

# **The Philadelphia Protestant Home**

Financial Statements and  
Supplementary Information

December 31, 2021 and 2020

# The Philadelphia Protestant Home

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December 31, 2021 and 2020

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## **Independent Auditors' Report**

To the Board of Directors of  
The Philadelphia Protestant Home

### **Opinion**

We have audited the financial statements of The Philadelphia Protestant Home (PPH), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PPH as of December 31, 2021 and 2020 and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PPH's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PPH's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 23 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Baker Tilly US, LLP*

Philadelphia, Pennsylvania  
March 24, 2022

## The Philadelphia Protestant Home

Balance Sheets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>
<b>Assets</b>			<b>Liabilities and Net Assets</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 2,683,785	\$ 1,620,124	Current maturities of long-term debt	\$ 2,005,000	\$ 1,955,000
Resident trust funds/deposits	62,800	10,000	Accounts payable, trade	1,478,945	740,691
Assets whose use is limited:			Accounts payable, construction	133,857	277,917
Donor restricted	161,484	131,965	Accrued expenses	1,307,870	1,253,416
Board-designated	2,005,000	1,955,000	Resident trust funds/deposits	62,800	10,000
Accounts receivable, residents, net of estimated allowance for doubtful collections of \$226,000 in 2021 and \$232,000 in 2020	849,680	853,609	Accrued pension contributions	289,330	309,952
Other receivables	302,326	202,000			
Prepaid expenses	272,034	157,001	Total current liabilities	5,277,802	4,546,976
Total current assets	<u>6,337,109</u>	<u>4,929,699</u>	<b>Long-Term Debt, Net</b>	14,239,803	13,975,507
<b>Assets Whose Use is Limited</b>			<b>Deferred Revenue From Advance Fees</b>	6,504,116	6,433,220
Board-designated	23,699,089	22,510,288			
Statutory minimum liquid reserve	535,000	524,000	<b>Other Liabilities</b>	586,417	977,040
Self-insurance trust funds	1,639,776	1,988,899			
			<b>Derivative Financial Instruments</b>	312,563	741,396
Total assets whose use is limited	<u>25,873,865</u>	<u>25,023,187</u>			
			Total liabilities	<u>26,920,701</u>	<u>26,674,139</u>
<b>Property and Equipment, Net</b>	<u>27,692,208</u>	<u>26,127,743</u>			
			<b>Net Assets</b>		
<b>Annuities Receivable</b>	<u>76,167</u>	<u>48,890</u>	Without donor restrictions	33,041,148	29,323,415
			With donor restrictions	161,484	131,965
<b>Derivative Financial Instruments</b>	<u>143,984</u>	<u>-</u>			
			Net assets	33,202,632	29,455,380
Total assets	<u>\$ 60,123,333</u>	<u>\$ 56,129,519</u>			
			Total liabilities and net assets	<u>\$ 60,123,333</u>	<u>\$ 56,129,519</u>

See notes to financial statements

# The Philadelphia Protestant Home

## Statements of Operations

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenues Without Donor Restrictions</b>		
Net resident service revenues	\$ 26,020,073	\$ 27,676,068
Investment income	1,744,619	1,098,880
Grant revenues	4,345,679	1,698,306
Other revenues	563,837	538,313
Net assets released from restrictions	212,813	158,655
Contributions	213,914	131,780
	<u>33,100,935</u>	<u>31,302,002</u>
<b>Expenses</b>		
Salaries and wages	16,005,404	16,556,400
Payroll taxes and employee benefits	4,565,616	4,191,287
Depreciation	3,395,300	3,241,607
Contracted services	2,356,326	2,556,708
Supplies	1,206,877	1,076,480
Other	2,562,414	2,370,653
Utilities	765,813	759,496
Interest	455,708	445,079
Nursing home assessment	128,492	289,182
Provision for doubtful collections	(24,233)	92,930
	<u>31,417,717</u>	<u>31,579,822</u>
Total expenses	<u>31,417,717</u>	<u>31,579,822</u>
Operating income (loss)	1,683,218	(277,820)
<b>Other (Loss) Income</b>		
Change in net unrealized gains and losses on investments	1,437,163	916,298
Change in fair value of derivative financial instruments	572,817	(476,222)
	<u>3,693,198</u>	<u>162,256</u>
Revenues in excess of expenses	<u>3,693,198</u>	<u>162,256</u>
<b>Net Assets Released From Restrictions Used for Purchase of Property and Equipment</b>		
	<u>24,535</u>	<u>183,288</u>
Increase in net assets without donor restrictions	<u>\$ 3,717,733</u>	<u>\$ 345,544</u>

See notes to financial statements

## The Philadelphia Protestant Home

Statements of Changes in Net Assets  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Net Assets Without Donor Restrictions</b>		
Revenues in excess of expenses	\$ 3,693,198	\$ 162,256
Net assets released from restrictions used for purchase of property and equipment	<u>24,535</u>	<u>183,288</u>
Increase in net assets without donor restrictions	<u>3,717,733</u>	<u>345,544</u>
<b>Net Assets With Donor Restrictions</b>		
Contributions	239,590	344,713
Change in value of annuities	27,277	14,109
Net assets released from restrictions used for:		
Benevolent care	(212,813)	(158,655)
Purchase of property and equipment	<u>(24,535)</u>	<u>(183,288)</u>
Increase in net asset with donor restrictions	<u>29,519</u>	<u>16,879</u>
Increase in net assets	3,747,252	362,423
<b>Net Assets, Beginning</b>	<u>29,455,380</u>	<u>29,092,957</u>
<b>Net Assets, Ending</b>	<u><u>\$ 33,202,632</u></u>	<u><u>\$ 29,455,380</u></u>

See notes to financial statements

# The Philadelphia Protestant Home

## Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 3,747,252	\$ 362,423
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,395,300	3,241,607
Amortization of debt issuance costs	48,496	34,462
Change in fair value of derivative financial instruments	(572,817)	476,222
Proceeds from advance fees	1,415,123	1,245,736
Amortization of advance fees	(1,537,307)	(1,529,407)
Net realized and unrealized gain on investments	(2,443,521)	(1,591,413)
Changes in assets and liabilities:		
Accounts receivable, residents	3,929	365,486
Other receivables	92,754	(94,707)
Prepaid expenses	(115,033)	7,454
Annuities receivable	(27,277)	(14,109)
Accounts payable, trade	738,254	(561,204)
Accrued expenses	33,832	210,297
Resident trust funds/deposits	52,800	(19,930)
Other liabilities	(390,623)	(21,916)
Net cash provided by operating activities	<u>4,441,162</u>	<u>2,111,001</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(5,103,825)	(2,633,439)
Net sales of investments	<u>1,193,720</u>	<u>1,953,399</u>
Net cash used in investing activities	<u>(3,910,105)</u>	<u>(680,040)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of long-term debt	2,220,800	1,512,435
Payment of debt issuance costs	-	(210,506)
Repayment of long-term debt	<u>(1,955,000)</u>	<u>(1,900,000)</u>
Net cash provided by (used in) financing activities	<u>265,800</u>	<u>(598,071)</u>
Net increase in cash, cash equivalents and restricted cash and cash equivalents	796,857	832,890
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<u>3,750,988</u>	<u>2,918,098</u>
<b>Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<u>\$ 4,547,845</u>	<u>\$ 3,750,988</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 403,823</u>	<u>\$ 423,217</u>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Obligations incurred for the acquisition of property and equipment	<u>\$ 133,857</u>	<u>\$ 277,917</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents to Balance Sheets</b>		
Cash and cash equivalents	\$ 2,683,785	\$ 1,620,124
Resident trust funds/deposits	62,800	10,000
Assets whose use is limited, donor restricted	161,484	131,965
Assets whose use is limited, self insurance trust funds	<u>1,639,776</u>	<u>1,988,899</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 4,547,845</u>	<u>\$ 3,750,988</u>

See notes to financial statements

# The Philadelphia Protestant Home

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Notes to Financial Statements

December 31, 2021 and 2020

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

The Philadelphia Protestant Home (PPH) operates a continuing care retirement community providing housing, healthcare and other related services to residents through the operation of 253 independent living units, 175 personal care units, 23 of which are dedicated to Alzheimer's residents and a 126-bed nursing facility. PPH's operations are located in the Lawndale section of Philadelphia, Pennsylvania. Its primary service area includes Philadelphia, Pennsylvania and surrounding communities.

### Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited. For purposes of the statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include resident trust funds/deposits and assets whose use is limited purchased with an initial maturity of three months or less.

### Investments and Investment Risk

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

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

### Assets Whose Use is Limited

Assets whose use is limited includes donor-restricted funds, assets set aside by the board of directors for future capital improvements, for benevolent care and to meet statutory minimum liquid reserve requirements (Note 4); and assets set aside in irrevocable trusts to fund self-insured general liability, professional liability, workers' compensation and employee health insurance.

### Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$3,395,300 in 2021 and \$3,241,607 in 2020.

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

# The Philadelphia Protestant Home

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Notes to Financial Statements

December 31, 2021 and 2020

## Debt Issuance Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the term of the debt using the straight-line method, which approximates the effective interest method. During 2020, PPH incurred deferred financing costs of \$210,506 in connection with financing acquired (Note 6). No deferred financing costs were incurred during 2021. Amortization of deferred financing costs, which is a component of interest expense, was \$48,496 and \$34,462 in 2021 and 2020, respectively.

## Annuities Receivable

The annuities receivable are the result of contracts whereby donors transferred cash or investments to a third party and the third party makes periodic payments to the donors. The contributions received by PPH are the unconditional rights to receive the remainder interest of the gift annuities. The annuities receivable represents the difference between the assets managed by the third party and the present value of the estimated future payments to be distributed by the third party to the annuitants. Contributions related to the annuities receivable are recorded as contributions with donor restrictions.

## Resident Trust Funds/Deposits

Resident trust funds/deposits are accounted for as trust funds and are maintained separate from other funds.

## Derivative Financial Instruments

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

## Advance Fees

Under entrance fee plans for independent living units, PPH receives payments in advance. Under these agreements, 100 percent of the entrance fee paid is refundable if the agreement is terminated during the first 6 months of occupancy; after 6 months of occupancy, no refund is due or payable.

Refunds to residents are paid when PPH enters into an agreement with a new resident for the independent living unit vacated and receives the applicable advance fee for the independent living unit. Contractual refund obligations under resident agreements approximate \$977,000 at December 31, 2021.

The advance fees received are amortized to income using the straight-line method over the annually adjusted estimated remaining life expectancies of the residents and are classified as deferred revenue from advance fees in the balance sheets.

Personal care and nursing services provided to independent living residents are paid for on a fee-for-service basis and are not included under the advance fee plans.

## Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by PPH have been limited by donors to specific purposes or time periods.

# The Philadelphia Protestant Home

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Notes to Financial Statements

December 31, 2021 and 2020

## **Accounts Receivable, Residents**

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

## **Net Resident Service Revenues**

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

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

Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the balance sheet. Amortization of nonrefundable entrance fees was \$1,537,307 in 2021 and \$1,529,407 in 2020.

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

PPH provides care to residents who meet certain criteria without charge or at amounts less than its established rates. Because PPH does not pursue collection of amounts determined to qualify as benevolent care, they are not reported as revenues. PPH maintains records to identify and monitor the level of benevolent care it provides. Charges foregone, based on established rates, for services rendered and supplies furnished were approximately \$786,000 in 2021 and \$721,000 in 2020. These amounts are not materially different than the difference between the cost of providing services to residents that qualified for benevolent care and the amounts these residents were able to pay for services rendered. PPH received contributions restricted for benevolent care of \$212,813 in 2021 and \$158,655 in 2020.

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

## Grant Revenues

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

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for healthcare providers. In accordance with the terms and conditions of PRF, PPH could apply the funding against lost revenues and eligible expenses not reimbursed from other sources.

PPH has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the PRF, which were received and recognized as follows:

PRF Reporting Period	Payments Received Period	Total Payments Received	Revenues Recognized for the Year Ending December 31,	
			2021	2020
Period 1	April 10, 2020 to June 30, 2020	\$ 972,700	\$ -	\$ 972,700
Period 2	July 1, 2020 to December 31, 2020	192,700	-	192,700
Period 3	January 1, 2021 to June 30, 2021	-	-	-
Period 4	July 1, 2021 to December 31, 2021	335,442	335,442	-
Total		<u>\$ 1,500,842</u>	<u>\$ 335,442</u>	<u>\$ 1,165,400</u>

PPH's methodology for calculating lost revenues was the difference between 2019 actual patient care revenues as compared to actual patient care revenues in 2021 and 2020.

PPH also received funding from various state and local funding sources of \$420,037 in 2021 and \$532,906 in 2020 to offset eligible expenses in accordance with the terms and conditions of the respective funding sources. PPH incurred eligible expenses of \$420,037 in 2021 and \$532,906 in 2020 and therefore revenues were recognized and included in grant revenues in the accompanying statements of operations.

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

# The Philadelphia Protestant Home

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## Notes to Financial Statements

December 31, 2021 and 2020

On March 24, 2021, PPH received loan proceeds in the amount of \$3,590,200 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act (as amended by the Economic Aid Act (EAA) on December 27, 2020 and the American Rescue Plan Act (ARPA) on March 11, 2021) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP loan are forgivable after a "covered period" (of eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. PPH initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2021, PPH had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, and therefore, applied for forgiveness during 2021. Legal release was received during September 2021, therefore, PPH has recorded grant revenue of \$3,590,200 within its statement of operations for the year-end December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA and the ARPA), PPH is required to maintain its PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. PPH does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

### **Donor-Restricted Gifts**

PPH reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restrictions.

### **Income Taxes**

PPH is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

PPH accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2021 and 2020.

### **Revenues in Excess of Expenses**

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

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

## Use of Estimates

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

## Subsequent Events

PPH evaluated subsequent events for recognition or disclosure through March 24, 2022, the date the financial statements were available to be issued.

## New Accounting Pronouncement

During March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. PPH is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its financial statements.

## 2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,683,785	\$ 1,620,124
Accounts receivable, residents, net	849,680	853,609
Other receivables	302,326	202,000
Assets whose use is limited, board designated	<u>25,704,089</u>	<u>24,465,288</u>
Total	<u>\$ 29,539,880</u>	<u>\$ 27,141,021</u>

PPH has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above.

As stated in Note 4, PPH designated a portion of its investments reserved to comply with the requirements of Section 9 of the *Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act* (Act 82). Although PPH does not intend to utilize the Act 82 reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The Act 82 reserves are included with the assets whose use is limited in Note 4 and do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

### 3. Net Resident Service Revenues

Net resident service revenues are reported at the estimated net realizable amount to be received from residents, patients and others including Medicaid, Medicare and other third-party payors for services rendered. PPH has agreements with third-party payors that provide for payments to PPH at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

**Medical Assistance:** Nursing services provided to Medical Assistance program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments.

The Department of Human Services in the Commonwealth of Pennsylvania has implemented its mandatory Medical Assistance managed care program, Community HealthChoices (CHC), for skilled nursing facilities across the Commonwealth of Pennsylvania. Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). CHC became effective for PPH on January 1, 2019. The rates paid to PPH by the MCO's are subject to a floor, which is equal to the average of each facility's prior four quarters Medical Assistance rates. The rate floors are expected to be in effect for 36 months.

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

PPH is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

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

PPH has also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment to PPH under these agreements includes prospectively determined rates per day or discounts from established charges.

PPH disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors.

Net resident service revenues consist of the following at December 31, 2021:

	<u>Skilled Nursing</u>	<u>Personal Care</u>	<u>Independent Living</u>	<u>Other Resident Services</u>	<u>Total</u>
Self-pay	\$ 5,186,068	\$ 8,447,452	\$ 3,242,988	\$ 354,714	\$ 17,231,222
Medicare A	883,145	-	-	-	883,145
Medical assistance	3,376,055	-	-	-	3,376,055
Commercial	1,416,826	-	-	-	1,416,826
Medicare B	779,283	-	-	-	779,283
Ancillary	334,200	-	-	-	334,200
Nursing home assessment	462,035	-	-	-	462,035
Amortization of nonrefundable advance fees	-	-	1,537,307	-	1,537,307
Total	<u>\$ 12,437,612</u>	<u>\$ 8,447,452</u>	<u>\$ 4,780,295</u>	<u>\$ 354,714</u>	<u>\$ 26,020,073</u>

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

Net resident service revenues consist of the following at December 31, 2020:

	<b>Skilled Nursing</b>	<b>Personal Care</b>	<b>Independent Living</b>	<b>Other Resident Services</b>	<b>Total</b>
Self-pay	\$ 5,058,200	\$ 9,186,765	\$ 3,162,255	\$ 336,791	\$ 17,744,011
Medicare A	988,234	-	-	-	988,234
Medical assistance	4,484,425	-	-	-	4,484,425
Commercial	1,233,442	-	-	-	1,233,442
Medicare B	859,643	-	-	-	859,643
Ancillary	315,810	-	-	-	315,810
Nursing home assessment	521,096	-	-	-	521,096
Amortization of nonrefundable advance fees	-	-	1,529,407	-	1,529,407
Total	<u>\$ 13,460,850</u>	<u>\$ 9,186,765</u>	<u>\$ 4,691,662</u>	<u>\$ 336,791</u>	<u>\$ 27,676,068</u>

## 4. Assets Whose Use is Limited

The composition of assets whose use is limited is set forth in the following table:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 1,857,488	\$ 2,673,443
Certificates of deposit	696,079	698,940
Mutual funds:		
Equity:		
Large blend	7,734,986	6,601,075
Large growth	2,563,167	2,453,608
Small blend	1,618,085	1,125,792
Medium blend	1,193,905	1,435,456
Large value	7,448,327	7,263,557
Fixed income:		
Intermediate term	1,406,185	1,530,419
Short-term	2,384,837	2,095,910
Inflation-protected	599,539	623,847
International	537,751	608,105
Total	<u>\$ 28,040,349</u>	<u>\$ 27,110,152</u>

Investment return is comprised of the following:

	<b>2021</b>	<b>2020</b>
Investment income:		
Interest and dividend income	\$ 835,854	\$ 512,502
Net realized gain on sales of securities	1,006,358	675,115
Investment advisory fees	(97,593)	(88,737)
Total	<u>\$ 1,744,619</u>	<u>\$ 1,098,880</u>
Other incomes:		
Change in net unrealized gains and losses on investments	<u>\$ 1,437,163</u>	<u>\$ 916,298</u>

## The Philadelphia Protestant Home

### Notes to Financial Statements

December 31, 2021 and 2020

In compliance with Act 82, the board of directors designated a portion of board-designated assets reserved to meet the requirements of Act 82. The designated amount was approximately \$535,000 at December 31, 2021 and was calculated as follows:

Budgeted operating expenses for the year ending December 31, 2022 for the independent living units	\$ 5,096,002	
Less budgeted depreciation and amortization expense for the independent living units	<u>(727,000)</u>	
Expenses subject to minimum liquid reserve requirement	4,369,002	
Statutory requirement	<u>10%</u>	
Statutory minimum liquid reserve requirement	<u>\$ 437,000</u>	(a)
Estimated debt service requirements for the year ending December 31, 2022 related to the independent living units		
2015 Bonds:		
Principal	\$ 423,000	
Interest	<u>112,000</u>	
Statutory minimum liquid reserve requirement	<u>\$ 535,000</u>	(b)
Greater of (a) or (b) above	<u>\$ 535,000</u>	

### 5. Property and Equipment, Net

Property and equipment, net is as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 408,538	\$ 408,538
Land improvements	3,544,425	3,465,930
Buildings and building improvements	62,197,474	60,184,864
Fixed equipment	4,003,686	2,829,796
Furniture and equipment	8,247,916	7,303,537
Construction in progress	<u>253,019</u>	<u>241,255</u>
Total	78,655,058	74,433,920
Less accumulated depreciation	<u>50,962,850</u>	<u>48,306,177</u>
Property and equipment, net	<u>\$ 27,692,208</u>	<u>\$ 26,127,743</u>

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

## 6. Long-Term Debt

### Bonds

During December 2015, the Philadelphia Authority for Industrial Development (PAID) issued, on behalf of PPH, Revenue Bond Series 2015 (the 2015 Bonds) in the amount of \$23,000,000. The proceeds were used to refund the Series 2008 bonds, finance a payment due in connection with termination of an interest rate swap related to the Series 2008 Bonds, finance capital expenditures and pay a portion of the financing costs related to the issuance. The 2015 Bonds bear interest at a variable rate determined monthly based on changes to the LIBOR rate, as defined (1.04 percent at December 31, 2021). Principal matures in varying amounts through 2027. Pursuant to the 2015 bonds PPH granted the Bank of New York Mellon Trust Company, N.A., as trustee for the bondholders, a security interest in its gross receipts as well as first mortgage lien on substantially all real property.

During August 2020, PAID issued, on behalf of PPH, Revenue Bond Series 2020 (the 2020 Bonds) in the amount of \$6,500,000. PPH drew down \$2,220,800 and \$1,512,435 in 2021 and 2020, respectively. The proceeds are to be used to finance renovations and miscellaneous capital expenditures and pay a portion of the financing costs related to the issuance. The 2020 Bonds bears interest at a variable rate determined monthly based on changes to the LIBOR rate, as defined (2.64 percent at December 31, 2021). Principal matures in varying amounts through 2028. The 2020 Bonds are secured by a security interest in PPH's gross receipts as well as a first mortgage lien on substantially all real property, on a parity with the 2015 Bonds.

### Line of Credit

During 2020, PPH obtained a \$1,500,000 line of credit. Interest accrues on the line of credit at daily LIBOR plus 2.25 percent. The effective interest rate was 2.32 percent as of December 31, 2021. There was no outstanding balance as of December 31, 2021 and 2020. The lender has a security interest in the investments of PPH. The principal balance on the line of credit is payable in full at the maturity date, which is June 3, 2022.

### Interest Rate Swaps

PPH has entered into two interest rate swap agreements (the Agreements).

In January 2016, PPH entered into a ten-year interest rate swap agreement (the Swap #1) related to the 2015 Bonds. Swap #1 requires PPH to pay a fixed rate of 1.52 percent while receiving a variable interest rate based upon 70 percent of the one-month LIBOR. Payments due on Swap #1 are secured by a note payable up to \$1,600,000.

In August 2020, PPH entered into a ten-year interest rate swap agreement (Swap #2) related to the 2020 Bonds. Swap #2 goes into effect in October 2022 and requires PPH to pay a fixed rate of 3.47 percent while receiving a variable interest rate based upon 82.6 percent of the daily LIBOR. Payments due on Swap #2 are secured by a note payable up to \$200,000.

The payments to and from the counterparty to the Agreements are classified as a component of interest expense in the statements of operations. As a result of the Agreements, interest expense was increased by approximately \$202,000 and \$108,000 in 2021 and 2020, respectively.

The fair value of the Agreements are the estimated amount PPH would pay or be paid to terminate the Agreement. PPH estimates that it would have paid \$312,563 for Swap #1 and be paid \$143,194 for Swap #2 at December 31, 2021. PPH estimates it would have paid \$741,396 for both swaps at December 31, 2020. The changes in the fair value of the above Agreements are included in revenues in excess of expenses since the Agreements were not designated as a hedging instrument. The changes in fair value are classified as change in fair value of derivative financial instruments in the statements of operations and was \$572,817 and (\$476,222) in 2021 and 2020, respectively.

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

## Long-Term Debt Summary

Long-term debt is as follows:

	<u>2021</u>	<u>2020</u>
2015 Bonds	\$ 12,845,000	\$ 14,800,000
2020 Bonds	3,733,235	1,512,435
	16,578,235	16,312,435
Less current maturities	2,005,000	1,955,000
Less unamortized debt issuance costs	333,432	381,928
	<u>\$ 14,239,803</u>	<u>\$ 13,975,507</u>

Scheduled principal repayments are as follows:

Years ending December 31:	
2022	\$ 2,005,000
2023	2,060,000
2024	2,110,000
2025	2,570,000
2026	3,475,000
Thereafter	4,358,235
	<u>\$ 16,578,235</u>

## 7. Accrued Expenses

Accrued expenses are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Salaries and wages and related payroll taxes	\$ 1,102,368	\$ 1,007,612
Vacation	183,623	227,314
Interest	21,879	18,490
	<u>\$ 1,307,870</u>	<u>\$ 1,253,416</u>

## 8. 401(k) Plan

PPH established a qualified 401(k) Plan effective January 1, 2005. Eligible employees may defer a portion of their salaries. Matching and nonmatching contributions by PPH for eligible employees are at the discretion of the board of directors. Employer contributions to the plan were \$442,751 for 2021, of which the nonmatching portion of \$289,330 was funded in 2022 and the matching portion of \$153,421 was funded in 2021. Employer contributions to the plan were \$460,714 for 2020, of which the nonmatching portion of \$309,952 was funded in 2021 and the matching portion of \$150,762 was funded in 2020.

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

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## 9. Self-Insurance

### Medical Malpractice and General Liability Claims Coverage

PPH is subject to asserted and unasserted medical malpractice and general liability claims encountered in the ordinary course of business. For medical malpractice claims, PPH is approved by the Commonwealth of Pennsylvania Insurance Department to self-insure this exposure. Under the arrangement, PPH maintains a trust fund to provide a source of funds and reserves for the payment of medical malpractice claims. PPH also self-insures its exposure for general liability claims. Other liabilities on the balance sheets include \$96,029 and \$439,000 at December 31, 2021 and 2020, respectively, for estimated medical malpractice losses. The trust fund balance, at fair value, is \$724,076 and \$693,891 at December 31, 2021 and 2020, respectively.

PPH established the estimated liabilities for known medical malpractice matters after consulting with legal counsel. The outcome of these matters cannot be predicted with certainty; however, any potential future losses related to these matters could have a material adverse effect on PPH's future financial position and results of operations.

PPH does not believe additional incidents have occurred or will be asserted for medical malpractice and general liability claims that will have a material adverse effect on the financial statements.

### Workers' Compensation Insurance

PPH is approved to self-insure its workers' compensation liability under the Workers' Compensation Act as allowed by the Bureau of Workers' Compensation of the Commonwealth of Pennsylvania. Under the arrangement, PPH maintains a trust fund to provide a source of funds and reserves for the payment of workers' compensation benefits. The trust fund balance, at fair value, is \$696,080 and \$698,941 at December 31, 2021 and 2020, respectively. Other liabilities on the balance sheets include \$265,000 and \$311,402 at December 31, 2021 and 2020, respectively, for estimated workers' compensation claims. The estimated liabilities for workers' compensation claims were arrived at using information provided by the outside third party administrator for the plan.

### Employee Health Insurance

PPH participates in a self-insured program for health insurance. PPH holds a stop-loss policy that limits the maximum liability for benefits payable under such claims. Other liabilities on the balance sheets include \$225,388 and \$226,638 as of December 31, 2021 and 2020, respectively, for reserves for unpaid claims related to the health plan. Assets whose use is limited related to the health plan were \$219,620 and \$596,067 as of December 31, 2021 and 2020, respectively. PPH does not anticipate any significant change in loss trends, settlements or other costs that would cause a significant change in net assets.

## 10. Concentrations of Credit Risk

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

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

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

## 11. Concentration of Labor Subject to Collective Bargaining Agreement

PPH has a contract with United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, CLC (the Union Contract) as of December 31, 2021. Approximately 30 percent of PPH's employees are covered by this contract. The Union Contract expires on June 30, 2024.

## 12. Contingencies

### Senior Living Services Industry

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

### COVID-19

In March of 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The extent to which COVID-19 may impact PPH's future operations or financial performance is dependent on the breadth and duration of the pandemic and could be affected by other factors PPH is not currently able to predict. These impacts may include, but are not limited to costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, or declines in revenue related to decreases in occupancy.

## 13. Functional Expenses

PPH provides housing, healthcare and other related services to residents within its geographic location. The financial statements report certain expense categories that are attributable to more than one resident service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other costs, are allocated to a function based on a prorated basis of total expenses.

Expenses relating to providing these services are approximately as follows:

	2021			
	<u>Resident Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 13,904,681	\$ 2,012,063	\$ 88,660	\$ 16,005,404
Payroll taxes and employee benefits	3,406,812	1,132,238	26,566	4,565,616
Depreciation	2,784,146	577,201	33,953	3,395,300
Interest	373,681	77,470	4,557	455,708
Supplies and other expense	4,193,285	422,569	23,509	4,639,363
Contracted services	1,588,594	744,891	22,841	2,356,326
	<u>\$ 26,251,199</u>	<u>\$ 4,966,432</u>	<u>\$ 200,086</u>	<u>\$ 31,417,717</u>

# The Philadelphia Protestant Home

Notes to Financial Statements  
December 31, 2021 and 2020

	2020			
	<u>Resident Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 14,249,224	\$ 2,228,252	\$ 78,924	\$ 16,556,400
Payroll taxes and employee benefits	2,839,781	1,325,730	25,776	4,191,287
Depreciation	2,658,118	551,073	32,416	3,241,607
Interest	364,965	75,663	4,451	445,079
Supplies and other expense	3,924,566	646,624	17,551	4,588,741
Contracted services	1,907,871	633,654	15,183	2,556,708
	<u>\$ 25,944,525</u>	<u>\$ 5,460,996</u>	<u>\$ 174,301</u>	<u>\$ 31,579,822</u>

## 14. Fair Value Measurements and Financial Instruments

### Fair Value Measurements

PPH measures its assets whose use is limited and derivative financial instrument at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

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

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

Level 3 - Significant unobservable inputs

## The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

The fair value of PPH's assets whose use is limited, annuities receivable, and derivative financial instrument was measured using the following inputs at December 31, 2021 and 2020:

	<b>2021</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Assets whose use is limited:				
Certificates of deposit	\$ 696,079	\$ -	\$ 696,079	\$ -
Mutual funds:				
Equity:				
Large blend	7,734,986	7,734,986	-	-
Large growth	2,563,167	2,563,167	-	-
Small blend	1,618,085	1,618,085	-	-
Medium blend	1,193,905	1,193,905	-	-
Large value	7,448,327	7,448,327	-	-
Fixed income:				
Intermediate term	1,406,185	1,406,185	-	-
Short-term	2,384,837	2,384,837	-	-
Inflation-protected	599,539	599,539	-	-
International	537,751	537,751	-	-
Total	<u>\$ 26,182,861</u>	<u>\$ 25,486,782</u>	<u>\$ 696,079</u>	<u>\$ -</u>
Derivative financial instruments	<u>\$ 143,984</u>	<u>\$ -</u>	<u>\$ 143,984</u>	<u>\$ -</u>
Liabilities:				
Derivative financial instruments	<u>\$ 312,563</u>	<u>\$ -</u>	<u>\$ 312,563</u>	<u>\$ -</u>
Reconciliation of assets whose use is limited to the balance sheet:				
Assets whose use is limited:				
Cash equivalents	\$ 1,857,488			
Assets measured in the fair value hierarchy	<u>26,182,861</u>			
Total assets whose use is limited	<u>\$ 28,040,349</u>			

# The Philadelphia Protestant Home

Notes to Financial Statements

December 31, 2021 and 2020

	2020			
	Total	Level 1	Level 2	Level 3
Assets whose use is limited:				
Certificates of deposit	\$ 698,940	\$ -	\$ 698,940	\$ -
Mutual funds:				
Equity:				
Large blend	6,601,075	6,601,075	-	-
Large growth	2,453,608	2,453,608	-	-
Small blend	1,125,792	1,125,792	-	-
Medium blend	1,435,456	1,435,456	-	-
Large value	7,263,557	7,263,557	-	-
Fixed income:				
Intermediate term	1,530,419	1,530,419	-	-
Short-term	2,095,910	2,095,910	-	-
Inflation-protected	623,847	623,847	-	-
International	608,105	608,105	-	-
Total	<u>\$ 24,436,709</u>	<u>\$ 23,737,769</u>	<u>\$ 698,940</u>	<u>\$ -</u>
Liabilities:				
Derivative financial instrument	<u>\$ 741,396</u>	<u>\$ -</u>	<u>\$ 741,396</u>	<u>\$ -</u>
Reconciliation of assets whose use is limited to the balance sheet:				
Assets whose use is limited:				
Cash equivalents	\$ 2,673,443			
Assets measured in the fair value hierarchy	<u>24,436,709</u>			
Total assets whose use is limited	<u>\$ 27,110,152</u>			

## Financial Instruments

Assets whose use is limited are valued at fair value based on quoted market prices in active markets for mutual funds and estimated using similarly quoted prices for certificates of deposit.

PPH measures its derivative financial instrument at fair value using information from the counterparty to the agreements. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instrument. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instrument and discounts these payments using an appropriate discount rate. The value represents the estimated exit price PPH would pay or be paid to terminate the agreement.

# The Philadelphia Protestant Home

Schedules of Revenues Without Donor Restrictions and Expenses  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenues Without Donor Restrictions</b>		
Resident service revenues:		
Nursing (including nursing home assessment revenues of \$462,035 in 2021 and \$521,096 in 2020)	\$ 15,183,665	\$ 16,377,296
Personal care	9,233,280	9,908,171
Independent living:		
Monthly fees	3,242,988	3,162,255
Amortization of advance fees	1,537,307	1,529,407
Ancillary service revenues	6,258,312	6,690,160
Other	354,714	336,701
	<u>35,810,266</u>	<u>38,003,990</u>
Less contractual adjustments and benevolent care:		
Contractual adjustments	9,004,365	9,606,516
Benevolent care	785,828	721,406
	<u>9,790,193</u>	<u>10,327,922</u>
Net resident service revenues	26,020,073	27,676,068
Investment income	1,744,619	1,098,880
Grant revenues	4,345,679	1,698,306
Other revenues	563,837	538,313
Net assets released from restrictions	212,813	158,655
Contributions	213,914	131,780
	<u>\$ 33,100,935</u>	<u>\$ 31,302,002</u>
<b>Expenses</b>		
Nursing	\$ 7,877,222	\$ 7,662,448
General and administrative	4,748,734	5,077,131
Personal care	3,827,894	3,854,109
Dining services	3,990,555	3,701,663
Plant operations	3,216,596	3,199,157
Housekeeping and laundry	1,684,297	1,658,656
Social services, activities and volunteer services	1,304,491	1,358,823
Rehabilitation	788,428	1,091,967
Nursing home assessment	128,492	289,182
Depreciation	3,395,300	3,241,607
Interest	455,708	445,079
	<u>\$ 31,417,717</u>	<u>\$ 31,579,822</u>