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Parker Health Group, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2023 and 2022

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Independent Auditors' Report

To the Board of Trustees of
Parker Health Group, Inc.

Opinion

We have audited the consolidated financial statements of Parker Health Group, Inc. and subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 22 to 23 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Pittston, Pennsylvania
June 12, 2024

Parker Health Group, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 10,608,941	$ 12,675,118
Prepaid expenses and other receivables	98,372	129,895
Accounts receivable, net	2,034,708	1,569,399
Total current assets	12,742,021	14,374,412
Investments	1,768,633,015	1,688,777,946
Investment in Joint Venture	5,188,645	2,910,398
Property and Equipment, Net	136,347,729	135,587,063
Intangible Assets	372,000	372,000
Total assets	$ 1,923,283,410	$ 1,842,021,819
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,012,320	$ 754,821
Construction payable	1,423,056	2,515,780
Accrued expenses	9,839,227	9,168,447
Total current liabilities	12,274,603	12,439,048
Accrued Pension Cost	7,704,240	9,233,318
Total liabilities	19,978,843	21,672,366
Net Assets Without Donor Restrictions	1,903,304,567	1,820,349,453
Total liabilities and net assets	$ 1,923,283,410	$ 1,842,021,819

See notes to consolidated financial statements

Parker Health Group, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
Revenues		
Revenue from residential facilities	$ 39,871,674	$ 34,846,139
Other income	-	15,526
COVID-19 grant income	-	920,165
Total revenues	39,871,674	35,781,830
Expenses		
Salaries and wages	52,309,359	46,397,511
Employee benefits	18,930,883	20,579,433
Supplies and other	28,559,821	23,134,470
Depreciation	8,046,540	6,775,645
Credit loss	482,045	282,001
NJ provider tax assessment	1,561,143	1,539,391
Total expenses	109,889,791	98,708,451
Operating loss	(70,018,117)	(62,926,621)
Net Periodic Pension Costs, Nonoperating	512,287	1,898,388
Loss on Disposal of Property and Equipment	(65,165)	(269,538)
Loss on Investment in Joint Venture	(621,753)	(689,602)
Investment Income	75,693,068	48,152,932
Net Change in Unrealized Gains and Losses on Investments	75,048,466	(210,944,809)
Revenues in excess of (less than) expenses	80,548,786	(224,779,250)
Pension Liability Adjustment	2,406,328	14,331,101
Change in net assets without donor restrictions	82,955,114	(210,448,149)
Net Assets, Beginning	1,820,349,453	2,030,797,602
Net Assets, Ending	$ 1,903,304,567	$ 1,820,349,453

See notes to consolidated financial statements

Parker Health Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets without donor restrictions	$ 82,955,114	$ (210,448,149)
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Credit loss	482,045	282,001
Depreciation	8,046,540	6,775,645
Loss on disposal of property and equipment	65,165	269,538
Net realized and unrealized gains and losses on investments	(111,428,489)	194,015,406
Loss in investment in joint venture	621,753	689,602
Pension liability adjustment	(2,406,328)	(14,331,101)
Changes in assets and liabilities:		
Prepaid expenses and other receivables	31,523	291,590
Accounts receivable	(947,354)	(685,624)
Accounts payable and accrued expenses	928,279	188,773
Accrued pension costs	877,250	2,872,887
Net cash used in operating activities	(20,774,502)	(20,079,432)
Cash Flows From Investing Activities		
Contribution to investment in joint venture	(2,900,000)	(3,600,000)
Net sales of investments	31,573,420	29,317,743
Purchases of property and equipment	(9,965,095)	(13,493,827)
Net cash provided by investing activities	18,708,325	12,223,916
Net change in cash and cash equivalents	(2,066,177)	(7,855,516)
Cash and Cash Equivalents, Beginning	12,675,118	20,530,634
Cash and Cash Equivalents, Ending	$ 10,608,941	$ 12,675,118
Supplemental Disclosure of Noncash Investing Activities		
Construction payable for property and equipment	$ 1,423,056	$ 2,515,780

See notes to consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Parker Health Group, Inc. (PHG) provides high quality long-term care services, offering a continuum of aging services, including residential and home and community based programs. Specializing in skilled nursing facilities, post-acute, assisted living, adult day services, rehabilitation services and memory care.

PHG is the sole corporate member of The Francis E. Parker Memorial Home, Inc. (the Home), Parker Foundation, Inc. (Parker Foundation), FE Parker Assisted Living (Stonegate), Parker at Monroe (Monroe), Parker at Somerset (Somerset), Parker Home and Community Based Services (PHCBS), and Parker Rehabilitation Services (Rehab).

The consolidated financial statements include the accounts of PHG and its wholly owned affiliates of the Home, Parker Foundation, Stonegate, Monroe, Somerset, Rehab and PHCBS (collectively, the Company). All significant intercompany transactions and balances have been eliminated in consolidation.

The Company includes four skilled nursing facilities. The Home is comprised of two skilled nursing facilities, Parker at Landing Lane (Landing Lane) and Parker at River Road (River Road). Landing Lane located in New Brunswick, New Jersey serves 52 residents and River Road located in Piscataway, New Jersey serves 79 residents. Monroe in Monroe Township, New Jersey is a skilled nursing facility, which serves 96 residents. Somerset located in Somerset, New Jersey is a skilled nursing facility, which serves 120 residents and patients. The Company also includes Stonegate, an assisted living facility that serves 60 residents. The Company also includes PHCBS with locations in Highland Park and Monroe Township, serves approximately 75 participants daily as well as Rehab, a rehabilitation program, provides physical, occupational and speech therapy to residents and community members.

The Company evaluated subsequent events for recognition or disclosure through June 12, 2024, the date the consolidated financial statements were available to be issued.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents, excluding investments.

Accounts Receivable, Net

The Company assesses collectability on all resident accounts prior to providing services. Accounts receivable is reported net of an allowance for credit losses to present the Company's estimate of expected losses as of the balance sheet date. The adequacy of the Company's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis of receivables portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends and adjustments are made to the allowance as necessary. Accounts are written off through credit loss expense when the Company has exhausted all collection efforts and accounts are deemed impaired.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income (including realized and unrealized gains and losses on investments, investment expense, interest and dividends) is included in the determination of revenues in excess of (less than) 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.

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

The Company has alternative investment funds (the Funds) that are stated at fair value which is based on the Company's percentage of the net asset value of the fund as this represents a practical expedient of fair value. The Funds represent ownership interests in managed funds that primarily invests in securities which are traded on domestic and international exchanges. The Company's ownership interest in the Funds does not provide for control over the related investees. The Company's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. The Company has unfunded commitments as of December 31, 2023 and 2022 of $215,625 and $253,125, respectively. The Company has no plans to sell the Funds or a portion of the amounts currently owned. Financial information used by the Company to evaluate the Funds are provided by the investment manager or general partner, and includes fair value valuations of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the Funds are audited annually by independent auditors, although the timing of reporting the results of the audit does not coincide with the Company's annual consolidated financial statement reporting. There is uncertainty in the accounting for the Funds arising from factors such as a lack of active markets, lack of transparency in underlying holdings, and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates of fair value will change in the near term.

Investment in Joint Venture

In October 2021, PHCBS and Association Health Group, Inc. (VNAHG) entered into a contribution agreement to form Parker Advanced Care Institute at VNAHG, Inc. (PACI), a New Jersey nonprofit corporation, to provide home-based primary medical care which began operations in 2022. PHCBS holds a 50% membership interest in PACI. Total estimated capital contributions for the Company are $11,500,000, of which $2,900,000 and $3,600,000 was paid during 2023 and 2022, with the remainder payable annually over a two year period. The Company remaining contributions are expected to be financed with the investments.

The Company recognized a loss on their investment in PACI of $621,753and $689,602 in 2023 and 2022, respectively. Summarized financial information related to PACI as of and for the years ending December 31, 2023 and 2022 is presented below:

	2023	2022
Net revenue	$ 10,044,659	$ 8,251,859
Revenues less than expenses	(1,243,504)	(1,774,761)
Total assets	5,548,222	3,350,805
Total liabilities	1,670,930	1,130,009

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was $8,046,540 in 2023 and $6,775,645 in 2022.

Intangible Assets

Intangible assets are comprised of purchased licenses to operate 31 nursing home beds and are determined to have an indefinite useful life. The assets are not amortized, but instead tested for impairment at least annually in accordance with the authoritative guidance which also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment annually. No impairment losses were recognized in 2023 and 2022. Under the State of New Jersey's add a bed program, the Company also has the ability to add twelve more beds to its existing license.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, if the Company determines the estimated future net cash flows are less than the carrying value of the asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying value of the asset. No impairment losses were recognized in 2023 and 2022.

Net Assets Without Donor Restrictions

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

Revenue From Residential Facilities

Revenue from residential facilities is reported at the amount that reflects the consideration the Company 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. Revenue from residential facilities is recognized as performance obligations are satisfied.

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

The Company receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Company 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.

COVID-19 Grant Income

COVID-19 grant income is primarily comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Company 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 measured and recognized when barriers are substantially met, which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions of PRF, the Company could apply the funding lost revenues and eligible expenses not reimbursed from other sources. The Company received PRF payments of $920,165 in 2022. No payments were received in 2023.

The Company incurred lost revenues and eligible expenses of $920,165 in 2022 in accordance with the terms of the PRF and recognized revenues which are included in COVID-19 grant income in the accompanying consolidated statements of operations and changes in net assets.

The Company's methodology for calculating lost revenues was the difference between 2019 revenue from residential facilities as compared to actual revenue from residential facilities in 2020 through 2022.

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

Measure of Operations

The Company's loss from operations includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to net periodic pension costs, nonoperating, loss on disposal of property and equipment, loss on investment in joint venture, investment income, the net change in unrealized gains and losses on investments and other activities considered to be more unusual and nonrecurring in nature.

Revenues in Excess of (Less Than) Expenses

The consolidated statements of operations and changes in net assets include the determination of revenues in excess of expenses. Changes in net assets without donor restrictions, which are excluded from the determination of revenues in excess of (less than) expenses consistent with industry practice, include the pension liability adjustment.

Estimated Malpractice Costs

The Company maintains professional liability coverage on a claims-made basis. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the Company's insurance coverage or will have a material adverse effect on the consolidated financial statements.

Derivative Financial Instrument

The Company entered into call option agreements, which are considered derivative financial instruments, in order to manage market risk related to certain equities. The derivatives are reported at fair value in the consolidated balance sheets. During 2023 and 2022, 77,009 and 75,650 calls were written, respectively. At December 31, 2023 and 2022, the Company had 7,900 and 7,750 call options outstanding, respectively. They received $3,128,680 and $4,278,277 in premiums for these calls in 2023 and 2022, respectively. The fair value of the derivatives was $313,100 and $751,850 at December 31, 2023 and 2022, respectively, and is included in investments on the consolidated balance sheets.

Income Taxes

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

Reclassifications

Certain 2022 amounts have been reclassified to conform to the 2023 consolidated financial statement presentation.

Accounting Standard Adopted

In June 2016, the FASB issued Accounting Standard Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Company adopted the ASU using the modified retrospective transition approach in the period of adoption. There was no adjustment to net assets upon adoption.

2. Liquidity and Availability of Resources

As of December 31, 2023 and 2022, the Company's financial assets available for general expenditure within one year of the balance sheets date consist of the following:

	2023	2022
Cash and cash equivalents	$ 10,608,941	$ 12,675,118
Accounts receivable, net	2,034,708	1,569,399
Investments	1,768,633,015	1,688,777,946
Total	$ 1,781,276,664	$ 1,703,022,463

The Company's investments are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the information above.

As part of the Company's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. Investments

Investments consist of the following at December 31:

	2023	2022
Cash and cash equivalents	$ 13,218,976	$ 23,857,853
Marketable equity securities:		
Johnson & Johnson	513,014,632	598,731,857
Other	616,913,194	506,914,375
Mortgage backed-securities	39,643,444	19,950,753
Alternative investment fund	130,100,061	113,274,925
U.S. treasury and other government obligations	-	12,699,394
Mutual funds:		
Equity	258,910,689	233,906,107
Exchange traded funds:		
Vanguard Large Cap	43,955,480	35,099,906
Vanguard FTSE Developed Market	48,180,193	37,525,335
Other	67,051,915	66,739,191
Corporate bonds	37,644,431	40,078,250
Total	$ 1,768,633,015	$ 1,688,777,946

Investment performance, with the exception of the net change in unrealized gains and losses on investments, is included in investment income and other revenue on the consolidated statements of operations and changes in net assets and consists of the following:

	2023	2022
Interest and dividends	$ 40,681,645	$ 35,695,717
Net realized gain on sales of investments	39,360,921	16,929,403
Investment expense	(4,349,498)	(4,472,188)
Total	$ 75,693,068	$ 48,152,932
Net change in unrealized gains and losses on investments	$ 75,048,466	$ (210,944,809)

4. Fair Value Measurements

The Company measures its investments 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 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair value of the Company's investments was measured using the following inputs at December 31, 2023:

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Corporate bonds	$ -	$ 37,644,431	$ -	$ 37,644,431
Mutual funds:				
Equity	258,910,689	-	-	258,910,689
Exchange traded funds:				
Vanguard FTSE Developed Market	48,180,193	-	-	48,180,193
Vanguard Large Cap	43,955,480	-	-	43,955,480
Other	67,051,915	-	-	67,051,915
Marketable equity securities:				
Johnson & Johnson	513,327,732	-	-	513,327,732
Other	616,600,094	-	-	616,600,094
U.S. treasury and other government obligations	-	-	-	-
Mortgage backed-securities	-	39,643,444	-	39,643,444
Total investments in the fair value hierarchy	$ 1,548,026,103	$ 77,287,875	$ -	1,625,313,978
Cash and cash equivalents				13,218,976
Investment measured at net asset value (a)				130,100,061
Total investments				$ 1,768,633,015

The fair value of the Company's investments was measured using the following inputs at December 31, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate bonds	$ -	$ 40,078,250	$ -	$ 40,078,250
Mutual funds:				
Equity	233,906,107	-	-	233,906,107
Exchange traded funds:				
Vanguard FTSE Developed Market	37,525,335	-	-	37,525,335
Vanguard Large Cap	35,099,906	-	-	35,099,906
Other	66,739,191	-	-	66,739,191
Marketable equity securities:				
Johnson & Johnson	598,731,857	-	-	598,731,857
Other	506,914,375	-	-	506,914,375
U.S. treasury and other government obligations	-	12,699,394	-	12,699,394
Mortgage backed-securities	-	19,950,753	-	19,950,753
Total investments in the fair value hierarchy	$ 1,478,916,771	$ 72,728,397	$ -	1,551,645,168
Cash and cash equivalents				23,857,853
Investment measured at net asset value (a)				113,274,925
Total investments				$ 1,688,777,946

(a) Certain investments that are measured at net asset value (NAV) per share (or its equivalent) have not been classified in the fair value hierarchy. The amounts presented above are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

The Company did not have any financial assets measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022.

Mutual funds, exchange traded funds and marketable equity securities are valued at fair value, which are the amounts reported in the consolidated balance sheets, based on quoted market prices.

U.S. treasury and other government obligations, corporate bonds and mortgage backed-securities are estimated using quoted market prices, if available, or estimated using quoted market prices of similar securities.

The Company's alternative investment fund measured at net asset value as a practical expedient consist of the following at December 31:

	2023 Fair Value (in 000's)	2022 Fair Value (in 000's)	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Axiom International Small Cap (a)	$ 38,411	$ 35,106	Monthly	15 days
Orbis Institutional Global Equity LP (b)	58,079	47,841	Daily	Daily
Sands Capital Emerging Markets Growth Feeder Fund (c)	33,463	30,209	Monthly	10 days
Ziegler Link-Age Fund III, L.P. (d)	147	119	Quarterly, after funded commitment satisfied	Quarterly

(a) The principal purpose of this fund is to invest in international small cap funds traded on the national market. Investments include common and preferred stock as well as short-term investments. The fund has a monthly redemption with a fifteen-day notice period.

(b) The principal purpose of this fund is to invest in domestic and international common stock traded on the national market. The fund has a daily redemption with a daily notice period.

(c) The principal purpose of this fund is to achieve long-term capital appreciation through the master fund of international common stock. The fund has a monthly redemption with a ten-day notice period.

(d) The principal purpose of this fund is to generate returns for investors while fostering collaboration and innovation between strategic investors and portfolio companies in the aging and post-acute sector. The fund has a quarterly redemption after the funded commitment is fully satisfied with a quarterly notice period.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Land and land improvements	$ 14,384,532	$ 14,358,153
Buildings and improvements	148,304,982	143,361,820
Furniture, fixtures and equipment	35,861,055	32,484,200
Vehicles	1,237,537	875,338
Construction in progress	11,967,663	12,161,131
Total	211,755,769	203,240,642
Less accumulated depreciation	75,408,040	67,653,579
Property and equipment, net	$ 136,347,729	$ 135,587,063

Construction in progress is primarily comprised of an expansion and renovation project for Somerset. Total future commitments of the Company under this contract are approximately $786,000 as of December 31, 2023, which is anticipated to be financed with the Company’s investments.

6. Revenue From Residential Facilities

The Company 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.

Revenue from residential facilities consist of the following for the year ended December 31, 2023:

	Skilled Nursing	Assisted Living	Adult Day	Rehabilitation	Total
Private pay	$ 22,036,528	$ 4,359,055	$ 1,326,203	$ 50,242	$ 27,772,028
Medicaid	4,687,787	238,150	151,062	-	5,076,999
Medicare	3,367,301	-	-	1,491,303	4,858,604
Managed care	1,060,547	-	-	1,103,496	2,164,043
Total	$ 31,152,163	$ 4,597,205	$ 1,477,265	$ 2,645,041	$ 39,871,674

Revenue from residential facilities consist of the following for the year ended December 31, 2022:

	Skilled Nursing	Assisted Living	Adult Day	Rehabilitation	Total
Private pay	$ 19,641,643	$ 4,016,587	$ 812,091	$ 59,645	$ 24,529,966
Medicaid	4,402,280	205,929	65,600	-	4,673,809
Medicare	2,444,216	-	-	1,363,814	3,808,030
Managed care	1,033,571	-	-	800,763	1,834,334
Total	$ 27,521,710	$ 4,222,516	$ 877,691	$ 2,224,222	$ 34,846,139

7. Pension Plans

Defined Benefit Pension Plan

The Company sponsors a defined benefit pension plan (the Plan) covering substantially all of its employees. Benefits under the Plan are based on average compensation and years of service. The Company's funding policy is to contribute annually at least the minimum amounts required under the Employee Retirement Income Security Act of 1974.

The following is a summary of the Plan's funded status at December 31:

	2023	2022
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 64,158,193	$ 89,634,846
Service cost	4,389,518	6,471,274
Interest cost	3,428,313	2,549,981
Actuarial loss (gain)	4,292,839	(32,665,527)
Benefits paid	(1,963,186)	(1,832,381)
Benefit obligation, end of year	74,305,677	64,158,193
Change in plan assets:		
Fair value of plan assets, beginning of year	54,924,875	68,943,314
Actual return on plan assets	10,639,748	(13,886,058)
Employer contributions	3,000,000	1,700,000
Benefits paid	(1,963,186)	(1,832,381)
Fair value of plan assets, end of year	66,601,437	54,924,875
Funded status	$ (7,704,240)	$ (9,233,318)

Actuarial loss (gain) related to changes in the benefit obligation of the defined benefit plan was $4,292,839 and $(32,665,527) in 2023 and 2022, respectively. Significant components of the actuarial loss (gain) impacting the project benefit obligation include changes in the discount rate, demographic experience changes and updates to mortality assumptions.

Components of net periodic benefit cost at December 31:

	2023	2022
Operating:		
Service cost, included in employee benefits	$ 4,389,518	$ 6,471,274
Nonoperating:		
Interest cost	3,428,313	2,549,981
Expected return on plan assets	(4,721,116)	(5,873,164)
Amortization of unrecognized net loss	780,516	1,424,795
Total net periodic benefit cost	$ 3,877,231	$ 4,572,886

The following table sets forth the actual asset allocation and target asset allocation for Plan assets at December 31:

	2023	2022	2023 Target Asset Allocation	2022 Target Asset Allocation
Asset categories:				
Equity securities	75 %	75 %	75 %	75 %
Fixed income and other securities	25	25	25	25
Total	100 %	100 %	100 %	100 %

Investment objectives for the plan assets are to:

- Preserve capital;
- Ensure that sufficient assets are available to provide a fully funded retirement plan for employees;
- Achieve the optimal return within specified risk tolerances;
- Invest assets prudently in a high-quality, diversified manner; and
- Adhere to established guidelines.

The plan assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with the Company's risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management styles, providing a broad exposure to different segments of the fixed income and equity markets.

The overall expected long-term rate-of-return-on-assets assumption was chosen to anticipate the long range experience of the Plan, including the consideration of the allocation of the plan assets between equity and debt securities. The recognition of inflationary trends in the economy was also considered to determine the overall expected long-term rate-of-return-on-assets.

The following tables summarize instruments measured at fair value on a recurring basis for the Plan as of December 31, 2023 and 2022:

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 826,447	$ -	$ -	$ 826,447
Collective investment funds, fixed income	-	16,118,442	-	16,118,442
Collective investment fund, equity	49,584,364	-	-	49,584,364
Total investments in the fair value hierarchy	$ 50,410,811	$ 16,118,442	$ -	66,529,253
Cash and cash equivalents				72,184
Total				$ 66,601,437

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 602,600	$ -	$ -	$ 602,600
Collective investment funds, fixed income	-	13,545,171	-	13,545,171
Mutual funds, equity	40,774,634	-	-	40,774,634
Total investments in the fair value hierarchy	$ 41,377,234	$ 13,545,171	$ -	54,922,405
Cash and cash equivalents				2,470
Total				$ 54,924,875

The following is a description of the valuation methodologies used for the plan's assets measured at fair value:

- Money market funds are valued at the quoted NAV of shares held by the Plan at year-end.
- Collective investment funds - fixed income are valued based on the NAV per unit of participation in the fund. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities and is considered to be a readily determinable fair value. The funds invest primarily in corporate debt securities and obligations issued or guaranteed by the U.S. government, its agencies and instrumentalities, with the objective of approximating as closely as possible the total rate of return for a specified benchmark.
- Collective investment fund - equity is valued based on the NAV per unit of participation in the fund. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities and is considered to be a readily determinable fair value. The fund invests primarily in U.S. and non U.S. equity securities with the objective of approximating as closely as practicable the capitalization weighed total return of the markets in certain countries for publicly traded equity securities.
- Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

Years ending December 31:	
2024	$ 2,334,355
2025	2,563,814
2026	2,864,490
2027	3,180,576
2028	3,518,438
2029-2033	22,665,227

The Company expects to contribute approximately $4,000,000 to the Plan in the upcoming year.

A net loss of $10,818,750 in 2023 and $13,225,078 in 2022 represents the unrecognized component of net periodic benefit cost included in net assets without donor restrictions at year-end. There was no prior service cost unrecognized in net assets without donor restriction at December 31, 2023 and 2022.

The weighted-average assumptions used in computing the benefit obligation of the Plan at December 31 are as follows:

	2023	2022
Discount rate	5.05 %	5.29 %
Rate of compensation increase	4.00	4.00

The assumptions used to determine net periodic benefit cost are as follows:

	2023	2022
Rate of compensation increase	4.00 %	15.00/4.00 %*
Discount rate	5.29	2.99
Expected return on plan assets	8.50	8.50

* A rate of compensation increase of 15% was utilized for 2022 and 4% was utilized thereafter

The measurement date used to determine the pension plan asset and benefit obligation information was December 31.

Defined Contribution Plan

The Company also maintains a 403(b) defined contribution plan covering substantially all full-time and part-time employees of PHG. The Plan does not allow for contributions by PHG. Certain administrative expenses of maintaining the Plan are paid for by PHG. These expenses were approximately $58,000 and $56,000 for December 31, 2023 and 2022, respectively, and are included in employee benefits on the consolidated statements of operations and changes in net assets.

8. Commitments and Contingencies

As a not-for-profit corporation in the State of New Jersey, the Company is an organization which presently qualifies for an exemption from real property taxes; however, a number of cities, municipalities and school districts in the State of New Jersey have challenged and continue to challenge such exemption. The possible future financial effects of this matter on the Company, if any, are not presently determinable.

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. Recently, government activity has increased 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.

The Home entered into an agreement with Rutgers University Foundation and Rutgers, The State University of New Jersey to establish the Parker Division of Geriatric Fund to provide financial assistance to the Rutgers University Robert Wood Johnson Medical School (RWJMS) Department of Family Medicine and Community Health for the creation of the Division of Geriatrics at RWJMS, The Home has committed to providing $18,800,000 over a 5 year period ending December 30, 2027 of which $4,400,000 was paid in 2023. The Company anticipates that the contributions would be financed with the Company’s investments.

9. Concentrations of Credit Risk

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

At December 31, 2023 and 2022, approximately 29% and 35%, respectively, of investments are holdings of Johnson & Johnson stock.

The Company grants credit without collateral to its residents, primarily related to providing residential and healthcare related services.

10. Functional Expenses

The Company provides housing, healthcare, and other related services to residents within its geographic location.

Expenses relating to providing these services are as follows in 2023:

	Resident Services	Management and General	Total
Salaries and wages	$ 42,516,278	$ 9,793,081	$ 52,309,359
Employee benefits	15,381,369	3,549,514	18,930,883
Supplies and other	17,552,640	11,007,181	28,559,821
Depreciation and amortization	8,046,540	-	8,046,540
Credit loss	-	482,045	482,045
NJ provider tax assessment	1,561,143	-	1,561,143
Total	$ 85,057,970	$ 24,831,821	$ 109,889,791

Expenses relating to providing these services are as follows in 2022:

	Resident Services	Management and General	Total
Salaries and wages	$ 37,090,056	$ 9,307,455	$ 46,397,511
Employee benefits	16,452,290	4,127,143	20,579,433
Supplies and other	11,076,528	12,057,942	23,134,470
Depreciation	6,775,645	-	6,775,645
Credit loss	-	282,001	282,001
NJ provider tax assessment	1,539,391	-	1,539,391
Total	$ 72,933,910	$ 25,774,541	$ 98,708,451

11. Self-Funded Plans

Effective January 1, 2018, the Company began a self-insurance program for its employee health insurance costs. Estimated self-insurance costs are accrued based upon data provided by the third-party administrator of the program and historical claim experience. Self-insurance costs incurred under this program were $5,301,065 and $5,349,515 in 2023 and 2022, respectively, and are included in employee benefits in the accompanying consolidated statements of operations and changes in net assets. The Company estimated self-insured health insurance liability was $850,000 and $796,000 at December 31, 2023 and 2022, respectively, and is included in accrued expenses in the accompanying consolidated balance sheets.

Parker Health Group, Inc. and Subsidiaries

Consolidating Balance Sheet
December 31, 2023

	The Francis E. Parker Memorial Home	Parker Foundation	FE Parker Assisted Living	Parker at Monroe	Parker at Somerset	Parker Rehabilitation Services	Parker Health Group	PHCBS	Consolidated Balance
Assets									
Current Assets									
Cash and cash equivalents	$ 729,725	$ 71,233	$ 591,227	$ 876,814	$ 631,105	$ 642,056	$ 6,945,071	$ 121,710	$ 10,608,941
Prepaid expenses and other receivables	32,612	-	32,458	17,887	59,637	10,635	(91,870)	37,013	98,372
Accounts receivable, net	209,831	-	34,724	163,792	1,033,329	380,263	-	212,769	2,034,708
Total current assets	972,168	71,233	658,409	1,058,493	1,724,071	1,032,954	6,853,201	371,492	12,742,021
Investments	-	1,768,633,015	-	-	-	-	-	-	1,768,633,015
Investment in Joint Venture	-	-	-	-	-	-	-	5,188,645	5,188,645
Property and Equipment, Net	11,878,177	-	17,906,008	32,102,326	50,795,803	478,551	22,395,659	791,205	136,347,729
Intangible Assets	-	-	-	-	-	-	372,000	-	372,000
Total assets	$ 12,850,345	$ 1,768,704,248	$ 18,564,417	$ 33,160,819	$ 52,519,874	$ 1,511,505	$ 29,620,860	$ 6,351,342	$ 1,923,283,410
Liabilities and Net Assets									
Current Liabilities									
Accounts payable	$ 187,815	$ -	$ 44,191	$ 115,173	$ 312,624	$ 1,442	$ 344,308	$ 6,767	$ 1,012,320
Construction payable	-	-	-	-	-	-	1,423,056	-	1,423,056
Accrued expenses	394,140	1,558,222	182,513	171,556	385,769	1,726	7,138,175	7,126	9,839,227
Total current liabilities	581,955	1,558,222	226,704	286,729	698,393	3,168	8,905,539	13,893	12,274,603
Accrued Pension Cost	-	-	-	-	-	-	7,704,240	-	7,704,240
Total liabilities	581,955	1,558,222	226,704	286,729	698,393	3,168	16,609,779	13,893	19,978,843
Net Assets Without Donor Restrictions	12,268,390	1,767,146,026	18,337,713	32,874,090	51,821,481	1,508,337	13,011,081	6,337,449	1,903,304,567
Total liabilities and net assets	$ 12,850,345	$ 1,768,704,248	$ 18,564,417	$ 33,160,819	$ 52,519,874	$ 1,511,505	$ 29,620,860	$ 6,351,342	$ 1,923,283,410

Parker Health Group, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2023

	The Francis E. Parker Memorial Home	Parker Foundation	FE Parker Assisted Living	Parker at Monroe	Parker at Somerset	Parker Rehabilitation Services	Parker Health Group	PHCBS	Consolidated Balance
Revenues									
Revenue from residential facilities	$ 9,825,188	$ -	$ 4,597,206	$ 10,125,195	$ 11,187,177	$ 2,645,040	$ 14,602	$ 1,477,266	$ 39,871,674
Total revenues	9,825,188	-	4,597,206	10,125,195	11,187,177	2,645,040	14,602	1,477,266	39,871,674
Expenses									
Salaries and wages	13,994,579	-	3,683,739	10,502,233	12,111,224	2,347,141	7,646,867	2,023,576	52,309,359
Employee benefits	4,922,598	-	1,297,427	3,655,735	4,269,718	793,092	3,292,067	700,246	18,930,883
Supplies and other	10,464,320	-	2,112,379	4,071,820	5,457,817	412,702	4,850,417	1,190,366	28,559,821
Depreciation	1,303,036	-	1,598,675	1,509,077	2,420,518	40,126	1,070,675	104,433	8,046,540
Bad debt	11,371	-	11,395	(41,616)	260,000	222,139	-	18,756	482,045
NJ provider tax assessment	654,238	-	-	498,839	408,066	-	-	-	1,561,143
Total expenses	31,350,142	-	8,703,615	20,196,088	24,927,343	3,815,200	16,860,026	4,037,377	109,889,791
Operating loss	(21,524,954)	-	(4,106,409)	(10,070,893)	(13,740,166)	(1,170,160)	(16,845,424)	(2,560,111)	(70,018,117)
Net Periodic Pension Costs, Nonoperating	-	-	-	-	-	-	512,287	-	512,287
Loss on Disposal of Property and Equipment	-	-	(30,624)	(1,000)	(33,509)	-	-	(32)	(65,165)
Loss on Investment in Joint Venture	-	-	-	-	-	-	-	(621,753)	(621,753)
Investment income	-	75,671,233	-	-	1,294	211	20,330	-	75,693,068
Net Change in Unrealized Gains and Losses on Investments	-	75,048,466	-	-	-	-	-	-	75,048,466
Revenues in excess of (less than) expenses	(21,524,954)	150,719,699	(4,137,033)	(10,071,893)	(13,772,381)	(1,169,949)	(16,312,807)	(3,181,896)	80,548,786
Pension Liability Adjustment	-	-	-	-	-	-	2,406,328	-	2,406,328
Net Asset Transfers	18,452,688	(71,333,327)	2,965,637	9,115,558	16,976,945	1,740,674	13,379,548	8,702,277	-
Change in net assets without donor restrictions	(3,072,266)	79,386,372	(1,171,396)	(956,335)	3,204,564	570,725	(526,931)	5,520,381	82,955,114
Net Assets, Beginning	15,340,656	1,687,759,654	19,509,109	33,830,425	48,616,917	937,612	13,538,012	817,068	1,820,349,453
Net Assets, Ending	$ 12,268,390	$ 1,767,146,026	$ 18,337,713	$ 32,874,090	$ 51,821,481	$ 1,508,337	$ 13,011,081	$ 6,337,449	$ 1,903,304,567