fees, purchased services and supplies	11,198,888	785,643	10,894	11,995,425
Depreciation and amortization	7,680,223	535,503	26,342	8,242,068
Interest	3,070,409	-	-	3,070,409
Building operations and maintenance	2,616,443	-	5	2,616,448
Other operating expenses	590,935	561,593	8,108	1,160,636
Insurance	469,200	94,424	3,917	567,541
Real estate taxes	1,324,552	197,111	17,206	1,538,869
Total	$ 47,217,323	$ 4,789,116	$ 251,423	$ 52,257,862

	2021			
	Program Service	General and Administrative	Fundraising	Total
Salaries and wages	$ 17,441,070	$ 2,241,424	$ 185,805	$ 19,868,299
Employee benefits	4,747,222	637,570	53,735	5,438,527
Fees, purchased services and supplies	11,862,171	344,239	5,725	12,212,135
Depreciation and amortization	7,675,202	569,799	27,630	8,272,631
Interest	3,135,167	-	-	3,135,167
Building operations and maintenance	2,290,583	1,743	15	2,292,341
Other operating expenses	490,509	644,385	12,224	1,147,118
Insurance	463,226	83,584	3,545	550,355
Real estate taxes	1,290,502	191,344	16,719	1,498,565
Total	$ 49,395,652	$ 4,714,088	$ 305,398	$ 54,415,138

11. Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis through commercial insurance carriers. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements. The Corporation has a line of credit and a letter of credit with a financial institution in the amounts of $1,000,000 and $36,171, respectively, to their insurance coverage. There was no balance outstanding at June 30, 2022 and 2021 on the line of credit. The line of credit bears interest at LIBOR plus 1.75% and expires August 12, 2023.

12. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements primarily with Medical Assistance, Medicare and various commercial insurance companies.

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

13. Contingencies

Real Estate Taxes

As a not-for-profit corporation in the Commonwealth of Pennsylvania, the Village is an organization which receives an exemption from real property taxes relating to portions of its property. However, a number of cities, municipalities and school districts in the Commonwealth of Pennsylvania have challenged and continue to challenge the real estate tax exemption of not-for-profit corporations. The possible future financial effect of this matter on the Village, if any, is not determinable.

Senior Living Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future effects of this matter on the Corporation, if any, are not determinable.

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2022

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Assets						
Current Assets						
Cash and cash equivalents	$ 1,980,458	$ 12,578,233	$ 588,491	$ 77,739	$ -	$ 15,224,921
Current portion of assets whose use is limited	-	1,952,778	-	-	-	1,952,778
Accounts receivable:						
Residents, net	-	807,593	1,890	102,145	-	911,628
Other	-	142,707	-	-	-	142,707
Entrance fees receivable	-	168,000	-	-	-	168,000
Affiliate	1,460,594	2,269,469	-	1,320	(3,731,383)	-
Prepaid expenses and other current assets	268,923	689,844	33,572	15,750	-	1,008,089
Total current assets	3,709,975	18,608,624	623,953	196,954	(3,731,383)	19,408,123
Assets Whose Use is Limited, Net	-	2,655,558	9,226	-	-	2,664,784
Investments	-	53,035,971	2,326,231	-	-	55,362,202
Act 82 Reserve	-	2,800,000	80,000	-	-	2,880,000
Property and Equipment, Net	20,030	100,409,390	11,008,267	79,178	-	111,516,865
Contract Acquisition Costs, Net	-	249,168	-	-	-	249,168
Other Assets	37,500	790,558	-	-	-	828,058
Total assets	$ 3,767,505	$ 178,549,269	$ 14,047,677	$ 276,132	$ (3,731,383)	$ 192,909,200

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Balance Sheet
June 30, 2022

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Liabilities and Net Assets (Deficit)						
Current Liabilities						
Current maturities of long-term debt	$ -	$ 1,903,007	$ -	$ -	$ -	$ 1,903,007
Accounts payable:						
Trade	203,426	1,027,831	23,064	5,097	-	1,259,418
Construction	-	93,568	23,374	-	-	116,942
Entrance fees	-	-	62,592	-	-	62,592
Affiliate	82,946	503,568	433,322	2,711,547	(3,731,383)	-
Accrued expenses	338,055	2,284,048	-	116,075	-	2,738,178
Current portion of split-interest obligations	-	49,677	-	-	-	49,677
Refundable entrance fees	-	2,142,237	327,011	-	-	2,469,248
Total current liabilities	624,427	8,003,936	869,363	2,832,719	(3,731,383)	8,599,062
Long-Term Debt, Net	-	77,143,317	-	-	-	77,143,317
Refundable Entrance Fees and Deposits	-	14,425,174	7,782,912	-	-	22,208,086
Deferred Revenues From Entrance Fees	-	33,242,697	3,857,142	-	-	37,099,839
Derivative Financial Instruments	-	25,239	-	-	-	25,239
Split-Interest Obligations, Net	-	199,316	-	-	-	199,316
Total liabilities	624,427	133,039,679	12,509,417	2,832,719	(3,731,383)	145,274,859
Net Assets (Deficit)						
Without donor restrictions	3,126,984	25,284,983	1,511,308	(2,567,281)	-	27,355,994
With donor restrictions	16,094	20,224,607	26,952	10,694	-	20,278,347
Total net assets (deficit)	3,143,078	45,509,590	1,538,260	(2,556,587)	-	47,634,341
Total liabilities and net assets (deficit)	$ 3,767,505	$ 178,549,269	$ 14,047,677	$ 276,132	$ (3,731,383)	$ 192,909,200

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2022

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Revenues Without Donor Restrictions						
Net resident service revenues	$ -	$ 44,143,102	$ 1,467,612	$ -	$ -	$ 45,610,714
Other revenues	5,371,701	942,428	-	1,768,142	(5,606,769)	2,475,502
Grant revenue	-	1,435,753	-	54,691	-	1,490,444
Contributions and net assets released from restriction used for operations	3,341	1,463,855	-	9,491	-	1,476,687
Total revenues without donor restrictions	5,375,042	47,985,138	1,467,612	1,832,324	(5,606,769)	51,053,347
Expenses						
Salaries, wages and benefits	3,192,727	18,327,051	-	1,567,217	(20,529)	23,066,466
Fees, purchased services and supplies	1,260,456	15,696,204	167,410	300,359	(5,429,004)	11,995,425
Depreciation and amortization	29,092	7,662,596	532,248	18,132	-	8,242,068
Interest	-	3,070,409	-	-	-	3,070,409
Building operations and maintenance	-	2,376,940	333,149	63,595	(157,236)	2,616,448
Other operating expenses	566,659	580,205	4,406	9,366	-	1,160,636
Insurance and real estate taxes	320,024	1,601,043	185,293	50	-	2,106,410
Total expenses	5,368,958	49,314,448	1,222,506	1,958,719	(5,606,769)	52,257,862
Operating income (loss)	6,084	(1,329,310)	245,106	(126,395)	-	(1,204,515)
Nonoperating Gains (Losses)						
Investment return	(5,995)	(6,788,879)	(351,890)	(37)	-	(7,146,801)
Contributions	41,551	107,765	300	35,259	-	184,875
Change in value of split-interest obligations	-	128,673	-	-	-	128,673
Change in fair value of derivative financial instruments	-	3,806,001	-	-	-	3,806,001
Loss on disposal of property and equipment	(37,273)	(28,651)	(18)	-	-	(65,942)
Other nonoperating gains	-	-	-	12,905	-	12,905
Revenues in excess of (less than) expenses	4,367	(4,104,401)	(106,502)	(78,268)	-	(4,284,804)
Net Assets Released From Restriction Used for Property and Equipment	-	19,409	-	27,430	-	46,839
Change in net assets (deficit) without donor restrictions	4,367	(4,084,992)	(106,502)	(50,838)	-	(4,237,965)

Messiah Lifeways and Controlled Entities

Consolidating Schedule, Statement of Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2022

	Messiah Lifeways	Messiah Village	Mount Joy Country Homes	Community Support Services	Eliminations	Consolidated
Net Assets With Donor Restrictions						
Contributions:						
Purpose restricted	$ 16,852	$ 64,589	$ 75	$ 43,928	$ -	$ 125,444
Held in perpetuity	-	225,467	-	-	-	225,467
Investment return	-	(3,799,100)	-	-	-	(3,799,100)
Change in value of split-interest obligations	-	26,525	-	-	-	26,525
Change in cash surrender value of life insurance and agency endowment, net of expense	-	(32,705)	-	-	-	(32,705)
Net assets released from restriction used for:						
Operations	(3,341)	(1,386,049)	-	(9,491)	-	(1,398,881)
Property and equipment	-	(19,409)	-	(27,430)	-	(46,839)
Change in net assets with donor restrictions	13,511	(4,920,682)	75	7,007	-	(4,900,089)
Change in net assets (deficit)	17,878	(9,005,674)	(106,427)	(43,831)	-	(9,138,054)
Net Assets (Deficit), Beginning	3,125,200	54,515,264	1,644,687	(2,512,756)	-	56,772,395
Net Assets (Deficit), Ending	$ 3,143,078	$ 45,509,590	$ 1,538,260	$ (2,556,587)	$ -	$ 47,634,341