
Presbyterian Villages of Michigan Obligated Group

**Special Purpose Combined Financial Report
with Supplemental Information
December 31, 2022**

Presbyterian Villages of Michigan Obligated Group

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Independent Auditor's Report

To the Board of Directors and Trustees
Presbyterian Villages of Michigan Obligated Group

Opinion

We have audited the special purpose combined financial statements of Presbyterian Villages of Michigan Obligated Group (the "Obligated Group"), as defined in the amended and restated master trust indenture dated July 1, 2015 between Presbyterian Villages of Michigan and the Bank of New York Mellon Trust Company, National Association (the "MTI"), which comprise the special purpose combined balance sheet as of December 31, 2022 and 2021 and the related special purpose combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the special purpose combined financial statements.

In our opinion, the accompanying special purpose combined financial statements present fairly, in all material respects, the financial position of the Obligated Group as of December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with the basis of accounting described in Note 2.

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 *Auditor's Responsibilities for the Audits of the Special Purpose Combined Financial Statements* section of our report. We are required to be independent of the Obligated Group and to meet our 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.

Emphasis of Matter

We draw attention to Note 2 to the special purpose combined financial statements, which describes the basis of accounting. The special purpose combined financial statements are prepared by the Obligated Group on the basis of the financial reporting requirements set forth in the MTI, which is a basis of accounting other than accounting principles accepted in the United States of America (GAAP), to comply with the financial reporting provisions of the MTI. As permitted by Section 102 of the MTI, where the MTI references GAAP, management has elected to use accounting principles in place at the time of the Obligated Group's issuance of the July 1, 2015 bonds. As a result, the special purpose combined financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the board of directors, the trustees, and management of the Obligated Group; the Bank of New York Mellon Trust Company, National Association; Huntington Bank; and the Michigan Finance Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Responsibilities of Management for the Special Purpose Combined Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose combined financial statements in accordance with the special purpose basis of accounting described in Note 2 and for determining that the special purpose basis of accounting is an acceptable basis for the preparation of the special purpose combined financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose combined financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Directors and Trustees
Presbyterian Villages of Michigan Obligated Group

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

Auditor's Responsibilities for the Audits of the Special Purpose Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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 special purpose combined financial statements.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the special purpose combined 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 special purpose combined financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Obligated Group'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 special purpose combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Obligated Group'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

January 25, 2024

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Balance Sheet

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 2,426,697	\$ 3,166,492
Resident accounts receivable - Net (Note 6)	2,266,926	1,684,806
Other receivables:		
Due from related organizations - Net (Note 15)	2,405,465	1,156,313
Pledges receivable - Net (Note 7)	1,212,005	401,630
Due from managed entities and other	1,996,473	1,004,298
Investments and assets limited as to use - Current portion (Note 9)	194,278	190,858
Employee Retention Credit receivable (Note 24)	6,470,373	6,064,535
Prepaid expenses and other current assets	373,471	418,468
	<u>17,345,688</u>	<u>14,087,400</u>
Land, Buildings, and Equipment (Note 8)	60,247,588	57,572,689
Undeveloped Land (Note 8)	1,222,835	1,220,333
Investments and Assets Limited as to Use - Net of current portion (Note 9)	22,288,013	31,850,741
Other Assets		
Beneficial interest in assets held by third parties and other long-term assets (Note 10)	1,164,822	1,238,962
Pledges receivable - Net of current portion (Note 7)	369,399	427,626
Investment in and amounts due from related organizations - Other (Note 15)	6,205,984	5,881,324
Investment in related organizations - Programs of All-Inclusive Care for the Elderly (Note 15)	9,180,641	7,846,040
Fair value of interest rate swap agreement (Note 13)	1,647,252	224,240
Debt issuance costs - Net	1,352,641	1,432,094
	<u>\$ 121,024,863</u>	<u>\$ 121,781,449</u>
Total assets		
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 5,243,882	\$ 4,373,074
Current portion of note payable and line of credit (Note 11)	588,298	88,357
Current portion of Medicare accelerated and advance payments (Note 24)	-	358,135
Current portion of bonds payable (Note 12)	1,210,000	855,000
Related party loan payable (Note 15)	900,000	-
Accrued payroll and related liabilities	1,255,269	962,068
Paycheck Protection Program loan (Note 24)	-	4,438,545
Other current liabilities	538,298	336,121
	<u>9,735,747</u>	<u>11,411,300</u>
Total current liabilities		
Long-term Debt		
Notes payable and line of credit - Net of current portion (Note 11)	2,400,039	2,468,691
Bonds payable - Net of current portion (Note 12)	61,215,826	56,409,783
	<u>63,615,865</u>	<u>58,878,474</u>
Total long-term debt		
Other Long-term Liabilities		
Deferred revenue (Notes 4 and 15)	1,111,818	1,322,713
Refundable advance fees	1,701,000	1,694,100
Annuity payable	26,647	65,373
	<u>76,191,077</u>	<u>73,371,960</u>
Total liabilities		
Net Assets (Note 18)		
Unrestricted	32,060,717	36,137,921
Temporarily restricted	6,962,020	6,471,772
Permanently restricted	5,811,049	5,799,796
	<u>44,833,786</u>	<u>48,409,489</u>
Total net assets		
Total liabilities and net assets	<u>\$ 121,024,863</u>	<u>\$ 121,781,449</u>

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Statement of Operations

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenue		
Net resident service revenue (Note 5)	\$ 27,099,415	\$ 22,518,747
Management fees (Note 15)	2,078,580	2,484,655
Development fees (Note 15)	227,184	597,037
Technology fees (Note 15)	832,444	791,196
Interest and dividends - Net	690,678	621,772
Contributions, gifts, and donations (Note 24)	4,418,461	5,502,392
Grants	1,455,333	7,098,119
Loss on disposal of property and equipment	-	(27,734)
Other	1,861,591	1,178,092
Net assets released from restrictions	761,709	1,487,160
Total operating revenue	39,425,395	42,251,436
Operating Expenses		
Employee compensation	21,319,408	18,180,555
Grants	1,691,730	1,869,043
Insurance	867,339	602,797
Other operating expenses	14,415,049	12,001,516
Total operating expenses before interest and depreciation	38,293,526	32,653,911
Income from Operations - Before interest and depreciation expense	1,131,869	9,597,525
Interest Expense	2,835,216	1,973,996
Depreciation	3,153,440	2,321,179
(Loss) Income from Operations	(4,856,787)	5,302,350
Investment and Other (Loss) Income		
Impairment of undeveloped land	-	(130,000)
Net realized (loss) gain on investments	(101,990)	2,184,288
Net unrealized loss on investments	(4,328,281)	(361,586)
Change in value of split-interest agreements (Note 14)	10,928	(19,384)
Change in value of equity method investment in related organizations - Other	(26,622)	(97,196)
Change in value of equity method investment in related organizations - Programs of All-Inclusive Care for the Elderly (Note 15)	2,277,351	(61,483)
Change in value of interest rate swap agreement	1,423,012	459,500
Total investment and other (loss) income	(745,602)	1,974,139
Excess of Revenue (Under) Over Expenses	(5,602,389)	7,276,489
Contribution of Long-lived Assets	-	700,000
Equity Transfer from Affiliates (Note 15)	-	2,000,000
Net Assets Released from Restrictions for Capital Purposes	1,525,185	2,370,159
(Decrease) Increase in Unrestricted Net Assets	\$ (4,077,204)	\$ 12,346,648

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Statement of Changes in Net Assets

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Unrestricted Net Assets		
Excess of revenue (under) over expenses	\$ (5,602,389)	\$ 7,276,489
Contribution of long-lived assets	-	700,000
Equity transfer from affiliates	-	2,000,000
Net assets released from restrictions for capital purposes	<u>1,525,185</u>	<u>2,370,159</u>
(Decrease) increase in unrestricted net assets	(4,077,204)	12,346,648
Temporarily Restricted Net Assets		
Contributions	3,105,582	3,785,829
Change in value of investments	(328,440)	416,062
Net assets released from restrictions	<u>(2,286,894)</u>	<u>(3,857,319)</u>
Increase in temporarily restricted net assets	490,248	344,572
Permanently Restricted Net Assets		
Contributions	21,560	117,697
Change in value of outside trust	<u>(10,307)</u>	<u>6,795</u>
Increase in permanently restricted net assets	<u>11,253</u>	<u>124,492</u>
(Decrease) Increase in Net Assets	(3,575,703)	12,815,712
Net Assets - Beginning of year	<u>48,409,489</u>	<u>35,593,777</u>
Net Assets - End of year	<u>\$ 44,833,786</u>	<u>\$ 48,409,489</u>

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combined Statement of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (3,575,703)	\$ 12,815,712
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	3,298,716	2,466,022
Net realized and unrealized loss (gain) on investments	4,769,018	(2,245,559)
Change in value of beneficial interest in assets held by third parties and other long-term assets	63,833	58,283
Resident bad debt expense	559,204	112,746
Pledge bad debt expense	38,917	33,819
Other bad debt (recovery) expenses write-offs	(150,705)	177,502
Contribution received for long-term purposes	(1,760,728)	(2,459,962)
Forgiveness of Paycheck Protection Program loan	(3,851,910)	-
Equity contribution from affiliate	-	(2,000,000)
Loss on land, undeveloped land, building, and equipment	-	157,734
Change in deferred lease revenue	(210,895)	(169,760)
Loss (gain) on investment in and amounts due from related organizations - Other	1,843,775	(256,869)
(Gain) loss on investment in related organization - Programs of All-Inclusive Care for the Elderly	(2,277,351)	61,483
Change in value of interest rate swap agreement	(1,423,012)	(459,500)
Donated property	-	(700,000)
Changes in operating assets and liabilities that (used) provided cash:		
Resident accounts receivable	(1,141,124)	(844,897)
Pledges, accrued interest, and other receivables	(1,953,865)	(6,308,035)
Prepaid expenses and other current assets	37,693	(32,838)
Accounts payable	870,808	(549,914)
Medicare accelerated and advance payments	(358,135)	(432,171)
Beneficial interest distributions received	-	212,000
Other current liabilities	456,652	20,322
Net cash used in operating activities	(4,764,812)	(343,882)
Cash Flows from Investing Activities		
Purchases of investments and assets limited as to use	(19,141,726)	(26,933,001)
Proceeds from sale and maturities of investments and assets limited as to use	23,942,323	24,884,223
Cash paid for land, buildings, equipment, and construction activity	(5,830,841)	(15,507,407)
Equity contribution from affiliate	-	2,000,000
Cash paid for investment in and amounts due from related organizations - Other	(3,417,587)	(427,465)
Cash received from investment in related organization - Programs of All-Inclusive Care for the Elderly	942,550	675,000
Net cash used in investing activities	(3,505,281)	(15,308,650)
Cash Flows from Financing Activities		
Payment on long-term debt	(923,711)	(1,271,114)
Disbursements of Paycheck Protection Program loan to related parties	(586,635)	-
Proceeds from related party debt	900,000	-
Receipt of refundable advance fees	263,700	280,100
Contributions received for long-term purposes	1,419,420	2,135,547
Cash proceeds from issuance of bonds and line of credit	6,457,524	12,814,233
Net cash provided by financing activities	7,530,298	13,958,766
Decrease in Cash	(739,795)	(1,693,766)
Cash - Beginning of year	3,166,492	4,860,258
Cash - End of year	<u>\$ 2,426,697</u>	<u>\$ 3,166,492</u>
Supplemental Cash Flow Information - Cash paid for interest - Net of interest capitalized	\$ 2,611,022	\$ 1,906,209
Significant Noncash Transactions - Acquisition of property and equipment not yet paid	\$ -	\$ 1,858,012

See notes to special purpose combined financial statements.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Business

Presbyterian Villages of Michigan Obligated Group (the "Obligated Group") consists of the following not-for-profit entities for the purpose of financial reporting:

- Presbyterian Villages of Michigan (PVM)
- Presbyterian Villages of Michigan Foundation (PVMF)
- Presbyterian Village Redford (PVR)
- Presbyterian Village East (PVE)
- Presbyterian Village Westland (PVW)
- Presbyterian Village North (PVN)
- Harry & Jeanette Weinberg Green Houses at Rivertown Neighborhood (Weinberg Green Houses)
- Harbor Inn

The Obligated Group's special purpose combined financial statements are prepared for the purpose of complying with the requirements of Section 412(b) of the master trust indenture agreement between the Bank of New York Mellon Trust Company, National Association and the Obligated Group as it relates to the Michigan Finance Authority Revenue Bonds described in Note 12.

PVM is a faith-based aging services network organization serving seniors in communities since 1945, with the following mission statement: Guided by our Christian heritage, we serve all seniors creating new possibilities for quality living.

The special purpose combined financial statements exclude 12 senior housing partnerships and 3 not-for-profit entities for which the Obligated Group has control and economic interest. Investments in unconsolidated subsidiaries are recorded on the special purpose combined balance sheet as investment in and amounts due from related organizations and accounted for under the equity method. The exclusion of these related entities is required to comply with the special purpose nature of these special purpose combined financial statements. As described further in Note 15, the Obligated Group has various transactions with these and other related entities.

PVMF is a supporting organization to PVM and provides philanthropic support, lines of credit, and credit enhancement to advance and sustain the mission of PVM. PVMF engages in fundraising activities and maintains a fiduciary role over certain unrestricted, temporarily restricted, and permanently restricted cash and investments for the support and betterment of all entities owned and managed by PVM.

PVM's faith-based traditions of benevolence and social accountability are further reflected in its statement of beliefs and values and its various operational philosophies, policies, and practices.

PVM provides management, development, technology, and other services to the Obligated Group's entities and other related entities described in Note 15, as well as to certain unrelated organizations.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Business (Continued)

PVE provides housing with supportive services, assisted living, memory support, health care, and other related services to residents through the operation of a life plan community in Chesterfield Township, Michigan. PVW provides senior apartment housing with supportive services, assisted living, memory support, and related services in Westland, Michigan. PVR sold its interest in the nursing and assisted living programs on October 7, 2015, but it retains its entity status and continues to pay down existing debt. Weinberg Green Houses provide licensed assisted living to participants of an affiliated organization in Detroit, Michigan. Harbor Inn consists of 96 apartment and ranch home units on the PVE campus in Chesterfield Township, Michigan. The number of units of total capacity by village as of December 31, 2022 and 2021 is as follows:

	Apartments	Assisted Living	Memory Support	Nursing	Total
PVE	83	43	33	102	261
PVW	206	20	20	-	246
Weinberg Green Houses	-	21	-	-	21
Harbor Inn	97	-	-	-	97
Total	386	84	53	102	625

PVN is a general partner in a PVM affiliate, Pontiac ILF Limited Dividend Housing Association Limited Partnership (Pontiac ILF), a 150-unit subsidized housing rental project. PVN is a general and limited partner in Oakland Woods Limited Dividend Housing Association Limited Partnership (Oakland Woods II), a 66-unit affordable housing rental project. Pontiac ILF and Oakland Woods II have management agreements with PVM. PVN operates certain wellness programs for the benefit of residents in Pontiac ILF and Oakland Woods II and owns and maintains the remaining undeveloped land on the campus. The limited partner of Pontiac ILF transferred its equity interest of approximately \$5 million to PVN effective April 28, 2023.

PVM is affiliated through separate institutional covenant agreements with the Presbytery of Detroit, the Presbytery of Lake Michigan, the Presbytery of Lake Huron, and the Presbytery of Mackinac. Neither PVM nor the four presbyteries accept any responsibility, either in whole or in part, for the financial or contractual obligations of the other respective organizations.

All material intercompany activity among the members of the Obligated Group has been eliminated in the combination.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies

Basis of Accounting

The accompanying special purpose combined financial statements do not represent a presentation in compliance with generally accepted accounting principles (GAAP). In order for these special purpose combined financial statements to have been in compliance with current GAAP, the activity of various related entities would have to be included, and the Obligated Group would have to adjust the financial statements for any applicable accounting standards effective after July 1, 2015. Accounting pronouncements effective subsequent to July 1, 2015 that have not been adopted but that may have a significant impact on the special purpose combined financial statements include: revenue from contracts with customers and related parties, presentation of financial statements of not-for-profit entities, clarifying the scope and accounting guidance for contributions received and contributions made, simplifying the presentation of debt issuance costs, and leases. Applying current GAAP pronouncements would likely result in materially different financial results and disclosures. In instances where the special purpose reporting framework references accounting principles generally accepted in the United States of America, management has elected to use accounting principles in place at the time of the Obligated Group's issuance of the July 1, 2015 bonds. Management has concluded this is an acceptable method of accounting pursuant to the guidelines within the special purpose framework.

Management acknowledges that, in its current financial condition, the Obligated Group may be unable to meet the required historical debt service coverage ratio covenant, as specified in the master trust indenture (the "MTI"), for the year ended December 31, 2023. Management is currently evaluating whether it is eligible to apply for the Employee Retention Credit available to certain eligible organizations under the CARES Act. If the Obligated Group is eligible for that credit, management believes the historical debt service coverage ratio covenant will be met at December 31, 2023; however, management has not yet determined eligibility for the credit or calculated the amount of any potential credit as of the date of this report. Given recent proposed tax legislation, there is a risk that the Employee Retention Credit could end before management has the ability to determine eligibility, calculate the credit, and file the required IRS forms before the revised deadline.

If the Obligated Group does not meet the historical debt service coverage ratio covenant at December 31, 2023, the MTI requires PVM to obtain a consultant's report within 60 days of filing its compliance certificate for 2023 and to follow the recommendation of that consultant related to actions needed to enable the Obligated Group to meet the required level of debt service coverage going forward.

Cash and Cash Equivalents

The Obligated Group considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Obligated Group maintains cash balances that at times may exceed Federal Deposit Insurance Corporation insurance coverage.

Resident Accounts Receivable

The Obligated Group's resident accounts receivable are stated at net invoice amounts and consist primarily of amounts due from Medicare and Medicaid programs, managed care health plans, and private payor sources. The allowance for doubtful accounts reflects the Obligated Group's best estimate of probable losses in the accounts receivable balance and is determined based on known troubled accounts, historical loss experience, and other currently available evidence. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that such determination is made.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Pledges Receivable

PVMF receives pledges of financial support from individuals, corporations, and foundations. Revenue is recognized when a pledge is made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. An allowance for uncollectible contributions is provided based on management's judgment of potential nonpayment. The determination includes such factors as prior collection history, type of contribution, current economic conditions, and nature of fundraising. Bad debt expense for the years ended December 31, 2022 and 2021 was \$38,917 and \$33,819, respectively. Bad debt expense is included in other operating expenses on the special purpose combined statement of operations.

Investments

Investments in debt and equity securities are considered trading securities and are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are recorded in the special purpose combined statements of operations and changes in net assets. Investments in pooled insurance arrangements are recorded at cost and adjusted for any permanent impairments.

Risks and Uncertainties

PVMF 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 could materially affect the amounts reported in the special purpose combined balance sheet.

Investments in, Equity Transfers, and Amounts Due from Related Organizations

Investments in and amounts due from related organizations represent PVM development and working capital advances, equity investments, and notes receivable, which are recorded at estimated net collectible value. Investments in related entities are accounted for by the equity method. Amounts advanced to and equity received from related organizations not deemed to be recoverable are accounted for as equity transfers to or from affiliates in the year the determination is made. Costs incurred toward new projects are recorded as project development costs until a related entity is formed. Upon establishment of the new entity, amounts are classified as due from related organizations. An allowance for uncollectible advances is established based on management's judgment of potential defaults, prior collections, projected cash flows of affiliate entities, and current and projected economic conditions and market values.

Land, Buildings, Equipment, and Undeveloped Land

Land, buildings, construction in progress, equipment, and undeveloped land are recorded at cost when purchased and at estimated fair market value as unrestricted support when donated. Depreciation is computed principally on a straight-line basis over the estimated useful lives of the assets, which range from 5 years to 40 years. Costs of maintenance and minor repairs are charged to expense when incurred.

Debt Issuance Costs

Debt issuance costs include financing costs related to the issuance of Public Finance Authority Revenue and Refunding Bonds, Series 2020A; Michigan Finance Authority Revenue and Refunding Bonds, Series 2015; and Huntington National Bank Series 2020B Bonds, as well as other financing agreements. The debt issuance costs are amortized over the terms of the related financing agreements.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue includes the prepaid portion of a lease entered into with an affiliated organization. The prepaid lease amount is amortized into lease income consistent with recognition of lease income on a straight-line basis over the life of the lease. A prepaid lease in the amount of \$210,596 and \$206,280 has been amortized into lease income during the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, PVM had deferred revenue for the prepaid lease totaling \$1,016,719 and \$1,227,315, respectively.

Deferred revenue also includes nonrefundable advance fees paid by a resident upon entering into a life lease contract with PVE and is amortized to income using the straight-line method over the actuarially determined estimated remaining life expectancy of the resident or the contract term, whichever is shorter. The balance is recognized in the year the resident moves out. At December 31, 2022 and 2021, PVE had deferred revenue related to life leases totaling \$95,099 and \$95,398, respectively.

Advance Fees

PVE entered into advance fee contracts with certain residents. Under the terms of the advance fee contracts, 90 percent of the contract amount is refundable to the resident at the termination of the contract and is recorded as a refundable entrance fee recorded in other long-term liabilities on the special purpose combined balance sheet. The remaining 10 percent that is nonrefundable is recorded as deferred revenue (see *Deferred Revenue* above). At December 31, 2022 and 2021, PVE had refundable advance fees totaling \$1,701,000 and \$1,694,100, respectively.

Classification of Net Assets

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

Unrestricted: 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 PVM and the Obligated Group.

Temporarily and permanently restricted: 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 Obligated Group 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 unrestricted net assets unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board primarily for resident needs, benevolence, leadership development, and various capital items and program initiatives in the Obligated Group and related organizations. In addition, PVMF has a board-designated endowment fund. Assets invested by PVMF for the purpose of these designations are included in long-term investments. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Revenue Recognition

The Obligated Group has operations that provide the following main revenue streams: resident service revenue, development, management, consulting, and technology service fees. The key judgments made by the Obligated Group to recognize the revenue streams in accordance with Accounting Standards Codification (ASC) 605 are disclosed further in Note 4.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Resident Benevolence Program

The Obligated Group provides housing, services, and care to residents who meet certain criteria under its benevolence program without charge or at amounts less than established rates. Because the Obligated Group does not pursue collection of amounts determined to qualify as benevolence, they are not reported as net resident service revenue. The amount reflects the cost of free or discounted housing, assisted living, memory support, and health services, net of other revenue received, as direct assistance for the provision of benevolent care. The value of benevolence services provided was \$517,552 and \$862,126 for the years ended December 31, 2022 and 2021, respectively, and is based upon data derived from the Obligated Group's cost accounting system.

Contributions

Unconditional promises to give cash and other assets to the Obligated Group are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as restricted 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 the purpose restriction is accomplished, net assets with temporary restrictions are reclassified to unrestricted net assets and reported in the special purpose combined statement of operations as net assets released from restrictions.

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient under the contract.

Grant Revenue

The Obligated Group receives distributions and other grants from the U.S. Department of Health and Human Services (HHS) and the State of Michigan, which are considered government grants. Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met (see Note 24).

Performance Indicator Defined

The special purpose combined statement of operations includes excess of revenue (under) over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue (under) over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring, lending to, and/or investing such assets), and items required to be reported separately under specialized not-for-profit standards.

Impairment of Assets

The Obligated Group recognizes impairment of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Approximately \$0 and \$152,000 of impairments in the Obligated Group's long-lived assets were recognized in 2022 and 2021, respectively.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in Note 17. Costs have been allocated between the various program and support services on several bases and estimates. Although the methods of allocation disclosed in Note 17 are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Obligated Group members are not-for-profit corporations and are exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no income tax provision is recorded in the special purpose combined financial statements.

Use of Estimates

The preparation of special purpose combined financial statements 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 special purpose combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The special purpose combined financial statements and related disclosures include evaluation of events up through and including January 25, 2024, which is the date the special purpose combined financial statements were available to be issued.

Note 3 - Liquidity of Assets

Available Resources and Liquidity

The Obligated Group's sources of liquidity include cash and cash equivalents, unrestricted marketable debt and equity securities, a wide range of receivables, and a line of credit.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Obligated Group considers all expenditures related to the ongoing operation of its two retirement communities (PVE and PVW); Weinberg Green Houses; Harbor Inn; the operation of PVMF, PVN, and PVM; and PVM's oversight of its related real estate development activities. General expenditures also include routine capital spending on facilities and equipment, advances on its facilities developments, and payment of debt service obligations.

PVMF considers unrestricted investment income, appropriated earnings from permanently and board-designated (quasi) endowments, unrestricted contributions, and contributions with temporary restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months and donation and investment income described above, the Obligated Group develops annually detailed operating and cash flow budgets that anticipate collecting sufficient operating and nonoperating revenue to cover general expenditures.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 3 - Liquidity of Assets (Continued)

The following table shows the Obligated Group's financial assets available within one year of the special purpose combined balance sheet date for general expenditure:

	2022	2021
Cash	\$ 2,426,697	\$ 3,166,492
Resident accounts receivable - Net	2,266,926	1,684,806
Due from related organizations - Net	2,405,465	1,156,313
Pledges receivable - Net	1,212,005	401,630
Other receivables	1,996,473	1,004,298
Investments and assets limited as to use - Current portion	194,278	190,858
Employee Retention Credit receivable	6,470,373	6,064,535
Total	<u>\$ 16,972,217</u>	<u>\$ 13,668,932</u>

In addition to these assets, the unrestricted investment assets (which are not considered current assets) disburse approximately \$200,000 each year to cover a portion of the benevolence costs of the Obligated Group and approximately \$200,000 in both 2022 and 2021 to cover the debt service requirement for PVR.

PVMF's governing board has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated assets in Note 9 and generally considered noncurrent assets. These funds are invested for long-term appreciation, preservation of capital, and current income but remain available and may be spent at the discretion of the PVMF board.

The Obligated Group has a committed revolving loan agreement in the amount of \$500,000, as further described in Note 11. As of December 31, 2022, the balance available was \$0.

Note 4 - Revenue Recognition

Resident Service Revenue

Net resident service revenue is reported at established rates based on the reimbursable amounts the Obligated Group expects to receive for providing resident services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and include adjustments due to contractual arrangements with Medicare, Medicaid, and other third-party payors; discounts provided to uninsured residents in accordance with the Obligated Group's policy; and settlement of audits, reviews, and investigations. Generally, the Obligated Group bills the residents and third-party payors on a monthly basis after the services are performed or the resident moves out of the facility. The Obligated Group also provides certain ancillary services to residents, which are also billed monthly.

The nonrefundable portion of advance fees represents a right to the resident to access to future services. The nonrefundable portion is recorded as deferred revenue and is amortized to income using a time-based measurement to recognize revenue over the expected estimated resident contract term, beginning with the move-in date through the estimated remaining life of a resident.

Agreements with third-party payors typically provide for payments at amounts different than established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicare: Certain long-term care services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Outpatient services are paid using prospectively determined rates.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 4 - Revenue Recognition (Continued)

Medicaid: Medicaid reimburses the Obligated Group for inpatient routine service costs on a per diem basis, prospectively determined through September 30, 2021. Beginning on October 1, 2021, Medicaid reimburses the Obligated Group for resident routine service costs, on a per diem basis, on a retrospective basis. As of December 31, 2022, the Obligated Group has accrued an estimate of approximately \$224,000 related to the retrospective settlement, which was included in resident accounts receivable on the special purpose combined balance sheet and within net resident service revenue on the special purpose combined statement of operations. 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, Programs of All-Inclusive Care for the Elderly, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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 Obligated Group's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Obligated Group. In addition, the contracts the Obligated Group has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the net service revenue recognized for providing resident services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Obligated Group's historical settlement activity. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations.

An allowance for doubtful accounts is established based on historical loss experience and adjusted for economic conditions and other trends affecting the Obligated Group'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. Bad debt expense for the years ended December 31, 2022 and 2021 was \$559,004 and \$112,746, respectively. Bad debt expense is included in other operating expenses on the special purpose combined statement of operations.

The composition of resident service revenue by primary payor for the years ended December 31, 2022 and 2021 is described in Note 5. Revenue from residents' deductibles and coinsurance is included in the categories presented based on the primary payor.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 4 - Revenue Recognition (Continued)

Development Fees

PVM periodically enters into development or development consulting contracts with other entities for the development of senior housing. Under a development agreement, PVM commits to develop the Obligated Group member, affiliate, or nonowned entity, or a project of the entity, including (but not limited to) negotiating and assisting in the predevelopment planning leading to program definition, establishing and implementing appropriate administrative and financial controls related to the project, planning and raising the necessary capital to finance such project, securing entitlements, construction and oversight, obtaining and maintaining insurance coverage, marketing and leasing the development, assembling and retaining all documents related to the development, and using its best efforts to complete the project on schedule and reach stabilized performance.

Fees from Management Contracts

PVM has entered into a number of management contracts with a variety of senior housing affiliates and nonowned entities. Under a management contract, the entity receives the services specified in the contract (e.g., management oversight, human resources, financial and tax reporting, risk management, regulatory compliance, etc.). The management contracts include a provision for renewal and a cancellation clause. The management contract specifies that the fee payment is billed and collected monthly.

Technology Service Fees

The managed entities sign a service agreement with PVM each fiscal year for technology services around information systems and low-voltage technologies. Under the monthly service fee, the entity receives the services specified in the agreement (connection to the Network Operations Center and the PVM information technology network, software and hardware support, file backups, cybersecurity, work order management functions, etc.). The service contract includes a provision for automatic renewal and a cancellation clause. PVM also signs agreements with affiliates and nonowned/nonmanaged entities for the design and installation of all low-voltage applications in a development project.

Given the responsibility to manage the entities in a fiscally responsible manner, PVM generally does not have collectibility issues; however, PVM evaluates each entity's balance due to PVM each month and evaluates bad debt risk quarterly.

Note 5 - Net Resident Service Revenue

Significant sources of net resident service revenue as percentages are summarized for the years ended December 31, 2022 and 2021 as follows:

	2022	2021
Medicaid	22.00 %	22.00 %
Medicare and managed care	23.00	19.00
Private and other	55.00	59.00
Total	100.00 %	100.00 %

Note 6 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	2022	2021
Resident accounts receivable	\$ 2,900,723	\$ 1,920,166
Less allowance for doubtful accounts	633,797	235,360
Net resident accounts receivable	\$ 2,266,926	\$ 1,684,806

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 6 - Resident Accounts Receivable (Continued)

Accounts receivable as percentages at December 31 of each year were due from the following:

	2022	2021
Medicaid	31 %	28 %
Medicare and managed care	37	46
Private	22	17
Other	10	9
Total	100 %	100 %

Note 7 - Pledges Receivable

Pledges receivable consist of the following unconditional promises to give as of December 31:

	2022	2021
Pledges receivable:		
Due within one year	\$ 1,244,945	\$ 405,789
Due in one to five years	462,220	523,040
Total pledges receivable	1,707,165	928,829
Less discount	(40,403)	(53,132)
Allowance for estimated uncollectible amounts	(85,358)	(46,441)
Total	1,581,404	829,256
Less current portion	(1,212,005)	(401,630)
Long-term portion	\$ 369,399	\$ 427,626

The Obligated Group received two conditional contributions totaling \$1,750,000 during the year ended December 31, 2022. As of December 31, 2022, \$750,000 has been recognized under these contributions within contributions on the special purpose combined statements of operations and changes in net assets. Remaining conditions on one gift require PVM to spend the initial distributed amount of \$500,000. Remaining conditions on the second gift require PVMF to obtain a certification of substantial completion on the development project for which the contribution was given.

Note 8 - Land, Buildings, Equipment, and Undeveloped Land

Land, buildings, and equipment are summarized as follows:

	2022	2021
Land	\$ 2,823,886	\$ 2,826,388
Land improvements	7,355,862	6,561,581
Buildings and additions	68,279,272	53,995,478
Building improvements	11,995,313	11,266,181
Departmental equipment	10,415,803	9,902,933
Transportation equipment	442,438	442,438
Furniture and fixtures	869,426	869,648
Computer software and equipment	1,666,137	1,429,106
Construction in progress	11,457	10,723,036
Total cost	103,859,594	98,016,789
Accumulated depreciation	43,612,006	40,444,100
Net property and equipment	\$ 60,247,588	\$ 57,572,689

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 8 - Land, Buildings, Equipment, and Undeveloped Land (Continued)

Undeveloped vacant land costs were \$1,222,835 and \$1,220,333 at December 31, 2022 and 2021, respectively.

Interest, issuance costs, and discount amortization related to debt financing of capital projects totaling approximately \$325,000 and \$580,000 were capitalized during the years ended December 31, 2022 and 2021, respectively.

Note 9 - Investments and Assets Limited as to Use

Investments and assets limited as to use consist of the following at December 31:

	2022	2021
Money market funds	\$ 3,406,647	\$ 4,313,355
Corporate bonds	4,155,068	5,127,826
U.S. government and agency issues	3,750,859	6,947,214
Mutual funds	69,555	74,131
Municipal obligations	968,696	1,114,452
Common stocks	9,524,269	13,854,334
Other investments	71,649	74,739
Risk retention group	535,548	535,548
	<u>\$ 22,482,291</u>	<u>\$ 32,041,599</u>
	2022	2021
Investments and assets limited as to use:		
Assets limited as to use:		
Debt service reserve and escrows	\$ 3,417,233	\$ 4,813,056
Endowment assets	5,264,019	6,146,672
Pooled income assets	72,694	93,475
Board-designated assets	4,128,676	3,081,196
Other investments	9,064,121	17,371,652
Investment in risk retention group	535,548	535,548
	22,482,291	32,041,599
Less current portion	<u>(194,278)</u>	<u>(190,858)</u>
Long-term portion	<u>\$ 22,288,013</u>	<u>\$ 31,850,741</u>

Assets limited as to use, required by a third party, include funds held by the bond trustee to fund a required debt reserve account (see Note 12), endowment assets related to net assets with donor restrictions (as disclosed in Notes 18 and 19), pooled income assets held by PVMF related to the split-interest agreements (as disclosed in Note 14), and investments pledged as collateral for certain credit facilities (as disclosed in Note 11).

The Obligated Group has a claims-made policy for professional and general liability through Caring Communities Insurance Company (Caring Communities), a reciprocal risk retention group domiciled in the District of Columbia, USA. The investment is recorded under the cost method on the special purpose combined balance sheet.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 9 - Investments and Assets Limited as to Use (Continued)

The Obligated Group is responsible for the first \$75,000 per claim, and Caring Communities is responsible for amounts over \$75,000 up to \$1,000,000 per claim and \$6,000,000 in the aggregate. Premiums are actuarially determined based on claims history and were \$414,231 and \$169,253 for the Obligated Group for the years ended December 31, 2022 and 2021, respectively. Depending on loss history, performance related to established prescriptives, and adequacy of capital, Caring Communities may, but is not obligated to, return a portion of premiums paid in the form of cash dividends and/or deposits to the subscriber's savings account (see Note 10). The Obligated Group may be called upon to contribute additional funds to its subscriber account to maintain capital in Caring Communities.

Note 10 - Beneficial Interest in Perpetual Trust and Other Long-term Assets

Beneficial interest in assets held by third parties consists of the following:

	2022	2021
Beneficial interest in trusts	\$ 64,975	\$ 80,018
Subscriber savings account	1,099,847	1,158,944
Total beneficial interest in assets held by third parties and other long-term assets	<u>\$ 1,164,822</u>	<u>\$ 1,238,962</u>

Beneficial interests in trusts consist of donations made to the Presbyterian Foundation, an unrelated entity, the principal of which will be given to PVMF upon the donor's death and charitable gift annuities. During 2021, donated funds held by a third party were distributed to the Obligated Group, and the associated trust agreement was terminated; therefore, no future annual earnings of the trust will be given to PVMF.

PVMF has a beneficial interest in a perpetual trust sponsored by the Community Foundation of Southeastern Michigan (CFSEM), a nonaffiliated organization. The purpose of the trust is to provide operating and Green House® support from trust earnings for PVM non-Obligated Group affiliates.

The Obligated Group has a subscriber savings account related to the Obligated Group's investment in the risk retention group, Caring Communities Insurance Company.

Note 11 - Note Payable and Line of Credit

The Obligated Group has a financing agreement with Huntington National Bank (HNB). Under the terms of the agreement, the Obligated Group has two credit facilities (collectively, the "HNB credit facilities") supported by a supplement to the master trust indenture as of December 31, 2022 and 2021:

The Obligated Group has a \$500,000 line of credit with HNB to fund working capital expenses, due on May 10, 2023 or the time that the Series 2020B bonds are issued, with payments of interest due monthly. During 2021, interest accrued at a rate of 2.35 percent per annum plus the London Interbank Offered Rate (LIBOR). During 2022, interest accrued at 2.38 percent plus a rate equal to the Secured Overnight Financing Rate (SOFR), with the SOFR floor at 0.37 percent. The effective interest rate as of December 31, 2022 was 6.50 percent. The outstanding balance at December 31, 2022 and 2021 was \$500,000 and \$0, respectively. Subsequent to year end, the line of credit was extended to be due on May 8, 2024.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 11 - Note Payable and Line of Credit (Continued)

In December 2016, PVM entered into a \$2,870,000 long-term loan to refinance investments in affiliate organizations and capital expenditures in PVE. On September 30, 2020, the loan was amended to be held by the Obligated Group in an amount of \$2,671,545, to mature on September 30, 2027, at which time any remaining unpaid principal and interest are due. During the year ended December 31, 2021, annual interest was calculated at a rate of 2.25 percent over LIBOR, with the LIBOR floor at 0.50 percent. During the year ended December 31, 2022, interest accrues at 2.38 percent plus a rate equal to SOFR, with the SOFR floor at 0.37 percent. The effective interest rate as of December 31, 2022 and 2021 was 6.70 and 2.75 percent, respectively. The balance at December 31, 2022 and 2021 was \$2,488,337 and \$2,557,048, respectively. The term loan is payable in monthly principal and interest payments totaling \$14,063 and is collateralized by certain obligated group real estate.

The line of credit and above term loan are subject to certain financial and occupancy covenants. As of December 31, 2022, the Obligated Group was in compliance with debt covenants. Subsequent to December 31, 2022, the Obligated Group failed to meet the June 30, 2023 debt service covenant requirement. The bank waived the debt covenant failure and adjusted the covenants going forward. As a condition of the waiver, the Obligated Group had to pay down the \$500,000 line of credit and also make an additional payment of approximately \$1.2 million on the term loan.

Unamortized debt issuance costs associated with the above notes payable were \$27,972 and \$29,712 as of December 31, 2022 and 2021, respectively. These are included within debt issuance costs on the special purpose combined balance sheet.

Future minimum principal payments on the HNB term loan and line of credit to maturity as of December 31, 2022 are as follows:

Years Ending	Amount
2023	\$ 588,298
2024	108,000
2025	113,000
2026	120,000
2027	2,059,039
Total	2,988,337
Less current portion	(588,298)
Total note payable - Net of current portion	<u>\$ 2,400,039</u>

Note 12 - Bonds Payable

In September 2020, the Obligated Group entered into a \$20,000,000 construction/mini permanent tax-exempt bond direct purchase (the "Series 2020B bonds") for new construction of Harbor Inn independent living facilities on the PVE campus. The draw loan was interest-only for 30 months and matures on September 30, 2027. During this period, the applicable interest accrues at a rate of 2.25 percent per annum above LIBOR, with a floor of 0.50 percent. As of December 31, 2022 and 2021, total draws on the loan were \$19,171,757 and \$13,214,233, and the effective interest rate was 5.19 and 2.75 percent for 2022 and 2021, respectively. The bonds are collateralized by identified real and personal property, contracts, and future revenue of the Obligated Group's members. PVM, PVW, PVE, PVN, Weinberg Green Houses, Harbor Inn, and PVMF have entered into an interest rate swap agreement to synthetically fix the effective interest rate on these bonds (see Note 13 for additional information).

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 12 - Bonds Payable (Continued)

On September 30, 2020, the Obligated Group consummated financing arrangements through the Public Finance Authority, providing for the issuance of \$18,180,000 of Series 2020A 30-year revenue and refunding bonds (the "Series 2020A bonds"), which were issued at a discount. The bonds are collateralized by identified real and personal property, contracts, and future revenue of the Obligated Group's members. Interest payments are due biannually on May 15 and November 15, with rates on the bonds ranging from 2.75 percent to 5.25 percent. Remaining annual principal payments range from \$265,000 to \$1,045,000 and are due each November 15 through 2053.

During 2015, the Obligated Group consummated financing arrangements through the Michigan Finance Authority, providing for the issuance of \$30,275,000 of Series 2015 30-year revenue and refunding bonds (the "Series 2015 bonds"), which were issued at a discount. The bonds are collateralized by identified real and personal property, contracts, and future revenue of the Obligated Group's members. Interest payments are due biannually on May 15 and November 15, with rates on the bonds ranging from 2.25 percent to 5.50 percent. Remaining annual principal payments range from \$625,000 to \$1,920,000 and are due each November 15 through 2045.

The Series 2020A, Series 2020B, and Series 2015 bonds require funding of a debt service reserve, which is included in investments and assets limited as to use (as disclosed in Note 9). All bonds are subject to certain restrictive financial and other covenants. As of December 31, 2022, the Obligated Group was in compliance with the debt covenants. Subsequent to December 31, 2022, the Obligated Group failed to meet the June 30, 2023 debt service covenant requirement. The bank waived the debt covenant failure and adjusted the covenants going forward.

Unamortized debt issuance costs associated with the above bonds payable were \$1,324,669 and \$1,402,382 as of December 31, 2022 and 2021, respectively. These are included within debt issuance costs on the special purpose combined balance sheet.

Future minimum principal payments on the Series 2020A, Series 2020B, and Series 2015 bonds payable to maturity as of December 31, 2022 are as follows:

Years Ending	Amount
2023	\$ 1,210,000
2024	1,359,000
2025	1,419,000
2026	1,482,000
2027	18,580,221
Thereafter	<u>39,370,000</u>
Subtotal	63,420,221
Less original issue discount	<u>(994,395)</u>
Total bonds payable	62,425,826
Less current portion	<u>(1,210,000)</u>
Total bonds payable - Net of current portion	<u>\$ 61,215,826</u>

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 13 - Derivatives

The Obligated Group manages risks relating to the variability of future cash flows on variable-rate debt through the use of an interest rate swap agreement (the "swap") on the Series 2020B bonds. The swap was executed in September 2020 in conjunction with the issuance of the Series 2020B bonds. The notional amount of the swap is \$20,000,000 at December 31, 2022, and it matures on September 15, 2027. Beginning on February 15, 2023, the swap requires monthly settlements based on the Obligated Group paying a fixed rate of 2.82 percent and receiving a variable rate of LIBOR times 0.79 percent plus 1.78 percent. The interest rate swap is recognized in the accompanying special purpose combined balance sheet at fair value. Changes in the fair value of the interest rate swap are recognized in nonoperating income on the special purpose combined statement of operations.

Note 14 - Split-interest Agreements

PVMF is a beneficiary of various split-interest agreements held in a pooled income trust. Assets contributed under these agreements are held at PVMF. Donors to this pooled income trust receive payments based on interest earned on amounts donated during their lifetimes. The value of the split-interest agreements was \$72,694 and \$93,475 at December 31, 2022 and 2021, respectively, and is recorded by the Obligated Group as pooled income assets (see Note 9). The present value of the estimated future payments to the donors, using 8.75 percent as of December 31, 2022 and 2021, has been recorded as a liability of the Obligated Group. As of December 31, 2022 and 2021, the total liability under these split-interest agreements is \$37,080 and \$80,285, respectively. The current portion is included within other current liabilities on the special purpose combined balance sheet.

Note 15 - Related Party Transactions

The Obligated Group has an interest in certain affiliate entities at December 31, 2022 and 2021, including equity interests in general partner and limited partner entities and, in certain instances, limited partner entities associated with various limited dividend housing associations.

Investments in and Amounts Due from Related Organizations

Transactions with affiliated organizations are reflected in the accompanying special purpose combined balance sheet in investment in and amounts due from related organizations as follows:

	2022	2021
Non-interest-bearing development advances	\$ 52,738	\$ 16,672
Non-interest-bearing development fees	20,502	20,502
Non-interest-bearing operating advances:		
Due from	2,655,962	983,901
Less reserve	(1,582,939)	(463,000)
Note receivable and accrued interest - Other	3,665,099	2,985,975
Less allowance	(499,586)	(42,300)
Non-interest-bearing development advances to entities not yet established	2,205,318	651,469
Equity investment in Programs of All-Inclusive Care for the Elderly (PACE)	9,180,641	7,846,040
Equity investments in senior housing and service organizations	2,294,355	2,884,418
Less allowance	(200,000)	-
Redford accrued interest receivable - Redford Cottages	2,557,554	2,200,686
Less allowance	(2,557,554)	(2,200,686)
Total	17,792,090	14,883,677
Less current portion	(2,405,465)	(1,156,313)
Total - Long-term portion	<u>\$ 15,386,625</u>	<u>\$ 13,727,364</u>

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 15 - Related Party Transactions (Continued)

Advances to related party entities are uncollateralized, and repayment is subject to the ability of the related party entity to generate adequate cash flow to meet its existing obligations and repay PVM, PVR, and PVN.

Notes Receivable

Various notes have been established to fund capital projects. All notes are unsecured and are repayable from excess operating cash flows or, as applicable, at the end of the low-income housing tax credit (LIHTC) compliance period. The source of funds is predominantly designated donations for projects that are loaned to the affiliate.

PVM: In October 2011, PVM established a \$332,500 note receivable with Rivertown Assisted Living. The balance of the note is \$332,500 as of December 31, 2022 and 2021.

Redford Cottages: In February 2014, PVR sold land and property to Redford Cottages and established a surplus cash note receivable from Redford Cottages in an original amount of \$4,664,996. This note carries an interest rate of 7.65 percent per annum, simple interest, payable annually, commencing in 2016 and annually thereafter on the first day of the determination of the post-year-end audit surplus cash determination until the entire indebtedness has been paid. Any interest not paid shall accrue and be payable in full on the maturity date. The note matures on March 1, 2055. The transaction was accounted for under the profit-sharing method, where the Obligated Group accounts for the asset sold as an investment in Redford Cottages, which is then subject to increase or decrease based on certain cash activity and operations at the property. This method results in a note receivable that is not recorded in the Obligated Group's special purpose combined balance sheet, but rather the payments on this note are reported in revenue only as they are received. At December 31, 2022 and 2021, the net outstanding investment in Redford Cottages was \$0.

Hillside III: In October 2017, PVM loaned \$1,907,000 to Hillside III and established a surplus cash note receivable from Hillside III. This note carries an interest rate of 3 percent per annum, simple interest, payable annually, commencing in 2017 and annually thereafter on the first day of the determination of the post-year-end audit surplus cash determination, but subsequent to the payment of any deferred developer fee, until the entire indebtedness has been paid. Any interest not paid shall accrue and be payable in full on the maturity date. The note matures on December 31, 2034. At December 31, 2022 and 2021, the net outstanding loan to Hillside III was \$1,907,041.

University Meadows: In October 2019, PVM loaned \$675,000 to University Meadows and established a surplus cash note receivable from University Meadows. This note carries an interest rate of 1 percent per annum, simple interest, payable annually, commencing in 2019 and annually thereafter on the first day of the determination of the post-year-end audit surplus cash determination, but subsequent to the payment of any deferred developer fee, until the entire indebtedness has been paid. Any interest not paid shall accrue and be payable in full on the maturity date. The note matures on December 31, 2069. At December 31, 2022 and 2021, the net outstanding loan to University Meadows was \$675,000.

Equity Interests

The equity investment in PACE represents PVM's 45 percent membership interest in PACE Southeast Michigan (PACE SEMI), a joint venture that provides an alternative to traditional nursing home care for select Wayne, Oakland, and Macomb county residents by offering prepaid, capitated, comprehensive health care services designed to meet various objectives, which is accounted for under the equity method. At December 31, 2022 and 2021, PVM's investment in PACE SEMI was \$9,180,641 and \$7,846,040, respectively. Of the investment, \$6,842,891 and \$5,508,290 as of December 31, 2022 and 2021, respectively, represents cumulative gains reported on the investment, net of equity distributions. The Obligated Group received \$942,750 and \$675,000 of equity distributions in 2022 and 2021, respectively.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 15 - Related Party Transactions (Continued)

The equity investment in PACE also represents PVM's 40 percent membership interest in PACE Central Michigan (PACE CM), a joint venture that provides an alternative to traditional nursing home care for select residents of 14 central Michigan counties, which are accounted for under the equity method. The program was opened in November 2018. At December 31, 2022 and 2021, PVM's investment in PACE CM was \$0. The original investment is net of cumulative losses of \$999,600 as of December 31, 2022 and 2021.

Senior housing and service organizations represent PVM's equity interest in general partner entities associated with various limited dividend housing associations, as well as PVM's 50 percent ownership interest in Gibraltar Manor Development, Inc. and Hartford PVM, LLC, and 33.33 percent ownership interest in CareSync Solutions, which are accounted for under the equity method.

Revenue and Expenses

PVM receives fees for management and financial services, developer fees in relation to complying with development contracts, and provides technology services to a variety of the related organizations. Revenue from related parties is approximately 75 percent and 57 percent for the years ended December 31, 2022 and 2021, respectively. PVMF also made grant allocations to related organizations totaling \$1,072,132 and \$207,940, included in operating expenses for the years ended December 31, 2022 and 2021, respectively.

Lease Agreement

PVM has entered into a lease agreement as lessor related to providing leased space to PACE SEMI, an organization affiliated through common ownership. Under the terms of the agreement, PVM built out the PACE SEMI space based on certain specifications within 18 months from the effective date of the lease (January 31, 2012) and then leased the unit to PACE SEMI for a period of 15 years. The agreement is treated as an operating lease, with payments due monthly in the amount of \$18,390 for years 1 through 5, and then increasing at a 2 percent rate per annum through the remainder of the lease. The lease also called for a prelease deposit to fund project costs, of which \$3,264,908 was received through December 31, 2014. The remaining prepaid amount of \$1,016,719 and \$1,227,315 at December 31, 2022 and 2021, respectively, is reported as deferred revenue on the special purpose combined balance sheet.

Equity Transfers to and from Affiliates

For the years ended December 31, 2022 and 2021, PVM conducted certain transactions with related parties, which were accounted for as equity transfers on the special purpose combined statement of operations as follows:

	2022	2021
Equity transfer of refinanced cash from Presbyterian Village Holly	\$ -	\$ 2,000,000

Guarantees

The Obligated Group has guaranteed debt for related organizations under supplements to the master trust indenture as follows:

In June 2014, the Obligated Group guaranteed 56 percent of the outstanding principal balance of a term loan of Perry Farm Development Co. (PFDC). On January 20, 2020, the bank refinanced the loan to extend the maturity date to January 1, 2027. At December 31, 2022 and 2021, the outstanding principal balance of the term loan was \$663,163 and \$685,934, respectively. The amount of the guarantee was \$371,371 and \$384,123 at December 31, 2022 and 2021, respectively. No payments were made against the guarantee in 2022 or 2021.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 15 - Related Party Transactions (Continued)

In 2011, the Obligated Group agreed to fund the operating assurance escrow with letters of credit from Lake Huron Woods totaling \$150,000. PVM is the sole member of 5221 Lakeshore, LLC, the general partner of Lake Huron Woods. At December 31, 2022 and 2021, the Obligated Group pledged future contributions of \$135,000 if certain conditions were not met. All conditions were met in 2022 and 2021.

In 2018, PACE CM obtained a \$3,500,000 working capital line of credit. The Obligated Group guaranteed 40 percent of the outstanding principal balance of the line of credit. The balance as of December 31, 2022 and 2021 was \$0 and \$474,210, respectively. The amount of the guarantee was \$0 and \$189,684 at December 31, 2022 and 2021, respectively. No payments have been made on the guarantee in 2022 or 2021.

Related Party Payable

As of December 31, 2022, the Obligated group owed \$900,000 to PVM West, a related party outside of the Obligated Group. The total amount was to be repaid in 2023. Subsequent to December 31, 2022, the total amount owed to the related party was forgiven.

Note 16 - Retirement Plans

PVM maintained a tax-sheltered retirement plan under Internal Revenue Code (IRC) Section 403(b). As of December 31, 2020, the Obligated Group implemented a transfer of the funds held in the 403(b) plan to the Retirement Savings Plan (RSP) of the Board of Pensions of the Presbyterian Church (U.S.A.), and the plan is no longer maintained by PVM. Under the plan, the Obligated Group matches employee contributions up to 8 percent (for every \$1 contributed by the employee, the Obligated Group matches \$0.25, up to the maximum employee contribution of 8 percent, resulting in a maximum obligated group match of 2 percent). The Obligated Group's contributions to the plan totaled \$191,407 in 2022 and \$232,015 in 2021.

Note 17 - Functional Expenses

The Obligated Group consists of not-for-profit entities, including a continuing care retirement community and a senior housing and assisted living community providing housing, health care, wellness, and other related services to residents. Expenses of the Obligated Group related to providing these services in 2022 and 2021 are as follows:

	2022	2021
Program services	\$ 33,212,310	\$ 25,455,258
Management and general	9,814,109	10,428,149
Fundraising and public relations	743,742	752,425
Discontinued operations	512,021	313,254
Total	<u>\$ 44,282,182</u>	<u>\$ 36,949,086</u>

The costs of providing the program and support services are reported on a functional basis. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Depreciation and amortization, property insurance, interest expense, and occupancy expenses are allocated based on square feet. Employee benefits and pension expense are allocated based on wage expenses. Information technology is allocated based on the number of computers utilized. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 18 - Net Assets

Unrestricted net assets consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Board-designated net assets:		
Endowment	\$ 2,212,462	\$ 2,510,942
Nonqualified deferred compensation	-	40
Schroeder Leadership Fund	66,214	70,214
Campus repositioning	500,000	500,000
McFarlan Campaign for the Ages	500,000	-
Oakland Wood Campaign for the Ages	350,000	-
Lake Huron Woods Campaign for the Ages	500,000	-
Total board-designated net assets	<u>4,128,676</u>	<u>3,081,196</u>
Undesignated net assets	<u>27,932,041</u>	<u>33,056,725</u>
Total unrestricted net assets	<u>\$ 32,060,717</u>	<u>\$ 36,137,921</u>

Temporarily and permanently restricted net assets as of December 31 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Temporarily restricted net assets:		
Subject to expenditure for a specified purpose:		
Non-Obligated Group village spending	\$ 775,732	\$ 1,548,535
Non-Obligated Group investments and loans	1,426,632	1,395,325
Obligated Group capital spending	1,358,255	994,046
Obligated Group operations	1,264,328	1,288,237
Total subject to expenditure for a specified purpose	<u>4,824,947</u>	<u>5,226,143</u>
Subject to the passage of time:		
Contributions receivable under charitable remainder trust agreements	3,673	4,742
Conditional pledge	500,000	-
Pledge receivable - Net	1,581,404	829,256
Total subject to the passage of time	<u>2,085,077</u>	<u>833,998</u>
Subject to the Obligated Group's spending policy - Unappropriated earnings - Endowment	<u>51,996</u>	<u>411,631</u>
Total temporarily restricted net assets	<u>\$ 6,962,020</u>	<u>\$ 6,471,772</u>
Permanently restricted net assets:		
Funds restricted in perpetuity to investments, the income from which is expendable to support the continuing care of residents	\$ 5,756,601	\$ 5,735,041
Not subject to appropriation or expenditure - Beneficial interest in perpetual trusts and charitable gift annuities	<u>54,448</u>	<u>64,755</u>
Total permanently restricted net assets	<u>\$ 5,811,049</u>	<u>\$ 5,799,796</u>

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 19 - Donor-restricted and Board-designated Endowments

PVMF's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Obligated Group is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies certain amounts in its donor-restricted endowment funds as temporarily restricted because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to unrestricted net assets. The board of directors of PVMF had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Obligated Group considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the endowment fund and (b) any accumulations to the endowment fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Obligated Group has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Obligated Group 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 Obligated Group 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 Obligated Group
- The investment policies of the Obligated Group

Endowment Net Asset Composition by Type of Fund as of
December 31, 2022

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 2,212,462	\$ -	\$ 5,756,601	\$ 7,969,063
Donor-restricted endowment funds	-	51,996	-	51,996
Total	<u>\$ 2,212,462</u>	<u>\$ 51,996</u>	<u>\$ 5,756,601</u>	<u>\$ 8,021,059</u>

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 19 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2022			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 2,510,942	\$ 411,631	\$ 5,735,041	\$ 8,657,614
Investment return:				
Investment income	21,409	29,972	-	51,381
Net depreciation - Realized and unrealized	(285,226)	(358,899)	-	(644,125)
Total investment return	(263,817)	(328,927)	-	(592,744)
Contributions	-	-	21,560	21,560
Appropriation of endowment assets for expenditure	(34,663)	(30,708)	-	(65,371)
Endowment net assets - End of year	<u>\$ 2,212,462</u>	<u>\$ 51,996</u>	<u>\$ 5,756,601</u>	<u>\$ 8,021,059</u>

	Endowment Net Asset Composition by Type of Fund as of December 31, 2021			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 2,510,942	\$ -	\$ -	\$ 2,510,942
Donor-restricted endowment funds	-	411,631	5,735,041	6,146,672
Total	<u>\$ 2,510,942</u>	<u>\$ 411,631</u>	<u>\$ 5,735,041</u>	<u>\$ 8,657,614</u>

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 1,871,059	\$ 443,826	\$ 5,617,320	\$ 7,932,205
Investment return:				
Investment income	20,217	40,975	-	61,192
Net appreciation - Realized and unrealized	225,364	388,757	-	614,121
Total investment return	245,581	429,732	-	675,313
Contributions	450,000	-	117,721	567,721
Appropriation of endowment assets for expenditure	(55,698)	(461,927)	-	(517,625)
Endowment net assets - End of year	<u>\$ 2,510,942</u>	<u>\$ 411,631</u>	<u>\$ 5,735,041</u>	<u>\$ 8,657,614</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual permanently restricted endowment funds may fall below the level that the donor or SPMIFA requires the Obligated Group to retain as a fund of perpetual duration. As of December 31, 2022 and 2021, there were underwater funds of \$544,579 and \$23,001, respectively.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 19 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

PVMF 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. Endowment assets include those permanently restricted net assets that PVMF must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the PVMF board of directors, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent, net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, PVMF 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). PVMF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objective of preservation of capital within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As a matter of general policy, the maximum annual cash payout from both permanently restricted and board-designated endowments shall not exceed 5 percent of the average of the market value of invested assets using a three-year rolling average as of June 30 of each of the three most recent years. The amount will be available for distribution each year for the purpose of the endowment. Annually, PVMF's board of directors will approve as part of the annual budget an amount that will be appropriated for spending, absent any donor restrictions.

Note 20 - Operating Leases - Lessee

During 2011, PVM entered into an amendment of its building lease. A lease termination fee of \$253,867 was paid and is being amortized over the remaining term of the new lease. The lease expired on April 30, 2023. Total rent expense under this lease was \$146,755 and \$136,023 for the years ended December 31, 2022 and 2021, respectively. Subsequent to the expiration date above, PVM intends to exercise the holdover rent period, making payments of \$17,970 on a month-to-month basis.

PVM also entered into two agreements to lease parking from unrelated third parties. Monthly parking lease payments are \$2,500 and \$900, with increases based on the Consumer Price Index. Under the terms of the agreements, the lease terms began on January 1, 2013 and August 1, 2017, respectively. The lease terms expire on December 31, 2027 and expired on June 30, 2022, respectively. The expired lease is now under month-to-month terms. Total rent expense under these leases was \$40,800 for both years ended December 31, 2022 and 2021. These leases are subleased to a PVM affiliate (see Note 21).

Future minimum lease commitments as of December 31, 2022 for the next five years are as follows:

Years Ending December 31	Amount
2023	\$ 77,920
2024	30,000
2025	30,000
2026	30,000
2027	30,000

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 21 - Operating Leases - Lessor

In addition to the related party activities described in Note 15, PVM leases space to related entities under operating leases, expiring in March 2028. The leases provide for monthly rent ranging from \$20,305 to \$22,418.

Minimum future rentals to be received on noncancelable leases as of December 31, 2022 for each of the next five years are as follows:

Years Ending December 31	Amount
2023	\$ 247,303
2024	252,249
2025	257,294
2026	262,440
2027	267,689
2028	67,252

Note 22 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the special purpose combined 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.

The following tables present information about the Obligated Group's assets and liabilities measured at fair value on a recurring basis at December 31, 2022 and 2021 and the valuation techniques used by the Obligated Group to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Obligated Group 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 Obligated Group's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 22 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Assets				
Investments in common stock:				
Construction and engineering	\$ 47,591	\$ -	\$ -	\$ 47,591
Consumer discretionary	2,352,155	-	-	2,352,155
Consumer staples	304,540	-	-	304,540
Energy	572,698	-	-	572,698
Environmental	41,532	-	-	41,532
Financial	1,376,771	-	-	1,376,771
Health care	1,014,812	-	-	1,014,812
Home building	24,261	-	-	24,261
Industrial	624,743	-	-	624,743
Information technology	2,892,251	-	-	2,892,251
Materials	185,738	-	-	185,738
Telecommunication services	50,679	-	-	50,679
Trading companies	36,498	-	-	36,498
Corporate bonds	-	4,155,068	-	4,155,068
Investments in U.S. government and agency issues:				
Municipal obligations	-	968,696	-	968,696
U.S. government	-	2,384,922	-	2,384,922
U.S. agency issues	1,365,937	-	-	1,365,937
Equity mutual funds	69,555	-	-	69,555
Money market funds	2,399,345	-	-	2,399,345
Beneficial interest in assets held by third parties	-	-	64,975	64,975
Interest rate swap	-	1,647,252	-	1,647,252
Total assets	\$ 13,359,106	\$ 9,155,938	\$ 64,975	\$ 22,580,019
Liabilities				
Split-interest agreements	\$ -	\$ -	\$ (37,080)	\$ (37,080)

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 22 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
Assets				
Investments in common stock:				
Consumer discretionary	\$ 4,079,140	\$ -	\$ -	\$ 4,079,140
Consumer staples	409,069	-	-	409,069
Energy	472,918	-	-	472,918
Environmental	54,095	-	-	54,095
Financial	1,563,942	-	-	1,563,942
Health care	1,397,428	-	-	1,397,428
Home building	51,100	-	-	51,100
Industrial	871,425	-	-	871,425
Information technology	4,564,523	-	-	4,564,523
Materials	231,967	-	-	231,967
Telecommunication services	123,432	-	-	123,432
Utilities	35,295	-	-	35,295
Corporate bonds	-	5,127,826	-	5,127,826
Investments in U.S. government and agency issues:				
Municipal obligations	-	1,114,452	-	1,114,452
U.S. government	-	4,316,600	-	4,316,600
U.S. agency issues	2,630,614	-	-	2,630,614
Equity mutual funds	74,131	-	-	74,131
Money market funds	4,313,355	-	-	4,313,355
Beneficial interest in assets held by third parties	-	-	80,018	80,018
Interest rate swap	-	224,240	-	224,240
	<u>\$ 20,872,434</u>	<u>\$ 10,783,118</u>	<u>\$ 80,018</u>	<u>\$ 31,735,570</u>
Liabilities				
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,285)</u>	<u>\$ (80,285)</u>

The tables above exclude deposits and cost method investments of \$1,614,499 and \$607,197 as of December 31, 2022 and 2021, respectively, which are included in investments in the accompanying special purpose combined balance sheet.

The Obligated Group's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no transfers between levels of the fair value hierarchy during 2022 or 2021.

The fair value of corporate bonds, municipal obligations, and U.S. government at December 31, 2022 and 2021 was determined primarily based on Level 2 inputs. The Obligated Group estimates the fair value of these investments based on the present value of future cash flows, as estimated by the investment custodian at December 31, which takes into account the relative interest rates and maturity dates of these instruments and applies an appropriate discount rate, which is determined by reference to similar instrument activity. The fair value of the interest rate swap was determined primarily based on Level 2 inputs. The Level 2 inputs used in estimating the fair value of the swap agreement include the notional amount, effective interest rate, and maturity date.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 22 - Fair Value Measurements (Continued)

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2022 and 2021 are as follows:

	Beneficial Interest in Assets Held by Third Parties and Health Care Assets	Liability Under Split-interest Agreements
Balance at January 1, 2022	\$ 80,018	\$ (80,285)
Net change in value	(15,043)	43,205
Balance at December 31, 2022	<u>\$ 64,975</u>	<u>\$ (37,080)</u>
	Beneficial Interest in Assets Held by Third Parties and Health Care Assets	Liability Under Split-interest Agreements
Balance at January 1, 2021	\$ 283,020	\$ (53,770)
Net change in value	8,998	(26,515)
Distributions	(212,000)	-
Balance at December 31, 2021	<u>\$ 80,018</u>	<u>\$ (80,285)</u>

Beneficial interest in assets held by third parties categorized as Level 3 assets consists primarily of beneficial interest in outside trusts. The Obligated Group estimates the fair value of these assets based upon the fair value of the assets in the trust unless the facts and circumstances indicate that the fair value would be different from the present value of estimated future distributions.

Of the Level 3 assets that were held as beneficial interest in assets held by third parties by the Obligated Group, the net change in value is recognized in the special purpose combined statement of changes in net assets.

Split-interest agreement liabilities characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. The Obligated Group estimates the fair value of these contributions based upon the present value of the expected future cash flows using management's best estimates of key assumptions, including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved.

Of the Level 3 liabilities that were held as split-interest agreement liabilities by the Obligated Group, the net change in the table included change in value of charitable gift annuities, which is recognized in the special purpose combined statement of changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Presbyterian Villages of Michigan Obligated Group

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 23 - Litigation

The Obligated Group's members are involved in litigation arising in the ordinary course of business. The ultimate outcome of this litigation is unknown at the present time, and, accordingly, no provision for any liability that might result has been made in the accompanying special purpose combined financial statements. In the opinion of management, any liability not covered by insurance resulting from such litigation would not be material in relationship to the Obligated Group's financial position.

Note 24 - COVID-19

On March 11, 2020, the World Health Organization declared the COVID-19 respiratory disease outbreak a global pandemic. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

Throughout 2022 and 2021, the Obligated Group's occupancy levels remain below pre-pandemic levels, and costs have significantly increased due to inflation and high demand and low supply of labor.

The CARES Act was enacted on March 27, 2020 and 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 was to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenue from canceled procedures, 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. These CARES Act funds were distributed to qualifying health care entities through various general and targeted distributions between 2020 and 2022. There was also an additional \$8.5 billion in funds appropriated under American Rescue Plan (ARP) Act of 2021, which began being distributed in December 2021 to eligible health care providers.

During 2022 and 2021, the Obligated Group received payments of \$485,000 and \$139,000, respectively, as part of general and targeted distributions of the CARES Act Provider Relief Fund and American Rescue Plan Rural Payments. These payments are not subject to repayment, provided the Obligated Group is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and American Rescue Plan programs and the impact of the pandemic on the Obligated Group's operating results through December 31, 2022, the Obligated Group believes that the applicable terms and conditions required to retain the funds are met as of December 31, 2022 and 2021. Therefore, the Obligated Group has recognized approximately \$485,000 and \$139,000 as grant revenue on the special purpose combined statement of operations for the years ended December 31, 2022 and 2021, respectively.

HHS' requirements for the uses of the Provider Relief Fund and the American Rescue Plan payments are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as other operating revenue during the years ended December 31, 2022 and 2021. If the Obligated Group is unable to attest to or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted. 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.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 24 - COVID-19 (Continued)

The CARES Act authorized \$150 billion to be administered to state, local, and tribal governments to be used to cover the expenses that are necessary expenditures incurred due to COVID-19; were not accounted for in the most recently approved budget as of March 27, 2020; and were incurred during the period that began on March 1, 2020 through December 31, 2022. The Obligated Group recognized revenue of approximately \$564,000 and \$800,000 for reimbursement of the cost of COVID-19 testing kits; additional hazard pay premiums provided to front-line, direct care employees; and expenses incurred for the purchase of personal protective equipment during 2022 and 2021, respectively. The Obligated Group has recognized the majority of these amounts in grant revenue on the special purpose combined statement of operations.

The Obligated Group requested accelerated Medicare payments, as provided for in the CARES Act, which allows for eligible health care facilities to request up to 3 months of advance Medicare payments. The repayment terms of the accelerated Medicare payments begin one year after the first payment was issued, at which point these amounts will be repaid at 25 percent of the Medicare payments to the Obligated Group for 11 months. After 11 months, the recoupment will increase to 50 percent of the Medicare payments for 6 additional months (or until all amounts are repaid). Any unapplied accelerated payment amounts that are unpaid after this 17-month period are due to CMS, plus interest at a rate of 4 percent on the outstanding balance. During 2021, Medicare began recouping these advances; at December 31, 2022, all advances had been repaid.

On April 21, 2020, PVM borrowed from Huntington National Bank, through the CARES Act Small Business Administration (SBA) Paycheck Protection Program, a loan of \$4,438,545. The loan has an interest rate of 1 percent annum. The loan is forgivable if the Obligated Group meets certain criteria, including incurring eligible costs, maintaining certain salary levels, and meeting SBA eligibility and necessity criteria.

During the year ended December 31, 2022, the Obligated Group received notification of forgiveness of the entire loan balance from the SBA. During 2022, the Obligated Group disbursed \$586,635 to other related parties, as their wages were included in the determination of the original loan amount, and the Obligated Group recognized their portion of the forgiveness of \$3,851,910 as contribution revenue on the special purpose combined statement of operations.

Management determined that the Obligated Group was eligible for the loan and subsequent forgiveness. This was verified through the related processes completed by Huntington National Bank and the SBA. Nevertheless, the SBA has the ability to review the Obligated Group's loan file for a period subsequent to the date the loan was forgiven and could request additional documentation to support the Obligated Group's initial eligibility for the loan and the request for loan forgiveness. In the event the SBA subsequently determines the Obligated Group did not meet the initial eligibility requirements for the PPP loan or did not qualify for forgiveness, the SBA may pursue legal remedies at its discretion.

Notes to Special Purpose Combined Financial Statements

December 31, 2022 and 2021

Note 24 - COVID-19 (Continued)

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on having operations suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the year ended December 31, 2021, the Obligated Group determined these conditions have been met and recognized approximately \$6,065,000 of ERC revenue within grants on the special purpose combined statement of operations and recognized a corresponding receivable within current assets on the special purpose combined balance sheet. In 2021, the Obligated Group retained a specialized consulting firm to assist with the analysis and filing of the amended tax returns for the ERC. The Obligated Group received the ERC refund during 2023, along with interest totaling approximately \$400,000, which was recorded during 2022 by the Obligated Group as grant revenue in the special purpose combined statement of operations. The approximate fee for consulting firm that assisted with the ERC filing was \$910,000. It was accrued as a liability for the year ended December 31, 2021 and was contingent on receiving the ERC refund.

The Obligated Group's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Obligated Group would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Supplemental Information

Independent Auditor's Report on Supplemental Information

To the Board of Directors and Trustees
Presbyterian Villages of Michigan Obligated Group

We have audited the special purpose combined financial statements of Presbyterian Villages of Michigan Obligated Group as of and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated January 25, 2024, which contained an unmodified opinion on those special purpose combined financial statements. Our audits were performed for the purpose of forming an opinion on the special purpose combined financial statements as a whole. The combining information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the special purpose combined 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 special purpose combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the special purpose combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose combined financial statements or to the special purpose combined 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 special purpose combined financial statements as a whole.

Plante & Moran, PLLC

January 25, 2024

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet

December 31, 2022

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Assets											
Current Assets											
Cash	\$ 1,789,717	\$ 636,046	\$ -	\$ 500	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,426,697
Resident accounts receivable - Net	-	-	-	1,776,505	153,652	-	-	11,313	325,456	-	2,266,926
Other receivables:											
Due from related organizations - Net	2,599,034	-	-	-	-	-	-	-	-	(193,569)	2,405,465
Pledges receivable - Net	-	1,212,005	-	-	-	-	-	-	-	-	1,212,005
Due from managed entities and other	1,526,264	37,500	-	4,079	428,630	-	-	-	-	-	1,996,473
Investments and assets limited as to use - Current portion	2,481	-	17,382	66,583	93,663	-	-	8,490	5,679	-	194,278
Employee Retention Credit receivable	6,470,373	-	-	-	-	-	-	-	-	-	6,470,373
Prepaid expenses and other current assets	213,486	21,828	(56)	128,082	631	-	16,339	(11,424)	4,585	-	373,471
Total current assets	12,601,355	1,907,379	17,326	1,975,749	677,010	-	16,339	8,379	335,720	(193,569)	17,345,688
Land, Buildings, and Equipment - Net	944,739	(1)	-	18,139,071	3,888,307	37,556	5,461,529	25,630,337	7,978,632	(1,832,582)	60,247,588
Undeveloped Land	321,540	-	-	-	254,302	296,993	350,000	-	-	-	1,222,835
Investments and Assets Limited as to Use - Net of current portion	1,644,040	17,450,518	206,645	1,444,273	792,517	-	-	446,936	303,084	-	22,288,013
Other Assets											
Beneficial interest in assets held by third parties and other long-term assets	1,099,847	64,975	-	-	-	-	-	-	-	-	1,164,822
Pledges receivable - Net of current portion	-	369,399	-	-	-	-	-	-	-	-	369,399
Investment in and amounts due from related organizations - Other	11,825,610	4,173,182	-	250,000	-	-	-	-	-	(10,042,808)	6,205,984
Investment in related organizations - Programs of All-Inclusive Care for the Elderly	9,180,641	-	-	-	-	-	-	-	-	-	9,180,641
Fair value of interest rate swap agreement	-	-	-	-	-	-	-	1,647,252	-	-	1,647,252
Debt issuance costs - Net	33,286	-	43,856	370,335	195,703	-	-	571,174	138,287	-	1,352,641
Total assets	\$ 37,651,058	\$ 23,965,452	\$ 267,827	\$ 22,179,428	\$ 5,807,839	\$ 334,549	\$ 5,827,868	\$ 28,304,078	\$ 8,755,723	\$ (12,068,959)	\$ 121,024,863

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet (Continued)

December 31, 2022

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)											
Current Liabilities											
Accounts payable	\$ 4,347,200	\$ 61,573	\$ -	\$ 204,960	\$ 622,637	\$ -	\$ -	\$ 6,374	\$ 1,138	\$ -	\$ 5,243,882
Intercompany liabilities	-	-	-	-	-	-	-	-	193,569	(193,569)	-
Current portion of note payable and line of credit	552,802	-	-	35,496	-	-	-	250,000	-	(250,000)	588,298
Current portion of bonds payable	8,992	-	62,975	413,010	230,873	-	-	424,338	69,812	-	1,210,000
Related party loan payable	900,000	-	-	-	-	-	-	-	-	-	900,000
Accrued payroll and related liabilities	506,066	51,887	-	512,967	138,011	1,343	-	16,394	28,601	-	1,255,269
Other current liabilities	152,277	60,433	17,664	135,833	130,328	-	(11,829)	183,658	43,116	(173,182)	538,298
Total current liabilities	6,467,337	173,893	80,639	1,302,266	1,121,849	1,343	(11,829)	880,764	336,236	(616,751)	9,735,747
Long-term Debt											
Notes payable and line of credit - Net of current portion	4,435,222	-	-	964,817	-	-	-	1,000,000	-	(4,000,000)	2,400,039
Bonds payable - Net of current portion	365,327	-	2,558,760	18,265,601	10,017,746	-	-	25,535,991	4,472,401	-	61,215,826
Total long-term debt	4,800,549	-	2,558,760	19,230,418	10,017,746	-	-	26,535,991	4,472,401	(4,000,000)	63,615,865
Other Long-term Liabilities											
Deferred revenue	-	-	-	95,099	-	-	1,016,719	-	-	-	1,111,818
Refundable advance fees	-	-	-	1,701,000	-	-	-	-	-	-	1,701,000
Annuity payable	-	26,647	-	-	-	-	-	-	-	-	26,647
Total liabilities	11,267,886	200,540	2,639,399	22,328,783	11,139,595	1,343	1,004,890	27,416,755	4,808,637	(4,616,751)	76,191,077
Net Assets (Deficiency in Net Assets)											
Unrestricted	25,859,850	11,515,165	(2,371,572)	(149,355)	(5,331,756)	333,206	4,822,978	887,323	3,947,086	(7,452,208)	32,060,717
Temporarily restricted	523,322	6,438,698	-	-	-	-	-	-	-	-	6,962,020
Permanently restricted	-	5,811,049	-	-	-	-	-	-	-	-	5,811,049
Total net assets (deficiency in net assets)	26,383,172	23,764,912	(2,371,572)	(149,355)	(5,331,756)	333,206	4,822,978	887,323	3,947,086	(7,452,208)	44,833,786
Total liabilities and net assets (deficiency in net assets)	\$ 37,651,058	\$ 23,965,452	\$ 267,827	\$ 22,179,428	\$ 5,807,839	\$ 334,549	\$ 5,827,868	\$ 28,304,078	\$ 8,755,723	\$ (12,068,959)	\$ 121,024,863

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet

December 31, 2021

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Assets											
Current Assets											
Cash	\$ 2,057,350	\$ 1,108,208	\$ -	\$ 500	\$ 434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,166,492
Resident accounts receivable - Net	-	-	-	1,459,560	88,155	-	-	4,520	132,571	-	1,684,806
Other receivables:											
Due from related organizations - Net	1,156,313	-	-	-	-	-	-	-	-	-	1,156,313
Pledges receivable - Net	-	401,630	-	-	-	-	-	-	-	-	401,630
Due from managed entities and other	914,013	10,000	-	75,915	4,370	-	-	-	-	-	1,004,298
Investments and assets limited as to use - Current portion	2,444	-	17,116	96,866	60,469	-	-	8,367	5,596	-	190,858
Due from related organizations - Intercompany receivables	6,064,535	-	-	-	-	-	-	-	-	-	6,064,535
Prepaid expenses and other current assets	180,538	6,410	637	187,601	19,995	-	17,055	-	6,232	-	418,468
Total current assets	10,375,193	1,526,248	17,753	1,820,442	173,423	-	17,055	12,887	144,399	-	14,087,400
Land, Buildings, and Equipment - Net	953,523	-	-	19,253,079	3,430,518	41,165	5,683,666	21,862,980	8,210,022	(1,862,264)	57,572,689
Investments and Assets Limited as to Use - Net of current portion	639,408	26,618,215	203,710	1,425,136	2,047,421	-	-	615,721	301,130	-	31,850,741
Undeveloped Land	320,039	-	-	-	254,302	295,992	350,000	-	-	-	1,220,333
Other Assets											
Beneficial interest in assets held by third parties and other long-term assets	1,158,944	80,018	-	-	-	-	-	-	-	-	1,238,962
Pledges receivable - Net of current portion	-	427,626	-	-	-	-	-	-	-	-	427,626
Investment in and amounts due from related organizations - Other	11,686,270	-	-	250,000	-	-	-	-	-	(6,054,946)	5,881,324
Investment in related organizations - Programs of All-Inclusive Care for the Elderly	7,846,040	-	-	-	-	-	-	-	-	-	7,846,040
Fair value of interest rate swap agreement	-	-	-	-	-	-	-	224,240	-	-	224,240
Debt issuance costs - Net	33,729	-	46,941	395,953	208,587	-	-	601,302	145,582	-	1,432,094
Total assets	\$ 33,013,146	\$ 28,652,107	\$ 268,404	\$ 23,144,610	\$ 6,114,251	\$ 337,157	\$ 6,050,721	\$ 23,317,130	\$ 8,801,133	\$ (7,917,210)	\$ 121,781,449

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Balance Sheet (Continued)

December 31, 2021

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)											
Current Liabilities											
Accounts payable	\$ 1,766,442	\$ 94,150	\$ -	\$ 495,402	\$ 149,221	\$ -	\$ 1,495	\$ 1,858,764	\$ 7,600	\$ -	\$ 4,373,074
Intercompany liabilities	-	-	-	-	-	-	-	-	275,486	(275,486)	-
Current portion of note payable and line of credit	-	-	-	88,357	-	-	-	250,000	-	(250,000)	88,357
Current portion of Medicare accelerated and advance payments	-	-	-	358,135	-	-	-	-	-	-	358,135
Current portion of bonds payable	8,633	-	60,456	396,633	221,700	-	-	100,400	67,178	-	855,000
Accrued payroll and related liabilities	317,166	26,110	-	449,837	136,500	111	-	-	32,344	-	962,068
Paycheck Protection Program loan	4,438,545	-	-	-	-	-	-	-	-	-	4,438,545
Other current liabilities	6,227	14,912	18,023	126,205	113,737	-	(11,829)	41,625	38,640	(11,419)	336,121
Total current liabilities	6,537,013	135,172	78,479	1,914,569	621,158	111	(10,334)	2,250,789	421,248	(536,905)	11,411,300
Long-term Debt											
Notes payable and line of credit - Net of current portion	1,529,141	-	-	939,550	-	-	-	-	-	-	2,468,691
Bonds payable - Net of current portion	373,890	-	2,618,736	18,654,940	10,235,985	-	-	19,991,550	4,534,682	-	56,409,783
Total long-term debt	1,903,031	-	2,618,736	19,594,490	10,235,985	-	-	19,991,550	4,534,682	-	58,878,474
Other Long-term Liabilities											
Deferred revenue	-	-	-	95,398	-	-	1,227,315	-	-	-	1,322,713
Refundable advance fees	-	-	-	1,694,100	-	-	-	-	-	-	1,694,100
Annuity payable	-	65,373	-	-	-	-	-	-	-	-	65,373
Total liabilities	8,440,044	200,545	2,697,215	23,298,557	10,857,143	111	1,216,981	22,242,339	4,955,930	(536,905)	73,371,960
Net Assets (Deficiency in Net Assets)											
Unrestricted	24,573,102	16,179,994	(2,428,811)	(153,947)	(4,742,892)	337,046	4,833,740	1,074,791	3,845,203	(7,380,305)	36,137,921
Temporarily restricted	-	6,471,772	-	-	-	-	-	-	-	-	6,471,772
Permanently restricted	-	5,799,796	-	-	-	-	-	-	-	-	5,799,796
Total net assets (deficiency in net assets)	24,573,102	28,451,562	(2,428,811)	(153,947)	(4,742,892)	337,046	4,833,740	1,074,791	3,845,203	(7,380,305)	48,409,489
Total liabilities and net assets (deficiency in net assets)	\$ 33,013,146	\$ 28,652,107	\$ 268,404	\$ 23,144,610	\$ 6,114,251	\$ 337,157	\$ 6,050,721	\$ 23,317,130	\$ 8,801,133	\$ (7,917,210)	\$ 121,781,449

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Statement of Operations

Year Ended December 31, 2022

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Operating Revenue											
Net resident service revenue	\$ -	\$ -	\$ -	\$ 19,519,302	\$ 5,037,613	\$ -	\$ -	\$ 885,966	\$ 1,656,534	\$ -	\$ 27,099,415
Management fees	3,278,580	-	-	-	-	407,408	9,000	60,713	-	(1,677,121)	2,078,580
Development fees	420,753	-	-	-	-	-	-	-	-	(193,569)	227,184
Technology fees	1,101,155	-	-	-	-	-	-	-	-	(268,711)	832,444
Interest and dividends - Net	79,746	407,275	360,187	22,248	17,553	-	-	6,290	4,095	(206,716)	690,678
Contributions, gifts, and donations	4,077,135	550,727	-	349,441	100,613	8,436	-	-	65,919	(733,810)	4,418,461
Grants	405,838	-	-	505,888	543,607	-	-	-	-	-	1,455,333
Other	475,702	229,851	-	450,780	6,276	45,000	653,355	627	-	-	1,861,591
Net assets released from restrictions	-	761,709	-	-	-	-	-	-	-	-	761,709
Total operating revenue	9,838,909	1,949,562	360,187	20,847,659	5,705,662	460,844	662,355	953,596	1,726,548	(3,079,927)	39,425,395
Operating Expenses											
Employee compensation	5,114,753	512,594	-	11,291,191	3,080,355	13,426	221,533	244,471	841,085	-	21,319,408
Grants	-	2,425,540	-	-	-	-	-	-	-	(733,810)	1,691,730
Insurance	40,629	3,122	1,788	477,837	217,544	91	29,280	26,976	70,072	-	867,339
Other operating expenses	3,432,019	398,039	363,320	8,898,354	2,256,430	57,804	145,187	466,659	343,069	(1,945,832)	14,415,049
Total operating expenses before interest and depreciation	8,587,401	3,339,295	365,108	20,667,382	5,554,329	71,321	396,000	738,106	1,254,226	(2,679,642)	38,293,526
Income (Loss) from Operations - Before interest and depreciation expense	1,251,508	(1,389,733)	(4,921)	180,277	151,333	389,523	266,355	215,490	472,322	(400,285)	1,131,869
Interest Expense	237,042	-	149,928	1,100,729	542,400	-	-	760,577	251,256	(206,716)	2,835,216
Depreciation	47,442	-	-	1,280,398	560,923	5,885	222,136	899,789	240,031	(103,164)	3,153,440
Income (Loss) from Operations	967,024	(1,389,733)	(154,849)	(2,200,850)	(951,990)	383,638	44,219	(1,444,876)	(18,965)	(90,405)	(4,856,787)
Investment and Other (Loss) Income											
Net realized loss on investments	-	(101,990)	-	-	-	-	-	-	-	-	(101,990)
Net unrealized loss on investments	(62,187)	(4,266,094)	-	-	-	-	-	-	-	-	(4,328,281)
Change in value of split-interest agreements	-	10,928	-	-	-	-	-	-	-	-	10,928
Change in value of equity method investment in related organizations - Other	(45,124)	-	-	-	-	-	-	-	-	18,502	(26,622)
Change in value of equity method investment in related organizations - Programs of All-Inclusive Care for the Elderly	2,277,351	-	-	-	-	-	-	-	-	-	2,277,351
Change in value of interest rate swap agreement	-	-	-	-	-	-	-	1,423,012	-	-	1,423,012
Total investment and other income (loss)	2,170,040	(4,357,156)	-	-	-	-	-	1,423,012	-	18,502	(745,602)
Excess of Revenue Over (Under) Expenses	3,137,064	(5,746,889)	(154,849)	(2,200,850)	(951,990)	383,638	44,219	(21,864)	(18,965)	(71,903)	(5,602,389)
Equity Transfer (to) from Affiliates	(2,333,319)	39,878	212,088	2,205,442	363,126	(387,478)	(54,981)	(165,604)	120,848	-	-
Net Assets Released from Restrictions for Capital Purposes	483,003	1,042,182	-	-	-	-	-	-	-	-	1,525,185
Increase (Decrease) in Unrestricted Net Assets	\$ 1,286,748	\$ (4,664,829)	\$ 57,239	\$ 4,592	\$ (588,864)	\$ (3,840)	\$ (10,762)	\$ (187,468)	\$ 101,883	\$ (71,903)	\$ (4,077,204)

Presbyterian Villages of Michigan Obligated Group

Special Purpose Combining Statement of Operations

Year Ended December 31, 2021

	Presbyterian Villages of Michigan	Presbyterian Villages of Michigan Foundation	Presbyterian Village Redford	Presbyterian Village East	Presbyterian Village Westland	Presbyterian Village North	Presbyterian Villages EJNP Real Estate (Division of PVM)	Harbor Inn	Weinberg Green Houses	Eliminating Entries	Total
Operating Revenue											
Net resident service revenue	\$ -	\$ -	\$ -	\$ 15,699,488	\$ 5,006,873	\$ -	\$ -	\$ 216,900	\$ 1,595,486	\$ -	\$ 22,518,747
Management fees	3,824,545	-	-	-	-	184,224	9,000	36,497	-	(1,569,611)	2,484,655
Development fees	1,025,115	-	-	-	-	-	-	-	-	(428,078)	597,037
Technology fees	1,258,315	-	-	-	-	-	-	-	-	(467,119)	791,196
Interest and dividends - Net	82,947	181,674	356,895	148	87	-	-	-	21	-	621,772
Contributions, gifts, and donations	255,110	5,506,418	-	1,487,970	40,304	8,126	-	-	48,534	(1,844,070)	5,502,392
Grants	6,064,535	-	-	1,001,185	32,399	-	-	-	-	-	7,098,119
Loss on sale of land, building, and equipment	(20,000)	-	-	(5,280)	(2,454)	-	-	-	-	-	(27,734)
Other	77,569	407,004	-	175,231	31,501	30,000	456,761	26	-	-	1,178,092
Net assets released from restrictions	-	1,487,160	-	-	-	-	-	-	-	-	1,487,160
Total operating revenue	12,568,136	7,582,256	356,895	18,358,742	5,108,710	222,350	465,761	253,423	1,644,041	(4,308,878)	42,251,436
Operating Expenses											
Employee compensation	4,719,245	401,189	(41)	9,303,932	2,870,211	11,465	5,901	27,093	841,560	-	18,180,555
Grants	-	3,713,113	-	-	-	-	-	-	-	(1,844,070)	1,869,043
Insurance	35,296	-	246	313,281	166,921	-	29,476	-	57,577	-	602,797
Other operating expenses	3,753,003	441,528	360,220	6,287,105	2,047,597	163,201	141,128	219,140	349,624	(1,761,030)	12,001,516
Total operating expenses before interest and depreciation	8,507,544	4,555,830	360,425	15,904,318	5,084,729	174,666	176,505	246,233	1,248,761	(3,605,100)	32,653,911
Income (Loss) from Operations - Before interest and depreciation expense	4,060,592	3,026,426	(3,530)	2,454,424	23,981	47,684	289,256	7,190	395,280	(703,778)	9,597,525
Interest Expense	53,968	-	152,830	1,018,982	475,750	-	-	15,637	256,829	-	1,973,996
Depreciation	38,537	-	-	1,211,460	476,618	7,518	222,136	173,025	238,663	(46,778)	2,321,179
Income (Loss) from Operations	3,968,087	3,026,426	(156,360)	223,982	(928,387)	40,166	67,120	(181,472)	(100,212)	(657,000)	5,302,350
Investment and Other (Loss) Income											
Impairment of undeveloped land	-	-	-	-	-	(130,000)	-	-	-	-	(130,000)
Net realized gain on investments	-	2,184,288	-	-	-	-	-	-	-	-	2,184,288
Net unrealized gain (loss) on investments	5,330	(366,916)	-	-	-	-	-	-	-	-	(361,586)
Change in value of split-interest agreements	-	(19,384)	-	-	-	-	-	-	-	-	(19,384)
Change in value of equity method investment in related organizations - Other	(30,077)	-	-	-	-	-	-	-	-	(67,119)	(97,196)
Change in value of equity method investment in related organizations - Programs of All-Inclusive Care for the Elderly	(61,483)	-	-	-	-	-	-	-	-	-	(61,483)
Change in value of interest rate swap agreement	-	-	-	-	-	-	-	459,500	-	-	459,500
Total investment and other (loss) income	(86,230)	1,797,988	-	-	-	(130,000)	-	459,500	-	(67,119)	1,974,139
Excess of Revenue Over (Under) Expenses	3,881,857	4,824,414	(156,360)	223,982	(928,387)	(89,834)	67,120	278,028	(100,212)	(724,119)	7,276,489
Contribution of Long-lived Assets	700,000	-	-	-	-	-	-	-	-	-	700,000
Equity Transfer (to) from Affiliates	(586,743)	7,343	205,404	1,095,206	1,217,216	(42,682)	(62,721)	167,364	(387)	-	2,000,000
Net Assets Released from Restrictions for Capital Purposes	-	2,370,159	-	-	-	-	-	-	-	-	2,370,159
Increase (Decrease) in Unrestricted Net Assets	\$ 3,995,114	\$ 7,201,916	\$ 49,044	\$ 1,319,188	\$ 288,829	\$ (132,516)	\$ 4,399	\$ 445,392	\$ (100,599)	\$ (724,119)	\$ 12,346,648