
Dominican Health Care Corporation
d/b/a Lourdes Senior Community
(not-for-profit corporations)

**Combined Financial Report
with Additional Information
December 31, 2022**

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Independent Auditor's Report

To the Board of Directors
Dominican Health Care Corporation
d/b/a Lourdes Senior Community

Opinion

We have audited the combined financial statements of Dominican Health Care Corporation d/b/a Lourdes Senior Community (the "Organization"), which comprise the combined balance sheet as of December 31, 2022 and 2021 and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021 and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Combined Financial Statements* section of our report. We are required to be independent of the Organization 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.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the 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 combined financial statements.

To the Board of Directors
Dominican Health Care Corporation
d/b/a Lourdes Senior Community

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 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 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 Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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

April 21, 2023

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combined Balance Sheet

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 606,454	\$ 1,925,552
Residents accounts receivable - Net (Note 3)	913,487	761,391
Pledges receivable	53,169	-
Due from third-party payors	79,775	57,563
Employee Retention Credit receivable (Note 15)	3,427,473	-
Prepaid expenses and other assets	362,265	391,796
Total current assets	5,442,623	3,136,302
Investments and Assets Limited as to Use (Note 4)	27,019,792	30,448,786
Property and Equipment (Note 5)	32,287,232	31,129,028
Other Assets		
Interest rate swap (Note 7)	1,037,281	-
Other noncurrent assets	21,771	41,245
Total other assets	1,059,052	41,245
Total assets	\$ 65,808,699	\$ 64,755,361
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 352,515	\$ 370,129
Current portion of long-term debt (Note 6)	597,030	580,284
Due to third-party payors	208,268	710,864
Accrued liabilities and other:		
Accrued compensation and related liabilities	178,428	140,175
Accrued compensated absences	100,367	118,423
Construction in progress retention payable	-	720,406
Other	791,315	718,270
Total current liabilities	2,227,923	3,358,551
Long-term Debt - Net of current portion (Note 6)	16,044,073	13,350,704
Other Long-term Liabilities		
Interest rate swap (Note 7)	-	265,985
Other	2,297	21,771
Total other long-term liabilities	2,297	287,756
Total liabilities	18,274,293	16,997,011
Net Assets		
Without donor restrictions (Note 8)	46,982,436	47,239,724
With donor restrictions (Note 8)	551,970	518,626
Total net assets	47,534,406	47,758,350
Total liabilities and net assets	\$ 65,808,699	\$ 64,755,361

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combined Statement of Operations

Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenue		
Net resident service revenue (Note 14)	\$ 16,380,789	\$ 16,031,178
Other	37,050	43,787
Net assets released from restrictions used in operations	3,934,922	960,666
Total operating revenue	20,352,761	17,035,631
Operating Expenses		
Salaries, payroll taxes, and benefits	7,824,929	7,542,397
Supplies	1,380,211	952,089
Contracted health care services	1,658,570	1,564,212
Repairs and maintenance	305,852	353,944
Food and other	666,526	581,223
Medicaid provider bed tax	555,426	618,842
Utilities	643,710	613,445
Depreciation	1,544,527	1,514,763
Interest	363,075	327,469
Bad debt expense	100,660	112,681
Loss on asset disposal	3,751	236,847
Demolition of building	695,819	-
Management and general	2,901,899	2,876,389
Total operating expenses	18,644,955	17,294,301
Operating Income (Loss)	1,707,806	(258,670)
Other Income (Expense)		
Investment income - Net	1,450,827	2,563,830
Contributions	1,514	1,213
Development expenses	(549,478)	(423,788)
Unrealized gain on interest rate swap (Note 7)	1,303,266	598,523
Other income	3,808	8,622
Unrealized (loss) gain on investments	(4,243,010)	696,503
Forgiveness of debt (Note 15)	-	2,051,000
Loss on debt extinguishment (Note 6)	-	(40,553)
Total other (expense) income	(2,033,073)	5,455,350
Excess of Revenue (Under) Over Expenses	(325,267)	5,196,680
Net Assets Released from Restrictions for Capital Purchases	67,979	28,132
(Decrease) Increase in Net Assets without Donor Restrictions	\$ (257,288)	\$ 5,224,812

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combined Statement of Changes in Net Assets

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
(Decrease) Increase in Net Assets without Donor Restrictions	\$ (257,288)	\$ 5,224,812
Net Assets with Donor Restrictions		
Restricted contributions	4,036,245	1,218,776
Net assets released from restrictions	<u>(4,002,901)</u>	<u>(988,798)</u>
Increase in net assets with donor restrictions	<u>33,344</u>	<u>229,978</u>
(Decrease) Increase in Net Assets	(223,944)	5,454,790
Net Assets - Beginning of year	<u>47,758,350</u>	<u>42,303,560</u>
Net Assets - End of year	<u>\$ 47,534,406</u>	<u>\$ 47,758,350</u>

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combined Statement of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (223,944)	\$ 5,454,790
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation expense	1,544,527	1,514,763
Forgiveness of debt	-	(2,051,000)
Loss on debt extinguishment	-	40,553
Loss on disposal of fixed assets	3,751	236,847
Unrealized loss (gain) on investments	4,243,010	(696,503)
Amortization of deferred financing costs	7,458	14,699
Unrealized gain on interest rate swap	(1,303,266)	(598,523)
Bad debt expense	100,660	112,681
Contributions restricted for long-term purposes	(128,485)	(49,456)
Changes in assets and liabilities that (used) provided cash:		
Resident accounts receivable	(252,756)	(79,625)
Pledges receivable	(53,169)	3,250
Other current assets	29,531	(10,369)
Due from third-party payors	(22,212)	(28,609)
Other assets	19,474	(41,245)
Accounts payable	(26,027)	(188,770)
Due to third-party payors	(502,596)	489,111
Accrued and other liabilities	196,726	(29,261)
Other liabilities	(19,474)	21,771
Employee Retention Credit receivable	(3,427,473)	-
Net cash provided by operating activities	185,735	4,115,104
Cash Flows from Investing Activities		
Purchase of property and equipment and construction in progress	(3,521,959)	(3,734,752)
Purchases of investments	(27,046,071)	(21,188,989)
Proceeds from sale and maturities of investments	26,232,055	21,124,353
Net cash used in investing activities	(4,335,975)	(3,799,388)
Cash Flows from Financing Activities		
Repayments of long-term debt	(580,285)	(2,223,338)
Proceeds from draw-down of long-term debt	3,282,942	2,667,057
Contributions restricted for long-term purposes	128,485	49,456
Net cash provided by financing activities	2,831,142	493,175
Net (Decrease) Increase in Cash	(1,319,098)	808,891
Cash - Beginning of year	1,925,552	1,116,661
Cash - End of year	\$ 606,454	\$ 1,925,552
Supplemental Cash Flow Information - Cash paid for interest	\$ 355,617	\$ 314,537
Significant Noncash Transactions - Fixed assets acquired by assuming direct liabilities	\$ -	\$ 581,412

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1 - Nature of Business

The accompanying combined financial statements represent the financial position and results of operations of Dominican Health Care Corporation d/b/a Lourdes Senior Community (hereinafter referred to as Lourdes Senior Community or the "Organization").

The Organization consists of the following not-for-profit entities administered by the Dominican Sisters of Peace (the "Order"). Lourdes, Inc. provides rehabilitation services, skilled and routine long-term nursing, and residential services to the elderly and infirm. Lourdes Alzheimer's Special Care Center provides special services to elderly residents with Alzheimer's. Lourdes Assisted Living Corporation provides 24-hour supervised care to the elderly who have needs preventing them from living independently. Fox Manor, Inc. provides congregate housing and services for the elderly. Lourdes Campus Fund was established to hold donations, bequests, and other endowment funds for the support of related not-for-profit corporations and their residents. Dominican Health Care Corporation provides managerial oversight and support to related corporations.

Lourdes Senior Community, inspired by the gospel of Jesus and sponsored by the Dominican Sisters of Peace, provides a broad continuum of care for seniors and their families. All who minister at Lourdes Senior Community honor the uniqueness of each person with compassion, love, respect, and dignity.

The combined entities of the Organization are located in Waterford, Michigan.

The accompanying combined financial statements have been prepared on the accrual basis of accounting. All significant intercompany balances and transactions have been eliminated in combination.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Obligated Group

The organizations that comprise Lourdes Senior Community are an obligated group in a financing transaction, as further described in Note 6.

Use of Estimates

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

Concentration of Credit Risk Arising from Deposit Accounts

The Organization maintains cash balances at certain banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization evaluates the financial institutions with which it deposits funds; however, it may not be practical to insure all cash deposits.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Resident Accounts Receivable

Accounts receivable for residents, insurance companies, and governmental agencies are based on the consideration to which the Organization expects to be entitled in exchange for services provided. An allowance for uncollectible accounts is established on an aggregate basis by using historical write-off rate factors applied to unpaid accounts based on aging. Loss rate factors are based on historical loss experience and adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

Resident accounts receivable, net of an allowance for uncollectible accounts, totaled \$794,447 at January 1, 2021.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities and alternative investments are measured at fair value in the combined balance sheet. Fair value is based on quoted market prices. Investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends, is included in other changes in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Assets Limited as to Use

Assets limited as to use included donor-restricted funds and board-designated funds. The board-designated funds may be redesignated or undesignated by the board.

Risks and Uncertainties

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

Property and Equipment

Property and equipment purchased are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of the donation. The straight-line basis depreciation method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Interest Rate Swap

Interest rate swaps are recognized as assets or liabilities at fair value. Realized gains and losses on interest rate swaps are classified as a component of income from operations and are presented as part of interest expense in the combined statement of operations. Unrealized changes in the fair value of the interest rate swap are included in other changes in net assets without donor restrictions in the combined statement of operations.

Classification of Net Assets

Net assets of the Organization are classified based on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Net assets with donor restrictions consist of amounts received from donors who have specified the purpose for which or the timing of when the funds are to be spent. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions.

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

Net Resident Service Revenue

The Organization's principal activity is providing a continuum of housing and health care services for the elderly. Resident service revenue is derived from participation in the Medicaid and Medicare programs and from residents paying for services privately. Resident service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for services provided. These amounts are due from residents or third-party payors. The Organization considers any amounts not collected to represent an impairment loss or bad debt and, therefore, does not include variable consideration for retroactive revenue adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided by the Organization. The majority of the Organization's health care services represent a bundle of services that are not capable of being distinct and, as such, are treated as a single performance obligation satisfied over time as services are rendered. The Organization has concluded that each day that a resident receives services represents a separate contract and performance obligation based on the fact that residents have unilateral rights to terminate the contract after each day with no penalty or compensation due.

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

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

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

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

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

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

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

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

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

The Organization recognizes revenue under these resident agreements based upon the predominant component, either the lease or nonlease component, of the contracts rather than allocating the consideration and separately accounting for it. The nonlease components of resident agreements include the resident's access to health care services, meals, and personal services. The Organization has concluded that the nonlease components of the agreements with respect to its independent living and assisted living units are the predominant component of the contracts; therefore, the Organization recognizes revenue for these resident agreements under FASB ASC 606.

Contributions and Contributions Receivable

Contributions of cash and other assets are reported as revenue when received and measured at fair value. Donor promises to give in the future are recorded as a contribution receivable at the present value of estimated future cash flows and net of allowances. Management believes all contributions are collectible and has not recorded an allowance as of December 31, 2022 and 2021.

Contributions with donor-imposed time or purpose restrictions are reported as restricted revenue. All other contributions are reported as unrestricted revenue. 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 to net assets without donor restrictions and reported in the combined statement of operations as net assets released from restrictions.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the long-lived assets are placed into service.

Excess of Revenue (Under) Over Expenses

The combined statement of operations includes excess of revenue (under) over expenses, which is considered the performance indicator. Changes in net assets without donor restrictions, which are excluded from excess of revenue (under) over expenses, consistent with industry practice, include contributions that, by donor restrictions, were limited to capital purposes.

Pension Plan

The Organization sponsors a defined contribution plan covering substantially all employees. Employees can elect to contribute a portion of their salaries up to the maximum allowed by federal guidelines. The Organization will make a matching contribution up to a maximum 2 percent (subject to a defined minimum) of the employee's annual compensation but contributed only 1 percent in both 2022 and 2021. Included in expenses are matching contributions of \$26,191 and \$33,635 in 2022 and 2021, respectively.

Tax Status

The entities comprising the Organization are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Collective Bargaining Agreement

Approximately 19 percent of the Organization's employees are covered by a collective bargaining agreement that expires on April 30, 2024.

Leases

The Organization has operating leases for copiers and printers. The Organization recognizes expense for operating leases on a straight-line basis over the lease term. The Organization has made a policy election not to separate lease and nonlease components. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability. The right-of-use asset and lease liability totaled \$21,771 and \$41,245 at December 31, 2022 and 2021, respectively.

Upcoming Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides temporary optional expedients and exceptions to the accounting guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. ASU No. 2020-04 is effective beginning on March 12, 2020, and the Organization may elect to apply the amendments prospectively through December 31, 2024. The Organization does not expect ASU No. 2020-04 to have a material effect on the current financial position, results of operations, or financial statement disclosures.

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Organization's accounts receivable, by requiring the Organization to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Organization's year ending December 31, 2023. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

Subsequent Events

The combined financial statements and related disclosures include evaluation of events up through and including April 21, 2023, which is the date the combined financial statements were available to be issued.

Note 3 - Accounts Receivable

The details of resident accounts receivable are set forth below:

	2022	2021
Resident accounts receivable	\$ 1,337,265	\$ 1,137,847
Less allowance for uncollectible accounts	(423,778)	(376,456)
Net resident accounts receivable	<u>\$ 913,487</u>	<u>\$ 761,391</u>

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

	2022	2021
Medicare	17.17 %	17.42 %
Medicare Advantage	36.34	34.32
Medicaid	23.98	25.58
Private pay	10.00	10.89
Other	12.51	11.79
Total	<u>100.00 %</u>	<u>100.00 %</u>

Note 4 - Investments and Assets Limited as to Use

The Organization's investments and assets limited as to use are recorded at fair value and consist of the following at December 31:

	2022	2021
Short-term investments	\$ 269,610	\$ 806,287
Equity securities	14,277,712	17,460,395
Fixed-income securities	12,352,931	12,182,104
Private equity fund	119,539	-
Total	<u>\$ 27,019,792</u>	<u>\$ 30,448,786</u>

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 4 - Investments and Assets Limited as to Use (Continued)

	2022					Total
	Lourdes, Inc.	Lourdes Alzheimer's Special Care Center	Lourdes Assisted Living Corporation	Fox Manor, Inc.	Lourdes Campus Fund	
Donor restricted	\$ -	\$ -	\$ -	\$ -	\$ 498,802	\$ 498,802
Without donor restrictions - Board designated	30,084	-	2,139,607	88,749	4,648,754	6,907,194
Undesignated investments	1,772,210	5,349,245	5,762,788	1,627,879	5,101,674	19,613,796
Total	\$ 1,802,294	\$ 5,349,245	\$ 7,902,395	\$ 1,716,628	\$ 10,249,230	\$ 27,019,792

	2021					Total
	Lourdes, Inc.	Lourdes Alzheimer's Special Care Center	Lourdes Assisted Living Corporation	Fox Manor, Inc.	Lourdes Campus Fund	
Donor restricted	\$ -	\$ -	\$ -	\$ -	\$ 518,626	\$ 518,626
Without donor restrictions - Board designated	33,360	-	2,017,607	58,749	8,364,986	10,474,702
Undesignated investments	1,966,491	5,935,629	6,528,031	1,838,967	3,186,340	19,455,458
Total	\$ 1,999,851	\$ 5,935,629	\$ 8,545,638	\$ 1,897,716	\$ 12,069,952	\$ 30,448,786

Board-designated funds represent net assets set aside by the board of directors for a specific purpose at December 31, 2022 and 2021. The board of directors may redesignate these funds at any time.

Donor-restricted funds represent funds received by the Organization with donor restrictions as to the use of funds or time of receipts and are further disclosed in Note 8.

Based on the debt agreements for the Series 2019 Bonds (see Note 6), the Organization is required to meet a covenant that requires a minimum balance of \$5,000,000 in cash and unrestricted investments at PNC Financial Services Group, Inc. on January 1 and July 1 of each year.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2022	2021	Depreciable Life - Years
Land	\$ 6,000,000	\$ 6,000,000	-
Land improvements	754,432	738,890	4-40
Buildings	36,832,603	31,671,309	27.5-40
Building improvements	2,877,286	2,536,366	5-40
Machinery and equipment	873,057	876,522	5-15
Fixed equipment	1,604,124	1,612,401	5-15
Major and minor movable equipment	1,528,152	1,375,287	3-20
Transportation equipment	313,647	266,870	5-10
Furniture and fixtures	262,838	267,260	5-10
Construction in progress	-	4,073,728	-
Total cost	51,046,139	49,418,633	
Accumulated depreciation	18,758,907	18,289,605	
Net property and equipment	\$ 32,287,232	\$ 31,129,028	

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 6 - Long-term Debt

Long-term debt at December 31, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
In September 2019, the Organization issued \$18,441,712 of variable-rate limited obligation revenue bonds, Series 2019 Variable Rate Limited Obligation Revenue Bonds (the "Series 2019 Bonds"), through the Michigan Strategic Fund. Of this amount, \$12,441,712 was used to refinance existing debt and \$6,000,000 was issued as a drawdown note to fund planned project costs, of which \$5,812,718 and \$2,690,806 was outstanding at December 31, 2022 and 2021, respectively.		
The Series 2019 Bonds were subsequently purchased by a financial institution pursuant to a bond purchase and guarantee agreement with the Organization. Under the terms of the bond purchase and guarantee agreement, interest accrues at 79 percent of the sum of LIBOR plus 118 basis points (effectively 4.64 and 1.26 percent at December 31, 2022 and 2021, respectively), with monthly principal payments due consistent with the maturity schedule provided in the bond purchase agreement, which are due in amounts ranging from approximately \$34,000 to \$93,000. During the year ended December 31, 2022, the related debt agreements were amended to switch from LIBOR to the Secured Overnight Financing Rate (SOFR) effective June 30, 2023, as LIBOR will cease to be available as an interest rate index. The bond purchase and guarantee agreement calls for a mandatory tender on September 1, 2026, with a final maturity date of September 1, 2046.		
The Series 2019 Bonds, through the bond purchase and guarantee agreement with the financial institution, are collateralized by substantially all assets of the Organization and a guarantee by the obligated group members	\$ 16,803,316	\$ 14,100,659
Unamortized debt issuance costs	<u>(162,213)</u>	<u>(169,671)</u>
Long-term debt less unamortized debt issuance costs	16,641,103	13,930,988
Less current portion	<u>597,030</u>	<u>580,284</u>
Long-term portion	<u>\$ 16,044,073</u>	<u>\$ 13,350,704</u>

Under the terms of the bond agreements, the Organization is required to satisfy certain measures of financial performance.

Accumulated amortization related to debt issuance costs totaled \$24,239 and \$16,781 at December 31, 2022 and 2021, respectively.

Scheduled principal repayments at December 31, 2022 on long-term debt obligations are as follows:

<u>Years Ending</u>	<u>Amount</u>
2023	\$ 597,030
2024	617,910
2025	641,098
2026	664,072
2027	687,424
Thereafter	<u>13,595,782</u>
Total	<u>\$ 16,803,316</u>

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 7 - Derivatives

The Organization is exposed to certain risks in the normal course of its business operations. The main risks are those relating to the variability of future earnings and cash flows, which are managed through the use of derivatives.

The only derivative instrument used by the Organization is an interest rate swap. The interest rate swap is used by the Organization to manage the risk associated with interest rates on variable-rate borrowing. The interest rate swap used by the Organization does not qualify for hedge accounting. The interest rate swap is reported in the combined balance sheet at fair market value, and all gains and losses recognized on the interest rate swap are included in other changes in net assets without donor restrictions on the combined statement of operations.

On September 27, 2019, the Organization entered into an interest rate swap agreement related to the Series 2019 Bonds, which became effective on June 1, 2021. The interest rate swap is based on a total notional amount of \$10,990,598 as of December 31, 2022. Under the terms of the interest rate swap agreement, the interest rate is essentially fixed at 1.259 percent. The interest rate swap is scheduled to terminate on September 1, 2026.

On September 27, 2019, the Organization entered into a second interest rate swap agreement related to the Series 2019 Bonds, which became effective on September 1, 2021. The interest rate swap is based on a total notional amount of \$5,812,718 as of December 31, 2022. Under the terms of the interest rate swap agreement, the interest rate is essentially fixed at 1.264 percent. The interest rate swap is scheduled to terminate on September 1, 2026.

The fair market value of the interest rate swap agreements resulted in an asset totaling \$1,037,281 and a liability totaling \$265,985 at December 31, 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, the amount of gain (loss) recognized in earnings for the interest rate swap is as follows:

	Amount of Gain (Loss) Recognized in Earnings		Reported in Combined Statement of Operations As
	2022	2021	
Interest rate swaps - Realized	\$ 200,842	\$ (38,235)	Interest expense Unrealized gain on interest rate swap
Change in fair value	1,303,266	598,523	
Total	<u>\$ 1,504,108</u>	<u>\$ 560,288</u>	

Note 8 - Net Assets

Net assets without donor restrictions consist of the following as of December 31:

	2022	2021
Board-designated net assets	\$ 6,907,194	\$ 10,474,702
Undesignated net assets	40,075,242	36,765,022
Total net assets without donor restrictions	<u>\$ 46,982,436</u>	<u>\$ 47,239,724</u>

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 8 - Net Assets (Continued)

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

Lourdes Campus Fund - Donor-restricted funds for purpose of campus renovations and other:			
Purpose restricted	\$	498,801	\$ 518,626
Time and purpose restricted		53,169	-
Total	\$	<u>551,970</u>	<u>\$ 518,626</u>

Note 9 - Related Party Transactions

Dominican Sisters of Peace

As provided for in agreements signed at the incorporation of the Organization, the Order has the responsibility of administration of the Organization, which is accomplished by appointment of the Lourdes Senior Community chief executive officer (CEO). The current appointed CEO is not a member of the Order. The Order received compensation for the services of members of the Order of approximately \$37,000 and \$36,000 during 2022 and 2021, respectively. In addition, the Order made contributions for various purposes to the Organization totaling approximately \$13,000 and \$14,000 during 2022 and 2021, respectively.

Note 10 - Functional Expenses

For the year ended December 31, 2022, expenses are functionally allocated as follows:

	Program Services	Management and General	Fundraising (Development)	Total
Salaries, payroll taxes, and benefits	\$ 7,824,929	\$ 2,311,560	\$ 404,265	\$ 10,540,754
Supplies	1,380,211	54,334	32,341	1,466,886
Contracted health care services	1,658,570	243,855	-	1,902,425
Repairs and maintenance	305,852	19,224	24,818	349,894
Food and other	666,526	272,926	88,054	1,027,506
Medicaid provider bed tax	555,426	-	-	555,426
Utilities	643,710	-	-	643,710
Depreciation	1,544,527	-	-	1,544,527
Interest	363,075	-	-	363,075
Bad debt expense	100,660	-	-	100,660
Demolition of building	695,819	-	-	695,819
Total	<u>\$ 15,739,305</u>	<u>\$ 2,901,899</u>	<u>\$ 549,478</u>	<u>\$ 19,190,682</u>

For the year ended December 31, 2021, expenses are functionally allocated as follows:

	Program Services	Management and General	Fundraising (Development)	Total
Salaries, payroll taxes, and benefits	\$ 7,542,397	\$ 2,355,050	\$ 318,834	\$ 10,216,281
Supplies	952,089	65,380	27,374	1,044,843
Contracted health care services	1,564,212	168,292	-	1,732,504
Repairs and maintenance	353,944	36,367	13,698	404,009
Food and other	581,223	251,300	63,882	896,405
Medicaid provider bed tax	618,842	-	-	618,842
Utilities	613,445	-	-	613,445
Depreciation	1,514,763	-	-	1,514,763
Interest	327,469	-	-	327,469
Bad debt expense	112,681	-	-	112,681
Total	<u>\$ 14,181,065</u>	<u>\$ 2,876,389</u>	<u>\$ 423,788</u>	<u>\$ 17,481,242</u>

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 10 - Functional Expenses (Continued)

Costs have been allocated between program services, management and general, and fundraising based on estimates determined by management. Salaries, payroll taxes, and benefits are allocated on the basis of actual employee time and effort. Other expenses are allocated on the basis of the program or support service that used the related asset or service. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 11 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the 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 Organization'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 Organization 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 Organization has the ability to access.

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

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

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

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 11 - Fair Value Measurements (Continued)

	Assets 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				
Short-term investments - Money market funds	\$ 269,610	\$ -	\$ -	\$ 269,610
Equity securities:				
Common stock	10,429,562	-	-	10,429,562
Foreign stock	1,751,901	-	-	1,751,901
Mutual funds	2,096,249	-	-	2,096,249
Total equity securities	14,277,712	-	-	14,277,712
Fixed-income securities:				
Corporate bonds	-	4,760,614	-	4,760,614
Municipal bonds	-	3,302,229	-	3,302,229
U.S. Treasury bills	-	4,139,708	-	4,139,708
Mutual funds	150,380	-	-	150,380
Total fixed-income securities	150,380	12,202,551	-	12,352,931
Derivatives - Interest rate swap	-	1,037,281	-	1,037,281
Total	\$ 14,697,702	\$ 13,239,832	\$ -	27,937,534
Investments measured at NAV - Growth-oriented innovation private equity fund				119,539
Total assets				\$ 28,057,073

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 11 - 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				
Short-term investments - Money market funds	\$ 806,287	\$ -	\$ -	\$ 806,287
Equity securities:				
Common stock	12,819,483	-	-	12,819,483
Foreign stock	2,074,609	-	-	2,074,609
Mutual funds	2,566,303	-	-	2,566,303
Total equity securities	17,460,395	-	-	17,460,395
Fixed-income securities:				
Corporate bonds	-	3,706,190	-	3,706,190
Municipal bonds	-	3,907,134	-	3,907,134
U.S. Treasury bills	-	3,999,960	-	3,999,960
Mutual funds	568,820	-	-	568,820
Total fixed-income securities	568,820	11,613,284	-	12,182,104
Total assets	\$ 18,835,502	\$ 11,613,284	\$ -	30,448,786
Investments measured at NAV				-
Total assets				\$ 30,448,786
Liabilities - Interest rate swap	\$ -	\$ (265,985)	\$ -	\$ (265,985)

The fair value of municipal bonds, U.S. Treasury bills, and corporate bonds at December 31, 2022 and 2021 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments by using quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals. The fair value of the interest rate swap asset and liability at December 31, 2022 and 2021 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of this investment based on discounted cash flows.

Investments in Entities that Calculate Net Asset Value per Share

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

At year end, the fair value and unfunded commitments of those investments are as follows:

	Investments Held at December 31, 2022	
	Fair Value	Unfunded Commitments
Growth-oriented innovation private equity fund	\$ 119,539	\$ 253,125

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 11 - Fair Value Measurements (Continued)

The growth-oriented innovation private equity fund invests in equity and equity-like securities of emerging-growth companies that are operating in or developing businesses focused on aging and related care. The fair value of this investment has been estimated using the net asset value of the Organization's ownership interest in partners' capital. There are no redemption rights on this investment fund.

Note 12 - Charity Care

The Organization provides charity care to those residents who do not have the resources to pay established rates for services and supplies. The Organization maintains records to identify and monitor the level of charity care provided. These records include the amount of charges forgone for services and supplies rendered under its charity care policy. The cost of charity is determined based on the ratio of operating expenses to operating revenue, applied to forgone revenue. The following information measures the level of charity care provided:

	2022	2021
Cost of charity care provided	\$ 138,594	\$ 167,966

In addition, under arrangements with various governmental insurance programs, the Organization provides significant care to the local indigent population for which reimbursement for services rendered is generally less than the cost of providing such services. As part of their obligation to the local communities, the Organization and subsidiaries also provide numerous other services that benefit the communities and are generally performed at no charge.

Note 13 - Liquidity

The Organization's financial assets available for expenditures within one year of December 31 are as follows:

	2022	2021
Cash	\$ 606,454	\$ 1,925,552
Resident accounts receivable	913,487	761,391
Due from third-party payors	79,775	57,563
Employee Retention Credit receivable	3,427,473	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,027,189</u>	<u>\$ 2,744,506</u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the combined balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet at least 35 days of normal operating expenses, which are, on average, approximately \$48,100 per day and \$43,400 per day at December 31, 2022 and 2021, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As more fully described in Note 4, the Organization also invests cash in excess of daily requirements, which is included as investments on the combined balance sheet. Undesignated investments are available, as necessary, to meet cash needs for general expenditures. The Organization also realizes there could be unanticipated liquidity needs. Board-designated funds represent net assets set aside by the board of directors for a specific purpose; however, the board of directors may redesignate these funds at any time. The Organization also realizes there could be unanticipated liquidity needs.

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 13 - Liquidity (Continued)

Based on the debt agreement for the Series 2019 Bonds, the Organization is required to meet a covenant that requires a minimum balance of \$5,000,000 in cash and unrestricted investments at PNC Financial Services Group, Inc. on January 1 and July 1 of each year. As disclosed in Note 6, the Organization is required to satisfy certain measures of financial performance related to the Series 2019 Bonds.

Note 14 - Net Resident Service Revenue

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

The composition of net resident service revenue by primary payor the years ended December 31 is as follows:

	2022	2021
Medicare	\$ 1,913,914	\$ 2,263,061
Medicare Advantage	2,564,799	2,574,047
Medicaid	4,718,943	4,518,689
Private pay	7,139,398	6,544,927
Commercial and other payors	43,735	130,454
Total	<u>\$ 16,380,789</u>	<u>\$ 16,031,178</u>

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

The composition of net resident service revenue based on the Organization's lines of business for the years ended December 31 is as follows:

	2022	2021
Skilled nursing care	\$ 10,086,548	\$ 10,253,704
Memory care	1,351,509	1,410,239
Assisted living	3,550,324	3,047,249
Independent living	1,392,408	1,319,986
Total	<u>\$ 16,380,789</u>	<u>\$ 16,031,178</u>

Note 15 - COVID-19 and Related Funding

COVID-19 Pandemic

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 2021 and 2022, the Organization's operations continued to be significantly impacted as a result of the pandemic. The Organization experienced decreased resident census, staffing shortages, and rising costs to attract and retain employees.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 15 - COVID-19 and Related Funding (Continued)

CARES Act

Enacted on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was established, which authorizes \$100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the 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.

Provider Relief Fund and ARP Rural Payments

During the years ended December 31, 2022 and 2021, the Organization received payments of \$0 and \$372,066 as part of general and targeted distributions of the CARES Act Provider Relief Fund and ARP Rural payments under the American Rescue Plan (ARP) Act of 2021. These payments are not subject to repayment, provided the Organization 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 unreimbursed by other funding sources or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and ARP Rural payments programs and the impact of the pandemic on the Organization's operating results through December 31, 2022, the Organization believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of December 31, 2022 and 2021. Therefore, the Organization has recognized \$0 and \$372,066 as restricted contributions on the combined statement of changes in net assets, with a corresponding release from restrictions during the years ended December 31, 2022 and 2021, respectively.

HHS' requirements for the uses of the CARES Act funds and ARP Rural payments are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as restricted contributions during the years ended December 31, 2022 and 2021. If the Organization 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.

Coronavirus Relief Fund

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

During the years ended December 31, 2022 and 2021, the Organization received payments of \$322,893 and \$438,461, respectively, as part of distributions of the CARES Act Coronavirus Relief Fund passed through the State of Michigan. Based on an analysis of compliance requirements of the Coronavirus Relief Fund distributions through December 31, 2022 and 2021, the Organization believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of December 31, 2022 and 2021. Therefore, the Organization has recognized \$322,893 and \$438,461 as restricted contributions on the combined statement of changes in net assets, with a corresponding release from restrictions during the years ended December 31, 2022 and 2021, respectively.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 15 - COVID-19 and Related Funding (Continued)

Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization received a Paycheck Protection Program loan in the amount of \$2,051,000. The PPP loan program was created under the CARES Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Organization may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning 10 months after the conclusion of the covered period. During the year ended December 31, 2021, the Organization received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$2,051,000 has been recorded as forgiveness of debt on the combined statement of operations.

Although management considers it probable that the Organization was initially eligible for the loan and subsequent forgiveness, the SBA has the ability to review the Organization's loan file for a period subsequent to the date the loan was forgiven and could request additional documentation to support the Organization's initial eligibility for the loan and request for loan forgiveness. In the event the SBA subsequently determines the Organization did not meet the initial eligibility requirements for the PPP loan or did not qualify for loan forgiveness, the SBA may pursue legal remedies at its discretion.

Employee Retention Credit

The CARES Act 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 credits 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, 2022, the Organization determined these conditions have been met and recognized \$3,427,473 of ERC revenue as restricted contributions on the combined statement of changes in net assets, with a corresponding release from restrictions during the year ended December 31, 2022. The Organization recognized a corresponding receivable on the combined balance sheet.

The Organization'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 Organization would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Dominican Health Care Corporation
d/b/a Lourdes Senior Community

We have audited the combined financial statements of Dominican Health Care Corporation d/b/a Lourdes Senior Community as of and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated April 21, 2023, which contained an unmodified opinion on those combined financial statements.

Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheet, combining statement of operations, and combining statement of changes in net assets are presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual entities and are not a required part of the 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combined financial statements or to the 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 combined financial statements as a whole.

Plante & Moran, PLLC

April 21, 2023

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combining Balance Sheet

December 31, 2022

	Lourdes, Inc.	Lourdes Alzheimer's Special Care Center	Lourdes Assisted Living Corporation	Fox Manor, Inc.	Lourdes Campus Fund	Total
Assets						
Current Assets						
Cash	\$ 1,161,070	\$ 1,238,425	\$ 2,058,628	\$ 512,391	\$ (4,364,060)	\$ 606,454
Residents accounts receivable - Net	910,550	311	2,527	99	-	913,487
Pledges receivable	-	-	-	-	53,169	53,169
Due from third-party payors	73,331	772	5,672	-	-	79,775
Employee Retention Credit receivable	2,241,860	253,055	785,992	146,566	-	3,427,473
Prepaid expenses and other assets	210,926	33,621	57,983	25,493	34,242	362,265
Total current assets	4,597,737	1,526,184	2,910,802	684,549	(4,276,649)	5,442,623
Investments and Assets Limited as to Use	1,802,294	5,349,245	7,902,395	1,716,628	10,249,230	27,019,792
Property and Equipment - Net	26,134,522	395,159	2,075,179	3,682,372	-	32,287,232
Other Assets						
Interest rate swap	1,037,281	-	-	-	-	1,037,281
Other noncurrent assets	10,053	2,261	7,226	2,231	-	21,771
Total other assets	1,047,334	2,261	7,226	2,231	-	1,059,052
Total assets	\$ 33,581,887	\$ 7,272,849	\$ 12,895,602	\$ 6,085,780	\$ 5,972,581	\$ 65,808,699

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combining Balance Sheet (Continued)

December 31, 2022

	Lourdes, Inc.	Lourdes Alzheimer's Special Care Center	Lourdes Assisted Living Corporation	Fox Manor, Inc.	Lourdes Campus Fund	Total
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 6,235,278	\$ 57,454	\$ 96,561	\$ 34,386	\$ (6,071,164)	\$ 352,515
Current portion of long-term debt	597,030	-	-	-	-	597,030
Due to third-party payors	208,268	-	-	-	-	208,268
Accrued liabilities and other:						
Accrued compensation and related liabilities	120,185	10,460	41,286	6,497	-	178,428
Accrued compensated absences	71,886	3,283	21,257	3,941	-	100,367
Other	753,568	4,334	11,696	21,717	-	791,315
Total current liabilities	7,986,215	75,531	170,800	66,541	(6,071,164)	2,227,923
Long-term Debt - Net of current portion	16,044,073	-	-	-	-	16,044,073
Other Long-term Liabilities	1,084	174	867	172	-	2,297
Total liabilities	24,031,372	75,705	171,667	66,713	(6,071,164)	18,274,293
Net Assets						
Without donor restrictions	9,550,515	7,197,144	12,723,935	6,019,067	11,491,775	46,982,436
With donor restrictions	-	-	-	-	551,970	551,970
Total net assets	9,550,515	7,197,144	12,723,935	6,019,067	12,043,745	47,534,406
Total liabilities and net assets	\$ 33,581,887	\$ 7,272,849	\$ 12,895,602	\$ 6,085,780	\$ 5,972,581	\$ 65,808,699

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combining Statement of Operations

Year Ended December 31, 2022

	Hourdes, Inc.	Lourdes Alzheimer's Special Care Center	Lourdes Assisted Living Corporation	Fox Manor, Inc.	Lourdes Campus Fund	Total
Operating Revenue						
Net resident services	\$ 10,086,548	\$ 1,351,509	\$ 3,550,324	\$ 1,392,408	\$ -	\$ 16,380,789
Other	32,997	-	805	3,248	-	37,050
Net assets released from restrictions used in operations	2,422,463	286,764	894,573	146,566	184,556	3,934,922
Total operating revenue	12,542,008	1,638,273	4,445,702	1,542,222	184,556	20,352,761
Operating Expenses						
Salaries, payroll taxes, and benefits	4,593,784	814,823	2,028,387	387,935	-	7,824,929
Supplies	1,189,519	31,367	115,797	43,528	-	1,380,211
Contracted health care services	1,466,959	7,511	22,257	21,994	139,849	1,658,570
Repairs and maintenance	135,047	34,837	74,070	61,898	-	305,852
Food and other	225,590	68,893	200,551	171,492	-	666,526
Medicaid provider bed tax	555,426	-	-	-	-	555,426
Utilities	353,057	47,604	140,906	102,143	-	643,710
Depreciation	991,889	75,965	332,781	143,892	-	1,544,527
Interest	363,075	-	-	-	-	363,075
Bad debt expense	100,660	-	-	-	-	100,660
(Gain) loss on asset disposal	(285)	-	-	4,036	-	3,751
Demolition of building	695,819	-	-	-	-	695,819
Management and general	1,614,197	248,582	692,535	286,819	59,766	2,901,899
Total operating expenses	12,284,737	1,329,582	3,607,284	1,223,737	199,615	18,644,955
Operating Income (Loss)	257,271	308,691	838,418	318,485	(15,059)	1,707,806
Other Income (Expense)						
Investment income - Net	108,774	304,646	335,122	94,413	607,872	1,450,827
Contributions	1,514	-	-	-	-	1,514
Development expenses	(77,276)	(23,178)	(13,954)	(11,883)	(423,187)	(549,478)
Unrealized loss on interest rate swap	1,303,266	-	-	-	-	1,303,266
Other income	2,557	-	808	443	-	3,808
Unrealized loss on investments	(299,668)	(889,481)	(978,462)	(275,660)	(1,799,739)	(4,243,010)
Total other income (expense)	1,039,167	(608,013)	(656,486)	(192,687)	(1,615,054)	(2,033,073)
Excess of Revenue Over (Under) Expenses	1,296,438	(299,322)	181,932	125,798	(1,630,113)	(325,267)
Net Assets Released from Restrictions for Capital Purchases	-	-	-	-	67,979	67,979
Increase (Decrease) in Net Assets without Donor Restrictions	\$ 1,296,438	\$ (299,322)	\$ 181,932	\$ 125,798	\$ (1,562,134)	\$ (257,288)

Dominican Health Care Corporation d/b/a Lourdes Senior Community

Combining Statement of Changes in Net Assets

Year Ended December 31, 2022

	Lourdes, Inc.	Lourdes Alzheimer's Special Care Center	Lourdes Assisted Living Corporation	Fox Manor, Inc.	Lourdes Campus Fund	Total
Net Assets without Donor Restrictions						
Excess of revenue over (under) expenses	\$ 1,296,438	\$ (299,322)	\$ 181,932	\$ 125,798	\$ (1,630,113)	\$ (325,267)
Net assets released from restrictions for capital purchases	-	-	-	-	67,979	67,979
Increase (decrease) in net assets without donor restrictions	1,296,438	(299,322)	181,932	125,798	(1,562,134)	(257,288)
Net Assets with Donor Restrictions						
Restricted contributions	2,422,463	286,764	894,573	146,566	285,879	4,036,245
Net assets released from restrictions	(2,422,463)	(286,764)	(894,573)	(146,566)	(252,535)	(4,002,901)
Increase in net assets with donor restrictions	-	-	-	-	33,344	33,344
Increase (Decrease) in Net Assets	1,296,438	(299,322)	181,932	125,798	(1,528,790)	(223,944)
Net Assets - Beginning of year	8,254,077	7,496,466	12,542,003	5,893,269	13,572,535	47,758,350
Net Assets - End of year	\$ 9,550,515	\$ 7,197,144	\$ 12,723,935	\$ 6,019,067	\$ 12,043,745	\$ 47,534,406