



Active Senior Living by Riverside

FILED

**Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance**

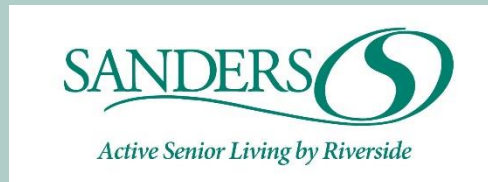
05/11/2023

Commissioner of Insurance

BY: Sarowar Jahan



2023 Disclosure Statement



2023 Disclosure Statement

Sanders Common, Ltd. D.B.A. Sanders , Continuing Care Retirement Community registration statement and disclosure statement.

The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the community-based continuing care program by the State Corporation Commission.

I. The Organization Introduction and Information

A. The Organization and Its Operation

Sanders Common, Ltd. D.B.A. Sanders , usually referred to as Sanders, has evolved from a long-term care facility built in 1959 to a unique full-service retirement community, with independent living cottages, assisted living, long-term care, and rehabilitation services all on one campus in Gloucester Courthouse. In 2003 Sanders became part of the Riverside Health System, adding financial strength, vast resources, and management expertise to the warm and relaxed atmosphere of Sanders.

Sanders became a not-for-profit corporate member of Riverside Healthcare Association, Inc. (doing business as Riverside Health System or “Riverside”) headquartered at Fountain Plaza One, 701 Town Center Drive, Suite 1000, Newport News, VA 23606. Riverside is a non-stock, not-for-profit corporation and has been providing health-related services for over 100 years.

Sanders supports and enhances the highest degree of independence appropriate to each individual resident. This commitment echoes Riverside Health System’s fundamental vision for older adults, which is “As I age, I will control my destiny in a place of my choosing.”

B. Not-for-Profit Status

Sanders is classified by the Internal Revenue Service as a 501(c)(3) corporation. This not-for-profit classification exempts the organization from corporate income taxes and allows Sanders to receive charitable contributions that may be tax-deductible by the donor. Under IRS regulations no earnings of the Corporation may be used for the benefit of nor distributed to corporate directors, officers, or other individuals. All excess funds remain with Sanders for use in its programs and services; and for on-going financial stability.

C. Affiliations

Sanders is a non-stock, not-for-profit corporation which has as its sole member, Riverside Healthcare Association, a not-for-profit, non-stock corporation. Riverside Healthcare Association, Inc. provides planning, consulting, and operational services to Sanders at cost.

D. Credit Rating

Sanders is “unrated.”



II. Facility Introduction and Information

A. Physical Location and Capacity

Sanders occupies seven parcels of land in the Ware Magisterial District in Gloucester County, Virginia, with approximately 33 acres on the east and west sides of State Route 1002. Sanders is located in historic Gloucester Courthouse. This close proximity to the historic courthouse allows its residents to take advantage of its restaurants, shops and museum. Many residents of Sanders enjoy the close proximity that Gloucester has to historic Colonial Williamsburg and the College of William and Mary.

The campus is comprised of the original Francis N. Sanders nursing home, now used for administration, long-term care and rehabilitation, an assisted living facility, independent living cottages with common area, and two buildings housing a state-of-the-art long-term care facility.

Independent living residences.....	12
Assisted living apartments.....	32
Nursing care/rehab beds.....	55

B. Board of Directors

A voluntary board of directors appointed by Riverside Health System at its annual meeting manages the business and affairs of Sanders. The current members of the board of directors, any office they hold in the corporation, and their principal business affiliation and addresses are as follows.



II. Facility Introduction and Information

Riverside Lifelong Health & Aging Related Services

BOARD OF DIRECTORS 2023

Jared (Jerry) L. Bates
LTG – Army (Retired)
3017 Margaret Jones Lane
Williamsburg, VA 23185

Rick N. Elofson
Certified Public Accountant (Retired)
21 Paula Maria Drive
Newport News, VA 23606

Barbara S. Haywood – Vice Chair
Registered Nurse, Certified (Retired)
704 Gum Rock Court, Suite 300
Newport News, VA 23606

Joyce Jarret (Alewynse)
Prof/Admin Hampton University (Retired)
129 Chandler Court
Williamsburg, VA 23185

Keith Roots
SR. AVP, University
Advancement, CNU
2709 N Elizabeth
Harbor Drive
Chesapeake, VA 23321

Conway W. Smith Chair
Attorney (Retired)
810 Riverside Drive
Newport News, VA 23606

Dawn R. Smith
Director, Culture &
Ethics – HII
13 Stratford Road
Newport News, VA
23601

Kirby H. Smith
Marine Surveyor
Tidewater Marine Surveys
7194 Duval Ave.
Gloucester, VA 23061

Brooke Tiller
SVP Wealth Management
Wells Fargo Private Bank
600 Thimble Shoals Blvd, Ste 375
Newport News, VA 23606

Joseph Verser
Heath, Old & Verser, PLC
11832 Rock Landing Drive, #201
Newport News, VA 23606

Frankye Myers
CNO/SVP Riverside Health System
701 Town Center Drive, Suite 1000
Newport News, VA 23606

NONVOTING MEMBERS

Edward Heckler
SVP/President, Riverside Health System Lifelong
Health & Aging Related Services
1020 Old Denbigh Blvd., Suite 1020A
Newport News, VA 23602

Jason Villaflor
AVP, Riverside Lifelong Health
1020 Old Denbigh Blvd, Suite 1020A
Newport, News, VA 23602

Gregg Shivers, MD
Service Line Chief
Riverside Lifelong Health
1020 Old Denbigh Blvd, Suite 1020A
Newport News, VA 23602

II. Facility Introduction and Information

Lisa Kirby

Executive Director of
LLH Nursing Homes
Riverside Health
System Lifelong
Health & Aging
Related Services
1020 Old
Denbigh
Blvd.,
Suite
1020A
Newport
News,
VA
23602

Diana Jarrett

Chief Nursing Officer
Riverside Health
System Lifelong
Health & Aging
Related Services
1020 Old
Denbigh
Blvd.,
Suite
1020A
Newport
News,
VA
23602



II. Facility Introduction and Information

Sanders is a not-for-profit, non-stock corporation that has, as its sole member, Riverside Healthcare Association, Inc., a not-for-profit, non-stock corporation. Riverside Healthcare Association provides planning, consulting, and management services to Sanders.

Riverside Health System BOARD OF DIRECTORS 2023

The Honorable Gabriel A.

Morgan, Sr. - Chair

Newport News Sheriff
224 26th Street
Newport News, VA 23607

Thomas Byrd – Vice Chair

Anthem (Retired)
2711 Buford Road, #379 North Chesterfield,
VA 23235

Julie Badger

CPA, Ex Director

**Eastern Shore of Virginia
Community Foundation**
15132 Blenheim Way
Melfa, VA 23410

Dwayne B. Blake

**Retired VP, Investor Relations
Huntington Ingalls Industries, Inc.**
8 Harmony Court
Hampton, VA 23666

William L. Brauer

Executive Vice President
Christopher Newport University
1 University Place
Newport News, VA 23606

Valerie C. Butler

The Christopher Jordan Group
Real Estate Professionals
209 Spring Drive
Smithfield, VA 23430

Heather Engel

Managing Partner

Strategic Cyber Partners
239 Southlake Place
Newport News, VA 23602

George “Royden” Goodson, III

CEO, Warwick Mechanical Group
11048 Warwick Blvd.
Newport News, VA 23607

David F. Jones, MD

P. O. Box 77
Nassawadox, VA 23413

Harold D. Jones III, MD


Retired Physician
7862 Spring Hill Road
Gloucester, VA 23061

Brig Gen Daniel J. Sherlock

USAF (Retired)
2693 Jockey’s Neck Trail
Williamsburg, VA 23185

Conway W. Smith, III

Attorney (Retired)
810 Riverside Drive
Newport News, VA 23606



II. Facility Introduction and Information

Jennifer Smith-Brown
Managing Partner
J. Smith Enterprises

Alexis N. Swann
Jorge Yinat, Ph.D.
Founder, J/W/Y Business Enterprise Trust
3835 Philip Ludwell
Williamsburg, VA 23188

Michael J. Dacey, M.D.
President & Chief Executive Officer
Riverside Health System
701 Town Center Drive, Suite 100
Newport News, VA 23606



II. Facility Introduction and Information

Riverside Health System BOARD OF DIRECTORS 2023 (Continued)

NONVOTING MEMBERS 2023

W. William Austin, Jr.

Senior Vice President, Chief Financial Officer
Riverside Health System
701 Town Center Drive, Suite 1000
Newport News, VA 23606

Frankye Myers

Senior Vice President, Chief Nursing Officer
Riverside Health System
701 Town Center Drive, Suite 1000
Newport News, VA 23606

Michael Dacey

President, Chief Operations Officer
Riverside Health System
701 Town Center Dr., Suite 1000
Newport News, VA 23606

Jason O. Houser

General Counsel
Riverside Health System
701 Town Center Drive, Suite 1000
Newport News, VA 23606



II. Facility Introduction and Information

C. Residents Council

The purpose of the Residents Council as found in that organization's bylaws is as follows:

“a. An organization which will cooperate with the Sanders Administrative Team in promoting a favorable atmosphere for enhancing living conditions; b. An amicable and effective procedure for coordinating, presenting, and settling grievances; c. An open forum for all members to voice their suggestions for aiding each other and Sanders in any respect.”

D. Executive Staff



Nathan Yowell, LNHA, CNA

Nathan has been at Sanders since June 2022. He has a Bachelor of Science in healthcare administration with a minor in business from James Madison University. Nathan was previously worked as the Administrator of the Williamsburg Landing Nursing Community. He is originally from Williamsburg where he currently resides with his lovely wife, Alexa, and his vibrant daughter, Blair. His daughter, Blair is still very young, so he spends his time trying to keep up with her. He wants to ensure that she has the best upbringing possible. They are within driving distance to both sets of grandparents, and they greatly value family. When Nathan is not at work or spending time with family, he enjoys working out and staying busy with house projects.



Edward Heckler, PT, MSHA

SVP/President, Riverside Lifelong Health, joined the Riverside team in 1997.

Throughout his many positions, he has remained dedicated to high quality, patient-centered care, interdisciplinary collaboration and the operational success of the organization. His over 23 years of experience across the health care spectrum, from physical therapist to manager to multi-department director, gives him a unique and valuable perspective. In his current role, Ed oversees Riverside's nursing facilities, assisted living facilities, continuing care retirement communities, home health, hospice agencies, wellness centers and rehabilitation services. Under his leadership, nursing facilities received an average four-star rating under the five-star CMS rating system, in addition to achieving the Virginia Health Care Association Bronze Award for Quality Improvement in four facilities Prior to his current role as President of Lifelong Health and Aging Related Services, Ed served as Administrator of Riverside Rehabilitation Institute, a 50-bed acute rehabilitation hospital, creating significant financial and patient satisfaction improvements. He holds a Bachelor of Science in Physical Therapy from the University of Buffalo and a Master of Science in Health Care Administration from Virginia Commonwealth University. Ed lives in York County with his wife and two children.

II. Facility Introduction and Information

E. Full Disclosure Practice

Sanders discloses to its residents all policies and summary financial information related to the CCRC. Copies of the annual disclosure statements are archived in the Sanders library for resident and public reference.

No member of the board of directors, staff member, nor consultant has a financial interest in Sanders. Sanders does not hire nor pay board members on either a contractual or any other basis. Sanders has not received nor intends to receive goods, leases, or services of an aggregate value of \$500 or more from any professional service firm, association, trust, partnership or corporation in which a member of the board has a 10 percent or greater interest. There is a board policy that governs the evaluation and disclosure of potential conflicts of interest. Residents are free to have business relationships with board members or with organizations they own, control, are employed by, or are otherwise affiliated. Sanders neither endorses nor encourages residents to do business with board members or related organizations. Sanders is not involved in establishing continuing business relationships between residents and board members.

Each board member is asked each year to disclose whether or not they have business relationships with residents.



Appendices

Appendix A.....	Sanders
Appendix B	Fee Schedule and Rate Changes
Appendix C	Residence Lease Agreement
Appendix D	Certified Financial Statement





APPENDIX A

Sanders Continuing Care Retirement Community

Sanders Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.

Appendix A

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I. Continuing Care Provider

Give the name and business address of the provider and a statement of whether the provider is a partnership, foundation, association, corporation, or other type of business or legal entity. Such statement shall also set forth the jurisdiction in which the provider is organized if applicable. If the provider is composed of multiple legal entities, give the required information for all such entities, and provide a specific description of their relationship to each other.

Response: Sanders, Active Senior Living by Riverside (Sanders), 7385 Walker Ave., Gloucester, VA 23061 is a tax-exempt, nonprofit corporation organized and existing under the laws of the Commonwealth of Virginia. It is not comprised of multiple legal entities. The provider has been in operation as a continuing-care provider since January 1985. The provider has also operated an assisted living facility since 1999 and a long-term care facility since 1959. In September of 2003, Sanders became a nonprofit corporate member of Riverside Healthcare Association, Inc. (doing business as Riverside Health System [“Riverside”]) headquartered at Fountain Plaza One, 701 Town Center Drive, Suite 1000, Newport News, VA 23606.

Riverside is a non-stock, nonprofit corporation organized to plan and provide a multitude of health care services. Riverside has been providing health-related services for over 100 years.



II. Officers, Directors, Trustees, Managing and General Partners and Certain Persons Who Hold Equity or Beneficial Interests

Give the names and business addresses of the officers, directors, trustees, managing or general partners, and any person having a 10 percent or greater equity or beneficial interest in the provider, and a description of such person's interest in or occupation with the provider. In the case of a non-stock corporation, also provide the required information for members of a non-stock corporation.

Response: Sanders A voluntary board of directors appointed by Riverside Health System at its annual meetings manages the business and affairs of Sanders The current members of the board of directors, any office they hold in the corporation, and their principal business affiliation and addresses are listed in the Introduction.

III. Beneficial Interests

1. "Beneficial Interest" means any current interest in a provider that is directly related to the financial performance of that provider. Beneficial interest includes all forms of direct or indirect ownership of a provider, including ownership through another legal entity.

Response: None

2. Ownership or control of any voting class of securities issued by the provider.

Response: None

3. Any contract, including a lease of management contract, with a provider where the amount of consideration under the contract is tied to the financial performance of the provider.

Response: None



IV. Business Experience of; Acquisition of Goods and Services From; and Criminal, Civil and Regulatory Proceedings Against the Provider, its Officers, Directors, Trustees, Managing and General Partners; Certain Persons Who Hold Equity or Interests; and the Management

For (i) the provider, (ii) any person named in the previous section, or (iii) the proposed management, if the facility will be managed on a day-to-day basis by a person other than an individual directly employed by the provider;

a. Give a description of any specific business experience in the operation or management of similar facilities.

Response: Sanders has had experience in the operation of a continuing care facility since January 1985. The provider has operated an assisted living facility since 1999 and a long-term care nursing facility since 1959. In addition to this, as a corporate member with Riverside Health System, the provider utilizes the expertise of those experienced in the development and operation of retirement communities and other services for older adults.



Key Personnel



Nathan has been at Sanders since June 2022. He has a Bachelor of Science in healthcare administration with a minor in business from James Madison University. Nathan was previously worked as the Administrator of the Williamsburg Landing Nursing Community. He is originally from Williamsburg where he currently resides with his lovely wife, Alexa, and his vibrant daughter, Blair. His daughter, Blair is still very young, so he spends his time trying to keep up with her. He wants to ensure that she has the best upbringing possible. They are within driving distance to both sets of grandparents, and they greatly value family. When Nathan is not at work or spending time with family, he enjoys working out and staying busy with house projects.



Edward Heckler, PT, MSHA SVP/President of Riverside Lifelong Health, has extensive experience in the operation of health care facilities. He has a bachelor's degree from the University of Buffalo and a master's degree in healthcare administration from Virginia Commonwealth University. His career with Riverside Health System spans over 20 years, serving in several positions, including Administrator of Riverside Rehabilitation Institute. He oversees the daily operations of the division which includes seven nursing centers and three continuing care retirement communities.

Riverside Healthcare Association is an organization of owned or managed health care facilities, wellness and fitness services, retirement communities and associated support service facilities. These facilities include, but are not limited to, more than 350 retirement housing units, 470 long-term care beds and 814 acute care beds. The association is organized as a private, nonprofit corporation. The responsibility and authority for the management is vested in a voluntary board of directors.

The purposes of the Riverside Healthcare Association are to provide a comprehensive range of health care, wellness, housing, and associated support services to all persons who can benefit from them and to organize these services in an economical manner and in accordance with standards of excellence. The Association willingly accepts the responsibility to provide this comprehensive health care in the form of programs of acute, long-term, mental health, ambulatory, rehabilitative, preventative, end of life and home care. These services and programs are conducted without regard to race, creed, religion, gender, sexual orientation, or gender expression. Sanders is open to both couples (married or unmarried) and singles.

b. Give the name and address of any professional service, firm association, foundation, trust, partnership or corporation or any other business or legal entity in which such person has, or which has in such person, a 10 percent or greater direct or indirect interest and which is presently intended to, will or may provide goods, leases or services to the provider of a value of \$500 or more within any year, including:

1. A description of the goods, leases, or services and the probable or anticipated cost thereof to the provider,
2. The process by which the contract was awarded;
3. Any additional offers that were received; and
4. Any additional information requested by the Commission detailing how and why a contract was awarded.



Response: Sanders. is a non-stock, nonprofit corporation that has as its sole member, Riverside Healthcare Association, a nonprofit, non-stock corporation.

Riverside Healthcare Association, Inc. provides planning, consulting, and operational services to Sanders at cost.

Because of the member affiliation between Sanders and Riverside Healthcare Association, there was no formal process used, nor a formal contract signed for the provision of planning, consulting, and operational services by RHA. No additional offers for such services were either solicited or received. Costs for such services by RHA are charged on an actual cost basis. Costs for such services by Riverside Healthcare Association, Inc. are charged on an actual basis. The costs for such services for 2021 are \$476,037. Costs for such services include various direct contracted services, supplies and contract management services and related costs. Because of the inherent efficiencies of scale available to RHA, substantial savings inure to the benefit of Sanders over the cost of such services and products had they not been acquired through RHA. These costs also cover a wide range of services and goods such as food, insurance, accounting, and various labor costs. Other than the affiliation arrangement, neither the provider or officers or board members of the corporation have a 10 percent or greater direct or indirect interest in any professional firm, service, association, foundation, trust, partnership, corporation or any other business or legal entity which is presently intended to, will or may provide goods, leases, or services to Sanders of a value of \$500 or more within any year.

c. Give a description of any matter in which such person:

1. Has been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or

2. Is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state; or

3. Is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property

Response: None of the above items is or has been applicable to the provider or any of the individual persons or members noted in the board of directors.



V. Ownership of Real Property

Give full and detailed information regarding direct and indirect ownership of the property on which the facility is or will be operated and of the buildings in which it is or will be operated.

Response: Riverside Healthcare Association, Inc. owns the following real estate located in the Ware Magisterial District; on the east and west sides of State Route 1002, Gloucester County, Virginia:

1. Lot “A-2” - containing 0.765 acre on which are located two one-story frame residential buildings containing three residential units each and a commons building providing meeting and recreational facilities for residents, their guests and members of the Gloucester community;
2. Lot “C” - containing 0.763 acre on which there are located two one-story frame residential buildings containing three residential units each;
3. Tax Map Parcel 32A2(1) bk P-24B and P-24C - containing 0.39 acre on which is located the assisted living facility;
4. Tax Map Parcel 32A2(1) bk P-24E - containing 0.39 acre on which is located the assisted living facility;
5. Tax Map Parcel 32A2(1)bk P-24A - containing 0.39 acre on which is located the assisted living facility;
6. Tax Map Parcel 32A(1) bk P-16 - containing a fraction of an acre; and
7. Tax Map Parcel 32A(1) bk P-18 and 30-A containing +/- 30.5 acres.



VI. Location and Description of Real Property

Give the location and description of the real property of the facility disclosed in the preceding section.

Response: The location and description of the real property of the facility is disclosed in the preceding section. The independent living property is identified as items 1 and 2 and known as Sanders. The assisted living facility property is identified as items 3, 4, and 5. Items 6 and 7 are the properties earmarked for future development. Francis N. Sanders Nursing Home, Inc. completed construction of a new health care center on property parcel 7 in December of 2013 and opened for residents in January 2014.

CCRC: The two buildings containing three independent living units each (total six) located on Lot “A-2” were completed on or about April 1, 1985.

The two buildings containing three residential units each (total six) located on Lot “C” were completed on or about April 1, 1986.

The lots identified on Tax Map 32A(1) bk P-16, P-18 and P-20A are intended for future development.

ASSISTED LIVING FACILITY: The assisted living facility is located on parcel 32A2(1) bk P-24A and parcel 32A2(1) bk P-24E.

The original assisted living facility consists of a two-story structure having 24 adult care-assisted living residential units licensed in the Commonwealth as Adult Care Residence – Assisted Living. The structure was approximately 21,000 square feet and was completed in July 1999 at a total developed cost of approximately \$2.2 million. In September 2001 an additional eight rooms were added to the existing assisted living facility, bringing the total units to 32. This addition increased the square footage by 4,000 square feet at a total developed cost of approximately \$310,000.

The single-family residential unit occupied on parcel 32A(1) bk P-24B and parcel 32A2(1) bk P-24C is not occupied and is used as storage.



VII. Affiliation with Religious, Charitable or Other Nonprofit Organizations; Tax Status of Provider

Give a statement as to:

a. Whether the provider is or ever has been affiliated with a religious, charitable, or other-nonprofit organization, the nature of any such affiliation, and the extent to which the affiliate organization is or will be responsible for the financial and contractual obligation of the provider.

Response: Sanders became a member corporation of Riverside Healthcare Association, Inc. in September 2003. As per the affiliation, Sanders has as its sole member Riverside Healthcare Association. Riverside Healthcare Association elects the board members for Sanders as per the affiliation agreement, Riverside Healthcare Association became responsible for all financial and contractual obligations of Sanders

b. Any provision of the Federal Internal Revenue Code under which the provider is exempt from payment of income tax. This section shall be divided into approximately labeled sections for parts “a” and “b”. A response for each part is required.

Response: Sanders has received exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.



VIII. Services Provided Under Continuing Care Contracts

Describe the services provided or proposed to be provided under continuing care contracts, including the extent to which medical care is furnished. The disclosure statement shall clearly state which services are included in the basic continuing care contracts and which services are made available by the provider at extra charge.

Response: Sanders no longer sells continuing care contracts. Sanders offers services through a lease agreement. There is no entrance fee for a lease agreement. Please refer to the lease agreement in Appendix C. Sanders currently has two residents with continuing care contracts. The continuing care contract offers the same services as described in a Sanders lease agreement as well as priority for admission to Lifelong Health and Rehabilitation Sanders and, in addition, one (1) day of care therein for each month of occupancy of a residential unit up to a maximum of 10 days per year.

Service provided under all contracts and leases to the residents of the independent living residences are as follows:

1. Maintenance and repair to interior and exterior of units and to common areas including walks and landscaping; smoke alarms and emergency call systems; one meal per day (additional meals provided at an extra charge); recreational and social activities in common building (additional charge may be made for supplies or food in connection with planned social activities); public water and sewage; outdoor lighting for common areas; biweekly housecleaning.
2. The physical and mental health and financial conditions upon which provider may require resident to relinquish his space are:
 - a. Resident no longer meets the health and financial conditions when the conditions have changed prior to occupancy date.
 - b. Resident is no longer capable of living independently in unit on occupancy date, or
 - c. Resident is unable to perform his obligations under the agreement.
3. The physical and mental health and financial conditions required for a person to continue as a resident are:
 - a. Resident must not break rules or regulations that are detrimental to the health and peaceful living of other residents as determined by the administrator.
 - b. Resident is free of contagious diseases.
 - c. Resident must be free of mental or emotional disturbances presenting a danger to himself or other residents.
 - d. In any of such cases enumerated above, provider is required to give notice of termination not less than 60 nor more than 90 days after the notice.



4. This agreement can be terminated for nonpayment of the monthly rental fee if such nonpayment is not cured within 30 days of the date Sanders gives the resident written notice of the overdue payment. To the extent that monthly service fees are waived or reduced, provider will have a claim against resident's estate and right of set-off against any refund of the entrance fee to which resident or his estate may be entitled under this agreement. Resident hereby agrees that in consideration of such reduction resident will:

- a. Transfer to another residential unit,
- b. Restrain from transferring any property without consent of the provider,
- c. Provide provider with periodic statements of financial conditions,
- d. Agree to assignments or transfer of property to the provider. If these conditions cannot be met and resident fails to pay the fees as prescribed, the provider may terminate the agreement.

5. Provider will maintain a different monthly service fee for single and double occupancy, whether by marriage or otherwise as set out in the agreement. Prior permission of the provider is required before double occupancy occurs and the second occupant will be required to execute the residency agreement including personal data form, financial and medical statements, as required for original occupant. The board of directors has adopted the schedule of fees embracing provisions for the second occupant.

6. Provider shall not cancel the agreement with any resident without good cause. Good cause shall be limited to:

- a. Proof that the resident is a danger to himself or others.
- b. Nonpayment by the resident of a monthly fee.
- c. Repeated conduct by the resident that interferes with other residents' quiet enjoyment of the facility.
- d. Persistent refusal to comply with reasonable written rules and regulations of the facility.
- e. A material misrepresentation made intentionally by the resident in his application for residency or related materials.
- f. A material breach by the resident of the terms and conditions of the agreement, cancellation of the agreement and termination of resident's occupancy shall require reasonable notice by the provider, giving a reasonable opportunity to cure, within a reasonable period, the conduct alleged to warrant the cancellation of the agreement.

7. No assisted living services are provided as part of any contract; however priority admission will be given to independent living residents with a lease agreement and continuing care residents.

Under Lease Agreements:

1. Continuing Care Contracts

No longer provided

2. Lease Agreements

NOTE: Lease agreements are not reviewed or approved by the State Corporation Commission Bureau of Insurance.



IX. Fees Required of Residents

Give a description of all fees required of residents, including any entrance fee and periodic charges. The description shall include the manner by which the provider may adjust periodic charges or other recurring fees and any limitations on such adjustments. If the facility is already in operation, or if the provider operates one or more similar facilities within this Commonwealth, there shall be included tables showing the frequency and average dollar amount of each increase in periodic rates at each facility for the previous five years or such shorter period that the facility has been operated by the provider.

1. Continuing Care Agreements

No longer provided

2. Lease Agreements

a. APPLICATION – No application fee is required under the Residency Lease Agreement. A \$2000 reservation fee is required to obtain a lease (please refer to Appendix D).

b. ENTRANCE FEE – As part of the Residency Lease Agreement, Sanders does not require an entrance fee.

c. MONTHLY RENTAL FEE --A rental service fee shall be payable in advance on the first day of each month and continuing until the agreement is terminated. The initial fee is established in the agreement based upon single or double occupancy, and Sanders reserves the right to revise the monthly service fee as may be determined by the management. Any increase or decrease in the monthly service fee will be made after giving 30 days prior written notice to the resident. The provider operates only one facility in the Commonwealth of Virginia. The attached schedule provides the monthly fees in effect. (See Appendix B).



- d. Procedures for medical transfer are set out in detail under Section D of the Residency Lease Agreement (Appendix C).
- e. Refunds by reason of termination are described in detail under Section D4 of the residency Lease Agreement.
- f. Insurance requirements under Sections A.7 of the Residency Lease Agreement are not known as it pertains to personal property and liability insurance on residents’ personal property. Health insurance requirements are set forth in Section C. 4. of the Residency Lease Agreement. Health insurance premiums for residents not eligible for Medicare are not known as such premiums vary with age and health conditions.

3. Increases in Fees

Periodic Fee Changes: While the intent of Sanders a not-for-profit provider, is to adjust periodic charges (monthly fees) only to a level that does not exceed the adjustments incurred by Sanders in the operation of the community, there is no contractual limitation on the size or frequency of fee adjustments. Periodic fee adjustments will be made with at least 30 days’ notice to residents. See Appendix B for resident fees for lease and continuing care agreements. Recent annual fee increases have averaged about 3 percent.

Monthly Fee Adjustment History - Independent Living		
Year	Average Dollar Amount Change	Percentage Change
2023	\$99	6%
2022	\$93	3%
2021	\$81	2%
2020	\$65	2%
2019	\$91	3%
2018	\$88	3%



X. Reserve Funding

Describe any provisions that have been made or will be made to provide reserve funding or security to enable the provider to fully perform its obligations under continuing care contracts, including the establishment of escrow accounts, trusts or reserve funds, together with the manner in which such funds will be invested and the names and experience of persons who will make investment decisions.

The description shall include a specific explanation of how the value of any such reserve funding was established and, if applicable, it shall include the opinion of a qualified actuary.

Response: Sanders has the full financial support of Riverside Healthcare Association, Inc. RHA takes full responsibility for the obligations of Sanders. For internal management purposes, covering cash needs, and audit purposes, Sanders is grouped with Riverside Convalescent Centers by RHA.

Due to the strength of Riverside Healthcare Association's balance sheet, Sanders is able to fund all interest and principal on funds borrowed and to make payments for replacements and retirement reserve funds and to make payments to residents for refunds which are due and to make payments to long-term care providers for the care of residents to the extent specified in the Residency Lease Agreement. Sanders and RHA do not intend to set up different funds for these purposes.

There are no restrictions or limitations on the amounts of indebtedness or liability which RHA may incur nor are there any restrictions on the disposition of assets, nor are there any restrictions on the investment of funds. The Riverside Health System board would control and set investment strategy for Sanders. Significant security to enable Sanders to fully perform its obligations under continuing care contracts include: 1) a sound fee structure which will cover operating costs as they change, and 2) the full financial resources and investment experience of Riverside Healthcare Association.



XI. Certified Financial Statements

Give certified financial statements of the provider, including (i) a balance sheet as of the end of the two most recent fiscal years and (ii) income statements of the provider for the two most recent fiscal years or such shorter period that the provider has been in existence. Such statements shall conform to generally accepted accounting principles and shall be certified by an independent, certified public accountant. The opinion of the certified public accountant shall be included in this section.

Response: Please refer to Appendix E. Comparative year's financial performance for 2018 and 2019 are included in audit in supplemental detail.

XII. Pro Forma Income Statement Jan. 1, 2023 - Dec. 31, 2023

The following anticipates income and expense for the fiscal year beginning Jan. 1, 2023 and ending Dec. 31, 2023.

	Budget 2023
Revenue	
Long-term care revenues	\$2,159,073
Provision for bad debt	(16,083)
Other revenues	484,099
Total revenue	\$2,627,089
Expenses	
Salaries and benefits	\$1,533,111
Services and other	803,682
Supplies	359,555
Depreciation/Amortization	187,539
Total expenses	\$2,883,887
Excess of revenues, gains and other support over expense	\$(256,798)

Occupancy was budgeted based on actual experience and industry trends. Increase in monthly fees revenue is the result of rate adjustments competitive with area markets. Labor costs are expected to increase to allow for annual reviews and anticipated changes in the hiring market for 2023. Expenses were increased with a 6 percent inflation factor, unless a specific inflation factor was received by a vendor, as well as the market benchmark.



Sanders Pro Forma Income Statement

Comparison Jan. 1, 2022 - Dec. 31, 2022

Revenue	Budget 2022	Actual 2022	Difference	% Difference
Long-term care revenues	\$1,835,881	\$2,048,853	\$212,972	12%
Provision for bad debts	(18,077)	-	18,077	0%
Other revenues	454,701	182,645	(272,056)	-60%
Total Revenues	\$2,272,505	\$2,231,498	\$(41,007)	-2%

Expenses	Budget 2022	Actual 2022	Difference	% Difference
Salaries and benefits	\$1,246,813	\$1,365,612	\$(118,799)	10%
Services and other	711,563	1,150,566	(439,003)	62%
Supplies	210,948	35,843	175,105	-83%
Depreciation/ amortization	152,808	78,312	74,496	-49%
Total Expenses	\$2,322,132	\$ 2,630,333	\$(308,201)	13%
Excess of revenues, gains, and other support over expenses	\$(49,627)	\$(398,835)	\$(349,208)	704%

Material Differences between 2022 Pro Forma Income Statement and the Actual Results of Operation as Reported in the 2022 Certified Financial Statements

Net Total Revenue reflects the increase in rates effective Jan. 1, 2022 and higher than anticipated occupancy. Labor includes higher than expected staffing costs. Services and Other Expenses include Purchased Services that were more than anticipated and favorable supplies are due to reduced Pharmaceutical costs.

Summary of Financial Information Sanders as of Dec. 31, 2022

	2022	2021
Total Assets	\$815,611	\$1,260,824
Total Liabilities	\$(200,567)	\$(246,944)
Total Net Assets	\$615,045	\$1,013,880
Total Revenues	\$2,231,498	\$2,167,000
Total Expenses	\$2,630,333	\$2,214,000
Operating Income (Loss)	\$(398,835)	\$(47,000)
 Net Income (Loss)	 \$(398,835)	 \$(47,000)

Narrative on financial condition: Sanders had an operating loss in 2022. Sanders has the full financial support of Riverside Health System which has a fiscally strong balance sheet, cash flow, and income statement. Their accompanying balance sheet, cash flow, and income statement in the enclosed audit is indicative of the fiscal strength of the total organization. Riverside Health System does not anticipate any negative financial outcomes that would interfere with its ability to meet Sanders' contracted obligations to its residents now or in the coming years.

Occupancy Information	Capacity of Units	Average Occupancy	Percentage Occupancy
Independent Living	12	11.8	98%
Assisted Living	32	31.3	98%
Nursing Home	55	50.5	92%

XIII. Admission of New Residents

Give a description of the provider's criteria for admission of new residents.

Sanders Admissions Policy

Applicants shall be deemed to be eligible for admission to Sanders as continuing care residents if they meet the following guidelines:

1. Age.

Residents should be a minimum of 65 years of age.

2. Documentation

Residents must have submitted the following:

- a. Signed, completed copy of the Residential Lease Agreement
- b. Proof of payment of the deposit fee.
- c. Confidential Application Form, completed correctly
- d. Confidential Financial Statement, completed correctly
- e. Physician Statement, completed correctly
- f. Confidential Medical Screening

3. Physical Eligibility

An applicant shall be deemed physically eligible if the applicant is in good health, able to live independently, and not in need of nursing or supervisory care. It is the intent of this policy that residents be active, able to independently carry out the activities of daily living and able to function at a high level physically and mentally.

4. Physical Examination

Applicants must have a physical examination by a physician within 30 days prior to move-in, in part, indicating the resident is free from tuberculosis and is not in need of nursing or supervisory care.

5. Financial Eligibility

An applicant shall be deemed financially eligible if their income and assets are projected to be adequate based on average life expectancy and if the applicant meets the requirements for insuring against health care costs.

6. Social Eligibility

An applicant shall be deemed to be socially eligible if the applicant is suited for a congregate living environment. This decision will be based upon staff handling the application.

7. Confidentiality

All information and discussions related to the applicant's application for admission shall be held in strictest confidence.



8. Nondiscrimination

In the approval process of applications for residency to a Riverside Retirement Services facility, there shall be no discrimination against any applicant for reason of race, creed, religion, gender, sexual orientation or gender expression. Sanders is open to both couples (married or unmarried) and singles.

9. Residence Change

Prior to occupancy, a resident may choose a different size or style of apartment, if available.

10. Waiting List

Additional policies relating to the appropriate handling of a waiting list shall be proposed by the Administration Team at full occupancy. The waiting list is maintained with the strictest confidence.

11. Shared Residences

Apartments can be shared by individuals who are related by blood or by marriage. Exceptions can be made to this guideline in cases of individuals who have been sharing living arrangements for an extended period of time. In those cases, for the purposes of financial analysis and treatment under policies of the corporation, those residents shall be treated as a married or blood-related couple.

12. Prior to or upon admission

The resident will be given a copy of the Resident Handbook. The handbook is subject to change at the discretion of administration. The most recent update supersedes all previous ones. The handbook outlines the policies and procedures of the community. For the betterment of the community, residents are subject to the handbook provisions.



XIV. Access to Facility by Nonresidents

Give a description of the provider's policies regarding access to the facility and its services for nonresidents.

Response: Sanders Policy on Access to Facility by Nonresidents

It is intended that the facilities and services of Sanders are provided primarily for the use of residents, not for non-residents. However, residents are free to invite guests to their individual residences for daily and overnight visits and to make available to nonresidents, on a temporary basis, such services as guest meals and open entertainment functions at a cost of service basis.

1. Sanders shall have total authority and control over the access to its services by nonresidents and may decide when such services have or are being used to excess.
2. Information regarding charges for services accessible to nonresidents shall be readily available.
3. Services and functions which are not available to nonresidents shall be those which are not publicized as being available to nonresidents.
4. Any nonresident utilizing Sanders facilities and services shall be an invited guest of a resident or Sanders management.



XV. Anticipated Source and Application of Purchase or Construction Funds

If operation of the facility has not yet commenced, give a statement of the anticipated source and application of the funds used or to be used in the purchase or construction of the facility, including:

Response: Facility has been in operation since January 1985.

XVI. Procedure for Resident to File a Complaint or Disclose Concern

Give a description of the procedure by which a resident may file a complaint or disclose any concern:

Response: Sanders believes it can only provide a valuable service if open communication can occur between residents and management. To this end, management provides residents with various avenues to the solution of problems. The complaint procedure provides easy access to all levels of staff for the sake of efficiency. In addition, management helps to foster an active and involved Residents Council by meeting regularly.

More specifically, for routine problem-solving or registering a complaint, the following procedure is offered residents through their orientation to the facility and through their handbook:

“If you have a problem or concern, please contact individuals in the following positions in the listed order until the problem is rectified: 1. Department Head 2. Administrator. You will find that the vast majority of your issues can be resolved by talking to these individuals. Please know that you may approach administration at any time with your suggestions or problems.”

For more broad-based issues, a Residents Council has been formed. The purpose of the Residents Council as found in that organization’s bylaws is as follows: “a. An organization which will cooperate with the Sanders Administrative Team in promoting a favorable atmosphere for enhancing living conditions; b. An amicable and effective procedure for coordinating, presenting, and settling grievances; c. To assist Sanders by interpreting policy to the Residents when requested to do so, and by furnishing help and support through communication for that purpose; d. An open forum for all members to voice their suggestions for aiding each other and Sanders in any respect.”





APPENDIX B

Fee Schedule and Rate Changes

Sanders Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.

Sanders Common Fee Schedule

Rates Effective Jan. 1, 2023

Cottage Style	Square Feet	Monthly Rental Rate
Small one bedroom	924	\$3250
Medium two bedroom	1,012	\$3477
Large two bedroom deluxe	1,156	\$3770
Second resident fee		\$847

One year annual lease converts month-to-month in year two.

Monthly rental fee includes:

- Daily noon dining experience in clubhouse
- Interior maintenance
- Exterior maintenance
- Water/sewer
- Activities and programs
- Bimonthly housekeeping
- 24-hour nurse call



Sanders Common Fee Schedule

Rates Effective January 1, 2023

Apartment Style	Square Feet	Level of Care	Monthly Rate
Studio	349	Level 1	\$5157
		Level 2	\$5654
		Level 3	\$6152
Alcove	384	Level 1	\$5393
		Level 2	\$5890
		Level 3	\$6388
One bedroom	426	Level 1	\$5702
		Level 2	\$6199
		Level 3	\$6697
Grand	470	Level 1	\$5964
		Level 2	\$6461
		Level 3	\$6959
Second Person Fee		Base Price	2602
		Level 1	3100
		Level 2	3597
		Level 3	4095

Double Occupancy Fee - 50 percent of lower level of care

Sanders Long-Term Care

Room Style	Per Day Rate
Private room	\$326

Skilled Nursing Facility

Room Style	Per Day Rate
Private room	\$700



Sanders Common Fee Schedule and Rate Changes

Nursing Home Per Day	2022	2023	Increase
Private	\$302	\$3026	8.0%

Skilled Nursing Facility Per Day	2022	2023	Increase
Private	\$648	\$700	8.0%

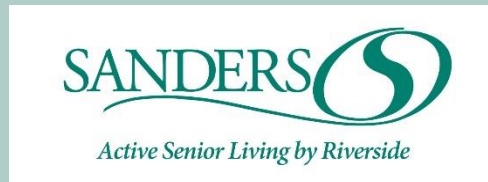
Assisted Living Facility Per Month	2022	2023	Increase
Studio level 1	\$4,819	\$5157	7.0%
Studio level 2	\$5,284	\$5654	7.0%
Studio level 3	\$5,749	\$6152	7.0%
Alcove level 1	\$5,040	\$5393	7.0%
Alcove level 2	\$5,505	\$5890	7.0%
Alcove level 3	\$5,967	\$6388	7.0%
One bedroom level 1	\$5,329	\$5702	7.0%
One bedroom level 2	\$5,794	\$6199	7.0%
One bedroom level 3	\$6,259	\$6697	7.0%
Grand level 1	\$5,573	\$5964	7.0%
Grand level 2	\$6,038	\$6461	7.0%
Grand level 3	\$6,503	\$6959	7.0%
Second Person Fee	50 percent of higher level of care	2602	
Second Person Fee Level 1	50 percent of higher level of care	3100	
Second Person Fee Level 2	50 percent of higher level of care	3597	
Second Person Fee Level 3	50 percent of higher level of care	4095	

Sanders Common Fee Schedule and Rate Changes

The Cottages Rental Rate	2022	2023	Increase
Small one bedroom	\$3,066	\$3250	6
Medium two bedroom	\$3,280	\$3477	6.0%
Large two bedroom deluxe	\$3,557	\$3770	6.0%
Second resident	\$793	\$847	6.0%

Continuing Care Contract	2022	2023	Increase
Small one bedroom	\$1,259	\$1335	6.0%
Medium two bedroom	\$1,301	\$1379	6.0%
Large two bedroom deluxe	\$1,367	\$1449	6.0%





APPENDIX C

Residence Lease Agreement

Sanders Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.



LEASE AGREEMENT

LANDLORD: Riverside Healthcare Association, Inc., a Virginia Corporation, t/a Sanders Common ("SANDERS")

RESIDENT: _____

RESIDENT: _____

SANDERS is an Active Adult Community designed for active retirement living. You agree to lease unit #____, type of residence at (address)

The lease shall begin on the ____ day of ____, 20__ and shall terminate after a minimum of one year, on the ____ day of ____, 20__. Further, you agree to pay SANDERS the following fees:

Monthly Rental Fee:

You agree to pay SANDERS a monthly rental fee payable in advance, on or before the first day of each month. The monthly rental fee for single/double occupancy shall be \$_____. The monthly rental fee is prorated on a per diem basis in the event you move in other than the first day of the calendar month. This per diem charge will be payable prior to occupancy.

The lease term is for a period of (1) year and you will be notified prior to the expiration of the lease. After this initial year, the lease will then convert to a month-to-month lease. The monthly rental fee will be adjusted based on the current monthly fee in effect during that calendar year and may be adjusted by SANDERS in its discretion.

Security Deposit:

You acknowledge that the reservation deposit previously delivered to SANDERS in the amount of _____, shall be retained by SANDERS and credited to your last month's rent.

A. SERVICES INCLUDED IN MONTHLY FEES

1. Living Accommodation

Resident shall have a personal, non-assignable right to reside in the independent living residence, subject to removal only under the conditions and terms of this Agreement.

2. Furnishings

Floor treatment, refrigerator, range, dishwasher and the wiring for the emergency call system, telephone, and T.V. shall be furnished. Resident shall provide all other furnishings for the residence, subject to the approval and supervision of administration.

3. Meals

One meal per day will be provided and included in your monthly fee and served only in the clubhouse. Therapeutic diets shall be provided only upon order of a physician at special rates then in effect. Tray service to the residence will be provided during minor, short-term illness upon approval of administration at no additional charge for up to three days. Credit for missed meals will be allowed upon advance notice that the Resident will be away from SANDERS for more than seven days. Credits will be according to the schedules then in effect. Meals not arranged for and served at other times during the day will be available at guest meal rates.

4. Utilities

SANDERS will provide for water and sewer service to each of the residential units. All other utilities will be the responsibility of the resident(s). The resident(s) must contract for telephone, cable, and Internet/WiFi services with the applicable utility.

5. Housekeeping

Bi-weekly housekeeping shall be provided by SANDERS. These housekeeping tasks include vacuuming and necessary cleaning of the bathroom and kitchen fixtures. SANDERS may deem necessary at the Resident's expense, cleaning and other work not included in scheduled housekeeping tasks as necessary to return the residence to a safe, clean and orderly condition if day-to-day cleaning responsibilities of the Resident have been neglected.

6. Maintenance and repair

Repairs, maintenance, and replacement of property and equipment owned by SANDERS shall be performed and provided by SANDERS. SANDERS shall provide basic grounds keeping care including lawn service.

7. Security

SANDERS will use reasonable care to provide external security on the grounds and common areas for you and your property, but will not be responsible for losses or damages to personal property or bodily injury occurring in or about the leased unit. Residents should maintain private insurance on private property and for personal liability.

8. Health Care Services

SANDERS will provide care as described in Section C of this Agreement.

9. Additional Services

SANDERS will provide scheduled transportation, activities and access to its community facilities.

B. RESIDENT RIGHTS AND RESPONSIBILITIES

1. Admissions and Continued Occupancy

Your acceptance as a Resident and your continued occupancy at SANDERS are based upon the following criteria:

- a. You are physically and mentally capable of living independently.
- b. You are free of communicable disease.
- c. You possess the financial capability to meet your obligations to SANDERS on a continuing basis (unless other arrangements have been made).
- d. Your presence does not threaten the health, safety or well being of others at SANDERS.
- e. You agree to abide by the rates and regulations of SANDERS and the reasonable changes thereto, which may occur from time to time, in the sole discretion of SANDERS.

2. Representations Made by Resident

The application and the statements of your finances and health history filed with SANDERS are incorporated into this Agreement and all statements therein are deemed to be true as of the date made. You represent that there have been no material changes in the information provided since _____, the date of your application. Any material misstatement, or any omission to state a fact called for, may result in the termination of this Agreement by SANDERS.

3. Property Rights

You understand and agree that this is an Agreement primarily for shelter and services. Though you are granted a right of occupancy, you will have NO RIGHT, title or interest in any of the real, or personal property of SANDERS or the right to control or influence in any way the business or financial affairs of SANDERS. Your rights under this Agreement are personal and may not be assigned, transferred, inherited or devised.

4. Financial Statements

Just as you have presented a financial statement as a part of the admissions process, you agree to continue to provide financial statements upon request, including copies of your federal and state income tax returns for the three years prior to the statement. This will allow SANDERS to monitor substantial changes in financial position

5. Power of Attorney

You agree to execute and maintain in effect, a Power of Attorney, valid under Virginia law. This Power of Attorney shall designate as your attorney-in-fact, a bank, lawyer, relative, or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits, as fully and completely as you would if acting personally. It should be in a form, which survives your incapacity or disability, and be otherwise satisfactory to SANDERS. You will deliver a fully executed copy of this Power of Attorney to SANDERS prior to occupancy of your residence, and will promptly make changes thereto reasonably requested by SANDERS in the future.

6. Furnishings

You are required to provide furniture and furnishings for your residence. The placement and use of all furniture and appliances provided by you are subject to the approval of SANDERS.

7. Linens

You will provide your own bed and bath linens.

8. Housekeeping

You agree to maintain your residence in a clean, safe and orderly condition, and to perform all usual light housekeeping.

9. Right of Entry

Authorized employees, such as housekeeping, nursing and maintenance shall be permitted into your residence at all reasonable times for inspection and at any time in case of emergencies. We will contact you when possible prior to entry to schedule a time and leave a notice if we have been in your residence.

- 10. Guests, Access, and Use by Non-Residents**
You will be free to invite guests to your residence for daily and overnight visits. You may purchase meals for your guests at prevailing rates. SANDERS reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for any reasons it deems appropriate. In general, the services of SANDERS are intended for the use of Residents, not for non-Residents. Non-residents/guests may not use facilities while "hosting" resident is away. Arrangements for guest stays longer than one week must receive approval from the Administrator.
- 11. Injuries or Damage by You**
You agree to reimburse SANDERS for any costs incurred or damages suffered by it resulting from your carelessness, negligence, or wrongful acts, or that of your guests.
- 12. Injury by a Third Party**
In case of damage or injury to you caused by third parties, you agree to bring any necessary claims or legal action against the person who has caused injury or damage to you. You hereby authorize and direct the person or firm designated by you or your attorney-in-fact to prosecute such claims or causes of action. After recovering damages from such claims or causes of action, you agree to reimburse SANDERS for all costs and damages incurred by it (including reasonable costs of care furnished to you by SANDERS) because of such accident or injury.
- 13. Residents Council**
All Residents of SANDERS are members of the Resident's Council. The Administration will confer regularly with representatives of the Council about matters of concern to Residents.
- 14. Statement of Non-Discrimination**
Neither race, nor gender, nor religion, nor national origin has any bearing upon your acceptance or rejection for occupancy, the execution of this Agreement, or normal conduct of business of SANDERS.
- 15. Confidentiality**
SANDERS will use reasonable care to keep all personal, medical, and financial information you have supplied in confidence and not to share any such information with unauthorized persons.
- 16. Authority for Admissions, Discharge, Fees and Management**
We retain all authority regarding admission, discharge, and adjustment of fees and management of SANDERS. You do not have the right to prevent the occupancy of a new Resident, to prevent the termination of another Resident's Resident Agreement, nor to protest the fees charged to or Financial Assistance rendered to you or any other Resident.

C. HEALTH CARE

1. Skilled Care, Long-Term Nursing Care, Assisted Living and Permanent Transfer

SANDERS in conjunction with Assisted Living at SANDERS and the Healthcare Center will provide priority access to Residents in need of Assisted Living or licensed long/short term nursing care at the Healthcare Center, or, if full, at one of its satellite communities.

2. Priority Access

Residents of SANDERS will be offered priority access to the following currently offered Riverside Healthcare Association, Inc.'s owned network services: Riverside Assisted Living Services, Riverside Convalescent Centers and the Riverside Wellness and Fitness Center.

3. Medicare and Health Insurance Assignments

- a. Resident has procured and shall maintain the hospital and medical insurance benefits known as Medicare Part A and Part B or their equivalents.
- b. If Resident is entitled to medical care or payment by government agencies, he shall make application for such care or payment.
- c. Resident shall authorize, as necessary, any provider of hospitalization, medical and other health services to receive reimbursement under Medicare Parts A and B as provided under these programs.
- d. Resident shall make, as necessary, assignments to providers of medical and other health care services under Medicare Part B of all benefits accruing to Resident under these plans.

4. Other Medical Charges and Services

SANDERS makes no representation of medical care coverage or provisions of medical services other than those covered in this Residence Agreement.

D. TRANSFERS AND TERMINATIONS

1. Transfers

You agree that SANDERS has the sole authority to transfer you to another residence, assisted living, a nursing community, or another private or public institution, if SANDERS, in its sole discretion, determines that your continued residency in your residence constitutes a danger to yourself, others, is detrimental to the health, peace, or well-being of others, or that you are physically or mentally incapable of living independently. Except in cases of emergency, SANDERS agrees not to transfer you from your residence for health-related reasons until SANDERS has consulted with you, or with anyone else you designate as a primary contact. In cases of emergency transfer, the consultations described above will be scheduled by SANDERS as soon after the transfer as possible.

2. Permanent Transfer to a Higher Level of Care

Due to the nature of Independent Living, 24-hour private duty care is not permitted. When SANDERS determines that your transfer is not temporary in nature, your residence, if already vacated by your spouse, shall be released and made available to a new Resident. The "Removal of Property" section of this Agreement shall then apply. SANDERS agrees to consult with the Resident's family or attorney-in-fact and personal physician before making such a transfer.

3. Change of Residence

SANDERS may, in certain circumstances, approve your moving to a different independent living residence. At the time your request is approved, your monthly fee will reflect any additional/reduced fees. SANDERS will determine in its discretion, the amount of any additional/reduced fee, including monthly fee, which is appropriate to the new residence, and any charge for such move. The monthly fee applicable to the new residence shall be the new monthly fee paid by the Resident.

4. Terminations

Any one of the following conditions shall be cause for either party to terminate this Agreement.

- a. Resident's failure to perform obligations under this Agreement including the obligations to pay monthly fees and other charges.
- b. Resident's failure to abide by the rules and regulations of SANDERS including such reasonable amendments as may be adopted from time to time.
- c. Resident's behavior resulting in threat to health, safety, peace, or Well being of the Resident or others.
- d. Resident's material misstatements or failure to state material fact in the Resident application, financial statement, or health history statement filed with SANDERS.
- e. Resident's permanent transfer as described under "Transfers" section of this Agreement.
- f. Death of Resident.
- g. Resident's voluntary withdrawal from SANDERS.
- h. If it becomes necessary, in the sole and absolute discretion of SANDERS, to demolish or modify the unit so that it is no longer habitable.

SANDERS shall give you reasonable notice of your termination date, and determination that your continued occupancy represents a threat to the safety of others or of yourself shall be a factor in determining the reasonableness of that notice. You will further be given reasonable opportunity to cure within a reasonable period whatever conduct is alleged to warrant the cancellation of the Agreement.

In the instance of a Resident's voluntary withdrawal from SANDERS, death or a permanent transfer, the Resident will be charged for each month of residency plus the entire month during which the withdrawal has occurred, and the cost of repair and cleaning of the residence. The security deposit will remain with SANDERS and be credited to your last month's rent, less any damage/repair costs not yet received.

5. Removal of Property

Resident agrees to the removal of Resident's property from the residence within thirty (30) days after termination of the Agreement or permanent transfer. After thirty (30) days, SANDERS shall have the right to store such property at your expense. Any time after the property has been stored for thirty (30) days SANDERS shall have the right to dispose of it without any liability of any nature whatsoever on the part of SANDERS.

6. Prior to Occupancy

If Resident dies before occupying the residence, or is precluded through illness, injury, or incapacity from becoming a Resident under the terms of the Lease Agreement, the Agreement is automatically rescinded and the Resident or his legal representative shall receive a full refund of all money paid to SANDERS, except those costs specifically incurred by SANDERS at the request of the Resident and set forth in writing in a separate addendum, signed by both parties to the Agreement.

F. MISCELLANEOUS PROVISIONS

1. Authority

SANDERS retains all authority regarding admission, dismissal, and adjustment of fees and management of SANDERS.

2. Successors and Assigns

The duties owed SANDERS under this Agreement shall insure the benefit of its successors and assigns.

3. Other Promises

SANDERS representatives have made no promises or representation regarding your residence, facilities, refunds, or services and this Agreement has precedence over the descriptions of services in promotional materials or presentations. This Agreement constitutes the entire Agreement between you and SANDERS, and no waiver or modification shall be valid unless made in writing, signed by you and by SANDERS and attached to this Agreement.

4. Agreement

This Agreement shall be governed under the laws of the State of Virginia.

Witness the following signatures:

Riverside Healthcare Association, Inc., a
Virginia Corporation, t/a Sanders Common

By: _____
Title

Date: _____

Resident

Resident

Date: _____



APPENDIX D

Certified Financial Statements

Sanders Disclosure Statement. The filing of this disclosure statement with the State Corporation Commission does not constitute approval, recommendation, or endorsement of the facility by the State Corporation Commission.



RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Financial Statements and Supplementary Schedules

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

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KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Directors
Riverside Healthcare Association, Inc.:

Opinion

We have audited the consolidated financial statements of Riverside Healthcare Association, Inc. and its subsidiaries (the System), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets without donor restrictions, 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 financial position of the System as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 System 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.

Emphasis of Matter

As discussed in Note 2(s) to the consolidated financial statements, in 2022, the System adopted new accounting guidance ASU 2016-02, Leases (Topic 842). Our opinion is not modified with respect to this matter.

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 U.S. generally accepted accounting principles, 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 System's ability to continue as a going concern for one year after the date that the consolidated 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 System'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 System'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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 41-50 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Norfolk, Virginia
May 4, 2023

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 37,182	160,292
Accounts receivable	180,542	159,936
Due from third-party payors	85,565	62,039
Other receivables	12,606	8,334
Other current assets	59,807	51,211
Total current assets	<u>375,702</u>	<u>441,812</u>
Investments	572,193	722,962
Land, buildings, and equipment, net	964,094	863,721
Right-of-use assets	125,678	—
Other assets	91,019	98,461
Total assets	<u>\$ 2,128,686</u>	<u>2,126,956</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 56,459	73,713
Accrued liabilities	103,881	115,029
Borrowings under line of credit	—	324
Current portion of long-term debt and obligations under finance leases	24,798	8,760
Current portion due to third-party payors	—	84,336
Other current liabilities	61,891	29,960
Total current liabilities	<u>247,029</u>	<u>312,122</u>
Deferred revenue	64,790	61,520
Long-term debt, less current portion	504,675	522,942
Obligations under finance leases, less current portion	64,536	21
Pension and postretirement obligations	100,869	172,803
Due to third-party payors, less current portion	—	1,407
Other liabilities	216,416	138,886
Total liabilities	<u>1,198,315</u>	<u>1,209,701</u>
Net assets:		
Without donor restrictions	902,770	889,749
Noncontrolling interest	113	103
Total without donor restrictions	<u>902,883</u>	<u>889,852</u>
With donor restrictions	27,488	27,403
Total net assets	<u>930,371</u>	<u>917,255</u>
Total liabilities and net assets	<u>\$ 2,128,686</u>	<u>2,126,956</u>

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended December 31, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Operating revenues, gains, and other support without donor restrictions:		
Patient service revenue	\$ 1,444,888	1,325,720
Long-term care revenue	71,396	67,568
Other operating revenues	156,021	189,195
Net assets released from restrictions for operations	<u>743</u>	<u>786</u>
Total operating revenues, gains, and other support	<u>1,673,048</u>	<u>1,583,269</u>
Operating expenses:		
Salaries and benefits	876,676	815,878
Services and other	336,215	298,736
Supplies	318,923	299,652
Depreciation and amortization	96,765	86,614
Interest	<u>16,459</u>	<u>15,397</u>
Total operating expenses	<u>1,645,038</u>	<u>1,516,277</u>
Net operating income	<u>28,010</u>	<u>66,992</u>
Nonoperating gains and losses:		
Investment (loss) gain, net	(98,266)	30,384
Pension and postretirement benefit (costs)	7,986	(19,584)
Loss on the extinguishment of debt	<u>—</u>	<u>(5,116)</u>
Total nonoperating gains and losses, net	<u>(90,280)</u>	<u>5,684</u>
(Deficiency) excess of revenues, gains, and other support over expenses and losses before noncontrolling interest	(62,270)	72,676
Noncontrolling interest	<u>(10)</u>	<u>(11)</u>
(Deficiency) excess of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	<u>(62,280)</u>	<u>72,665</u>
Change in fair value of financial instruments – interest rate swap agreement	5,927	2,325
Change in plan assets and benefit obligations of pension and postretirement plans	77,066	81,551
Cumulative effect of change in lease classification	(3,045)	—
Other	<u>(4,647)</u>	<u>278</u>
Change in net assets without donor restrictions attributable to Riverside Health System	\$ <u><u>13,021</u></u>	\$ <u><u>156,819</u></u>

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2022 and 2021

(In thousands)

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>	<u>Total</u>
	<u>Riverside Health System</u>	<u>Noncontrolling Interest</u>		
Balance at December 31, 2020	\$ 732,930	4,519	19,326	756,775
Excess of revenues over expenses	72,665	11	—	72,676
Change in fair value of financial instruments – interest rate swap agreement	2,325	—	—	2,325
Change in plan assets and benefit obligations of pension and postretirement plans	81,551	—	—	81,551
Other	278	—	—	278
Change in ownership of Coastal Virginia Rehabilitation	—	(3,586)	—	(3,586)
Change in ownership of Peninsula Hospital Services	—	(841)	—	(841)
Contributions	—	—	320	320
Donor-restricted investment income, net	—	—	5,393	5,393
Net assets released from restrictions	—	—	(786)	(786)
Other	—	—	3,150	3,150
Change in net assets	<u>156,819</u>	<u>(4,416)</u>	<u>8,077</u>	<u>160,480</u>
Balance at December 31, 2021	<u>889,749</u>	<u>103</u>	<u>27,403</u>	<u>917,255</u>
(Deficiency) excess of revenues over expenses	(62,280)	10	—	(62,270)
Change in fair value of financial instruments – interest rate swap agreement	5,927	—	—	5,927
Change in plan assets and benefit obligations of pension and postretirement plans	77,066	—	—	77,066
Cumulative effect of change in lease classification	(3,045)	—	—	(3,045)
Other	(4,647)	—	—	(4,647)
Contributions	—	—	3,069	3,069
Donor-restricted investment loss, net	—	—	(3,009)	(3,009)
Net assets released from restrictions	—	—	(743)	(743)
Other	—	—	768	768
Change in net assets	<u>13,021</u>	<u>10</u>	<u>85</u>	<u>13,116</u>
Balance at December 31, 2022	<u>\$ 902,770</u>	<u>113</u>	<u>27,488</u>	<u>930,371</u>

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
 Years ended December 31, 2022 and 2021
 (In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 13,116	160,480
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	96,765	86,614
Net realized and unrealized loss (gain) on investments	116,753	(25,459)
Gain on sale of assets	(175)	(22,776)
Change in fair value of interest rate swap	(5,927)	(2,325)
Change in ownership of Coastal Virginia Rehabilitation	—	3,586
Loss on the extinguishment of debt	—	5,116
Net periodic pension cost	16,878	29,346
Components of the change in net pension and postretirement liabilities	(77,066)	(81,551)
Other	—	(552)
Cumulative effect of change in lease classification	3,045	—
Changes in assets and liabilities:		
Accounts receivable	(20,606)	(8,643)
Due (from) to third-party payors	(109,269)	(76,096)
Other receivables	(4,272)	(487)
Other current assets	(8,596)	(4,035)
Right-of-use assets	10,037	—
Other assets	(278)	(1,852)
Accounts payable	(21,656)	9,896
Accrued liabilities	(11,148)	27,592
Other current liabilities	12,261	(11,526)
Deferred revenue	3,270	3,294
Contributions to pension plan	(11,746)	(24,118)
Other liabilities	(21,108)	7,481
Net cash (used in) provided by operating activities	<u>(19,722)</u>	<u>73,985</u>
Cash flows from investing activities:		
Capital expenditures	(126,393)	(98,412)
Proceeds from sales of capital assets	768	5,122
Purchases of investments	(153,209)	(238,774)
Proceeds from sales of investments	194,945	31,383
Proceeds from sales of facilities	—	25,973
Other	—	987
Net cash used in investing activities	<u>(83,889)</u>	<u>(273,721)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	241,394
Proceeds from borrowings under line of credit	609,876	376,982
Repayments of line of credit	(610,200)	(380,654)
Principal payments on long-term debt and capital leases	(19,175)	(126,897)
Other	—	(1,827)
Net cash (used in) provided by financing activities	<u>(19,499)</u>	<u>108,998</u>
Net decrease in cash and cash equivalents	<u>(123,110)</u>	<u>(90,738)</u>
Cash and cash equivalents, beginning of year	<u>160,292</u>	<u>251,030</u>
Cash and cash equivalents, end of year	\$ <u>37,182</u>	\$ <u>160,292</u>
Supplemental disclosures of cash flow information:		
Land, buildings, and equipment purchases in accounts payable	\$ 4,042	4,072
Cash paid for interest	17,535	17,092
Major moveable equipment obtained through finance leases	2,254	—

See accompanying notes to consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(1) Organization

Riverside Healthcare Association, Inc. and subsidiaries is an organization of owned or contractually managed healthcare providers, including acute care, long-term care, physician services, home health, and associated support services located principally in Newport News, Virginia. Riverside Healthcare Association, Inc. and subsidiaries currently operate under the trade name of Riverside Health System. Riverside Health System comprises four major divisions: the Acute Hospital Division, the Other Acute Healthcare Division, the Lifelong Health and Aging-Related Services Division, and the Healthcare Support Division.

The Acute Hospital Division is composed of the following:

- Doctors' Hospital of Williamsburg, a 40-bed acute care hospital doing business as Riverside Doctors' Hospital Williamsburg
- Riverside Hospital, Inc., consisting primarily of an acute care general hospital licensed for 450 beds operating under the trade name Riverside Regional Medical Center and a 98-bed psychiatric and chemical dependence center doing business as Riverside Behavioral Health Center
- Riverside Middle Peninsula Hospital, Inc., a 67-bed acute care hospital doing business as Riverside Walter Reed Hospital
- Shore Health Services, Inc., a 52-bed acute care hospital doing business as Riverside Shore Memorial Hospital

The Other Acute Healthcare Division is composed of the following:

- MiChuMi, LLC, doing business as MDEExpress, which operates five urgent care centers
- Peninsula Cancer Institute, LLC, which employs 15 physicians and 13 advanced practice providers in seven practices
- Riverside Physician Services, Inc., doing business as Riverside Medical Group, which employs 383 physicians and 232 advanced practice providers in 110 practices

The Lifelong Health and Aging-Related Services Division operates 478 nursing home beds; 288 assisted living beds; and provides skilled, rehabilitation, intermediate, and home-for-adult services. The division also manages home care and community-based services for Riverside Health System.

The Lifelong Health and Aging-Related Services Division is composed of the following:

- At Home Partners, LLC (At Home Partners), 80% owned by Riverside Retirement Services, Inc.
- Center for Excellence in Aging and Geriatric Health, doing business as Center for Excellence in Aging and Lifelong Health
- Francis N. Sanders Nursing Home, Inc.
- Patrick Henry Hospital, Inc.
- Patriots Colony, Inc.
- Riverside Convalescent Centers, Inc.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

- Riverside Hospice and Homecare Services, LLC
- Riverside Retirement Services, Inc.
- Riverside Wellness and Fitness Centers, Inc.
- Sanders Common, Ltd.
- Shore Life Care, Inc.
- Tilden and Virginia Davis Support Foundation, Inc.

The Healthcare Support Division is composed of the following:

- Newport News General and Non-Sectarian Hospital Association, Inc., a real estate holding company
- Peninsula Hospital Services, Inc. (PHS), a laundry service company, wholly owned by Riverside Healthcare Foundation, Inc.
- Peninsula Radiosurgery Associates, LLC, a radiosurgery center management company
- Quarterpath Williamsburg, LLC
- Rehabilitation Institute of Virginia, Inc., a healthcare holding company
- RHS MedInsur, Ltd. (MedInsur), a wholly owned captive insurance company
- Riverside Advantage, Inc.
- Riverside Health System Foundation, Inc.
- Riverside Healthcare Foundation, Inc.
- Riverside Healthcare Association, Inc., a wholly owned holding company
- Riverside Healthcare Services, Inc., which provides financial services, risk management, and management contract services to related organizations
- Riverside Management Services, Inc., which provides managerial and advisory services primarily to related organizations
- Riverside Medical Equipment Center, Inc., a physician office billing company
- Virginia Surgical Management, LLC, a surgery center management company

All are hereinafter referred to collectively as the "System."

Basis for Consolidation

The accompanying consolidated financial statements include the assets, liabilities, and net assets and operations of all the controlled corporations mentioned above. All significant intercompany accounts and transactions have been eliminated in consolidation.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(2) Summary of Significant Accounting Policies

(a) *Use of Estimates*

The preparation of these 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) *Cash and Cash Equivalents*

The System considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents, with the exception of short-term investments that are included within investments in the accompanying consolidated balance sheets.

(c) *Accounts Receivable*

Accounts receivable are amounts due from patients or residents, less implicit and explicit price concessions. Price concessions are based on historical collection trends, market conditions, and management's judgment regarding the ability to collect specific accounts.

(d) *Inventories*

Inventories consist primarily of drugs and medical supplies and are stated at the lower of average cost or net realizable value and are recorded in other current assets on the accompanying consolidated balance sheets.

(e) *Investments*

The System's investments include marketable securities, alternative investments, and equity method investments.

Marketable debt and equity securities are carried at fair value determined in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*. The System has designated its marketable securities as trading securities and recognizes investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) as nonoperating gains and losses in the accompanying consolidated statements of operations.

The System's alternative investments are reported at net asset value (NAV) as a practical expedient; gains or losses are recorded as nonoperating gains and losses in the accompanying consolidated statements of operations unless it is probable that all or a portion of the investment will be sold for an amount other than NAV. The System has concluded, as a practical expedient, that NAV approximates fair value.

Joint ventures and other investments in which the System does not control but does, however, have the ability to exercise significant influence are accounted for under the equity method of accounting in the accompanying consolidated financial statements.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

The System also has investments designated for self-insurance held at MedInsur of approximately \$49,650 and \$46,800, respectively, on December 31, 2022 and 2021.

The System's investments are exposed to several risks, including market risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the System's consolidated financial statements. The System manages such risks through diversification of the investment portfolio, monitoring and due diligence, and the use of third-party service providers.

(f) Land, Buildings, and Equipment, Net

Land, buildings, and equipment are stated at cost. Depreciation is computed on the straight-line method using the following estimated useful lives:

	<u>Years</u>
Land improvements	2–25
Buildings and improvements	5–40
Fixed equipment	5–20
Major movable equipment	2–20

Gains or losses on the disposal of land, buildings, and equipment are included in other operating revenues on the accompanying consolidated statements of operations.

(g) Goodwill

The System accounts for goodwill in accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*. As of December 31, 2022 and 2021, the balance of goodwill was approximately \$40,000 and is included in other assets in the accompanying consolidated balance sheets. In accordance with ASC Topic 350, the System's goodwill is not amortized but rather is tested annually for impairment. Management evaluates goodwill amounts for impairment annually at the end of the reporting period. No impairment loss was recognized in 2022 or 2021.

(h) Deferred Compensation Plan

The System sponsors an eligible deferred compensation plan as described under Internal Revenue Code (IRC) section 457. Eligible plans allow employees to defer income taxation on retirement savings into future years and plan participants can contribute up to the IRC limit. The System records an asset for the investments and a corresponding liability related to the payment to the employees in future years. Investments held by the System under a rabbi trust arrangement and the liability associated with the deferred compensation plan are included within other (noncurrent) assets and other (noncurrent) liabilities, respectively, in the accompanying consolidated balance sheets. On December 31, 2022 and 2021, the assets and liability were approximately \$47,200 and \$54,900, respectively.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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On December 31, 2022 and 2021, investments held by the rabbi trust arrangement included marketable equity securities, money market mutual funds, and other investments, substantially all of which would be classified as Level 1 securities within the valuation hierarchy. The allocation by investment type on December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Equity securities	91 %	92 %
Money market mutual funds	8	6
Other	1	2

All investment earnings and expenses of the rabbi trust are reported in the System's consolidated statements of operations within investment income, net and the related compensation cost from the change in fair value of the amount owed to the employees is recorded in net pension and postretirement costs. For the year ended December 31, 2022, net unrealized investment losses of \$10,329, and deferred compensation cost of \$10,329. For the year ended December 31, 2021, net unrealized investment gains of \$6,400, and deferred compensation cost of \$6,400. These gains and losses related to the deferred compensation plan were recognized by the System in nonoperating gains and losses.

(i) Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided federal assistance for individuals and businesses. Under the CARES Act Provider Relief Funding, the System received \$88,399 in federal grants, \$59,505 of which were recognized prior to 2021, \$12,924 of which were recognized in 2021, and \$15,970 of which were recognized in 2022 as grant revenue in other operating revenues on the accompanying consolidated statements of operations. In addition to the federal grants received, the System received and recognized state of Virginia CARES Act grants from the Department of Medical Assistance Services in the amount of \$2,970 and \$3,870 during the years ended December 31, 2021 and 2022, respectively. The System considered FAQs and other guidance issued by the U.S. Department of Health and Human Services (HHS) when assessing whether the terms and conditions of the Provider Relief Funding were met. The amounts recognized as revenue could change in the future based on continuing analysis of lost operating revenues and COVID-19-related expenses as well as the evolving guidance provided by HHS.

In April 2020, the System received \$149,379 of advance payments from the Centers for Medicaid and Medicare Services (CMS). These advanced payments, which continue to be earned when future Medicare claims are reported to CMS, are recorded in due to third-party payors on the accompanying consolidated balance sheets. CMS started to recoup the advance payments in April 2021. The balances on December 31, 2022 and 2021 were \$0 and \$84,336, respectively.

Furthermore, the CARES Act included a provision that allows the System to defer the employer's portion of Social Security payroll taxes. On December 31, 2021, the System had \$10,810 of Social Security deferred payroll taxes remaining, which were included in accrued liabilities on the accompanying consolidated balance sheets. The System paid the remaining Social Security deferred payroll taxes in 2022.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(j) Deferred Revenue

Patriots Colony, Inc. (Patriots Colony) and Warwick Forest (a division of Riverside Retirement Services, Inc.) are continuing care retirement communities. Residents admitted to the facilities pay a fee at admission (advance fee) and a monthly fee to cover the cost of their care (periodic fee). Note 2(n) further discusses recognition of the monthly fees when the performance obligations are met.

Under the terms of the various contracts, the advance fees range from nonrefundable to 95% refundable. The advance fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and are amortized over time using an actuarial valuation that includes estimated remaining life expectancy and remaining healthcare usage of each individual resident, or joint and last survivor life expectancy of each pair of residents occupying the same unit. The refundable portion of these advance fees is repayable to the resident upon the resident vacating the unit and generally becomes nonrefundable over time. The refundable portion is classified as other current liabilities and is not amortized.

The deferred revenue balance on December 31, 2022 was \$64,790, consisting of \$61,821 in advance fees and \$2,969 in other deferred revenue. The deferred revenue balance on December 31, 2021 was \$61,520, consisting of \$58,358 in advance fees and \$3,162 in other deferred revenue.

As of December 31, 2022 and 2021, the portion of advance fees subject to refund provisions were approximately \$18,000 and \$17,400, respectively. Amounts expected to be refunded to current residents, based on the System's experience, were approximately \$5,100 and \$6,500 on December 31, 2022 and 2021, respectively, and are recorded in other current liabilities in the accompanying consolidated balance sheets.

The amounts relating to long-term care residents' advance fees are as follows:

Balance at December 31, 2020	\$	55,667
Amortization of entrance fees		(5,355)
Current year entrance fees		10,062
Refunds and terminations		<u>(2,016)</u>
Balance at December 31, 2021		58,358
Amortization of entrance fees		(6,009)
Current year entrance fees		12,374
Refunds and terminations		<u>(2,902)</u>
Balance at December 31, 2022	\$	<u>61,821</u>

(k) Obligation to Provide Future Services

Patriots Colony and Warwick Forest calculate the present value of the net cost of future services and future use of facilities to current residents and members and compares that amount with the balances of deferred revenue from advanced entrance fees. If the present value of the net obligation to provide future services and future use of facilities (discounted at 5%) exceeds the deferred revenue from advanced entrance fees, a liability is recorded with the corresponding charge to income. The

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

calculation is performed biennially for each program in alternating years. On December 31, 2022 and 2021, deferred revenue from advanced entrance fees exceeded the calculation of the present value of the net cost of future services and future use of facilities for Patriots Colony and Warwick Forest. Therefore, an additional liability for an obligation to provide future services and use of facilities is not required.

(l) Derivatives Policy

The System manages its exposure to interest rate volatility through use of an interest rate swap contract. This contract qualifies as a derivative financial instrument. In accordance with the provisions of FASB ASC Subtopic 954-815, *Health Care Entities – Derivatives and Hedging*, the System applies the provisions of FASB ASC Topic 815, *Derivatives and Hedging*, in the same manner as for-profit entity. That is, the gain or loss items related to derivative instruments that affect a for-profit entity's income from continuing operations under ASC Topic 815 similarly affect the System's performance indicator, and the gain or loss items that are excluded from a for-profit entity's income from continuing operations similarly are excluded from the System's performance indicator. Under ASC Subtopic 954-815, to exclude the change in fair value from the performance indicator, the derivative instrument must not only be related to a specific bond issue, but also be a statistically correlated hedge of the current interest cash flow on the bonds. The System's performance indicator is referred to as excess of revenues, gains, and other support over expenses and losses. The net amount that becomes due or payable under the contracts is recognized currently in operating income. The System recognizes the derivative instrument at its estimated fair value on the balance sheet date and the gains and losses in its consolidated statements of operations and changes in net assets without donor restrictions. As of December 31, 2022 and 2021, the System has recorded the estimated fair value within other liabilities on the accompanying consolidated balance sheets. See note 10 for further details.

(m) Net Assets

The System classifies resources into two net assets categories based on the existence or absence of restrictions imposed by donors: without donor restrictions and with donor restrictions.

(i) Net Assets without Donor Restrictions

Net assets without donor restrictions are those net assets that are the result of revenues and income from standard operations of the System and are not subject to donor-imposed stipulations. Expenses, as reported on the consolidated statements of operations, reduce the total net assets without donor restrictions that resulted from revenues and other income.

Also included in this category are net assets in the plant replacement fund that the Board of Directors has the ability to but has not designated for specific purposes other than general plant replacement.

(ii) Net Assets with Donor Restrictions

Net assets with donor restrictions are unconditional promises to give cash and other assets whose use by the System has been limited by donors to a specific time period or purpose. These unconditional promises are discounted at a risk adjusted rate commensurate with the duration of the payment term which approximates fair value at the date the promise is received. When a donor

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restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the assets are reclassified as net assets without donor restrictions and are reported in the consolidated statements of operations and changes in net assets without donor restrictions as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the year they are received are reflected as increases in net assets without donor restrictions in the accompanying consolidated financial statements.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained by the System in perpetuity, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

(n) Patient Service Revenue and Long-Term Care Revenue

(i) Patient Service Revenue

Revenue from patients is reported at the estimated net realizable amounts to be received from patients, third-party payors, or others for services rendered. The nature of the services provided determines performance obligations and the System recognizes revenue as performance obligations are satisfied, which is typically over time. The net realizable amounts include estimated retroactive adjustments under reimbursement agreements with third-party payors that are accrued on an estimated basis in the period the performance obligations are met and are based on current and historical experience, as well as reimbursement and other information, such as charges and allowable costs. The amounts are adjusted in future periods as changes to current, historical, and forecasted data becomes readily available.

(ii) Long-Term Care Revenue

Long-term care revenue includes revenue from patients in the nursing home, as well as revenue from residents in continuing care retirement communities. Revenue from patients in the nursing home divisions are recorded in a similar manner to patient service revenue in that patient revenue is recorded over time as the performance obligations are satisfied.

Revenue from residents in continuing care retirement communities is reported at the amount that reflects the consideration the System expects to receive in exchange for services provided. The amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Revenue is recognized as the performance obligations are satisfied. Residents' fees include a fixed fee at admission and monthly fees. Residency agreements are generally for a term of one month with options to renew. The options to renew generally do not provide a material right to the resident (i.e., incremental discount) that the resident would not receive without entering into that contract, therefore, the System recognizes the monthly fees as revenue when the services for the month are performed and the performance obligation is met.

(o) Charity Care

The System's policy is to provide medical care without regard to the patient's ability to pay for such services. Charity care is based upon a review of the patient's financial circumstances. The amounts charged to patients that qualify for charity care are not recorded as patient service revenue and are excluded from accounts receivable because the System does not pursue collection of these amounts;

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however, the expenses incurred in providing these services are included in the System's operating expenses.

(p) Noncontrolling Interest

Noncontrolling interest represents the minority shareholders' respective proportionate share for each of the net assets of PHS and At Home Partners. Revenues in excess of expenses are allocated to the minority shareholders of PHS and At Home Partners in proportion to the minority shareholders' ownership percentage and are reflected as income attributable to noncontrolling interest in the accompanying consolidated statements of operations.

In July 2021, the System became the full owner of PHS. The System now fully consolidates PHS without noncontrolling interest.

(q) Income Taxes

The System has received a group exemption letter from the Internal Revenue Service (IRS) under the corporation name Riverside Healthcare Association, Inc. recognizing each of its wholly owned subsidiaries, except for Riverside Medical Equipment Center, Inc., Newport News General and Non-Sectarian Hospital Association, Inc., Shore Health Services, Inc., Shore Life Care, Inc., Tilden and Virginia Davis Support Foundation, Inc., and Peninsula Hospital Services, Inc., stating they are exempt from income taxes pursuant to Section 501(c)(3) of the IRC, except for unrelated business income. Newport News General and Non-Sectarian Hospital Association, Inc. has retained its determination letter from the IRS stating it is exempt from income taxes pursuant to IRC Section 501(c)(2). Shore Health Services, Inc., Shore Life Care, Inc., and Tilden and Virginia Davis Support Foundation, Inc. have retained their determination letters stating they are exempt from income taxes pursuant to IRC Section 501(c)(3). No provision for income taxes was required for the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, there were no uncertain tax positions.

(r) Mission Statement and Nonoperating Gains and Losses

The System's primary mission is to provide the highest quality care based on the medical needs of the citizens of the surrounding communities. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities.

Other activities that result in gains or losses unrelated to the System's primary mission are considered to be nonoperating. Nonoperating gains and losses include earnings on investments and gains and losses resulting from unusual or infrequent transactions.

(s) Recently Adopted Accounting Pronouncements

In March 2021, the FASB issued Accounting Standards Update (ASU) No. 2021-03, *Intangibles – Goodwill and Other (Topic 350)*. This ASU provides an accounting alternative to private companies or not-for-profit entities, which allows them to perform goodwill impairment testing annually at the end of the reporting period and does not require monitoring of triggering events throughout the period as previously required. The System adopted this ASU in 2021. The adoption of this ASU did not have a material impact on the consolidated financial statements.

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In February 2016, the FASB issued ASU No. 2016-02, *Leases*, intended to improve financial reporting about leasing transactions. The new lease standard requires lessees to record most leases currently classified as operating leases on their consolidated balance sheets as lease assets and lease liabilities but recognize expenses on their income statements in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions and changes the sale and leaseback accounting model for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The System adopted this ASU in 2022. The System has recorded an increase in assets and liabilities presented in the consolidated balance sheets to record right-of-use assets and lease obligations for operating leases upon adoption of the standard. The System adopted this ASU in 2022 under the modified retrospective method and recognized operating lease right-of-use assets of \$135,716, net of deferred incentives, and corresponding operating lease liabilities of \$150,820 on the consolidated balance sheet, within other liabilities. There were minor adjustments to the consolidated statements of operations and changes in net assets without donor restrictions. As a result of the adoption of ASU No. 2016-02, *Leases*, the Christopher Newport University Warwick Medical finance obligation was moved from long-term debt to obligations under finance leases on the associated balance sheet as of December 31, 2022.

(3) Patient Service Revenue and Long-term Care Revenue

The System has two main sources of operating revenue: (1) contracts with patients through Acute and Other Acute Hospital Divisions and (2) contracts with patients or residents through the Lifelong Health and Aging-Related Services Division.

The amounts recognized as revenue are due from patients, residents, third-party payors, or others, and include estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. Generally, for inpatient services, the System bills the patient and third-party payors several days after services are performed and after the patient is discharged from the hospital. For outpatient services, the System bills patients and third-party payors several days after the services are rendered. The nature of the services provided determines performance obligations; the System typically recognizes revenue over time as performance obligations are satisfied. Other performance obligations that are deemed to be satisfied at a point in time may include services such as pharmacy sales. These obligations are satisfied when (1) goods are provided to the patients, residents, or other customers and (2) further services are not required in order to satisfy the performance obligation.

The System recognizes revenue for performance obligations satisfied over time based on actual charges incurred as services are provided to the patient or resident. Performance obligations incurred over time include services provided in inpatient acute care facilities, ancillary outpatient services provided in a facility or in a provider office including those rendered on the same day, long-term care facility services, and home care services. For inpatient and long-term care facility services, the performance obligation is measured from the point of admission to the time when services and goods are no longer required to satisfy the contract with the patient, which is generally at the time of discharge. These services are considered to be one performance obligation.

For inpatients at acute care facilities that have been admitted but not yet discharged at the end of the reporting period, an unsatisfied or partially satisfied performance obligations exists. The System recognizes

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revenue based on gross charges for services provided through the end of the month and accrues revenue based on charges posted after year-end that relate to the reporting period. These performance obligations are related to contracts that are expected to have a duration of less than one year and are therefore not disclosed separately as unsatisfied at the end of the reporting period.

The System determines the transaction price based on gross charges for services provided, less explicit and implicit price concessions and variable constraints. Contracts with patients usually involve a third-party payor and the System has agreements with certain third-party payors that provide for reimbursement at amounts different from their established rates. The gross charges are reduced for the difference between the reimbursement from third-party payors and the gross charge amount (explicit price concessions). Additionally, the System provides medical care without regard to the patient's ability to pay for services. Uninsured patients receive a discount from billed charges for medically necessary services.

If the System identifies subsequent adjustments to the transaction price that would cause adverse changes in a patient or payor's ability to pay, the amounts are recorded as bad debt expense. Bad debt expense is included in operating expenses in the accompanying consolidated statement of operations. The amount included as bad debt expense for the years ended December 31, 2022 and 2021 was not material to the System.

The System uses a portfolio approach as a practical expedient in recognizing patient revenue as patient accounts receivable are valued. The System does not expect its portfolio results to differ materially from valuing individual contracts.

There were no changes to the estimate of transaction price in the valuation of patient service revenue in 2022 and 2021 as compared with prior years.

The System does not adjust the amount of consideration from patients and third-party payors for the effects of a significant financing component because the System expects that the period between the time when patients receive services and when the System receives payments for those services will be one year or less. The System does, however, enter into payment arrangements with patients that allow payments in excess of one year. The System does not consider the financing component significant to the contract for these payment plans.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue estimates related to prior periods resulted in increases in patient service revenue of approximately \$4,884 and \$1,993 for the years ended December 31, 2022 and 2021, respectively.

A summary of the basis of hospital reimbursement from major third-party payors is as follows:

(a) Acute Care

Medicare – Inpatient services and capital costs related to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Substantially all Medicare outpatient services are paid at prospectively determined rates, which vary according to services rendered. Other outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement

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methodology. The System’s Medicare cost reports have been final-settled by the intermediary through December 31, 2012.

There are several Medicare Advantage Programs in the System’s service area. Inpatient acute care services are reimbursed at prospectively determined rates per discharge based upon the Medicare inpatient patient classification system. Outpatient services are reimbursed at prospectively determined rates based upon the Medicare Outpatient Prospective Payment System.

Medicaid – Inpatient services are reimbursed at prospectively determined operating rates and tentative, cost-based capital and education rates per discharge, with final settlement of capital and education costs determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. Outpatient services are reimbursed at prospective determined rates. The System’s Medicaid cost reports have been final-settled by the intermediary through December 31, 2020.

There are several Medicaid managed programs in the System’s service area. Inpatient acute care services are reimbursed at prospectively determined rates. Outpatient services are reimbursed at either a percentage of charges or prospectively determined rates.

The State of Virginia assesses a fee or tax on hospital gross patient service revenue. The revenue from this assessment is used to increase payments made to hospitals for the unreimbursed costs of hospital services provided to Medicaid patients of \$38,181 and \$24,307 for 2022 and 2021, respectively. The System’s patient service revenue reflects the increase in payment for services to Medicaid patients and hospital tax assessment expense reflects the fees assessed by the State. Reimbursement and the assessment under this program are reflected in the accompanying consolidated statements of operations and changes in net assets without donor restrictions as follows:

		<u>2022</u>	<u>2021</u>
Reimbursement	Patient service revenue	\$ 146,601	110,597
Assessment	Services and other	52,927	40,899

Blue Cross – For Blue Cross Health Maintenance Organization (HMO) subscribers, inpatient acute care services are reimbursed on prospectively determined rates per discharge, and outpatient services are reimbursed according to a fee schedule. For Blue Cross Preferred Provider Organization (PPO) subscribers, inpatient acute care services are reimbursed on a discharge basis, and outpatient services are reimbursed based upon a fee schedule. For other Blue Cross subscribers, inpatient acute care and outpatient services are reimbursed based upon a percentage of charges.

Commercial and Other Insured – Each hospital also has payment agreements with certain commercial insurance carriers, HMOs, and PPOs. The basis for payment to the System under these agreements is primarily a discount from established charges.

Self-pay – The System provides certain discounts to the uninsured. Uninsured patients received a 50% discount from billed charges in 2022 and 2021.

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The payor mix of major third-party payors for acute care, based on percentages of patient service revenue, for the years ended December 31 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	37 %	35 %
Medicaid (including Medicaid HMO)	24	21
Blue Cross (including Blue Cross HMO)	21	21
Commercial and other insured	17	22
Self-pay	1	1
	<u>100 %</u>	<u>100 %</u>

(b) Long-Term Care

The majority of long-term care services were provided to Medicaid and Medicare patients in 2022 and 2021. Skilled nursing services provided under the Medicare program are reimbursed based upon a case-mix and geographically adjusted prospective payment. Medicaid reimburses based on a blending of the facility's historical price-based rate with patient-specific case mix rate, with an add-on for facility specific capital. The Lifelong Health and Aging-Related Services Division's Medicaid cost reports have been final-settled by the intermediary through December 31, 2020.

The payor mix of major third-party payors for the Lifelong Health and Aging-Related Services Division, based on percentages of long-term care revenue, for the years ended December 31 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	28 %	31 %
Medicaid (including Medicaid HMO)	29	25
Blue Cross (including Blue Cross HMO)	1	1
Commercial and other insured	1	2
Self-pay	41	41
	<u>100 %</u>	<u>100 %</u>

(c) Riverside Medical Group

Patient service revenue for Riverside Medical Group (RMG) are included in patient service revenue in the accompanying consolidated statements of operations and changes in net assets without donor restrictions. These services are reimbursed based on established fee schedules for Medicare and Medicaid, negotiated fee schedules for Blue Cross and commercial payors, and capitated rates for HMOs.

For the years ended December 31, 2022 and 2021, patient service revenue for RMG totaled approximately \$265,786 and \$258,400, respectively.

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The payor mix of major third-party payors for RMG, based on percentages of patient service revenue, for the years ended December 31 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	44 %	44 %
Medicaid (including Medicaid HMO)	11	15
Blue Cross (including Blue Cross HMO)	23	23
Commercial and other insured	19	17
Self-pay	3	1
	<u>100 %</u>	<u>100 %</u>

(d) Regulatory Environment

National and state healthcare-related legislation has been and is expected to continue to be introduced in the U.S. Congress and the Commonwealth of Virginia Legislature. Such legislation has addressed benefits provided, insurance coverage, and provider reimbursement. The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management is not aware of any material noncompliance with fraud and abuse-related rules or other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory action unknown or unasserted at this time.

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(4) Community Benefit Expense

The System's estimated cost of providing services to the indigent and benefits to the broader community during the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Benefits for the indigent:		
Unreimbursed cost of charity	\$ 27,454	25,048
Unreimbursed costs of Medicaid program	<u>26,066</u>	<u>2,928</u>
Total quantifiable benefits for the indigent at cost	<u>53,520</u>	<u>27,976</u>
Benefits for the broader community:		
Education and research programs	19,162	15,597
Other community benefits	<u>6,799</u>	<u>6,380</u>
Total quantifiable benefits for the broader community	25,961	21,977
Implicit price concessions	<u>34,527</u>	<u>25,787</u>
Total quantifiable community benefits	<u>\$ 114,008</u>	<u>75,740</u>

The System accepts all patients regardless of their ability to pay. Benefits for indigent patients include services provided to persons who cannot afford healthcare because of inadequate resources or who are uninsured. This includes traditional charity care at the estimated cost and the costs of treating Medicaid beneficiaries in excess of government payments. Distinguishing uncollected patient revenue between charity and implicit price concessions requires full consideration of both the financial and nonfinancial circumstances of the patient, which are not always available to the organization. Therefore, both traditional charity care and implicit price concessions are included as a component of benefits for indigent patients.

Benefits for the broader community include services provided to other individuals who may not qualify as indigent but need special services and support. Examples include the elderly, substance abusers, victims of child abuse, and the disabled. Benefits for the broader community also include the cost of health promotion and education, health clinics and screenings, and the unreimbursed cost of medical training. The costs for these services have been estimated using multiple costing methodologies, including the application of cost-to-charge ratios, internal cost accounting estimates, Medicare allowable costs, and, where possible, the amount provided as support to the community group or building activity.

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(5) Investments

The estimated values of the System's investments at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Short-term investments	\$ 3,661	3,651
Money market mutual funds	5,444	2,936
Fixed-income securities:		
Bond mutual funds	278,594	372,349
International bond mutual funds	16,048	10,114
U.S. government bonds and notes	14,915	10,451
Mortgage-backed securities	12,567	14,012
Corporate bonds and notes	12,685	13,582
Equity securities:		
Common trust funds:		
International	44,984	102,455
Domestic	41,346	16,450
Foreign stocks	30,077	41,920
Pooled investments	13,555	10,867
Marketable equity securities	62,541	88,662
Fund of funds	<u>22,857</u>	<u>23,213</u>
Total investments at fair market value	559,274	710,662
Equity method investments	9,416	11,049
Other investments	<u>3,503</u>	<u>1,251</u>
Total investments	\$ <u><u>572,193</u></u>	\$ <u><u>722,962</u></u>

The fair market values of the System's investments, excluding certain alternative investments and equity method investments, and other investments, were determined by year-end closing prices reported in the listings of the applicable major exchanges.

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Investment income for the years ended December 31 consists of the following:

	2022	2021
Interest and dividends	\$ 15,478	10,318
Realized (losses) gains, net	(6,825)	12,959
Unrealized (losses) gains on trading securities, net	(96,590)	707
Investment (losses) gains from deferred compensation investments	(10,329)	6,400
Total investment income (loss), net included in change in net assets without donor restrictions	(98,266)	30,384
Donor-restricted investment income (loss), net	(3,009)	5,393
Total investment income (loss), net	\$ (101,275)	35,777

(6) Fair Value Measurements

The System's financial instruments include cash and cash equivalents, receivables, investments, accounts payable, accrued liabilities, and long-term debt. With the exception of long-term debt, the carrying amounts of these instruments approximate their fair values because of the short maturity or frequent repricing of these instruments.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction among market participants at the measurement date. ASC Topic 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

In determining fair value, the System uses the market approach. The market approach utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and Level 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value levels are as follows:

- Level 1 – Inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the System has the ability to access at the measurement date.
- Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

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- Level 3 – Inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The System’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

The following tables present information about the fair value of the System’s financial assets and liabilities on a recurring basis:

	December 31, 2022				
	Total fair value	Level 1	Level 2	Level 3	NAV¹
Investments:					
Short-term investments	\$ 3,661	3,661	—	—	—
Money market mutual funds	5,444	5,444	—	—	—
Fixed-income securities:					
Bond mutual funds	278,594	190,600	87,994	—	—
International bond mutual funds	16,048	—	—	—	16,048
U.S. government bonds and notes	14,915	—	14,915	—	—
Mortgage-backed securities	12,567	—	12,567	—	—
Corporate bonds and notes	12,685	—	12,685	—	—
Equity securities:					
Common trust funds:					
International	44,984	—	—	—	44,984
Domestic	41,346	—	—	—	41,346
Foreign stocks	30,077	19,091	—	—	10,986
Pooled investments	13,555	—	—	—	13,555
Marketable equity securities	62,541	62,541	—	—	—
Fund of funds	22,857	—	—	—	22,857
Total assets at fair value	\$ <u>559,274</u>	<u>281,337</u>	<u>128,161</u>	<u>—</u>	<u>149,776</u>
Liability:					
Interest rate swap contract	\$ 2,763	—	2,763	—	—
Total liability at fair value	\$ <u>2,763</u>	<u>—</u>	<u>2,763</u>	<u>—</u>	<u>—</u>

¹ Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022

There were no significant transfers among Levels 1, 2, or 3 during the year ended December 31, 2022.

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	December 31, 2021				
	Total fair value	Level 1	Level 2	Level 3	NAV²
Investments:					
Short-term investments	\$ 3,651	3,651	—	—	—
Money market mutual funds	2,936	2,936	—	—	—
Fixed-income securities:					
Bond mutual funds	372,349	246,579	115,321	—	10,449
International bond mutual funds	10,114	—	—	—	10,114
U.S. government bonds and notes	10,451	—	10,451	—	—
Mortgage-backed securities	14,012	—	14,012	—	—
Corporate bonds and notes	13,582	—	13,582	—	—
Equity securities:					
Common trust funds:					
International	102,455	—	—	—	102,455
Domestic	16,450	—	—	—	16,450
Foreign stocks	41,920	27,792	—	—	14,128
Pooled investments	10,867	—	—	—	10,867
Marketable equity securities	88,662	88,662	—	—	—
Fund of funds	23,213	—	—	—	23,213
Total assets at fair value	\$ <u>710,662</u>	<u>369,620</u>	<u>153,366</u>	<u>—</u>	<u>187,676</u>
Liability:					
Interest rate swap contract	\$ <u>8,690</u>	<u>—</u>	<u>8,690</u>	<u>—</u>	<u>—</u>
Total liability at fair value	\$ <u>8,690</u>	<u>—</u>	<u>8,690</u>	<u>—</u>	<u>—</u>

² Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021

There were no significant transfers among Levels 1, 2, or 3 during the year ended December 31, 2021.

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The following table summarizes certain characteristics of the alternative investments, which are valued using the NAV as of December 31:

Fund	2022	2021	Investment strategy	Liquidity restrictions	Remaining commitment
Bond mutual fund	\$ —	10,449	Fund seeks to generate positive absolute returns over time rather than track the performance of any particular index. This is a private placement vehicle over rolling five-year period.	Daily, with 15 days notice	N/A
International bond mutual fund	16,048	10,114	Fund goal is to outperform the investment benchmark (Citigroup World Government Bond Index – Unhedged) by at least 2% average annual basis over rolling five-year period.	Daily, with 10 days notice	N/A
Common trust fund – international	44,984	102,455	Fund seeks to provide long-term total return in excess of the MSCI EAFE Index.	Monthly, with 10 days notice	N/A
Common trust fund – domestic	41,346	16,450	Fund seeks to provide long-term return in excess of indices.	Monthly, with 10 days notice	N/A
Foreign stocks	10,986	14,128	Fund seeks to achieve long-term total return, primarily by investing in equity securities of non-U.S. small capitalization companies.	Monthly, with 15 days notice	N/A
Pooled investments	13,555	10,867	Investments seek to achieve long-term earnings.	No redemptions	\$ 13,143
Fund of funds	22,857	23,213	Funds seek to deliver positive returns regardless of the direction of the market with the major driver of investment returns coming from active management.	Quarterly, with 65 to 100 days notice	N/A
	<u>\$ 149,776</u>	<u>187,676</u>			

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Fixed-income securities consist of U.S. Treasury and other U.S. government agencies securities, corporate debt, mortgage-backed securities, other asset-backed securities, and bond mutual funds. The fair value is based upon proprietary valuation models that may consider market characteristics, such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other security features in order to estimate relevant cash flows, which are discounted to fair value.

Equity securities consist of publicly traded index funds and publicly traded equity securities (common stocks and preferred stocks). The fair value of investments is determined by management using third-party service providers utilizing various methods dependent upon the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs are used by these third-party dealers or independent pricing services to determine

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fair values, the securities are classified within Level 2. Certain assets measured at fair value using the NAV are classified as Level 2 in accordance with FASB ASC Topic 820, *Fair Value Measurement*.

The System uses Level 2 inputs of interest rates and yield curves to value the interest rate swap.

(7) Land, Buildings, and Equipment, Net

A summary of land, buildings, and equipment at December 31 is as follows:

	2022	2021
Land and improvements	\$ 159,136	159,482
Buildings and improvements	1,092,824	1,050,953
Fixed equipment	34,698	34,571
Major movable equipment	609,030	523,538
Construction in progress	139,558	100,732
Land, buildings, and equipment	2,035,246	1,869,276
Less accumulated depreciation	(1,071,152)	(1,005,555)
Land, buildings, and equipment, net	\$ 964,094	863,721

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$96,765 and \$86,614, respectively. Capitalized interest expense net of capitalized interest income for the years ended December 31, 2022 and 2021 is approximately \$4,900 and \$2,000, respectively. Within major movable equipment, there are \$56,497 of assets associated with finance leases.

As of December 31, 2022 and 2021, construction in progress consisted primarily of renovations at Riverside Regional Medical Center, Riverside Doctors' Hospital Williamsburg, and Riverside Behavioral Health Center. On December 31, 2022 and 2021, the estimated cost to complete construction in progress was approximately \$122,000 and \$80,000, respectively.

(8) Retirement Plans

(a) Defined-contribution plans

The System sponsors defined-contribution plans under IRC Sections 401(k) and 403(b), which cover substantially all employees, and matches a percentage of contributions made by employees. Expenses related to the Riverside Health Services 401(k) Savings Plan and the Riverside Health System 403(b) Retirement Plan totaled approximately \$9,600 and \$8,400, respectively, for the years ended December 31, 2022 and 2021. Those expenses are included in salaries and benefits expense on the accompanying consolidated statements of operations.

(b) Pension and postretirement plans

In addition to the defined-contribution plans, the System has a noncontributory, defined-benefit pension plan (the Riverside Plan) that covers substantially all employees of the System that were employed prior to January 1, 2012, except for those employees in the Lifelong Health and Aging-Related Services Division. Prior to January 1, 2011, the System had three noncontributory, defined-benefit pension

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plans. The plans were merged effective January 1, 2011. The benefit structures of the plans remain unchanged after the merger. This plan is not available to new employees effective January 1, 2012. The System also provides healthcare benefits for eligible retired employees and accrues the estimated costs for such benefits during years that the employees render services to the System.

Benefits are based on years of service and the participant's compensation for each plan year in which the participant accrued credited service, as determined in accordance with the terms of the Riverside Plan.

The System's annual contributions to the Riverside Plan are actuarially determined amounts required to provide the benefits of the Riverside Plan and to meet the minimum funding standards as required by law. Funds released through terminations of nonvested employees are applied to reduce the System's future contributions. The System plans to contribute \$0 in 2023.

The reconciliation of the beginning and ending balances of the projected benefit obligation and the fair value of plan assets for the year ended December 31 and the accumulated benefit obligation at December 31 are as follows:

	Pension benefits		Postretirement benefits	
	2022	2021	2022	2021
Accumulated benefit obligation	\$ 602,593	818,089	—	—
Changes in benefit obligation:				
Benefit obligations at beginning of year	845,601	862,626	7,415	7,470
Service cost	14,349	15,988	186	174
Interest cost	25,451	23,467	237	203
Actuarial (gain) loss	(238,435)	(29,735)	(632)	385
Employee contributions	—	—	85	72
Benefits paid	<u>(28,126)</u>	<u>(26,745)</u>	<u>(831)</u>	<u>(889)</u>
Benefit obligation at end of year	618,840	845,601	6,460	7,415
Changes in plan assets:				
Fair value of plan assets at beginning of year	680,213	620,970	—	—
Actual return on plan assets	(138,656)	62,687	—	—
Employer contributions	11,000	23,301	746	817
Participant contributions	—	—	85	72
Benefits paid	<u>(28,126)</u>	<u>(26,745)</u>	<u>(831)</u>	<u>(889)</u>
Fair value of plan assets at end of year	<u>524,431</u>	<u>680,213</u>	<u>—</u>	<u>—</u>
Funded status	\$ <u><u>(94,409)</u></u>	<u><u>(165,388)</u></u>	<u><u>(6,460)</u></u>	<u><u>(7,415)</u></u>

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	<u>Pension benefits</u>		<u>Postretirement benefits</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net (loss) gain recognized in net assets at December 31	\$ (91,679)	(168,348)	3,954	3,557

	<u>Pension</u>		<u>Postretirement</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Weight average assumptions used to determined net periodic benefit costs:				
Discount rate	3.07 %	2.77 %	3.07 %	2.77 %
Expected long-term return on assets	6.50	6.50	N/A	N/A
Compensation rate increase	3.00	3.00	N/A	N/A

The expected return on plan assets is based on current market expectations. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans.

	<u>Postretirement</u>	
	<u>2022</u>	<u>2021</u>
Healthcare cost trend rate:		
Cost trend rate assumed for next year	5.60 %	5.20 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.00	4.50
Year that the rate reaches the ultimate trend rate	2045	2035

The components of net periodic pension cost for the year ended December 31 are as follows:

	<u>Pension</u>		<u>Postretirement</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Service cost	\$ 14,349	15,988	186	174
Interest cost	25,451	23,467	237	203
Expected return on plan assets	(40,253)	(36,927)	—	—
Amortization of net loss (gain)	17,143	26,817	(235)	(376)
Net periodic pension cost	\$ <u>16,690</u>	<u>29,345</u>	<u>188</u>	<u>1</u>

The service cost component of net periodic pension cost is included in salaries and benefits expense as operating expenses on the consolidated statements of operations and changes in net assets without donor restrictions. The remaining components of net periodic pension cost are included in nonoperating gains and losses.

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Other pension-related changes are included as changes in net assets on the consolidated statements of operations and changes in net assets without donor restrictions. The components of these other changes for the year ended December 31 are as follows:

	Pension		Postretirement	
	2022	2021	2022	2021
Actuarial gain (loss)	\$ 59,526	55,496	632	(385)
Amortization of actuarial loss (gain)	17,143	26,817	(235)	(376)
Pension-related changes other than periodic pension cost	\$ 76,669	82,313	397	(761)

The System's policy is to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations. The investment policy will be reviewed periodically, under the advisement of a certified investment advisor, to determine if the policy should be changed.

The expected long-term rate of return for the Riverside Plan's total assets is based on the expected return of each of the above categories and weighted based on the median of the target allocation for each class. Equity securities are expected to return 6.57% to 7.62% over the long term, while cash and fixed-income securities are expected to return approximately 3.00% to 6.03%. Real estate, hedge funds, and private equity are expected to return approximately 6.44%, 6.32%, and 9.87% respectively.

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

	Pension	Postretirement
2023	\$ 33,139	672
2024	35,055	531
2025	36,853	540
2026	38,561	538
2027	40,216	555
2028–2032	219,022	2,684

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The fair value of the System's qualified pension plan assets, by asset category, are as follows:

Asset category	December 31, 2022				
	Total fair value	Level 1	Level 2	Level 3	NAV¹
Short-term investments	\$ 3,240	3,240	—	—	—
Fixed-income securities:					
Collective trust funds	211,199	—	211,199	—	—
Equity securities:					
Collective trust funds	238,461	—	238,461	—	—
Alternative investments	71,531	—	22,919	—	48,612
Total assets	\$ 524,431	3,240	472,579	—	48,612

¹ Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2022

Asset category	December 31, 2021				
	Total fair value	Level 1	Level 2	Level 3	NAV²
Short-term investments	\$ 2,646	2,646	—	—	—
Fixed-income securities:					
Collective trust funds	284,645	—	284,645	—	—
Equity securities:					
Collective trust funds	309,742	—	309,742	—	—
Alternative investments	83,180	—	36,678	—	46,502
Total assets	\$ 680,213	2,646	631,065	—	46,502

² Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2021

The fair value levels and valuation methodology are consistent with those disclosed in note 6.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the assets or liabilities.

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(9) Long-Term Debt

Long-term debt at December 31 is as follows:

	2022	2021
Long-term debt:		
Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bonds Series 2015A	\$ 100,000	100,000
Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bonds Series 2015B	21,000	23,000
Industrial Development Authority of the City of Newport News, Virginia, Health System Series 2017A	50,000	50,000
Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bond Series 2017B	44,364	48,201
2020 Towne Bank Loan Agreement	56,645	58,095
2021 Taxable Series Bond	245,510	246,510
Christopher Newport University Warwick Medical finance obligation	—	7,940
Other	—	5
	517,519	533,751
Plus unamortized premium based on imputed interest rate of 3.38%	1,098	1,156
Less unamortized debt issuance costs	(3,020)	(3,284)
Less current portion of long-term debt	(10,922)	(8,681)
Total long-term debt	\$ 504,675	522,942
Borrowings under lines of credit:		
Lines of credit	\$ —	324

(a) Long-Term Debt

The Economic Development Authority of the City of Newport News, Virginia, Health System Revenue Bonds (Riverside Health System) Series 2015A and Series 2015B were issued on July 22, 2015 for \$100,000 and \$25,000, respectively. The interest rates were fixed at 5.33% and 3.09%, respectively, with maturities through July 1, 2045 and July 1, 2030, respectively.

The Industrial Development Authority of the City of Newport News, Virginia, Health System Series 2017A tax-exempt bonds were issued on August 18, 2017 for \$50,000. The interest rate was fixed at 5.00%, with maturities through July 1, 2046.

The Economic Development Authority of the City of Newport News, Virginia, Health System Refunding Revenue Bonds Series 2017B were issued on September 7, 2017. The 2017B bonds were issued for \$68,555 with a variable rate ranging from 0.81% to 4.50% during 2022, with maturities through July 1, 2037.

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On February 27, 2020, the System entered into a \$60,000 taxable loan agreement. The interest rate on the loan is fixed at 2.21%, with maturities through July 1, 2050.

On November 9, 2021, the System issued \$246,510 in taxable bonds (Series 2021). The interest rate on the debt was fixed at 3.31%. A portion of the proceeds from the 2021 Series was used to refund both the Series 2012 Revenue Bonds and the 2017 taxable loan that had \$64,335 and \$50,000 of principal outstanding, respectively. A loss on extinguishment of \$5,116 was recognized and is included in nonoperating gains and losses in the accompanying consolidated statement of operations for 2021.

Scheduled maturities of long-term debt, as described above, are as follows:

2023	\$	10,922
2024		11,197
2025		11,477
2026		11,762
2027		12,062
Thereafter		<u>460,099</u>
Total	\$	<u>517,519</u>

(b) Line of Credit

The System has a \$40,000 revolving line of credit with Wells Fargo Bank, National Association for the purpose of financing the System's general short-term working capital needs with an annual maturity date of September 24. On September 22, 2022, the line of credit was renewed with a maturity date of September 21, 2023. The System has drawn \$0 and \$324 against the line of credit as of December 31, 2022 and 2021, respectively. The interest rate at December 31, 2022 and 2021 was 5.05% and 0.80%, respectively. On December 15, 2022, the line of credit was increased to \$50,000.

(c) Debt Covenants

The System is subject to a debt service coverage ratio, days cash on hand requirements, and credit ratio of unrestricted cash and investments to the outstanding principal amount and certain restrictions and limitations with respect to the incurrence of indebtedness, consolidation and merger, transfer of assets, and addition and withdrawal of entities to or from the System. The System was in compliance with its debt covenants for the years ended December 31, 2022 and 2021.

(10) Derivatives

In 2008, the System entered into an interest rate swap agreement with Deutsche Bank with a notional amount of \$63,730 to hedge against interest rate risk related to the Series 2004 variable rate bonds. In 2011, the Series 2004 bonds were refinanced with the Series 2011C bonds. In 2017, the Series 2011C bonds were refinanced with the 2017B bonds, and there was no change in the maturity date from July 1, 2037.

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The following summarizes the general terms for the System's interest rate swap agreement:

Notional amount – Original	\$	63,730
Notional amount – Current		40,590
Trade date		10/3/2008
Effective date		10/3/2008
Termination date		7/1/2037
Fixed rate		3.53 %
Fair value at December 31, 2020	\$	(11,015)
Change in fair value		<u>2,325</u>
Fair value at December 31, 2021		(8,690)
Change in fair value		<u>5,927</u>
Fair value at December 31, 2022	\$	<u><u>(2,763)</u></u>

This change has been included as a separate change in net assets in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

(11) Functional Expenses

The System provides general healthcare services to residents within its geographical location. Expenses related to providing these services are as follows:

	<u>Patient-related healthcare services</u>	<u>General and administrative services</u>	<u>Education, fundraising, and other services</u>	<u>Total</u>
For the year ended				
December 31, 2022:				
Salaries and benefits	\$ 691,239	153,684	31,753	876,676
Services and other	283,865	48,911	3,439	336,215
Supplies	313,892	4,189	842	318,923
Depreciation and amortization	89,025	6,923	817	96,765
Interest	<u>13,928</u>	<u>2,160</u>	<u>371</u>	<u>16,459</u>
Total	\$ <u>1,391,949</u>	<u>215,867</u>	<u>37,222</u>	<u>1,645,038</u>

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	<u>Patient-related healthcare services</u>	<u>General and administrative services</u>	<u>Education, fundraising, and other services</u>	<u>Total</u>
For the year ended				
December 31, 2021:				
Salaries and benefits	\$ 625,372	154,294	36,212	815,878
Services and other	200,495	69,383	28,858	298,736
Supplies	292,489	6,250	913	299,652
Depreciation and amortization	38,057	41,175	7,382	86,614
Interest	11,863	2,782	752	15,397
Total	\$ <u>1,168,276</u>	<u>273,884</u>	<u>74,117</u>	<u>1,516,277</u>

The System has expenses relating to functional classifications of patient-related healthcare services, general and administrative services, and education, fundraising, and other services. The accompanying consolidated statements of operations and changes in net assets without donor restrictions reports certain natural expense classifications that are attributed to these functional classifications. Natural expenses attributed to more than one functional expense classification are allocated based on the ratio of the individual functional classification's expense to total expense prior to allocation. In 2022 and 2021, approximately \$68,891 and \$85,400 in expenses were allocated based on the ratio of total expenses by category.

(12) Lease Commitments

Information as of and for the year ended December 31, 2022:

The System leases property and equipment under both operating and finance leases. Leases with terms greater than 12 months are recorded with the related right-of-use assets and right-of-use obligations at the present value of the lease payments over the term, on the accompanying consolidated balance sheet at December 31, 2022. The Systems uses US Treasury risk-free rate of return as the discount rate, as most leases do not provide a readily determinable implicit interest rate. Leases that include rental escalation clauses and renewal options are factored into the determination of the lease payments where appropriate.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

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	<u>Balance sheet classification</u>	<u>December 31, 2022</u>
Assets:		
Operating leases	Right-of-use assets	\$ 125,678
Finance leases	Land, buildings, and equipment, net	<u>56,497</u>
Total lease assets		<u>\$ 182,175</u>
Liabilities:		
Current:		
Operating leases	Other current liabilities	\$ 20,208
Finance leases	Current portion of long-term debt and obligations under finance leases	13,876
Non-current:		
Operating leases	Other liabilities	120,760
Finance leases	Obligations under finance leases, less current portion	<u>64,536</u>
Total lease liabilities		<u>\$ 219,380</u>
Weighted average remaining term - operating leases		8.8 years
Weighted average remaining term - finance leases		7.3 years
Weighted average discount rate operating leases		1.7 %
Weighted average discount rate - finance leases		1.6 %

The following table represents certain information related to lease expenses for finance and operating leases for the year ended December 31, 2022. All expenses related to operating leases and short-term and variable lease expense are including in services and other expenses.

Finance lease expense:		
Amortization of leased assets	\$	12,628
Interest on lease liability		1,240
Operating leases		21,509
Variable lease expense		1,066
Short term lease expense		2,178
Sublease income		<u>(908)</u>
Total expenses	\$	<u>37,713</u>

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The following table represents supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of liabilities:		
Operating cash flows from operating leases	\$	20,896
Operating cash flows from finance leases (interest)		1,137
Financing cash flow from finance leases (principal)		13,258

The following table reconciles the undiscounted cash flows to the finance lease liabilities and operating lease liabilities recorded on the accompanying consolidated balance sheet at December 31, 2022:

	<u>Operating leases</u>	<u>Finance leases</u>
2023	\$ 22,453	15,001
2024	20,192	14,264
2025	18,308	13,812
2026	15,698	6,830
2027	12,564	5,351
Thereafter	<u>63,096</u>	<u>28,209</u>
Total undiscounted cash flows	152,311	83,467
Less: present value discount	<u>(11,343)</u>	<u>(5,055)</u>
Present value of future minimum lease payments	140,968	78,412
Less: current obligations under leases	<u>(20,208)</u>	<u>(13,876)</u>
Non-current lease obligations	\$ <u><u>120,760</u></u>	<u><u>64,536</u></u>

(13) Liquidity and Availability

The System has financial assets available within one year of the balance sheet date for general expenditures as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 37,182	160,292
Accounts receivable	180,542	159,936
Due from third-party payors	85,565	62,039
Other receivables	<u>12,606</u>	<u>8,334</u>
	\$ <u><u>315,895</u></u>	<u><u>390,601</u></u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The System has a requirement from bond holders to maintain financial assets, which consist of cash and short-term

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investments, on hand to meet a minimum of 90 days of normal operating expenses. As more fully described in note 9, the System also has a line of credit totaling \$50,000, which is drawn upon daily to meet operational needs. The amount drawn at December 31, 2022 and 2021 was \$0 and \$324, respectively. The System invests excess cash in short-term investments that are readily available (next day). Investments available to be used to meet normal operating expenses at December 31, 2022 and 2021 were \$522,862 and \$676,582, respectively.

The System has future construction commitments totaling approximately \$122,000. The major projects included in this commitment that are funded by taxable bond proceeds total \$74,500. This includes the addition of a medical office building and other facility upgrades at Riverside Doctors' Hospital Williamsburg, totaling \$41,000. This also includes an emergency department expansion and other facility upgrades at Riverside Behavioral Health Center in Hampton, totaling \$10,500. The proceeds are also being used for upgrades at the Gloucester, Williamsburg, and Newport News Radiation-Oncology Cancer Centers, totaling approximately \$10,400. Various projects at Riverside Shore Memorial Hospital, Riverside Walter Reed Hospital, and Riverside Regional Medical Center have taxable bond commitments at December 31, 2022 of \$2,400, \$2,000 and \$3,100, respectively. The remaining \$5,100 of taxable proceeds are being used for projects at various diagnostic centers, cancer centers, and other facilities.

(14) Net Assets

The composition of net assets at December 31 is presented as follows:

	2022	2021
Without donor restrictions:		
Hospital and physician operations	\$ 713,004	682,522
Lifelong health operations	189,766	207,227
Noncontrolling interest	113	103
Total without donor restrictions	\$ 902,883	889,852
With donor restrictions:		
Purpose-restricted donor contributions:		
Capital expenditures	\$ 8,125	9,298
Patient support	10,372	9,645
Other	6,135	5,486
Perpetual in nature donor contributions	2,856	2,974
Total with donor restrictions	\$ 27,488	27,403

(15) Insurance Coverage

Professional Liability

On December 31, 2022 and 2021, the System maintains professional liability insurance coverage of \$2,500 and \$2,450, respectively, per occurrence and \$16,000 and \$12,000, respectively, annual aggregate with a wholly owned captive insurance company, MedInsur. In addition, the System has obtained additional coverage from a commercial insurance company totaling \$20,000 for excess umbrella coverage.

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The System's professional liability insurance coverage is on a claims-made basis. The System accrues for the estimated ultimate cost of uninsured and self-insured asserted and unasserted malpractice claims when incidents occur. On December 31, 2022 and 2021, the System had accrued approximately \$25,400 and \$28,200, respectively, for claims associated with MedInsur. These claims are recorded in other liabilities on the accompanying consolidated balance sheets.

The estimated liability for professional liability claims will be significantly affected if current and future claims differ from historical trends. Management monitors reported claims closely and considers potential outcomes that are estimated by actuaries. Adequate provisions have been made related to the risks in determining the professional liability accrual.

Workers' Compensation

The System is responsible for workers' compensation claims of up to \$300 per loss event and an aggregate deductible of \$8,000 per year. The System is fully insured for claims occurring prior to January 1, 1994. The System has accrued for the estimated ultimate cost of reported and incurred but not reported claims as of December 31, 2022 and 2021. On December 31, 2022 and 2021, the System had accrued approximately \$4,600 and \$4,800, respectively. These claims are recorded in other liabilities on the accompanying consolidated balance sheets.

(16) Related-Party Transactions

The System has an investment on December 31, 2022 and 2021 of \$134 representing a 9.95% ownership in Newport News Town Center, LLC (NNTC), a real estate development company. One of the members of the System's Board of Directors is a partner in entities that have an ownership interest in NNTC. The System does not lease space in property owned by NNTC. NNTC is a partner in other real estate development companies. NNTC and its related partnerships have loans guaranteed by the System. On December 31, 2022 and 2021, the System guaranteed approximately \$1,300 of the loans. NNTC may require additional capital from its owners in the event of construction cost overruns. The System expects no material liability related to these guarantees due to the remote likelihood that the System will be required to perform under the guarantees.

During 2022 and 2021, the System made payments for professional services of approximately \$24,200 and \$18,100, respectively, to entities that are affiliated with a member of the System's Board of Directors.

As disclosed in note 9, on February 27, 2020, the System entered into a \$60,000 taxable loan agreement. The interest rate on the loan is fixed at 2.21%, with maturities through July 1, 2050. As of December 31, 2022 and 2021, one member of the System's Board of Directors was affiliated with the lender.

On December 31, 2022 and 2021, the System has an investment of \$6,557 and \$7,373, respectively, representing a 50% ownership in Chesapeake, Riverside, and UVA Radiosurgery Center, LLC. Changes in equity of this investment are recorded in other operating revenues in the accompanying consolidated statements of operations. During 2022 and 2021, the System recognized decreases in equity of approximately \$816 and \$1,029, respectively. Also, in 2022, the System received \$2,500 in dividends from Chesapeake, Riverside, UVA Radiosurgery Center, LLC. Liabilities due to the entity are included within other current liabilities on the accompanying consolidated balance sheets. On December 31, 2022 and 2021, the System had liabilities due to Chesapeake, Riverside, and UVA Radiosurgery Center, LLC of approximately \$8,061 and \$9,961, respectively.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

In August 2021, the System paid \$861 for a 10% ownership interest in Mary Washington Health Plan. On December 31, 2022, the System records the investment using the cost method. Liabilities due to the entity are included within accounts payable on the accompanying consolidated balance sheet. On December 31, 2022 and 2021, the System had liabilities payable to Mary Washington Health Plan of \$0 and \$1,183, respectively.

(17) Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Medicare (including Medicare Advantage)	40 %	37 %
Medicaid (including Medicaid HMO)	18	15
Blue Cross (including Blue Cross HMO)	14	16
Commercial and other insured	23	27
Self-pay	5	5
	<u>100 %</u>	<u>100 %</u>

(18) Subsequent Events

The System has evaluated events through May 4, 2023, which is the date the consolidated financial statements were available for issuance, and determined that there are no other items to disclose.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2022

(In thousands)

Assets	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Current assets:				
Cash and cash equivalents	\$ 35,215	1,967	—	37,182
Accounts receivable	155,989	24,553	—	180,542
Due from affiliates	236,364	—	(236,364)	—
Due from third-party payors	76,260	9,305	—	85,565
Other receivables	41,779	272	(29,445)	12,606
Other current assets	44,885	5,644	9,278	59,807
Total current assets	590,492	41,741	(256,531)	375,702
Investments	520,472	51,721	—	572,193
Land, buildings, and equipment, net	835,004	129,090	—	964,094
Right-of-use assets	121,985	3,693	—	125,678
Other assets	90,955	64	—	91,019
Total assets	\$ 2,158,908	226,309	(256,531)	2,128,686
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 47,370	9,089	—	56,459
Accrued liabilities	116,610	(12,729)	—	103,881
Borrowings under line of credit	—	—	—	—
Current portion of long-term debt and obligations under finance leases	24,798	—	—	24,798
Due to affiliates	—	236,364	(236,364)	—
Current portion due to third-party payors	—	—	—	—
Other current liabilities	42,480	1,349	18,062	61,891
Total current liabilities	231,258	234,073	(218,302)	247,029
Deferred revenue	64,782	(9,270)	9,278	64,790
Long-term debt, less current portion	504,675	—	—	504,675
Obligations under finance leases, less current portion	64,536	—	—	64,536
Pension and postretirement obligations	100,869	—	—	100,869
Other liabilities	187,081	29,335	—	216,416
Total liabilities	1,153,201	254,138	(209,024)	1,198,315
Net assets:				
Without donor restrictions	1,009,046	(58,656)	(47,620)	902,770
Noncontrolling interest	—	—	113	113
Total without donor restrictions	1,009,046	(58,656)	(47,507)	902,883
With donor restrictions	(3,339)	30,827	—	27,488
Total net assets	1,005,707	(27,829)	(47,507)	930,371
Total liabilities and net assets	\$ 2,158,908	226,309	(256,531)	2,128,686

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2021

(In thousands)

Assets	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Current assets:				
Cash and cash equivalents	\$ 158,728	1,564	—	160,292
Accounts receivable	140,698	19,238	—	159,936
Due from affiliates	222,859	—	(222,859)	—
Due from third-party payors	54,921	7,118	—	62,039
Other receivables	26,680	(115)	(18,231)	8,334
Other current assets	49,508	7,024	(5,321)	51,211
Total current assets	653,394	34,829	(246,411)	441,812
Investments	675,173	47,789	—	722,962
Land, buildings, and equipment, net	736,838	126,883	—	863,721
Other assets	98,405	56	—	98,461
Total assets	\$ 2,163,810	209,557	(246,411)	2,126,956
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 66,328	7,385	—	73,713
Accrued liabilities	106,984	8,045	—	115,029
Borrowings under line of credit	324	—	—	324
Current portion of long-term debt and obligations under capital leases	8,760	—	—	8,760
Due to affiliates	—	222,859	(222,859)	—
Current portion due to third-party payors	70,200	14,136	—	84,336
Other current liabilities	25,685	4,275	—	29,960
Total current liabilities	278,281	256,700	(222,859)	312,122
Deferred revenue	61,531	5,310	(5,321)	61,520
Long-term debt, less current portion	522,937	5	—	522,942
Obligations under capital leases, less current portion	21	—	—	21
Pension and postretirement obligations	172,803	—	—	172,803
Due to third-party payors, less current portion	1,480	(73)	—	1,407
Other liabilities	109,358	29,528	—	138,886
Total liabilities	1,146,411	291,470	(228,180)	1,209,701
Net assets:				
Without donor restrictions	1,004,468	(96,385)	(18,334)	889,749
Noncontrolling interest	—	—	103	103
Total without donor restrictions	1,004,468	(96,385)	(18,231)	889,852
With donor restrictions	12,931	14,472	—	27,403
Total net assets	1,017,399	(81,913)	(18,231)	917,255
Total liabilities and net assets	\$ 2,163,810	209,557	(246,411)	2,126,956

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2022

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Operating revenues, gains, and other support without donor restrictions:				
Patient service revenue and long-term care revenue	\$ 1,311,681	207,017	(2,414)	1,516,284
Other operating revenues	196,926	28,911	(69,816)	156,021
Net assets released from restrictions for operations	713	30	—	743
Total operating revenues, gains, and other support	<u>1,509,320</u>	<u>235,958</u>	<u>(72,230)</u>	<u>1,673,048</u>
Operating expenses:				
Salaries and benefits	803,660	84,564	(11,548)	876,676
Services and other	307,248	84,273	(55,306)	336,215
Supplies	282,442	36,905	(424)	318,923
Depreciation and amortization	87,732	9,034	(1)	96,765
Interest	16,455	549	(545)	16,459
Total operating expenses	<u>1,497,537</u>	<u>215,325</u>	<u>(67,824)</u>	<u>1,645,038</u>
Net operating income	<u>11,783</u>	<u>20,633</u>	<u>(4,406)</u>	<u>28,010</u>
Nonoperating gains and losses:				
Investment income, net	(92,373)	(5,348)	(545)	(98,266)
Net pension and postretirement costs	7,986	—	—	7,986
Total nonoperating gains, net	<u>(84,387)</u>	<u>(5,348)</u>	<u>(545)</u>	<u>(90,280)</u>
Deficiency of revenues, gains, and other support over expenses and losses before noncontrolling interest	(72,604)	15,285	(4,951)	(62,270)
Noncontrolling interest	—	—	(10)	(10)
Deficiency of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	(72,604)	15,285	(4,961)	(62,280)
Change in fair value of financial instruments – interest rate swap agreement	5,927	—	—	5,927
Change in plan assets and benefit obligations of pension and postretirement plans	77,066	—	—	77,066
Cumulative effect of change in lease classification	(3,045)	—	—	(3,045)
Other	(2,766)	22,444	(24,325)	(4,647)
Change in net assets without donor restrictions attributable to Riverside Health System	<u>\$ 4,578</u>	<u>37,729</u>	<u>(29,286)</u>	<u>13,021</u>

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2022

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Change in net assets without donor restrictions attributable to Riverside Health System	\$ 4,578	37,729	(29,286)	13,021
Change in noncontrolling interest	—	—	10	10
Change in net assets without donor restrictions	<u>4,578</u>	<u>37,729</u>	<u>(29,276)</u>	<u>13,031</u>
Change in net assets with donor restrictions:				
Contributions (distributions)	(1,957)	5,026	—	3,069
Donor-restricted investment (loss) gain, net	(14,368)	11,359	—	(3,009)
Net assets released from restrictions	(713)	(30)	—	(743)
Other	768	—	—	768
Change in net assets with donor restrictions	<u>(16,270)</u>	<u>16,355</u>	<u>—</u>	<u>85</u>
Total change in net assets	<u>(11,692)</u>	<u>54,084</u>	<u>(29,276)</u>	<u>13,116</u>
Net assets, beginning of year	<u>1,017,399</u>	<u>(81,913)</u>	<u>(18,231)</u>	<u>917,255</u>
Net assets, end of year	\$ <u><u>1,005,707</u></u>	<u><u>(27,829)</u></u>	<u><u>(47,507)</u></u>	<u><u>930,371</u></u>

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2021

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Operating revenues, gains, and other support without donor restrictions:				
Patient service revenue and long-term care revenue	\$ 1,213,842	183,213	(3,767)	1,393,288
Other operating revenues	211,543	30,131	(52,479)	189,195
Net assets released from restrictions for operations	771	15	—	786
Total operating revenues, gains, and other support	<u>1,426,156</u>	<u>213,359</u>	<u>(56,246)</u>	<u>1,583,269</u>
Operating expenses:				
Salaries and benefits	750,036	74,926	(9,084)	815,878
Services and other	257,469	87,760	(46,493)	298,736
Supplies	267,312	32,742	(402)	299,652
Depreciation and amortization	75,997	10,639	(22)	86,614
Interest	15,396	530	(529)	15,397
Total operating expenses	<u>1,366,210</u>	<u>206,597</u>	<u>(56,530)</u>	<u>1,516,277</u>
Net operating income	<u>59,946</u>	<u>6,762</u>	<u>284</u>	<u>66,992</u>
Nonoperating gains and losses:				
Investment income, net	31,489	(651)	(454)	30,384
Net pension and postretirement costs	(19,584)	—	—	(19,584)
Loss on the extinguishment of debt	(5,116)	—	—	(5,116)
Total nonoperating gains, net	<u>6,789</u>	<u>(651)</u>	<u>(454)</u>	<u>5,684</u>
Excess of revenues, gains, and other support over expenses and losses before noncontrolling interest	66,735	6,111	(170)	72,676
Noncontrolling interest	—	—	(11)	(11)
Excess of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	66,735	6,111	(181)	72,665
Change in fair value of financial instruments – interest rate swap agreement	2,325	—	—	2,325
Change in plan assets and benefit obligations of pension and postretirement plans	81,551	—	—	81,551
Other	7,568	(1,976)	(5,314)	278
Change in net assets without donor restrictions attributable to Riverside Health System	<u>\$ 158,179</u>	<u>4,135</u>	<u>(5,495)</u>	<u>156,819</u>

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES

Consolidating Statement of Operations and Changes in Net Assets

Year ended December 31, 2021

(In thousands)

	Members of the obligated group	Other entities	Eliminations of intercompany and joint ventures	Total
Change in net assets without donor restrictions attributable to				
Riverside Health System	\$ 158,179	4,135	(5,495)	156,819
Change in noncontrolling interest	—	—	11	11
Change in ownership of Coastal Virginia Rehabilitation	—	(7,318)	3,732	(3,586)
Change in ownership of Peninsula Hospital Services	—	—	(841)	(841)
Change in net assets without donor restrictions	<u>158,179</u>	<u>(3,183)</u>	<u>(2,593)</u>	<u>152,403</u>
Change in net assets with donor restrictions:				
Contributions (distributions)	(1,707)	2,027	—	320
Donor-restricted investment income, net	3,691	1,702	—	5,393
Net assets released from restrictions	(771)	(15)	—	(786)
Other	3,150	—	—	3,150
Change in net assets with donor restrictions	<u>4,363</u>	<u>3,714</u>	<u>—</u>	<u>8,077</u>
Total change in net assets	<u>162,542</u>	<u>531</u>	<u>(2,593)</u>	<u>160,480</u>
Net assets, beginning of year	<u>854,857</u>	<u>(82,444)</u>	<u>(15,638)</u>	<u>756,775</u>
Net assets, end of year	<u>\$ 1,017,399</u>	<u>(81,913)</u>	<u>(18,231)</u>	<u>917,255</u>

The "Members of the Obligated Group" consists of Riverside Hospital, Inc., Riverside Middle Peninsula Hospital, Inc., Patrick Henry Hospital, Inc., Riverside Healthcare Services, Inc., Riverside Healthcare Foundation, Inc., Riverside Management Services, Inc., Rehabilitation Institute of Virginia, Inc., Riverside Wellness and Fitness Centers, Inc., Riverside Retirement Services, Inc., Riverside Convalescent Centers, Inc., Riverside Medical Equipment Company, Inc., Newport News General and Non-sectarian Hospital Association, Inc., Riverside Physician Services, Inc., and Patriots Colony, Inc.

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
 Consolidating Balance Sheet with Lifelong Health and Aging-Related Services Divisional Detail
 December 31, 2022
 (In thousands)

Assets	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Current assets:															
Cash and cash equivalents	\$ 135	129	7	646	—	—	917	2,709	(2,748)	(86)	—	36,390	—	37,182	
Accounts receivable	9	(364)	(3)	—	—	—	(358)	96	556	924	—	179,324	—	180,542	
Due from affiliates	(15,006)	1,235	(4,428)	(103)	(4)	80	(18,226)	(3,534)	(14,603)	11,541	(2,576)	9,336	18,062	—	
Due from third-party payors	228	—	—	—	—	—	228	(1)	48	3	—	85,287	—	85,565	
Other receivables	1,355	48	64	—	53	—	(459)	1,061	—	2	2,909	—	9,634	(1,000)	
Other current assets	27	14	—	—	—	—	—	41	—	11	40	—	59,715	—	
Total current assets	(13,252)	1,062	(4,360)	543	49	80	(459)	(16,337)	(730)	(16,734)	15,331	(2,576)	379,686	17,062	
Investments	22,389	470	—	—	—	—	22,859	—	—	67,509	2,066	479,759	—	572,193	
Land, buildings, and equipment, net	22,901	17	18	—	—	—	22,936	1,545	8,443	49,106	—	882,064	—	964,094	
Right-of-use assets	1	—	168	—	—	—	169	—	—	4	—	125,505	—	125,678	
Other assets	—	—	—	—	—	—	—	—	—	—	—	91,019	—	91,019	
Total assets	\$ 32,039	1,549	(4,174)	543	49	80	(459)	29,627	815	(8,291)	131,950	(510)	1,958,033	17,062	
Liabilities and Net Assets															
Current liabilities:															
Accounts payable	\$ 1,186	—	7	17	—	80	—	1,290	101	308	750	40	53,970	—	
Accrued liabilities	(1,257)	(3)	—	(38)	—	—	—	(1,298)	79	(988)	(512)	—	106,600	—	
Borrowings under line of credit	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Current portion of long-term debt and obligations under finance leases	—	—	—	—	—	—	—	—	—	—	—	—	24,798	—	
Current portion due to third-party payors	—	—	—	—	—	—	—	—	(54)	54	—	—	—	—	
Other current liabilities	1,277	5	79	—	—	—	—	1,381	73	31	4,929	—	37,435	18,062	
Total current liabilities	1,206	2	86	(21)	—	80	—	1,353	199	(595)	5,167	40	222,803	18,062	
Deferred revenue	18,299	2,376	—	—	—	—	—	20,675	2	7	42,557	—	1,549	—	
Long-term debt, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	504,675	—	
Obligations under finance leases, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	64,536	—	
Pension and postretirement obligations	—	—	—	—	—	—	—	—	—	—	—	—	100,869	—	
Other liabilities	1	—	87	—	—	—	—	88	—	10	3	—	216,315	—	
Total liabilities	19,506	2,378	173	(21)	—	80	—	22,116	201	(578)	47,727	40	1,110,747	18,062	
Net assets:															
Without donor restrictions	12,180	(829)	(4,347)	564	49	—	(459)	7,158	614	(7,713)	84,223	(550)	820,038	(1,000)	
Noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	113	113	
Total without donor restrictions	12,180	(829)	(4,347)	564	49	—	(459)	7,158	614	(7,713)	84,223	(550)	820,151	(1,000)	
With donor restrictions	353	—	—	—	—	—	—	353	—	—	—	—	27,135	—	
Total net assets	12,533	(829)	(4,347)	564	49	—	(459)	7,511	614	(7,713)	84,223	(550)	847,286	(1,000)	
Total liabilities and net assets	\$ 32,039	1,549	(4,174)	543	49	80	(459)	29,627	815	(8,291)	131,950	(510)	1,958,033	17,062	

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
 Consolidating Balance Sheet with Lifelong Health and Aging-Related Services Divisional Detail
 December 31, 2021
 (In thousands)

Assets	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Current assets:															
Cash and cash equivalents	\$ 48	25	8	646	—	—	727	473	(442)	62	—	159,472	—	160,292	
Accounts receivable	(19)	(320)	(3)	—	—	—	(342)	85	497	674	—	159,022	—	159,936	
Due from affiliates	(13,940)	1,374	(3,926)	(71)	(1)	41	(16,523)	(911)	(14,562)	9,692	(861)	23,165	—	—	
Due from third-party payors	243	—	—	—	—	—	243	(1)	48	3	—	61,746	—	62,039	
Other receivables	2,538	62	205	—	6	—	(412)	—	2	1,277	—	5,656	(1,000)	8,334	
Other current assets	20	6	—	—	—	—	26	5	5	33	—	51,142	—	51,211	
Total current assets	(11,110)	1,147	(3,716)	575	5	41	(13,470)	(349)	(14,452)	11,741	(861)	460,203	(1,000)	441,812	
Investments	26,058	547	—	—	—	—	26,605	—	—	78,528	861	722,968	—	722,962	
Land, buildings, and equipment, net	24,408	20	13	—	—	—	24,441	1,610	8,132	51,111	—	778,427	—	863,721	
Other assets	—	—	—	—	—	—	—	—	—	—	—	98,461	—	98,461	
Total assets	\$ 39,356	1,714	(3,703)	575	5	41	(412)	37,576	1,261	(6,320)	141,380	—	1,954,059	(1,000)	2,126,956
Liabilities and Net Assets															
Current liabilities:															
Accounts payable	\$ 1,218	—	53	55	—	41	—	1,367	109	251	646	1,183	70,157	—	73,713
Accrued liabilities	472	8	—	5	—	—	—	485	79	282	2,691	—	111,492	—	115,029
Borrowings under line of credit	—	—	—	—	—	—	—	—	—	—	—	—	324	—	324
Current portion of long-term debt and obligations under capital leases	—	—	—	—	—	—	—	—	—	—	—	—	8,760	—	8,760
Current portion due to third-party payors	—	—	—	—	—	—	—	—	—	—	—	—	84,336	—	84,336
Other current liabilities	1,154	(8)	—	—	—	—	—	1,146	57	6	6,368	—	22,383	—	29,960
Total current liabilities	2,844	—	53	60	—	41	—	2,998	245	539	9,705	1,183	297,452	—	312,122
Deferred revenue	19,562	2,514	10	—	—	—	—	22,086	2	4	37,695	—	1,733	—	61,520
Long-term debt, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	522,942	—	522,942
Obligations under capital leases, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	21	—	21
Pension and postretirement obligations	—	—	—	—	—	—	—	—	—	—	—	—	172,803	—	172,803
Due to third-party payors, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	1,407	—	1,407
Other liabilities	—	—	—	—	—	—	—	—	—	50	13	—	138,823	—	138,886
Total liabilities	22,406	2,514	63	60	—	41	—	25,084	247	593	47,413	1,183	1,135,181	—	1,209,701
Net assets:															
Without donor restrictions	16,526	(800)	(3,766)	515	5	—	(412)	12,068	1,014	(6,913)	93,967	(1,183)	791,796	(1,000)	889,749
Noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	103	—	103
Total without donor restrictions	16,526	(800)	(3,766)	515	5	—	(412)	12,068	1,014	(6,913)	93,967	(1,183)	791,899	(1,000)	889,852
With donor restrictions	424	—	—	—	—	—	—	424	—	—	—	—	26,979	—	27,403
Total net assets	16,950	(800)	(3,766)	515	5	—	(412)	12,492	1,014	(6,913)	93,967	(1,183)	818,878	(1,000)	917,255
Total liabilities and net assets	\$ 39,356	1,714	(3,703)	575	5	41	(412)	37,576	1,261	(6,320)	141,380	—	1,954,059	(1,000)	2,126,956

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
Consolidating Statement of Operations with Lifelong Health and Aging-Related Services Divisional Detail
Year ended December 31, 2022
(In thousands)

	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Operating revenues, gains, and other support without donor restrictions:															
Patient service revenue	\$ —	—	—	—	—	—	—	—	—	—	—	—	1,444,917	(29)	1,444,888
Long-term care revenue	7,099	13	—	—	—	—	7,112	2,049	7,089	12,164	—	—	42,982	—	71,396
Other operating revenues	9,615	1,649	440	1,285	47	—	(1,401)	11,635	183	560	17,865	—	140,266	(14,488)	156,021
Net assets released from restrictions for operations	—	—	—	—	—	—	—	—	—	—	—	—	743	—	743
Total operating revenues, gains, and other support	<u>16,714</u>	<u>1,662</u>	<u>440</u>	<u>1,285</u>	<u>47</u>	<u>—</u>	<u>(1,401)</u>	<u>18,747</u>	<u>2,232</u>	<u>7,649</u>	<u>30,029</u>	<u>—</u>	<u>1,628,908</u>	<u>(14,517)</u>	<u>1,673,048</u>
Operating expenses:															
Salaries and benefits	7,686	74	696	319	—	—	8,775	1,366	4,211	11,209	—	—	855,208	(4,093)	876,676
Services and other	4,969	1,514	309	917	3	—	(1,354)	6,358	1,151	2,020	10,219	(1,183)	327,268	(9,618)	336,215
Supplies	1,497	24	13	—	—	—	1,534	37	893	2,665	—	—	313,800	(6)	318,923
Depreciation and amortization	3,310	2	3	—	—	—	3,315	78	780	4,410	—	—	88,185	(3)	96,765
Interest	—	—	—	—	—	—	—	—	545	251	—	—	16,460	(797)	16,459
Total operating expenses	<u>17,462</u>	<u>1,614</u>	<u>1,021</u>	<u>1,236</u>	<u>3</u>	<u>—</u>	<u>(1,354)</u>	<u>19,982</u>	<u>2,632</u>	<u>8,449</u>	<u>28,754</u>	<u>(1,183)</u>	<u>1,600,921</u>	<u>(14,517)</u>	<u>1,645,038</u>
Net operating income (loss)	<u>(748)</u>	<u>48</u>	<u>(581)</u>	<u>49</u>	<u>44</u>	<u>—</u>	<u>(47)</u>	<u>(1,235)</u>	<u>(400)</u>	<u>(800)</u>	<u>1,275</u>	<u>1,183</u>	<u>27,987</u>	<u>—</u>	<u>28,010</u>
Nonoperating gains and losses:															
Investment loss, net	(3,598)	(77)	—	—	—	—	—	(3,675)	—	—	(11,019)	(550)	(83,022)	—	(98,266)
Net pension and postretirement costs	—	—	—	—	—	—	—	—	—	—	—	—	7,986	—	7,986
Total nonoperating gains, net	<u>(3,598)</u>	<u>(77)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,675)</u>	<u>—</u>	<u>—</u>	<u>(11,019)</u>	<u>(550)</u>	<u>(75,036)</u>	<u>—</u>	<u>(90,280)</u>
Excess (deficiency) of revenues, gains, and other support over expenses and losses before noncontrolling interest	(4,346)	(29)	(581)	49	44	—	(47)	(4,910)	(400)	(800)	(9,744)	633	(47,049)	—	(62,270)
Noncontrolling interest	—	—	—	—	—	—	(10)	(10)	—	—	—	—	—	—	(10)
Excess (deficiency) of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	<u>\$ (4,346)</u>	<u>(29)</u>	<u>(581)</u>	<u>49</u>	<u>44</u>	<u>—</u>	<u>(57)</u>	<u>(4,920)</u>	<u>(400)</u>	<u>(800)</u>	<u>(9,744)</u>	<u>633</u>	<u>(47,049)</u>	<u>—</u>	<u>(62,280)</u>

See accompanying independent auditors' report.

RIVERSIDE HEALTHCARE ASSOCIATION, INC. AND SUBSIDIARIES
 Consolidating Statement of Operations with Lifelong Health and Aging-Related Services Divisional Detail
 Year ended December 31, 2021
 (In thousands)

	Riverside Retirement Services, Inc.							Other entities						Eliminations	Total Riverside Health System
	Warwick Forest	Choose Home	Center for Excellence in Aging and Lifelong Health	At Home Partners	Investment in Riverside Retirement Services Subsidiaries	Other Divisions	Riverside Retirement Services Eliminations	Consolidated Riverside Retirement Services, Inc.	Sanders Common, Ltd.	Francis N. Sanders Nursing Home, Inc.	Patriots Colony, Inc.	Riverside Advantage Inc.	All Other Riverside Health System		
Operating revenues, gains, and other support without donor restrictions:															
Patient service revenue	\$ —	—	—	—	—	—	—	—	—	—	—	—	1,325,827	(107)	1,325,720
Long-term care revenue	6,630	—	—	—	—	—	(70)	6,560	1,720	7,104	10,972	—	41,293	(81)	67,568
Other operating revenues	8,555	1,460	629	829	6	—	(930)	10,549	447	178	17,225	—	172,989	(12,193)	189,195
Net assets released from restrictions for operations	—	—	—	—	—	—	—	—	—	—	—	—	786	—	786
Total operating revenues, gains, and other support	15,185	1,460	629	829	6	—	(1,000)	17,109	2,167	7,282	28,197	—	1,540,895	(12,381)	1,583,269
Operating expenses:															
Salaries and benefits	7,143	195	656	129	—	—	—	8,123	1,147	3,833	10,137	—	795,901	(3,263)	815,878
Services and other	4,604	1,050	375	653	1	—	(968)	5,715	977	2,078	9,037	1,183	288,755	(9,009)	298,736
Supplies	1,507	9	6	—	—	—	—	1,522	13	811	2,473	—	294,848	(15)	299,652
Depreciation and amortization	3,257	4	11	—	—	—	—	3,272	77	726	4,730	—	77,861	(52)	86,614
Interest	—	—	—	—	—	—	—	—	—	497	102	—	15,396	(598)	15,397
Total operating expenses	16,511	1,258	1,048	782	1	—	(968)	18,632	2,214	7,945	26,479	1,183	1,472,761	(12,937)	1,516,277
Net operating income (loss)	(1,326)	202	(419)	47	5	—	(32)	(1,523)	(47)	(663)	1,718	(1,183)	68,134	556	66,992
Nonoperating gains and losses:															
Investment income, net	555	14	—	—	—	—	—	569	—	—	1,888	—	28,483	(556)	30,384
Net pension and postretirement costs	—	—	—	—	—	—	—	—	—	—	—	—	(19,584)	—	(19,584)
Loss on the extinguishment of debt	—	—	—	—	—	—	—	—	—	—	—	—	(5,116)	—	(5,116)
Total nonoperating gains, net	555	14	—	—	—	—	—	569	—	—	1,888	—	3,783	(556)	5,684
Excess (deficiency) of revenues, gains, and other support over expenses and losses before noncontrolling interest	(771)	216	(419)	47	5	—	(32)	(954)	(47)	(663)	3,606	(1,183)	71,917	—	72,676
Noncontrolling interest	—	—	—	—	—	—	(9)	(9)	—	—	—	—	(2)	—	(11)
Excess (deficiency) of revenues, gains, and other support over expenses and losses attributable to Riverside Health System	\$ (771)	216	(419)	47	5	—	(41)	(963)	(47)	(663)	3,606	(1,183)	71,915	—	72,665

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