

Saint John's Communities, Inc. and Subsidiary

Consolidated Financial Statements and
Supplemental Information

Years Ended December 31, 2021 and 2020



WIPFLI

Independent Auditor's Report

Board of Directors
Saint John's Communities, Inc. and Subsidiary
Milwaukee, Wisconsin

Opinion

We have audited the accompanying consolidated financial statements of Saint John's Communities, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Saint John's Communities, Inc. and Subsidiary as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Saint John's Communities, Inc. and Subsidiary 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 Saint John's Communities, Inc. and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's 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 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 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, including omissions, 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 Saint John's Communities, Inc. and Subsidiary'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 Saint John's Communities, Inc. and Subsidiary'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.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

April 8, 2022

Saint John's Communities, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash	\$ 4,167,684	\$ 2,117,175
Receivables:		
Residents - Net	403,200	271,282
Pledges	53,770	-
Prepaid expenses and other	966,961	308,058
Total current assets	5,591,615	2,696,515
Property and equipment - Net	182,534,388	176,166,811
Assets limited as to use	78,067,502	87,424,116
Development costs - Net	630,047	787,606
Investment in unconsolidated affiliate	74,998	74,998
TOTAL ASSETS	\$ 266,898,550	\$ 267,150,046

Saint John's Communities, Inc. and Subsidiary

Consolidated Balance Sheets (Continued)

December 31, 2021 and 2020

Liabilities and Net Assets	2021	2020
Current liabilities:		
Current maturities of long-term debt	\$ 2,743,970	\$ 2,202,523
Accounts payable:		
Trade	467,907	636,346
Construction related costs	231,790	2,645,421
Accrued expenses	2,249,829	2,867,167
Advance deposits and prepayments	2,473,985	997,912
Total current liabilities	8,167,481	9,349,369
Long-term liabilities:		
Long-term debt, less current maturities	130,544,558	132,435,121
Refundable entrance fees	74,886,152	69,833,048
Contract liability - deferred revenue	43,542,593	42,394,446
Total long-term liabilities	248,973,303	244,662,615
Total liabilities	257,140,784	254,011,984
Net assets:		
Without donor restrictions	4,545,949	8,672,688
With donor restrictions	5,211,817	4,465,374
Total net assets	9,757,766	13,138,062
TOTAL LIABILITIES AND NET ASSETS	\$ 266,898,550	\$ 267,150,046

See accompanying notes to consolidated financial statements.

Saint John's Communities, Inc. and Subsidiary

Consolidated Statements of Operations

Years Ended December 31, 2021 and 2020

	2021	2020
Revenue:		
Net resident service revenue	\$ 24,767,677	\$ 20,924,057
Investment income	3,379,401	1,864,217
Contributions	134,412	58,429
Net assets released from restrictions for operations	498,381	545,120
Other operating income	2,562,210	3,296,488
Total revenue	31,342,081	26,688,311
Expenses:		
Direct care	6,216,785	5,335,698
Dietary	2,506,525	2,404,979
Maintenance	3,100,887	2,454,464
Housekeeping	872,308	967,776
Administration	6,949,545	6,461,008
Grants	10,000	10,000
Depreciation and amortization	8,328,703	7,372,322
Interest	5,608,285	5,143,154
Total expenses	33,593,038	30,149,401
Loss from operations	(2,250,957)	(3,461,090)
Other income (loss):		
Loss on refunding of debt	(7,454,547)	-
Change in net unrealized gains and losses on investments	5,520,640	4,883,103
Total other income (loss)	(1,933,907)	4,883,103
Excess (deficiency) of revenue over expenses	(4,184,864)	1,422,013
Other changes in net assets without donor restrictions -		
Net assets released from restrictions for purchase of property and equipment	58,125	101,931
Increase (decrease) in net assets without donor restrictions	\$ (4,126,739)	\$ 1,523,944

See accompanying notes to consolidated financial statements.

Saint John's Communities, Inc. and Subsidiary

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2021 and 2020

	2021	2020
Net assets without donor restrictions:		
Excess (deficiency) of revenue over expenses	\$ (4,184,864)	\$ 1,422,013
Net assets released from restrictions for purchase of property and equipment	58,125	101,931
Increase (decrease) in net assets without donor restrictions	(4,126,739)	1,523,944
Net assets with donor restrictions:		
Contributions	728,144	546,918
Investment income (loss)	359,186	(420)
Change in net unrealized gains and losses on investments	215,619	464,900
Net assets released from restrictions	(556,506)	(647,051)
Increase in net assets with donor restrictions	746,443	364,347
Change in net assets	(3,380,296)	1,888,291
Net assets at beginning	13,138,062	11,249,771
Net assets at end	\$ 9,757,766	\$ 13,138,062

See accompanying notes to consolidated financial statements.

Saint John's Communities, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (3,380,296)	\$ 1,888,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,328,703	7,372,322
Amortization of original issue premiums and deferred financing costs	(79,783)	(92,609)
Change in net unrealized gains and losses on investments	(5,736,259)	(5,348,003)
Net realized gains on sales of securities	(2,735,127)	(754,139)
Net proceeds from turnover of resident entrance fees	11,567,493	4,953,166
Non-cash portion (gain) loss of refinancing of debt	(380,185)	-
Provision for bad debt	29,108	21,716
Amortization of deferred revenue on resident entrance fees	(5,366,242)	(4,425,132)
Restricted contributions	(728,144)	(546,918)
Changes in operating assets and liabilities:		
Resident receivables	(161,026)	587,369
Prepaid expenses and other	(658,903)	59,528
Accounts payable	(168,439)	173,284
Accrued expenses	(617,338)	151,117
Advanced deposits and prepayments	1,476,073	(305,630)
Net cash from operating activities	1,389,635	3,734,362
Cash flows from investing activities:		
Sales of assets limited as to use	39,419,779	22,753,811
Purchases of assets limited as to use	(21,914,823)	(35,299,784)
Capital expenditures	(16,952,352)	(34,235,838)
Net cash from investing activities	552,604	(46,781,811)

Saint John's Communities, Inc. and Subsidiary

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2021 and 2020

	2021	2020
Increase (decrease) in cash: (continued)		
Cash flows from financing activities:		
Payment of deferred finance costs	\$ (1,523,822)	\$ -
Payment of development costs	-	(274,145)
Restricted contributions	674,374	546,918
Net proceeds from expansion deposits	-	44,340,601
Payment of long-term debt	(103,771,908)	(5,923,915)
Proceeds from issuance of long-term debt	104,406,582	-
Net cash from financing activities	(214,774)	38,689,459
Net change in cash and cash equivalents	1,727,465	(4,357,990)
Cash and cash equivalents at beginning	2,532,967	6,890,957
Cash and cash equivalents at end	\$ 4,260,432	\$ 2,532,967
Reconciliation of cash and cash equivalents to balance sheet:		
Cash	\$ 4,167,684	\$ 2,117,175
Cash equivalents in assets limited as to use	92,748	415,792
Total cash and cash equivalents	\$ 4,260,432	\$ 2,532,967
Supplemental cash flow information:		
Cash paid during the year for interest, net of amount capitalized of \$286,515 and \$1,212,166 in 2021 and 2020, respectively	\$ 7,667,576	\$ 6,238,611
Cash paid for loss on refinancing of debt	7,834,732	-
Noncash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 231,790	\$ 2,645,421
Capitalized interest included in accrued expenses	-	248,716

See accompanying notes to consolidated financial statements.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

The Entity

Saint John's Communities, Inc.'s (the "Corporation") operations include a 110-unit independent living facility ("Central Tower Apartments"), a 90-unit independent living facility ("South Tower Apartments"), a 79-unit independent living facility ("North Tower Apartments"), a 16-unit independent and assisted living facility ("York"), a 50-unit assisted living facility ("Stratford & Canterbury"), and a 25-bed skilled nursing facility ("Windsor"). Collectively, the Central Tower, South Tower, North Tower and York Apartments are referred to as "Lake Tower Apartments."

Saint John's Communities Foundation, Inc. (the "Foundation") is a nonstock, nonprofit corporation organized exclusively to benefit, support, promote, and assist the Corporation. The Board of Directors of the Corporation elects the directors of the Foundation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation and the Foundation (collectively, the "Organization"). All material intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States (GAAP) to be applied to nongovernmental entities.

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding board designated amounts other than for expansion deposits.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Receivable and Credit Policy

Accounts receivable is reported at the amount that reflects the consideration to which the Organization expects to be entitled, in exchange for providing resident care services. Accounts receivable are recorded in the accompanying consolidated balance sheets net of contractual adjustments based on negotiated contractual agreements, historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments and discounts and is recorded through a reduction of gross revenue and a credit to accounts receivable. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Management estimates probable uncollectible amounts for residents through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The Organization does not have a policy to charge interest on past due accounts.

Assets Limited as to Use

Assets limited as to use include assets held by trustees under terms of a bond trust indenture agreement, designated assets set aside by the Board of Directors for capital improvements and other purposes, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets designated to fund net assets with donor restrictions.

Investments included in assets limited as to use are measured at fair value in the accompanying consolidated balance sheets.

Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included operating income and change in unrealized gains and losses on investments in other income (loss). Investment income that is restricted by donor or law is excluded from excess (deficiency) of revenue over expenses.

Property, Equipment, and Depreciation

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 30 to 31 years for buildings, 15 years for building and land improvements, and from 3 to 10 years for vehicles, equipment, furniture, and fixtures.

The Organization capitalizes interest during the construction period for major capital additions. Capitalized costs include interest costs incurred on borrowed funds offset by interest earnings on certain trusteed funds.

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, expirations of donor restrictions are reported when the acquired long-lived assets are placed in service.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Financing Costs and Original Issue Premiums

Deferred financing costs and original issue premiums related to the issuance of long-term debt are included in long-term debt in the accompanying consolidated balance sheets and are amortized over the life of the related debt. Amortization of bond issuance costs and original issue premiums are included with interest expense in the accompanying consolidated statements of operations.

Development Costs

Development costs relate to amounts paid for development, sales, marketing, and other related costs incurred in connection with initially renting units under Standard and LifeCare contracts (Note 8) for the independent living facilities. These costs are amortized using the straight-line method over 10 years, which is the estimated average life expectancy of the initial resident population. Amortization of approximately \$158,000 and \$242,000 in 2021 and 2020, respectively, is included in depreciation and amortization in the accompanying consolidated statements of operations.

Impairment

The Organization reviews its property, equipment, and intangible assets periodically to determine potential impairment by comparing the carrying value of the property, equipment, and identified intangible assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would recognize an impairment loss at that time. No impairment loss was recognized in 2021 or 2020.

Entrance Fees

Fees paid by residents upon entering Lake Tower Apartments, net of the portion thereof that is refundable to the residents, are recorded as contract liability - deferred revenue and amortized to income using the straight-line method over future periods based on the estimated life expectancy of the resident. The period of amortization is adjusted annually based on the actuarially determined remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit. The refundable portion of entrance fees is recorded as a liability.

Net Assets

Net assets without donor restrictions are those not subject to donor-imposed stipulations and includes those expendable resources which have been designated for special use by the Board of Directors. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Grant Revenue

The Organization receives certain governmental grants for a variety of purposes. Revenue from grants is considered earned when the Organization incurs the related expenditures or otherwise meets the terms and conditions of the grant. Grant income is included with other operating income in the consolidated statements of operations. Grants earned but not received are recorded as other receivables, and any amounts received but not yet earned are recorded as refundable advances in the accompanying consolidated balance sheets.

During 2020, the Organization agreed to the terms and conditions to participate in a portion of the CARES Act program issued through the U.S. Department of Health and Human Services ("HHS"). Based on the terms and conditions of the grant, the Organization earns the grant by incurring COVID-19 expenses or by incurring lost revenues related to this program. In 2021 and 2020, the Organization received approximately \$945,000 and \$323,000 of HHS grants, respectively. As of December 31, 2021 and 2020, the Organization has incurred COVID-19 expenses and lost revenue exceeding the grants; therefore the full amount has been recorded in other operating revenue in the year of receipt.

During 2020, the Organization applied for and received approximately \$1,478,000 under the Paycheck Protection Program issued by the U.S. Small Business Administration. The proceeds are being recognized under grant accounting standards. During 2020, the Organization recognized the full amount in other operating revenue related to this program. Subsequently, the full amount was forgiven.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Service Revenue

The Organization operates a continuing care program for its residents. The Organization accounts for revenue generated from residents with standard contracts in its independent living facilities as predominately rental income under lease accounting standards. All other revenue is recorded under ASC 606, as the predominate component relates to healthcare and other resident services. Residents may enter into a Lifecare agreement under which the Organization is obligated to provide future nursing, assisted living, or memory support services to residents under the agreement at a discount, as defined in the agreement, from established charges should residents need such services. Standard agreements provide certain priority rights should the resident require a transfer to the assisted living or skilled nursing facilities, and provide a limited amount of health care benefits. The terms of the agreement between the Organization and the residents contain two forms of payment – an entrance fee and monthly fees. The entrance fee, which may vary in amount depending upon the accommodations selected in the agreement, is paid on the date of contractual occupancy. Based on the agreement, the entrance fee or a portion of the entrance fee may be nonrefundable. The refundable portion of the resident agreements is not part of the transaction price and is recorded as a refundable entrance fee liability in the accompanying consolidated balance sheets. The nonrefundable entrance fee provides the resident with a material right to access health services at the facility over the remaining life span of the resident or until the contract is terminated. The monthly fees are specified in the resident's agreement and are generally fixed with periodic changes based on increases in inflation or in operating costs, or other factors as defined in the resident agreement. The monthly fees are billed at the beginning of the month and entitles the residents to the use of the independent, nursing, and assisted living facilities.

Under the resident agreement, the Organization's performance obligation is to stand ready each month to provide a service such that the resident can continue to live at the facility and access the appropriate level of care based on the resident's needs. The services a resident will receive under that resident agreement are dependent on the resident's health and life span along with their decision to continue to reside at the facility.

The Organization recognizes the monthly fee over the month the services are provided as the resident simultaneously receives and consumes the benefits of occupying the unit. In this case, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation. Each month the resident occupies the unit is a separate contract and performance obligation based on the fact the resident has a unilateral right to terminate the contract after each month. Since the contract can be terminated by either party at any time without compensating the other party for the termination (that is, other than paying amounts due as a result of services transferred up to the termination date), the duration of the contract does not extend beyond the services already transferred.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Service Revenue (Continued)

The nonrefundable entrance fee included in the resident agreement provides a material right performance obligation for the resident to receive additional health services at any time based on the resident's needs. The Organization recognizes the nonrefundable entrance fee for the material right associated with access to future services using a time-based measurement (i.e., resident's life-expectancy). This results in equal amounts allocated to each month because the nature of the Organization's performance is to have various residential, social, or health care services available to the resident on a when-and-if needed basis each month for as long as the resident remains in the facility. Recognizing the material right performance obligation over the resident's life expectancy, using the most currently available life tables, provides a faithful depiction of the transfer of services over the term of the performance obligation. There are certain provisions and circumstances, usually at the beginning of the contract, whereby the nonrefundable entrance fee could be refunded or partially refunded. See Note 8 for further details on these terms. At the end of the reporting periods, management's estimate of the unsatisfied performance obligation of the nonrefundable entrance fee is reported as a contract liability - deferred revenue in the accompanying consolidated balance sheets. Subsequent changes to management's estimate of the transaction price, including changes in the resident's life-expectancy, are recognized as adjustment to net resident revenue and were not significant in 2021 or 2020.

Resident service revenue also includes nursing services provided in the skilled nursing facility, assisted living, and independent living facility. These amounts are due from residents and third-party payors (including health insurers and government programs). For residents with third-party insurance, the Organization bills the third-party payors after the end of a month when the services were performed, or when the resident is discharged from the facility.

Performance obligations are determined based on the nature of the resident services provided. Revenue from performance obligations satisfied over time is recognized based a predetermined rate formula under a contractual arrangement with the third-party payor or the uninsured resident. Generally, performance obligations satisfied over time relate to residents receiving post-acute care services as the residents simultaneously receive and consume the benefits of the services provided. In this case, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Each day a resident receives services is a separate contract and performance obligation based on the fact the resident has a unilateral right to terminate the contract after each day with no penalty or compensation due. Since the contract can be terminated by either party at any time without compensating the other party for the termination (that is, other than paying amounts due as a result of services transferred up to the termination date), the duration of the contract does not extend beyond the services already transferred. The Organization determined there is not a material right performance obligation for the daily option to renew the contract as the price of the renewal is a price consistent with the rate charged to other residents. Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Resident Service Revenue (Continued)

The Organization determines the transaction price for nursing services, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors based on contractual agreements. The Organization has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare: Reimbursement for Part A is based on a predetermined rate per resident day that varies depending on the resident's level of care and the types of services provided. Reimbursement for Part B is based on predetermined fee schedule amounts.

Medicaid: Reimbursement is based on a predetermined rate formula under a contractual arrangement with the Medicaid program. Rate adjustments under this program are reflected in income when determinable.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Organization. The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Organization has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization assesses a resident's ability to pay for the services prior to admission. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as provision for bad debts.

The Organization has elected the practical expedient in which all incremental customer contract acquisition costs for turnover units 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.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Charity Care

The Organization provides care to residents who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not included in net resident service revenue in the accompanying consolidated statements of operations.

Excess (Deficiency) of Revenue Over Expenses

The consolidated statements of operations and changes in net assets include excess (deficiency) of revenue over expenses, which is considered the operating indicator. Changes in net assets without donor restrictions which are excluded from the operating indicator include net assets released from restrictions used for purchases of property and equipment.

Donor-Restricted Gifts

Contributions, including promises to give, are considered conditional or unconditional. Conditional contributions occur when both of the following are present:

- An explicit barrier, that's more than trivial, must be overcome before the contribution can be earned or recognized.
- A right of return of assets transferred or a right of release of a donor's obligation to transfer assets.

Conditional contributions are recognized when the barriers to entitlement are overcome and are reported at fair value at that time. Unconditional promises to give cash and other assets to the Organization are recorded when received and reported at fair value at the date the promise is received.

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

Advertising Costs

Advertising costs are expensed as incurred.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Obligation to Provide Future Services and Use of Facilities

The Organization calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with a corresponding charge to income. An interest rate of 5% in 2021 and 2020 was used to discount the liability to provide future services. At December 31, 2021 and 2020, the present value of the net cost of future services did not exceed the unamortized deferred revenue from entrance fees; accordingly, no liability was recorded.

Contract Balances

At December 31, 2021 and 2020, the Organization recognized \$43,542,593 and \$42,394,446 of nonrefundable entrance fees which were reported as a contract liability. These amounts were recognized in accordance with management's resident service revenue policy. The process for estimating the remaining unsatisfied performance obligations of the nonrefundable entrance fee has not changed from the prior year.

Income Taxes

The Corporation and Foundation are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Corporation and Foundation are also exempt from state income taxes on related income.

Federal and state income taxes are paid on unrelated business income in accordance with the Code.

Subsequent Events

Subsequent events have been evaluated through April 8, 2022, which is the date the consolidated financial statements were issued.

Note 2: Assets Limited as to Use

Assets limited as to use consisted of the following at December 31, 2021 and 2020:

	2021	2020
Cash equivalents	\$ 1,977,444	\$ 18,021,360
Fixed income mutual funds	17,545,410	20,818,751
Equity mutual funds	44,761,515	37,562,995
Alternative investments	13,783,133	11,021,010
Totals	\$ 78,067,502	\$ 87,424,116

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 2: Assets Limited as to Use (Continued)

Assets limited as to use were classified as follows at December 31, 2021 and 2020:

	2021	2020
Board designated:		
Capital improvements, other	\$ 64,713,546	\$ 51,459,967
Support of Corporate activities	5,285,416	5,059,880
Held for expansion deposits reimbursement	-	16,936,942
Held by trustee under bond indenture:		
Funded principal and interest	868,247	415,793
Construction funds	78,940	-
Debt service reserve funds	1,909,536	9,086,160
Restricted by donors	5,211,817	4,465,374
Totals	\$ 78,067,502	\$ 87,424,116

Investment Income

The total return on investments, including investment income consisting of interest from cash equivalents and interest, dividends, and gains and losses on assets limited as to use consisted of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 958,021	\$ 1,105,147
Net realized gains on sales of securities	2,495,802	824,628
Less - investment expenses	(74,422)	(65,558)
Total investment income	3,379,401	1,864,217
Nonoperating and changes in net assets:		
Change in net unrealized gains and losses on investments	\$ 5,736,259	\$ 5,348,003
Interest and dividends	119,861	70,069
Net realized gain (loss)	239,325	(70,489)
Total nonoperating and changes in net assets	6,095,445	5,347,583
Total return on investments	\$ 9,474,846	\$ 7,211,800

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3: Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value.

Cash equivalents consist of money market funds, which are valued using \$1 as the net asset value (NAV), and repurchase agreements, which are valued at historical cost, which approximates fair value. Mutual funds are valued at the daily closing price as reported by the fund. These funds are registered with the U.S. Securities and Exchange Commission and are required to publish their daily NAV and to transact at that price. These funds are deemed to be actively traded. Certain alternative investments are valued at the NAV of units of the fund. The NAV, as provided by the trustee, is used as a practical expedient in estimating fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. Other alternative investments comprised of a real estate fund, is valued based on the fair value of the underlying assets within the partnership as provided by the investment issuer. In substantiating the reasonableness of the pricing of alternative investments, management evaluates a variety of factors including recently executed transactions, economic conditions, industry and market developments, and overall credit ratings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodology used at December 31, 2021 and 2020.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ -	\$ 1,977,444	\$ -	\$ 1,977,444
Fixed income mutual funds	17,545,410	-	-	17,545,410
Equity mutual funds:				
Small cap	10,936,643	-	-	10,936,643
Mid cap	6,447,171	-	-	6,447,171
Index	15,273,639	-	-	15,273,639
International	11,113,395	-	-	11,113,395
Balanced	990,667	-	-	990,667
Alternative investments:				
Limited partnerships	-	-	7,071,454	7,071,454
Real estate fund using NAV as an expedient				6,711,679
Totals	\$ 62,306,925	\$ 1,977,444	\$ 7,071,454	\$ 78,067,502

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3: Fair Value Measurements (Continued)

	2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ -	\$ 18,021,360	\$ -	\$ 18,021,360
Fixed income mutual funds	20,818,751	-	-	20,818,751
Equity mutual funds:				
Small cap	8,892,816	-	-	8,892,816
Mid cap	6,105,811	-	-	6,105,811
Index	12,101,347	-	-	12,101,347
International	9,605,901	-	-	9,605,901
Balanced	857,120	-	-	857,120
Alternative investments:				
Limited partnerships	-	-	6,211,821	6,211,821
Real estate fund using NAV as an expedient				4,809,189
Totals	\$ 58,381,746	\$ 18,021,360	\$ 6,211,821	\$ 87,424,116

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	2021	2020
Balance at beginning	\$ 6,211,821	\$ 5,548,169
Purchases	733,870	499,570
Dividend and distributions	(1,626,567)	(570,870)
Management fees	(129,036)	(60,860)
Total net gains	1,881,366	795,812
Balance at end	\$ 7,071,454	\$ 6,211,821

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 3: Fair Value Measurements (Continued)

The following tables set forth additional disclosures of the Organization's investments whose fair value is estimated at NAV or based on the proportional share of net assets of the investment as of December 31, 2021:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	Lockup Period
Real estate fund using NAV as a practical expedient (a)	\$6,711,679	None	Ranges from quarterly to semiannually depending on the terms of the fund	Ranges from 45-60 days depending on the terms of the fund	None
Limited partnerships (b)	\$7,071,454	\$891,274	Limited	Not applicable	10 years

(a) This class seeks to provide predictable investment returns from a target portfolio of low-risk equity investments in income-producing real estate.

(b) This class seeks significant value appreciation of their portfolio companies through active management strategies or by investing in funds that invest in venture capital companies.

Note 4: Property and Equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Land and land improvements	\$ 3,370,065	\$ 3,370,065
Buildings and building improvements	228,566,921	198,285,671
Equipment, furniture, and fixtures	18,186,668	16,840,925
Vehicles	447,805	413,782
Construction in progress	-	17,542,304
Total property and equipment	250,571,459	236,452,747
Less - Accumulated depreciation	68,037,071	60,285,936
Total	\$ 182,534,388	\$ 176,166,811

Construction in progress at December 31, 2020 relates to the costs of constructing and replacing the Organization's skilled nursing and assisted living facilities (the "Tower Project"). The remaining phases of the Tower project were completed and placed in service in 2021.

Note 5: Line of Credit

The Organization has a \$3,000,000 line of credit that expires June 30, 2022. Borrowings on the line bear interest at 1.75% over the one-month LIBOR. There were no borrowings on the line of credit at December 31, 2021 or 2020.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6: Long-Term Debt

Long-term notes payable consisted of the following December 31, 2021 and 2020:

	2021	2020
Wisconsin Health and Educational Facilities Authority (WHEFA) Taxable (Convertible to Tax-Exempt) Refunding Revenue Bonds, Series 2021A, dated October 20, 2021, bearing interest at 3.54%; annual principal payments beginning September 2022, and final payment due September 2050	\$ 84,320,000	\$ -
WHEFA Refunding Revenue Bonds, Series 2021B, dated October 20, 2021, bearing interest at rates between 3.00% and 4.00%; annual principal payments beginning September 2022, and final payment due September 2045	18,240,000	-
WHEFA Fixed Rate Revenue Bonds, Series 2018A, bearing interest at rates between 4.00% and 5.00%; annual principal payments beginning September 2021, with final payment due in September 2050. This bond was refinanced in 2021 with the Series 2021A Bond	-	83,725,000
WHEFA Adjustable Rate Refunding Revenue Bonds, Series 2015A, bearing interest at 2.76% until December 2025; annual principal payments beginning September 2016, with final payment due in September 2045; purchased directly by a bank This bond was refinanced in 2021 with the Series 2021B Bond	-	19,069,878
WHEFA Revenue Bonds, Series 2015B, dated December 1, 2015, bearing interest at rates between 3.00% and 5.00%; annual principal payments beginning September 2016, with final payment due in September 2045	22,995,000	23,455,000
WHEFA Adjustable Rate Revenue Bonds, Series 2012A, dated December 28, 2012, bearing an interest rate of 3.22% until December 2022; thereafter will bear an adjustable rate until maturity; annual principal payments beginning September 2016, with final payment due September 2032; purchased directly by a bank	6,793,970	7,311,000
Totals	132,348,970	133,560,878
Less:		
Current maturities of long-term debt	2,743,970	2,202,523
Premium on long-term debt	(2,457,165)	(3,418,917)
Deferred financing costs	1,517,607	2,342,151
Long-term debt	\$ 130,544,558	\$ 132,435,121

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 6: Long-Term Debt (Continued)

As part of the refunding of the Series 2018A and 2015A Bonds, the Organization incurred \$8,550,000 of make-whole premiums and advanced interest expense. In addition, all unamortized bond premiums and deferred finance costs associated to the Series 2018A and 2015A Bonds were written off. These amounts are included in loss on refunding of debt in the accompanying consolidated statements of operations.

On October 20, 2021 and as part of the debt refunding previously mentioned, the Organization committed to the issuance of \$25,945,000 of WHEFA Refunding Revenue Bonds, Series 2022 with a forward delivery date on or about September 15, 2022. The proceeds of the Series 2022 Bonds will be used to refund the Series 2012A and Series 2015B Bonds, and pay for certain costs of issuance. The Series 2022 Bonds will be issued with a premium of \$1,330,542, and bear interest at 4.00%. Annual principal payments begin September 2023, with the final principal payment in 2045. The Organization estimated the unamortized premiums and deferred financing costs related to the Series 2012A and Series 2015B Bonds at September 15, 2022, and included a portion of the amount in loss on refunding of debt in 2021. The remaining portion will be recognized in 2022.

The bond indenture requires the establishment of certain funds to be held by the trustee that are unavailable for general corporate purposes. Required funds have been established and are included in assets limited as to use in the accompanying consolidated balance sheets.

The bond indenture contains various covenants and restrictions on the Organization, including requirements that the Organization maintain minimum debt service coverage and liquidity ratios.

Scheduled principal payments on long-term debt at December 31, 2021, based on stated maturities, are summarized as follows:

2022	\$ 2,743,970
2023	3,175,000
2024	3,695,000
2025	3,805,000
2026	4,400,000
Thereafter	114,530,000
<hr/>	
Total	\$ 132,348,970

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 7: Net Resident Service Revenue

Net resident service revenue consisted of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Resident service revenue:		
Resident services by payor:		
Medicaid	\$ 61,136	\$ 33,802
Medicare	857,643	562,063
Private	3,575,245	3,387,617
Resident fees:		
Amortization of deferred revenue on resident entrance fees	5,366,242	4,425,132
Maintenance fees	14,907,411	12,515,443
Net resident service revenue	\$ 24,767,677	\$ 20,924,057

Note 8: Deferred Revenue From Residential and Life Care Programs

Two residency contract options are available to Lake Tower Apartments residents: LifeCare and Standard. On occasion, Saint John's will issue a "split" contract which combines LifeCare and Standard contract features to a couple when one of the individuals either is not qualified for LifeCare or declines the LifeCare offering. In those instances the characteristics of the LifeCare and Standard contract described herein govern all benefits and terms as they relate to each member of the couple, respectively. Each resident, upon entering those facilities, pays an "entrance fee." The entrance fee is a lump-sum amount, payable before occupancy. Under the LifeCare agreement, the entrance fee is 30% refundable. Under the Standard agreement, the entrance fee is 90% refundable upon the shorter of reoccupancy of the unit by a new resident or one year from the date the unit is vacated. Prior to 2014, the Organization also had LifeCare agreements that were nonrefundable or 90% refundable and offered Standard contracts that were 30% refundable. Some Lake Tower Apartments residents still have these contracts. The entrance fee varies according to the size and location of the apartment and is subject to change. The entrance fee is increased when a second person occupies an apartment. At December 31, 2021, the refundable entrance fees ranged from \$80,500 to \$1,117,000.

Under the LifeCare agreement, the Organization agrees to provide care to residents, when medically indicated, in Stratford & Canterbury or Windsor at a rate equal to the resident's current monthly fee, plus costs incurred for meal services. This rate does not include the costs of drugs, special treatments, special therapies, or physician services. These costs are the obligation of the residents. In addition, residents are required to continue participation in the Medicare program. Under the Standard agreement, residents are entitled to a total of 30 days of health care benefits at Stratford & Canterbury or Windsor. Residents may only use 10 days of health care benefits during the first 365 days of the Standard agreement.

The Organization also has residents under other agreements that are no longer offered, including nonrefundable LifeCare and rental agreements.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8: Deferred Revenue From Residential and Life Care Programs (Continued)

Under the LifeCare agreement's refund provisions, a portion of the entrance fee is required to be refunded to the resident or the resident's estate if occupancy is terminated under the following conditions:

- (a) If, within 30 days after occupancy of the unit, the resident dies or the agreement is terminated by the resident, the entrance fee is to be refunded in its entirety less the costs of refurbishing the unit and the unreimbursed costs of LifeCare and other services received by the resident.
- (b) If, after the first 30 days following the date the unit is occupied but within the first 90 days following the date the unit is occupied, the resident dies or either party terminates the LifeCare agreement, the Organization will refund 90% of the entrance fee, less the reasonable cost of returning the unit to the same condition as it was upon initial occupancy, reasonable wear and tear excluded.
- (c) If the resident dies or terminates the LifeCare agreement after 90 days following the date the unit is occupied, as defined, a refund of the entrance fee will be made as follows:
 - If the resident has elected the 30% refundable entrance fee option, the entrance fee refund will amortize from 90% of the entrance fee to 30% of the entrance fee in equal increments (1.333% per month) over the subsequent 45 months less the reasonable cost of returning the unit to the same condition as it was upon initial occupancy, reasonable wear and tear excluded.
 - If the resident has elected the 90% refundable entrance fee option, the resident's entrance fee refund will equal 90% of the entrance fee less the reasonable cost of returning the unit to the same condition as it was upon initial occupancy, reasonable wear and tear excluded.

Any refund owed to the resident, under either the 30% or 90% option, will be paid by the earlier of the Organization's receipt of an entrance fee from a new occupant for the vacated unit or within one year from the date the unit is vacated.

Under the Standard agreement, if the resident dies or the Standard agreement is terminated by either party within the first 30 days, the Organization will refund the entire entrance fee. If, after the first 30 days following the date the unit is occupied, as defined, the resident dies or either party terminates the standard agreement, the Organization will refund the refundable portion of the entrance fee, less the reasonable cost of returning the unit to the same condition as it was upon initial occupancy, reasonable wear and tear excluded. Any refund owed to the resident will be paid by the earlier of the Organization's receipt of an entrance fee from a new occupant for the vacated unit or within one year from the date the unit is vacated.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 8: Deferred Revenue From Residential and Life Care Programs (Continued)

The make-up of the Organization's residency contracts consisted of the following at December 31:

	2021		2020	
	Residents Under Contract	Refundable Entrance Fee	Residents Under Contract	Refundable Entrance Fee
Nonrefundable LifeCare	34	\$ -	36	\$ -
Nonrefundable Rental	5	-	5	-
30% Refundable LifeCare	152	20,753,756	135	18,388,770
30% Refundable Split-LifeCare	8	1,012,560	7	854,370
30% Refundable Standard Contract	1	-		-
90% Refundable LifeCare	26	10,746,513	29	12,020,013
90% Refundable Split-LifeCare	1	283,472	1	283,472
90% Refundable Standard	82	41,808,168	73	38,004,740
90% Refundable Rental	1	79,583	1	79,583
100% Refundable Rental	1	202,100	1	202,100
Totals	311	\$ 74,886,152	288	\$ 69,833,048

Note 9: Community Benefit and Charity Care

The estimated cost of providing care to residents under the Organization's charity care policy was approximately \$324,000 and \$345,000 in 2021 and 2020, respectively, calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care.

Health care services to patients under the Medicaid program are also considered part of the Organization's benefit provided to the community, since a substantial portion of such services are reimbursed at amounts less than the cost of providing care. The Organization's shortfall (the difference between program reimbursement and costs to provide services) from the Medicaid program was \$156,000 and \$68,000 in 2021 and 2020, respectively.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	2021	2020
Subject to expenditure for specific purpose, and functioning as an endowment:		
Chaplaincy and chapel music	\$ 3,056,470	\$ 2,774,084
Charitable care	443,963	308,045
Scholarships	634,192	477,358
Lifestreams program fund	279,679	210,953
Musical programming	293,606	267,344
Garden and nature fund	123,209	67,998
Visual impairment	309,259	284,113
Subject to expenditure for specific purpose:		
Knowledge initiative	5,337	5,337
Other	66,102	70,142
<hr/>		
Total net assets with donor restrictions	\$ 5,211,817	\$ 4,465,374

Note 11: Endowment Funds

The Foundation's endowments consist of various funds established to benefit the Organization for a variety of purposes. These funds are maintained by the Foundation in various investments, and the Foundation is responsible for investment decisions.

The Board of Directors has interpreted Wisconsin's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as an endowment (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds in excess of the original fair value is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. If the market value of the endowment net assets at year-end is below the original fair value, the deficit is recorded as a reduction in net assets with donor restrictions.

The primary long-term financial objective for the Organization's endowments is to preserve the real purchasing power of endowment assets and income after accounting for endowment spending and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of 20 quarters.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 11: Endowment Funds (Continued)

The endowment funds are managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the Organization's existing spending policy. Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The endowment assets are governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to support the Organization's programs. The endowment base will be defined as the 20 quarter moving average of the market value of the total endowment plus any board-designated additional distribution for earnings in excess of the specific payout rate. The distribution or payout rate will be calculated at a specific fixed percentage of the base. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term. Spending in a given year will reduce the unit value of each endowment element by the payout percentage. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below the designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal without drawing from the original corpus of a particular gift.

As of December 31, 2021 and 2020, the Board of Directors had designated \$4,837,426 and \$4,472,979, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. In addition, the endowment fund also consists of funds that are donor restricted for a specific purpose, but which the Board of Directors manages as endowment funds. There are no funds designated as endowments by a donor; however, there are funds that are being managed as endowments where donors have specified a particular purpose.

Endowment funds are invested in cash and cash equivalents and equity and fixed-income mutual funds. The total endowment is monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation.

Endowment net asset composition by type of fund as of December 31, 2021 and 2020 was as follows:

	2021	2020
Without donor restrictions	\$ 4,837,426	\$ 4,472,979
With donor restrictions	5,140,378	4,389,895
Totals	\$ 9,977,804	\$ 8,862,874

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 11: Endowment Funds (Continued)

Changes in endowment net assets were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowments at December 31, 2019	\$ 4,268,504	\$ 3,891,281	\$ 8,159,785
Investment earnings	489,277	461,618	950,895
Contributions	46,128	157,046	203,174
Endowment distributions	(330,930)	(120,050)	(450,980)
Endowments at December 31, 2020	4,472,979	4,389,895	8,862,874
Investment earnings	558,933	571,404	1,130,337
Contributions	133,337	324,079	457,416
Endowment distributions	(327,823)	(145,000)	(472,823)
Endowments at December 31, 2021	\$ 4,837,426	\$ 5,140,378	\$ 9,977,804

Note 12: Malpractice Insurance

The Organization's liability insurance for claim losses of less than \$1,000,000 per claim and \$3,000,000 per year covers professional liability claims reported during a policy year regardless of when the claims are reported (occurrence coverage). In addition, the Organization has umbrella coverage for all losses of up to \$5,000,000 per claim and \$10,000,000 per year, also on an occurrence coverage basis. The liability insurance policy is renewable annually and has been renewed by the insurance carrier for the annual period extending through January 1, 2023.

Note 13: Retirement Plan

The Organization sponsors a noncontributory defined contribution plan covering all eligible employees. The Organization's contributions to the plan are based on a percentage, subject to review and change at the discretion of the Board of Directors, of the annual compensation of all participants, as defined by the plan. The Organization recognized expense of approximately \$337,000 and \$315,000 related to this plan in 2021 and 2020, respectively.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 14: Functional Expenses

The Organization provides general health care services to residents. These costs above are allocated based on time and specific costs incurred, except for utilities and other, which are allocated based on statistical analysis. Expenses related to providing these services for the years ended December 31, 2021 and 2020 are as follows:

2021	Health Care services	Administrative and General	Fundraising	Totals
Salaries and wages	\$ 8,384,046	\$ 2,339,278	\$ 195,185	\$ 10,918,509
Employee benefits	1,552,955	1,043,742	36,741	2,633,438
Professional fees and purchased services	940,870	594,501	-	1,535,371
Supplies	405,962	443,956	-	849,918
Utilities	1,594,354	360,241	-	1,954,595
Depreciation and amortization	8,328,703	-	-	8,328,703
Interest	5,608,285	-	-	5,608,285
Other	1,316,640	447,579	-	1,764,219
Total	\$ 28,131,815	\$ 5,229,297	\$ 231,926	\$ 33,593,038

2020	Health Care services	Administrative and General	Fundraising	Totals
Salaries and wages	\$ 7,389,429	\$ 2,054,434	\$ 182,872	\$ 9,626,735
Employee benefits	1,579,677	1,066,573	33,844	2,680,094
Professional fees and purchased services	1,101,740	494,923	-	1,596,663
Supplies	348,787	300,535	-	649,322
Utilities	1,172,115	269,688	-	1,441,803
Depreciation and amortization	7,372,322	-	-	7,372,322
Interest	5,143,154	-	-	5,143,154
Other	1,195,080	444,228	-	1,639,308
Total	\$ 25,302,304	\$ 4,630,381	\$ 216,716	\$ 30,149,401

Note 15: Unemployment Compensation

The Organization has elected reimbursement financing under provisions of the Wisconsin unemployment compensation laws. At December 31, 2021 and 2020, the Organization had provided a letter of credit in the amount of approximately \$163,000 to the Treasurer of the Unemployment Reserve Fund of the State of Wisconsin as collateral for payment of eligible benefits. The letter of credit expires December 31, 2023.

Saint John's Communities, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 16: Concentration of Credit Risk

Financial instruments that subject the Organization to possible credit risk consist principally of cash deposits in excess of insured levels, investments that are uninsured, and accounts receivable.

The Organization grants credit without collateral to its residents. The mix of gross receivables from residents and third-party payors was as follows at December 31:

	2021	2020
Medicare	26 %	20 %
Medicaid	1	1
Private-pay and other insurance	73	79
Totals	100 %	100 %

The Organization maintains a depository relationship with a financial institution that is a Federal Deposit Insurance Corporation (FDIC) insured institution. The Organization maintains cash in accounts at this institution which are insured by the FDIC up to \$250,000. At December 31, 2021, the Organization exceeded insured limits by approximately \$4,460,549. Investments classified as assets limited as to use held by financial institutions are uninsured.

Note 17: Liquidity

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in a variety of investment vehicles. These board designated funds, included in assets limited as to use, are considered available for operational or capital needs and other activities, except for investment vehicles with restrictive redemption requirements. The Organization does not consider amounts held for donor restriction for specific purposes to be available for general expenditure. In the event of a liquidity need, the Organization could also draw upon its \$3,000,000 line of credit.

As of December 31, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows:

	2021	2020
Financial assets:		
Cash	\$ 4,167,684	\$ 2,117,175
Assets limited as to use	62,927,508	50,308,026
Accounts receivable	403,200	271,282
Liquidity resource - line of credit	3,000,000	3,000,000
Total	\$ 70,498,392	\$ 55,696,483

Supplementary Information

Independent Auditor's Report on Supplementary Information

Board of Directors
Saint John's Communities, Inc. and Subsidiary
Milwaukee, Wisconsin

We have audited the consolidated financial statements of Saint John's Communities, Inc. and Subsidiary ("the Organization") as of and for the years ended December 31, 2021 and 2020, and our report thereon dated April 8, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information appearing on pages 34 through 41 is presented for purposes of additional analysis and 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 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Wipfli LLP
Milwaukee, Wisconsin

April 8, 2022

Saint John's Communities, Inc. and Subsidiary

Consolidating Balance Sheet

December 31, 2021

Assets	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Current assets:				
Cash	\$ 4,167,684	\$ -	\$ -	\$ 4,167,684
Receivables:				
Residents - Net	403,200	-	-	403,200
Pledges	-	53,770	-	53,770
Prepaid expenses and other	966,961	-	-	966,961
Due from related party	10,997	-	(10,997)	-
Total current assets	5,548,842	53,770	(10,997)	5,591,615
Property and equipment - Net	182,534,388	-	-	182,534,388
Assets limited as to use	68,103,811	9,963,691	-	78,067,502
Development costs - Net	630,047	-	-	630,047
Investment in unconsolidated affiliate	74,998	-	-	74,998
TOTAL ASSETS	\$ 256,892,086	\$ 10,017,461	\$ (10,997)	\$ 266,898,550

Saint John's Communities, Inc. and Subsidiary

Consolidating Balance Sheet (Continued)

December 31, 2021

Liabilities and Net Assets	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Current liabilities:				
Current maturities of long-term debt	\$ 2,743,970	\$ -	\$ -	\$ 2,743,970
Accounts payable:				
Trade	467,907	-	-	467,907
Construction related costs	231,790	-	-	231,790
Accrued expenses	2,247,329	2,500	-	2,249,829
Advance deposits and prepayments	2,473,985	-	-	2,473,985
Due to related party	-	10,997	(10,997)	-
Total current liabilities	8,164,981	13,497	(10,997)	8,167,481
Long-term liabilities:				
Long-term debt, less current maturities	130,544,558	-	-	130,544,558
Refundable entrance fees	74,886,152	-	-	74,886,152
Contract liability - deferred revenue	43,542,593	-	-	43,542,593
Total long-term liabilities	248,973,303	-	-	248,973,303
Total liabilities	257,138,284	13,497	(10,997)	257,140,784
Net assets:				
Without donor restrictions	(291,477)	4,837,426	-	4,545,949
With donor restrictions	45,279	5,166,538	-	5,211,817
Total net assets	(246,198)	10,003,964	-	9,757,766
TOTAL LIABILITIES AND NET ASSETS	\$ 256,892,086	\$ 10,017,461	\$ (10,997)	\$ 266,898,550

See Independent Auditor's Report on Supplementary Information.

Saint John's Communities, Inc. and Subsidiary

Consolidating Statement of Operations

Year Ended December 31, 2021

	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Revenue:				
Net resident service revenue	\$ 24,767,677	\$ -	\$ -	\$ 24,767,677
Investment income	3,027,530	351,871	-	3,379,401
Contributions	327,398	133,337	(326,323)	134,412
Net assets released from restrictions for operations	489,881	148,600	(140,100)	498,381
Other operating income	2,562,210	-	-	2,562,210
Total revenue	31,174,696	633,808	(466,423)	31,342,081
Expenses:				
Direct care	6,216,785	-	-	6,216,785
Dietary	2,506,525	-	-	2,506,525
Maintenance	3,100,887	-	-	3,100,887
Housekeeping	872,308	-	-	872,308
Administration	6,946,942	2,603	-	6,949,545
Grants	-	476,423	(466,423)	10,000
Depreciation and amortization	8,328,703	-	-	8,328,703
Interest	5,608,285	-	-	5,608,285
Total expenses	33,580,435	479,026	(466,423)	33,593,038
Gain (loss) from operations	(2,405,739)	154,782	-	(2,250,957)
Other income (loss):				
Loss in refunding of debt	(7,454,547)			(7,454,547)
Change in net unrealized gains and losses on investments	5,310,976	209,664	-	5,520,640
Total other income (loss)	(2,143,571)	209,664	-	(1,933,907)
Excess (deficiency) of revenue over expenses	(4,549,310)	364,446	-	(4,184,864)
Other changes in net assets without donor restrictions -				
Net assets released from restrictions for purchase of property and equipment	58,125	-	-	58,125
Increase (decrease) in net assets without donor restrictions	\$ (4,491,185)	\$ 364,446	\$ -	\$ (4,126,739)

See Independent Auditor's Report on Supplementary Information.

Saint John's Communities, Inc. and Subsidiary

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2021

	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Net assets without donor restrictions:				
Excess (deficiency) of revenue over expenses	\$ (4,549,310)	\$ 364,446	\$ -	\$ (4,184,864)
Net assets released from restrictions for purchase of property and equipment	58,125	-	-	58,125
<hr/>				
Increase (decrease) in net assets without donor restrictions	(4,491,185)	364,446	-	(4,126,739)
<hr/>				
Net assets with donor restrictions:				
Contributions	541,364	326,880	(140,100)	728,144
Investment income	-	359,186	-	359,186
Change in net unrealized gains and losses on investments	-	215,619	-	215,619
Net assets released from restriction	(548,006)	(148,600)	140,100	(556,506)
<hr/>				
Increase (decrease) in net assets with donor restrictions	(6,642)	753,085	-	746,443
<hr/>				
Change in net assets	(4,497,827)	1,117,531	-	(3,380,296)
Net assets at beginning	4,251,629	8,886,433	-	13,138,062
<hr/>				
Net assets at end	\$ (246,198)	\$ 10,003,964	\$ -	\$ 9,757,766

See Independent Auditor's Report on Supplementary Information.

Saint John's Communities, Inc. and Subsidiary

Consolidating Balance Sheet

December 31, 2020

Assets	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Current assets:				
Cash	\$ 2,117,175	\$ -	\$ -	\$ 2,117,175
Receivables:				
Residents - Net	271,282	-	-	271,282
Prepaid expenses and other	308,058	-	-	308,058
Due from related party	66,403	-	(66,403)	-
Total current assets	2,762,918	-	(66,403)	2,696,515
Property and equipment - Net	176,166,811	-	-	176,166,811
Assets limited as to use	78,468,780	8,955,336	-	87,424,116
Development costs - Net	787,606	-	-	787,606
Investment in unconsolidated affiliate	74,998	-	-	74,998
TOTAL ASSETS	\$ 258,261,113	\$ 8,955,336	\$ (66,403)	\$ 267,150,046

Saint John's Communities, Inc. and Subsidiary

Consolidating Balance Sheet (Continued)

December 31, 2020

Liabilities and Equity	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Current liabilities:				
Current maturities of long-term debt	\$ 2,202,523	\$ -	\$ -	\$ 2,202,523
Accounts payable:				
Trade	636,346	-	-	636,346
Construction related costs	2,645,421	-	-	2,645,421
Accrued expenses	2,864,667	2,500	-	2,867,167
Advance deposits and prepayments	997,912	-	-	997,912
Due to related party	-	66,403	(66,403)	-
Total current liabilities	9,346,869	68,903	(66,403)	9,349,369
Long-term liabilities:				
Long-term debt, less current maturities	132,435,121	-	-	132,435,121
Refundable entrance fees	69,833,048	-	-	69,833,048
Contract liability - deferred revenue	42,394,446	-	-	42,394,446
Total long-term liabilities	244,662,615	-	-	244,662,615
Total liabilities	254,009,484	68,903	(66,403)	254,011,984
Net assets:				
Without donor restrictions	4,199,708	4,472,980	-	8,672,688
With donor restrictions	51,921	4,413,453	-	4,465,374
Total net assets	4,251,629	8,886,433	-	13,138,062
TOTAL LIABILITIES AND NET ASSETS	\$ 258,261,113	\$ 8,955,336	\$ (66,403)	\$ 267,150,046

See Independent Auditor's Report on Supplementary Information.

Saint John's Communities, Inc. and Subsidiary

Consolidating Statement of Operations

Year Ended December 31, 2020

	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Revenue:				
Net resident service revenue	\$ 20,924,057	\$ -	\$ -	\$ 20,924,057
Investment income	1,862,097	2,120	-	1,864,217
Contributions	341,731	46,128	(329,430)	58,429
Net assets released from restrictions for operations	536,620	121,300	(112,800)	545,120
Other operating income	3,296,488	-	-	3,296,488
Total revenue	26,960,993	169,548	(442,230)	26,688,311
Expenses:				
Direct care	5,335,698	-	-	5,335,698
Dietary	2,404,979	-	-	2,404,979
Maintenance	2,454,464	-	-	2,454,464
Housekeeping	967,776	-	-	967,776
Administration	6,458,445	2,563	-	6,461,008
Distributions	-	452,230	(442,230)	10,000
Depreciation and amortization	7,372,322	-	-	7,372,322
Interest	5,143,154	-	-	5,143,154
Total expenses	30,136,838	454,793	(442,230)	30,149,401
Loss from operations	(3,175,845)	(285,245)	-	(3,461,090)
Nonoperating income -				
Change in net unrealized gains and losses on investments	4,393,382	489,721	-	4,883,103
Excess of revenue over expenses	1,217,537	204,476	-	1,422,013
Other changes in net assets without donor restrictions -				
Net assets released from restrictions for purchase of property and equipment	101,931	-	-	101,931
Increase in net assets without donor restrictions	\$ 1,319,468	\$ 204,476	\$ -	\$ 1,523,944

See Independent Auditor's Report on Supplementary Information.

Saint John's Communities, Inc. and Subsidiary

Consolidating Statement of Changes in Net Assets

Year Ended December 31, 2020

	Saint John's Communities, Inc.	Saint John's Communities Foundation, Inc.	Eliminations	Consolidated
Net assets without donor restrictions:				
Excess (deficiency) of revenue over expenses	\$ 1,217,538	\$ 204,475	\$ -	\$ 1,422,013
Net assets released from restrictions for purchase of property and equipment	101,931	-	-	101,931
Increase in net assets without donor restrictions	1,319,469	204,475	-	1,523,944
Net assets with donor restrictions:				
Contributions	502,672	157,046	(112,800)	546,918
Investment income (loss)	-	(420)	-	(420)
Change in net unrealized gains and losses on investments	-	464,900	-	464,900
Net assets released from restriction	(638,551)	(121,300)	112,800	(647,051)
Increase (decrease) in net assets with donor restrictions	(135,879)	500,226	-	364,347
Change in net assets	1,183,590	704,701	-	1,888,291
Net assets at beginning	3,068,039	8,181,732	-	11,249,771
Net assets at end	\$ 4,251,629	\$ 8,886,433	\$ -	\$ 13,138,062

See Independent Auditor's Report on Supplementary Information.