Financial Ratios & Trend Analysis

OF CARF-ACCREDITED CONTINUING CARE RETIREMENT COMMUNITIES

2024

A JOINT PROJECT OF CARF, ZIEGLER, AND BAKER TILLY

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Project Team and Feedback

CARF International

Julia Meashey*
Senior Business Development Specialist, Aging Services, Washington, DC
jmeashey@carf.org

Ziegler

Daniel Hermann
President and CEO, Head of Investment Banking, Chicago, IL
dhermann@ziegler.com

Thomas Meyers*
Senior Managing Director and Co-Leader of Senior Living Finance Practice, Chicago, IL
tmeyers@ziegler.com

Baker Tilly

Mark Ross
Principal, Healthcare Practice, Philadelphia, PA
Mark.Ross@bakertilly.com

Patrick Heavens*
Principal, Healthcare Practice, Philadelphia, PA
Patrick.Heavens@bakertilly.com

*Contact person for each organization.

Your feedback is very important to us and the publication team would like to solicit your feedback related to the 2024 edition of *Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities*. Suggestions for changes in terminology or other clarifications for ratio calculations are received through the online survey. Please complete the online survey at: **www.surveymonkey.com/s/RatiosPublicationFeedback**.

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6951 East Southpoint Road
Tucson, AZ 85756
Brian J. Boon, Ph.D., President/CEO

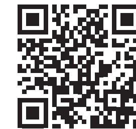
What is CARF Accreditation?

CARF accreditation is more than a certificate that hangs on a wall or a gold seal that is posted on a website. At its very core, the accreditation process supports organizations in aspiring to excellence and demonstrating high quality and value of their programs and services. CARF has robust standards for business practices in addition to standards that address specific program and service areas. The accreditation process is consultative rather than prescriptive and is a valuable resource to address many challenges facing providers. Organizations that participate in CARF accreditation demonstrate:

- A higher degree of internal quality.
- Greater involvement of persons served in their services.
- Increased cohesion among staff members at all levels with the organization.
- Enhanced status of accredited programs/services within the community.

CARF's consultative peer-review process promotes active, dynamic planning focused on impact and outcomes. Achieving accreditation demonstrates an organization's commitment to continuously improve services, manage risk, and distinguish your service delivery.

Scan the QR code below or visit **http://tinyurl.com/aboutcarf** to hear from industry leaders about the value of accreditation and their experiences with CARF.

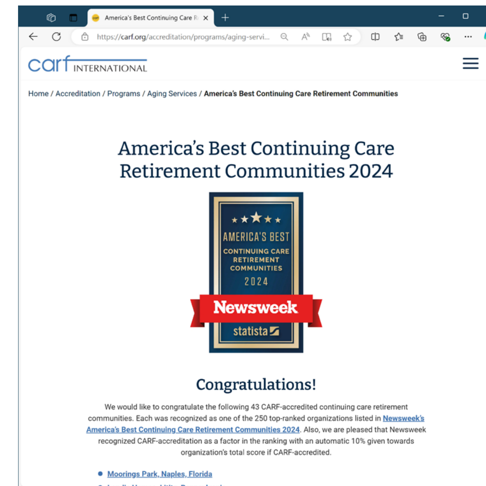


Congratulations to CARF-Accredited CCRCs recognized as America's Best in 2024!

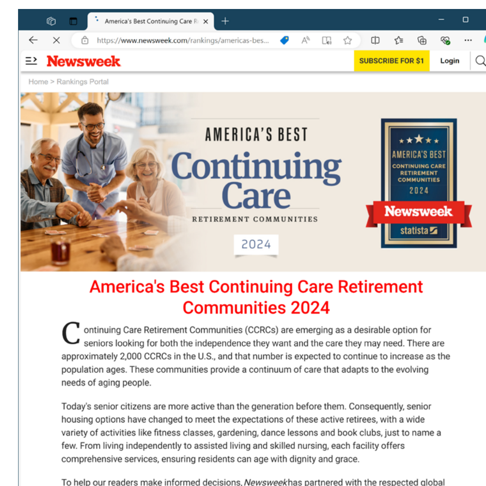
To provide people looking for guidance on CCRCs with a comprehensive resource for informed decision making, Statista and Newsweek partnered for the first time to award the leading 250 America's Best Continuing Care Retirement Communities (CCRCs) 2024 in the U.S. CARF-accredited CCRCs were given 10% towards their total score and are four times more likely to be listed in the Newsweek ranking than non-accredited CCRCs.

We congratulate 43 CARF-accredited continuing care retirement communities that were recognized among the top-ranked 250 organizations listed in *Newsweek's America's Best Continuing Care Retirement Communities 2024*.

CARF webpage:
https://carf.org/accreditation/programs/aging-services/americas-best-continuing-care-retirement-communities-2024/



More information:
https://www.newsweek.com/rankings/americas-best-continuing-care-retirement-communities-2024



A Message from the CARF Financial Advisory Panel Chair

We are pleased to present the 32nd edition of the Financial Ratios & Trend Analysis. The 2024 edition continues to track the trajectory and successes of CCRCs/LPCs with core operations improving and continuing to stabilize post-COVID. The executive summary highlights the overall trends observed in this edition which include better operating positions, improved occupancy, and improvement in most capitalization ratios.

CARF continued, for the third year, to invite a select number of formerly accredited multi-site communities to participate in the financial ratio analysis. We are thankful for their contribution to the publication as they have a prior commitment to accreditation and were previously included in the ratio trends sample. The participation of these organizations helps to keep a more robust sample size of multi-site (MS) data. Many of these same MS communities have participated all three years, making the MS sample consistent which enhances the validity of the data. Additionally, these same organizations contributed data from a small number of communities that benchmark as single-sites (SS) according to their debt structure. This is the second time that CARF has included this small sample (N=6) with the single-site data.

The ratio trend publication is used by organizations (accredited and unaccredited) and interested parties (i.e., regulators, lenders, etc.) in gauging overall financial performance, tracking individual performance, and drawing attention to trends and changes that impact the senior living industry.

The terms Continuing Care Retirement Community (CCRC) and Life Plan Community (LPC) are used throughout this publication. While most of the senior living industry has embraced the term "LPC", most state statutes and regulatory language continue to make reference to "CCRC" or to "Continuing Care Retirement Communities". Since state statutes and regulators are important interested parties, the terms CCRC and LPC are used interchangeably throughout this publication.

The ratios presented in the 2024 publication capture fiscal years ending from March 31, 2023 to December 31, 2023. Comparative single- and multi- site data for 17 distinct financial ratios is presented by contract type and quartile rankings. Fitch credit rating categories are provided for broader basis comparison.

To provide a greater historical perspective, this edition includes trended medians with data from 27 years of benchmarks. Quartile data is provided for each ratio by site type dating back to 2007 (the year prior to the housing downturn of 2008 and 2009).

Calculating ratios timely and using the information as part of an internal review process is part of a successful approach to financial management. Analyzing industry and organizational trends from one period to another is important to assessing financial health. These financial health assessments are encouraged and may be conducted in a variety of ways. Comparing actual to budgeted performance, evaluating trends, and utilizing financial ratios are all crucial components of performance appraisal. Ratios can be used as leading indicators providing valuable information as organizations strategically plan for their future.

Another important and successful practice supported by financial ratio data is sharing financial performance results with key audiences and interested parties. We encourage their use as a way to deliver regular updates regarding the financial health of your organization. Take advantage of the ratio publication as it provides calculations that are consistently applied against all participating organizations. This strategy allows for apples-to-apples comparisons to be made. Comparing results to those of similar organizations and looking at trends over multiple periods helps to identify areas of strength as well as areas of focus for improvement. We also encourage use of the CARF ratio booklet to set and measure future strategic financial goals.

CARF regularly reviews validity and relevance of the financial ratios and definitions applied over the years. The Financial Advisory Panel (FAP) provides feedback and suggestions for the alignment of the ratio calculations with industry standards and banking practices to ensure the ratio data is meaningful to both providers and financial institutions.

I hope you find the 2024 edition of the Financial Ratios & Trend Analysis useful. Your feedback drives future publication improvements so please take a few minutes to respond to a brief (5 question) survey: **www.surveymonkey.com/s/RatiosPublicationFeedback**

A Message from the CARF Financial Advisory Panel Chair *continued*

CARF Financial Advisory Panel

The Financial Advisory Panel (FAP) is an advisory group to CARF that includes consumer representation and professional representation from CCRCs/LPCs and the finance and consulting industries. FAP members provide expertise and insight on current trends in not-for-profit and for-profit senior living.

Current Financial Advisory Panel Members:

- James Bodine, **Herbert J. Sims & Co., Inc.**
- Jeffrey Boland, **RKL, LLP**
- Todd Boslau, **Presbyterian SeniorCare Network**
- Patrick Heavens, **Baker Tilly**
- John Jenkins, **Frasier Meadows**
- Mary Morton, **Moorings Park**
- Thomas Meyers, **Ziegler**
- Timothy Myers, **Baptist Senior Family**
- Alwyn V. Powell, **A.V. Powell & Associates, LLC**
- Alan B. Wells, **Eventus Strategic Partners**

Timothy Myers
President & CEO, Baptist Senior Family
Chair, CARF Financial Advisory Panel

Executive Summary

The 2024 publication shows relative stabilization for most of the median quartile level ratios during 2023 or a good amount of improvement. Stabilization and improvements were seen across many of the upper and lower medians as well. Generally single-site providers, which have a far greater sample size in this year's publication relative to the multi-site providers, can characterize 2023 as a year of attaining operational stability. Multi-site providers in the data set on the other hand generally experienced bona-fide improvements. 2023's operating environment relative to 2022 when the impacts of COVID were more pronounced allowed for these gains. While many organizations may not have considered themselves to be fully recovered from the pandemic in 2023, they certainly were in a better operating position relative to the COVID years of 2022 and 2021.

The operating narrative for these gains starts with generally improved occupancy for organizations in this year's data set as resident population flows disrupted by COVID's grip eased. The average occupancy rate for independent living units nudged up to 90.27% from 89.86% for fiscal year 2023 although assisted living was essentially flat at 79.81%, down from 80.10%. Nursing occupancy also improved to 75.41% from 72.24%.

Providers continue to pivot their unit mix from lower margined product to higher margined product. When speaking in aggregate, independent living units comprise the largest component of a CCRC's/LPC's continuum of care. Further, much of the new unit growth being undertaken by existing CCRC/LPC organizations is driven by the addition of incremental independent living units. Occupancy gains in independent living, even if modest, are meaningful to provider's bottom line's as they impact the largest relative number of units. Because independent living tends to be a product with a higher relative margin (when compared to other areas of the continuum) any operational gains quickly fall to the bottom line from a financial perspective.

Further, there has been a recent trend of providers gradually reducing the number of nursing beds in operation and this trend continued in 2023. There are a number of strategic and operational reasons precipitating this trend which were exacerbated during the COVID years. The maintenance of adequate staffing levels, which was difficult in the pre-COVID period, exploded for many to crisis levels during COVID. For the more acute portions of provider's continuum, in order to comply with the federal and state regulatory environments, many organizations were forced to use costly agency labor or even to impose self bans on admissions in some cases and this impact was most heavily felt with nursing operations. If the challenging reimbursement environment that exists in many states is added to the equation, it is not hard to see how some providers have responded by reducing the number of licensed nursing beds in use. This is not to say that these providers are turning their back on skilled nursing services. Rather, in many instances providers have followed through with their responses by adding to their service and technology platforms to continue to provide their residents the healthcare assistance that they need. The prevalence of home health and home care in independent living and assisted units continues to grow.

Note that COVID Funding (as discussed further on page 17) is not included as a source of revenue within the ratios for this publication. However, all expenses incurred related to COVID are still included within the ratios.

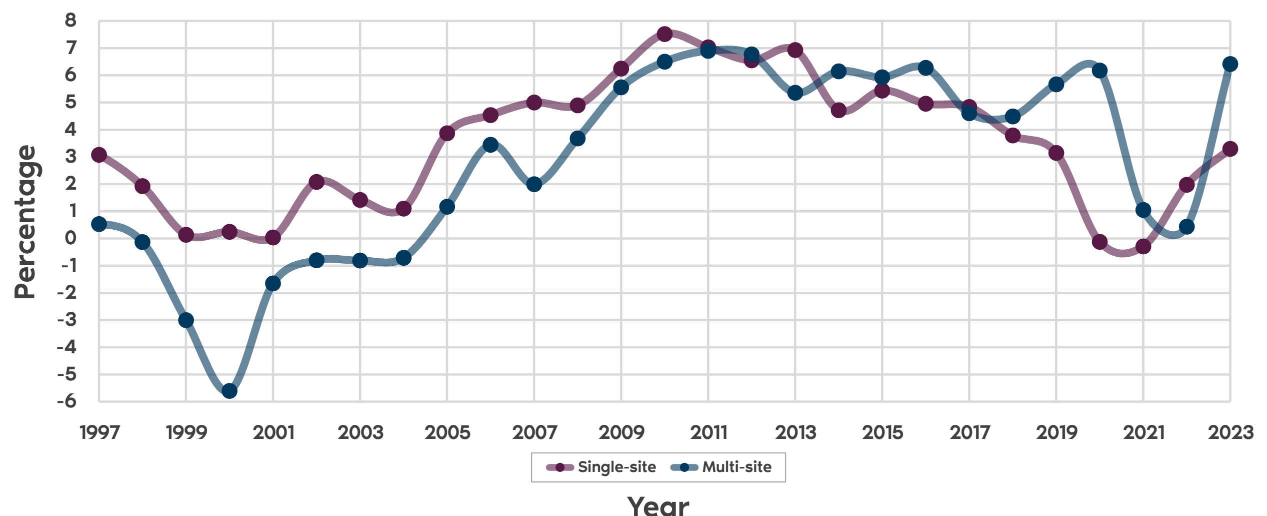
At the same time, it has been well documented that senior living providers have been instituting strong monthly service fee increases through this time. This was in part a response to the direct cost of COVID as noted above. Probably more importantly, these fee increases were in large part a response to the inflationary period that followed the vast amounts of government stimulus funds released not only to senior living providers but also throughout the entire economy. Independent living monthly service fees increases on average had been 3% nationally for many years. Recently, these increases easily doubled for many and increases in the low double digit range were not uncommon. The operational cost of COVID pressures eased in 2023 relative to the prior two years. Although the cost of most inputs from food to insurance to labor was higher, the rate of cost increases abated during the year. Further, the impact of monthly service fee increases, which in some cases began to compound in 2023, began to turn back the tide of COVID related operational impacts for many providers.

The result? As it relates to this publication, operational profitability stabilized or saw improvement across many measures which is easily seen in a number of the ratios. Single-site providers tended to see more stable performance or modest improvements in 2023 while multi-site providers saw larger profitability gains. For instance, Net Operating Margin (NOM) for single-site medians rose to 3.30% from 1.98% and the Operating Ratio (OR) was essentially flat with a nominal improvement at 101.00%. The Net Operating Margin of multi-site organizations improved substantially to 6.42% from 0.44% while the Operating Ratio improved to 97.92% from 105.13%. Additionally, the investment markets were generally favorable in 2023 and this allowed for further improvements from operational profitability to the Total Excess Margin (TEM). Single-site TEM was still negative in 2023 but at (0.37%) which was stronger than (2.04%) in the prior year. Multi-site TEM flipped to positive 3.43% from (2.16%) in the prior year.

The year's profitability stabilization and improvements flowed into the main liquidity measure, Days Cash on Hand (DCH). Single-site organizations saw increases to 439 days from 419 days. These values along with 2020 and 2021 are the highest ever recorded for the publication. Contributing factors to these recent highs include COVID funding and investment market performance. It will not be surprising to see these values return to more historic levels as many providers operationally relied on COVID funding. Multi-site providers saw a modest decline in DCH to 297 days from 308 days in 2022.

In terms of capitalization ratios, both single-site and multi-site providers saw improvements in Debt Service Coverage (DSC) in 2023 to 2.56x and 1.99x, respectively. Cash to Debt Ratios (CD) improved for both provider sets, to 69.61% for single-site providers and to 69.80% for multi-site providers. This ratio has been falling for the past several years which is likely a function of the difficult operating environment discussed above. Also, it could be an indication of the incurrence of additional debt to fund strategic growth through this period. Interest rates hit 30 year lows for fixed interest rate capital in 2022, which stimulated borrowing demand. The other key capitalization measures of Unrestricted Cash and Investments to Long-Term Debt Ratio (CD) and Long-Term Debt as a Percentage of Total Capital Ratio (LTDC) showed improvements in 2023 that will be discussed further in Section 4. Last, interestingly, the Average Age of Plant remained steady at 12.25 for single-site providers but it jumped up a full year for multi-site providers to 12.45 in 2023. For multi-site providers this was in the face of stronger Capital Expenditures as a Percentage of Depreciation Ratio (CED) by this group of 132% for the year.

Net Operating Margin Ratio Trended Median



Ratio Summary

	2023 Median*	
	Single-site	Multi-site**
Sample Size	70	22
Margin (Profitability) Ratios		
Net Operating Margin Ratio	3.30%	6.42%
Net Operating Margin–Adjusted Ratio	19.39%	20.37%
Operating Ratio	101.00%	97.92%
Operating Margin Ratio	-2.68%	1.27%
Total Excess Margin Ratio	-0.37%	3.43%
Liquidity Ratios		
Days in Accounts Receivable Ratio	16	19
Days Cash on Hand Ratio	439	297
Cushion Ratio (x)	10.46	7.14
Capital Structure Ratios		
Debt Service Coverage Ratio (x)	2.56	1.99
Debt Service Coverage–Revenue Basis Ratio (x)	0.70	1.25
Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio	10.01%	9.23%
Unrestricted Cash and Investments to Long-Term Debt Ratio	69.61%	69.80%
Long-Term Debt as a Percentage of Total Capital Ratio	79.43%	77.90%
Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio	52.88%	53.09%
Long-Term Debt to Total Assets Ratio	33.87%	34.38%
Average Age of Community Ratio (Years)	12.25	12.45
Capital Expenditures as a Percentage of Depreciation Ratio	94%	132%

*50th Percentile

**In 2024, a select number of formerly accredited Multi-Site Life Plan Communities were invited to participate by submitting data for Ratio Trends. This helps to maintain the sample size for MS and also added 6 single-sites to the data for FYE 2023. Due to the small MS sample size, readers are cautioned in use of the data.

Section 1
Introduction

Uses and Limitations of this Publication

Background

The purpose of this publication is to provide a summary of the financial ratio quartiles of Continuing Care Retirement/Life Plan Communities (CCRC/LPC) accredited by CARF as of December 2023. The terms Continuing Care Retirement Community (CCRC) and Life Plan Community (LPC) are used throughout this publication. While many in the senior living network have embraced the term LPC, most state statutes and regulatory language continues to reference "Continuing Care Communities" or "Continuing Care Retirement Communities". CARF utilizes the CCRC terminology for accreditation as it aligns with state statutes and because regulators are an important interested party. For this reason, the terms CCRC/LPC will be used together in combination throughout the publication.

This year's publication provides valuable industry benchmarks, allowing readers a unique opportunity to view the financial trends resulting from a variety of factors, including provider growth, operating challenges and regulatory and accounting changes. To provide a historical perspective for the benchmarks, CARF has included 27 years (1997 through 2023) of trended median data for each ratio. Ratio quartile data is also provided by site type in the tables following each trended median dating back to 2007 (the year prior to the housing downturn of 2008 and 2009).

The group of organizations included in this report consists of 70 single-site providers and 22 multi-site providers. This is the third year that the publication team sought to increase multi-site provider participation by inviting formerly accredited providers to participate. The sample of multi-site providers remains relatively consistent over the three years with most of the same multi-sites continuing their participation. A small number of CCRCs/LPCs from these formerly accredited multi-sites that are not part of the larger multi-site's obligated group continue to be included in the single-site data.

The intent of this report is to:

- Provide CCRC/LPC boards and management teams with financial tools to assist them in meeting their fiduciary responsibilities.
- Provide an ongoing mechanism for strengthening CARF's financial performance standards for CCRCs/LPCs.
- Promote better understanding of CCRCs/LPCs among outside constituencies such as investors, regulators, and consumers.

This report marks the 32nd publication of financial ratios for CARF-accredited providers. It provides standardized financial information to CCRC/LPC boards, management teams, and the broader professional and consumer constituencies.

Ratios have been computed using information from the audited financial statements. Data have been collected and the ratios calculated and analyzed by representatives from CARF, Baker Tilly, and Ziegler. The information provided herein is of a general nature and is not intended to address the specific circumstances of any individual organization or entity.

Quartile Rankings

For each financial ratio, quartile divisions have been calculated. Each single-site or multi-site provider's ratio was ranked in ascending order (or descending order, depending on the nature of the ratio); the list was then divided into four equal groups. The best ratio in the lowest quarter defines the 25th percent quartile (the point at which 25% of the providers reporting that ratio are at or below), the best ratio in the second quarter of the data defines the 50th percent quartile (or the median), and the best ratio in the third quarter of the data defines the 75th percent quartile.

A trimmed mean is presented along with the median for comparison in the interquartile range graphs. The trimmed mean helps eliminate the influence of outliers or data points on the tails that may unfairly affect the traditional mean.

The Benefits of Financial Ratios

Financial ratios are valuable tools of analysis. Ratios are:

- Useful for benchmarking and strategic financial planning.
- A beneficial tool in analyzing a provider's financial strengths and weaknesses.
- Useful in identifying trends.
- Presented in the form of numerical computations that are easy to use for both internal and external comparisons.
- Helpful in identifying unusual operating results.
- Useful for illustrating best practices of the financially strong providers.
- Beneficial as they provide comparisons among providers regardless of the actual dollar amounts for the underlying data.

The Limitations of Financial Ratios

Financial ratios also have limitatons. Specifically:

- Ratios are not an exclusive tool to be used in isolation.
- The interpretation of an individual provider's ratios may differ due to variations in service line components (i.e., independent living, assisted living, and skilled nursing).

Ratios are often characterized as having "best" values. Yet, specific circumstances often require substantial exceptions to these standard interpretations. The reader is cautioned about drawing quick conclusions that Provider A is better than Provider B because Provider A has a particular financial ratio above the 75th percent quartile while Provider B's is below the 25th percent quartile. In general, no single ratio should be looked at in isolation.

Ratios must be looked at in combination with other ratios and with nonfinancial information to interpret the overall financial condition of a provider.

For instance, whether a provider has one site or multiple sites will impact its financial ratios. It is for this reason that throughout this publication we always categorize the data as pertaining to either single-site providers or multi-site providers.

A particular provider's performance must also be evaluated based on where it is in its lifecycle. For example, a mature community would be expected to have a relatively favorable (low) Long-Term Debt to Total Assets Ratio (LTD-TA), whereas a start-up organization would be expected to have a relatively unfavorable (high) LTD-TA.

Similarly, a high Long-Term Debt as a Percentage of Total Capital Ratio (LTDC) for a start-up community should not necessarily be considered a point of concern. Conversely, unless further investigation reveals that a substantial renovation and modernization program has recently been financed, a comparatively high LTDC for a mature community could signal a significant problem.

Furthermore, the types of contracts that are offered to residents at CCRCs/LPCs may affect certain ratios. Knowledge of this contract experience is helpful when examining ratio results. When the results of the ratios appear to have been affected by the types of contracts in existence, comments have been included in the ratio discussion. Section 5 discusses the variety of contract types and presents each of the ratios by the organization's predominant contract type.

Uses of this Report

Given the limitations mentioned above, we expect CARF-accredited providers to use the ratios published in this report and defined within *Ratio Pro* (an Excel® spreadsheet provided by CARF to facilitate ratio calculations) as points of reference for developing internal targets of financial performance, but only after evaluating their own specific marketing, physical plant, and mission/vision considerations.

We also anticipate that others will use these ratios, particularly within the capital markets, to learn about the financial position of organizations that have been through CARF's accreditation process.

The ratios can also be used as benchmarks against which to evaluate nonaccredited organizations and to gain a deeper understanding about the sector as a whole. When making these evaluations, keep in mind that the organizations included in this data set are unique and distinguished in the market by seeking independent accreditation and/or credit ratings. These characteristics are distinct and the financial benchmarks reflect this niche portion of the approximately 1,900 US based CCRCs/LPCs.

Growth in the financial sophistication of retirement communities and increased understanding of their credit strength and operational patterns by rating agencies and other capital market participants have produced a favorable environment for many CCRCs/LPCs. Currently 169 senior living providers, the majority of which are life plan communities (LPCs), have their debt rated–127 are single-site providers and 42 are multi-site providers. Three organizations have debt rated by more than one rating agency. Within CARF's accredited population, 34 CCRCs/LPCs are affiliated with rated organizations, some of which are members of an obligated group where the parent company is the rated entity.

The reference chart in Appendix B provides a guide for the calculation of each of the ratios in this publication. It should be noted that many CCRCs/LPCs are required to calculate certain financial ratios (e.g., Days Cash on Hand ratio, Debt Service Coverage ratio) in accordance with long-term debt agreement covenants. The methods used for these calculations may differ from the CARF methodology. The Ratio Definitions Matrix in Appendix B is provided for comparative purposes for this reason.

CARF International

Founded in 1966 as the Commission on Accreditation of Rehabilitation Facilities, CARF International is an independent, non-profit accreditor of health and human services in the following areas:

- Aging Services
- Behavioral Health
- Child and Youth Services
- Employment and Community Services
- Medical Rehabilitation
- Opioid Treatment Programs
- Vision Rehabilitation Services

CARF currently accredits more than 66,000 programs and services at 31,000-plus locations. More than 13 million persons of all ages are served annually by CARF-accredited service providers. CARF accreditation extends to countries in North and South America, Europe, the Middle East, and Asia.

In 2003, CARF acquired the Continuing Care Accreditation Commission (CCAC). The accreditation process for CCRCs/LPCs is supported by CARF's Aging Services Customer Service Unit. CARF-accredited CCRCs/LPCs are located in 25 states, including the District of Columbia. CARF's accreditation process offers assurance to the public that there has been an external third-party review of quality.

For more information please visit the CARF website at **www.carf.org**. For more information about accreditation of CCRCs/LPCs, visit **www.carf.org/aging** or call us toll-free at (888) 281-6531.

Ziegler

Ziegler is a privately held investment bank, capital markets, and proprietary investments firm that specializes in the senior living, healthcare, and education sectors. Headquartered in Chicago with regional and branch offices throughout the U.S., Ziegler provides its clients with capital raising, strategic advisory services, fixed income sales, underwriting and trading, as well as Ziegler Credit, Surveillance and Analytics.

Ziegler is also a co-sponsor of The Ziegler Link•age Funds, a growth-oriented family of innovation funds, focused on technology, tech-enabled services, and emerging care delivery models in the post-acute and aging markets.

Baker Tilly US, LLP (Baker Tilly)

Baker Tilly is a leading advisory, tax, and assurance firm whose specialized professionals guide clients through ever changing business world, helping them win now and anticipate tomorrow. Baker Tilly Advisory Group, LLP, and Baker Tilly US, LLP, trading as Baker Tilly, are independent members of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 141 territories, with 43,000 professionals and a combined worldwide revenue of $5.2 billion. Visit **bakertilly.com** or join the conversation on LinkedIn, Facebook and Instagram.

Baker Tilly's team of Value Architects™ has a vast array of financial, operational, and strategic experience covering the full spectrum of issues confronting CCRC's, skilled nursing facilities, assisted living centers, and other senior living organizations. Baker Tilly's team helps senior service providers move their business forward through solutions beyond audit tax, including:

- Strategic planning
- Transaction due diligence
- Development advisory
- Clinical advisory
- Operational assessments
- Market research and analysis
- Financial planning and feasibility studies
- Project financing
- Value based care negotiation
- Regulatory-compliance
- Real estate advisory
- Digital transformation
- IT and cybersecurity
- CFO advisory and client accounting services

Development of the Database

The tables in this report present data collected from the 1997 through 2023 fiscal year audited financial statements of the single-site and multi-site providers accredited as of December 2023. Additionally, for the third time a number of formerly accredited multi-site providers were invited to participate and be included in the multi-site sample. A small number (N=6) of CCRCs/LPCs not included in the obligated groups of these formerly accredited multi-sites were included with the single-site data.

The trended median graphs in this report present data collected from 1997 through 2023 fiscal year end. For organizations that were accredited for the first time during their 2023 fiscal year, the ratio results reported for prior years have not been restated. In general, prior year ratio results were comparable to the ratios resulting had these newly accredited organizations been included. Prior to each ratio's discussion, the definition of the ratio is displayed. However, this definition is general in nature. To enhance the accuracy and usefulness of this publication, and to provide guidance in benchmarking using the CARF financial ratios, Appendix B has been developed.

Data Collected from Audited Financial Statements

Audited financial statements are used as the data source for the ratio calculations in order to enhance the integrity of the database. The classification of certain items in the audited financial statements, such as unrestricted and restricted cash and investments, investment earnings, and contributions without donor restrictions, may differ among providers. Accordingly, certain reclassifications were made by the preparers of this report for the purposes of calculating certain ratios to promote consistency within the ratio category. Such adjustments were analyzed by professionals from Baker Tilly.

Single-site and Multi-site Providers

We divided the presentation of data between single-site and multi-site providers. Where the type of provider appears to have a significant impact on ratio performance, the impact is noted and discussed. The decision to include only data derived from audited financial statements in calculating the ratios means that some single-site organizations may contain other operating entities, such as memory care, home health care, and adult day services. For multi-site organizations, the ratio calculation is dependent on the strategy employed by the organization for managing its debt. For multi-site organizations that originate debt at the individual CCRC/LPC level, the ratios are computed based on the audited financial statement of that CCRC/LPC, and that CCRC's/LPC's data are included with the single-site population. For organizations that use an obligated group structure, ratios are computed from the obligated group's financial statements and included with the multi-site ratio data. For multi-site organizations whose debt is originated at the corporate/parent level, the ratio analysis is done from the audit of the corporate/parent and included with the multi-site ratio data. Because multi-site providers generally have corporate structures that, for financial statement purposes, consolidate or combine subsidiaries or unincorporated divisions, some of these divisions may include activities and results from other operations in addition to those of a CCRC/LPC.

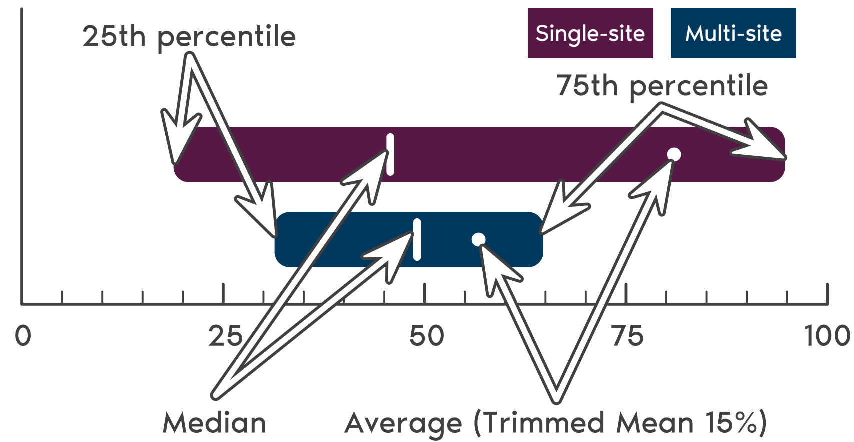
Types of Financial Ratios

Three groups of financial ratios are presented in this report: margin (or profitability) ratios, liquidity ratios, and capital structure ratios. Each group is covered in one of the following sections. Each section, in turn, is divided into certain commonly used ratios in each group.

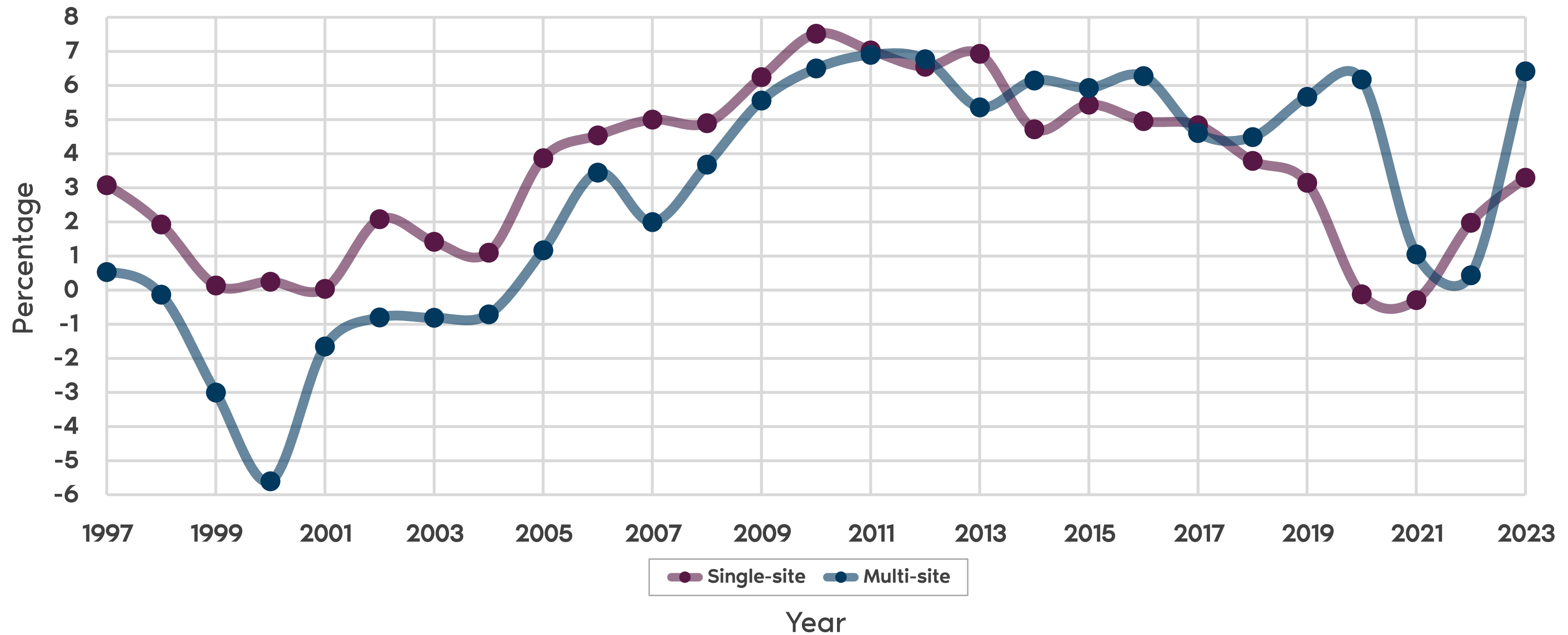
Each ratio is defined and the formula (i.e., what is included in the numerator and what is included in the denominator) is provided. Bar graphs illustrate single- and multi-site populations' interquartile range (from 25th to 75th percentiles) and trended median graphs display 27 years worth of data. Tables summarizing the results of the quartile analysis for the last 17 years of the study beginning with 2007, the year prior to the housing downturn of 2008 and 2009, are provided for all ratios. Note that some ratios, such as the Capital Expenditures as a Percentage of Depreciation Ratio, were added later. In those cases, the trended data goes back only as far as the publication history of the ratio.

Sample Ratio Charts

Interquartile Range (25th to 75th percentiles)



Trended Median



Accounting Updates

COVID-19 Funding

In response to economic uncertainties resulting from the spread of COVID-19, many CCRCs/LPCs received federal, state, and local funding, including, but not limited to, Federal Emergency Management Agency grants (FEMA), Employee Retention Credits (ERC), Paycheck Protection Program (PPP) loans and distributions from the Department of Health and Human Services.

When accounting for PPP loans, not-for-profit entities could elect one of two accounting policies:

- FASB ASC 958-605, Not-for-Profit Entities – Revenue Recognition (conditional contribution model)
- FASB ASC 470, Debt (debt model)

The timing and recognition of the PPP loans into income may vary depending on accounting policy elections, timing of loan forgiveness, and other loan eligibility criteria considerations.

Coronavirus Aid, Relief and Economic Security (CARES) Provider Relief Funding (PRF) and other state and local funding were generally accounted for by entities in accordance with ASB ASC 958-605, Not-for-Profit Entities – Revenue Recognition (conditional contribution model). Support is measured and recognized when barriers are substantially met, which occurs when the entity complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature. In accordance with the terms and conditions, entities could apply the funding against eligible expenses and lost revenues. The timing and recognition of the PRF and other state and local funding into income may vary depending on timing of the receipt of funds and the application of other funding sources against lost revenues and eligible expenses.

The accounting treatment and timing of recognition may vary depending on the individual facts and circumstances of each entity. As a result, COVID-19 Relief Income (i.e., FEMA, ERC, PRF and PPP) is excluded from certain ratio calculations. Additionally debt incurred from PPP loans are excluded from ratios. However, the cash received from these programs is included in ratios where cash balances are incorporated, for example, DCH. Last, COVID related expenses were not removed from the applicable ratios.

Other Current FASB Projects

For more information on these and other current FASB projects, please visit the FASB website: **www.fasb.org.**

Section 2
Margin (Profitability) Ratios

Overview

Margin ratios indicate an organization's excess or deficiency of revenues over expenses. One of the key drivers of financial success for senior living providers is the ability to consistently generate surpluses from operations which can be used for a variety of purposes including the funding of residential care and other operational needs, the maintenance of existing plant and equipment, the creation of reserves for unexpected events as well as building strategic capital for future growth. Five margin ratios measure the degree to which providers generate surpluses:

- Net Operating Margin Ratio (NOM)
- Net Operating Margin–Adjusted Ratio (NOM-A)
- Operating Ratio (OR)
- Operating Margin Ratio (OM)
- Total Excess Margin Ratio (TEM)

An intent of the CARF accreditation process is that financially savvy organizations analyze the various components of their revenues and expenses in order to make well-informed decisions. Organizations must understand the revenues and expenses related to activities serving residents. They must identify revenues from nonresident income, such as contributions, investment earnings, and other income from non-core operations. Each organization will have its own degree of operational impact from these various revenue and expense items. Understanding these operational impacts will help management navigate the environment in which they work.

This section presents ratio information needed by proactive organizations to manage in a way that will enhance the delivery of services to residents in the future. Several of the profitability ratios measure the margins of an organization with both operating and nonoperating income included. Other ratios focus specifically on the revenues and expenses from a senior living provider's core resident services.

Given the span of years and breadth of accounting firms auditing financial statements, inconsistencies across years and providers are to be expected. To maximize consistency among the information presented between providers and in previous years, certain protocols are employed. Certain items, regardless of the financial statement presentation of the individual provider, are reclassified as either operating or nonoperating revenue. For example, interest earnings are considered operating revenue while realized gains on investments are not. Net assets released from restriction for operations are also considered operating revenue. Although the majority of the total contributions reported by organizations was identified as operating revenue on the audited financial statements, we have uniformly classified contributions/donations as nonoperating revenue. This classification method results in a variance between the OM ratio and TEM ratio that is useful for determining the degree to which a provider relies on its contributions/donations and realized investment gains to cover operating expenses. COVID funding received as part of the COVID-19 crisis is excluded. For more detail, please see the accounting update section of this publication on **page 17**.

Contribution income and net assets released from restriction for operations are also excluded from a number of the profitability ratios. Some providers argue that contribution income earned for operations through consistent development efforts as well as the regular annual release of assets restriction from endowments should be included in all of the profitability ratios. Excluding these sources of revenue and their associated expenses results in greater consistency across the data set of providers as not all organizations conduct these types of development related activities. Providers with proven, ongoing development efforts or those who employ a predictable annual release of net assets may find it useful to calculate these ratios on their own to include these activities as well.

Findings

For the 2024 publication, fiscal years ending in 2023 profitability ratios for single-site and multi-site organizations generally exhibited moderate to strong positive improvement in core operations. Both single-and multi-site organizations also generally saw similar positive changes in overall profitability ratios while multi-site providers saw even greater gains. As mentioned earlier in the publication, none of the profitability measures include income from COVID Funding. However, these profitability ratios do include the additional expenses from COVID.

The median Net Operating Margin Ratio (NOM), a key measure of profitability in core operations, generally saw broad-based improvement in core operations across all quartiles. Median profitability improved for single-site organizations to 3.30% in 2023 from 1.98% in 2022. In contrast, the median NOM for multi-site organizations improved even more strongly to 6.42% from 0.44% the prior year. Only the top quartile for single-site organizations saw a modest decline but still remained strong.

The median Net Operating Margin-Adjusted Ratio (NOM-A) which also includes the impact of net entrance fee revenue in addition to core profitability showed stability at the median value for single-site providers with improvement in the bottom quartile. Multi-site providers saw improvement through all quartiles. The median NOM-A for single-site providers declined marginally to 19.39% in 2023 from 19.57% while the median NOM-A for multi-site organizations rose to 20.37% from 18.27%. These improvements reflect continued gains in independent living occupancy post-pandemic as well as the more favorable operating environment noted in the executive summary.

The median Operating Ratio (OR), a measure of profitability on a cash-basis that includes interest/dividend income, interest expense, and net assets released for operation, showed modest improvement for single-site organizations and strong improvements for multi-site organizations across all quartiles. The single-site organization OR improved (decreased) to 101.00% in 2023 from 101.46% from 2022, as single-site organizations showed improvement in core NOM profitability. The multi-site provider median strengthened significantly to 97.92% from 105.13% which was the weakest level in the history of the publication.

The median Operating Margin Ratio (OM) improved for both single- and multi-site organizations. The single-site provider OM median improved to -2.68% in 2023 from -4.17%, while the median multi-site provider OM rose to 1.27% from -3.51%. This represents the fifth consecutive year of negative median Operating Margin Ratios for single-site providers, although each of the last two years showed improvement. In contrast multi-site organizations turned positive for the first time in six years.

Finally, the median Total Excess Margin Ratio (TEM) increased for both single- and multi-site organizations reflecting the positive results of non-core activities. While marginally negative, the median TEM for single-site organizations increased to -0.37% from -2.04% the prior year. The median TEM for multi-site organizations increased to 3.43% from -2.16% the prior year.

Net Operating Margin Ratio

For providers looking for ratios from which to benchmark operational performance, only this ratio and the Net Operating Margin–Adjusted Ratio (NOM-A) look solely at resident-based operations. For this reason NOM and NOM-A are ideal ratios for benchmarking operational performance.

The Net Operating Margin Ratio (NOM) looks solely at cash based revenues and expenses realized from the delivery of services to residents. Note that net proceeds from entrance fees are excluded from this ratio while NOM-A incorporates net entrance fees. The purpose of this ratio is to provide a benchmark from which providers can determine the margin generated exclusively from cash based resident operating revenues after payment of resident related cash operating expenses. Interest/dividend income, interest expense, depreciation, amortization, income taxes, and entrance fee amortization are excluded from this calculation. Property taxes, if incurred, are included in the numerator.

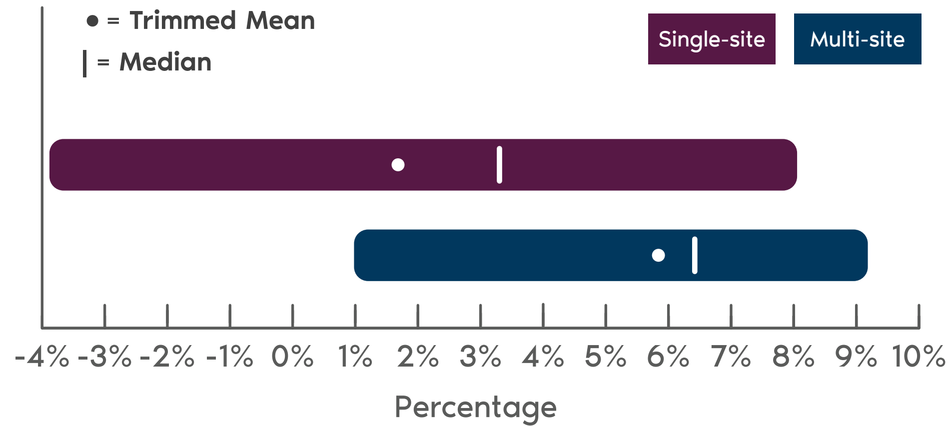
Over the course of this study, NOM ratio results have typically varied by the contract types offered at each of the communities. Generally, the weakest NOM ratios are exhibited by providers who rely on net entrance fee revenues such as those offering Type A contracts (see definition in Section 5), as these communities may be relying on reserves that have been funded by entrance fees to cover operating shortfalls.

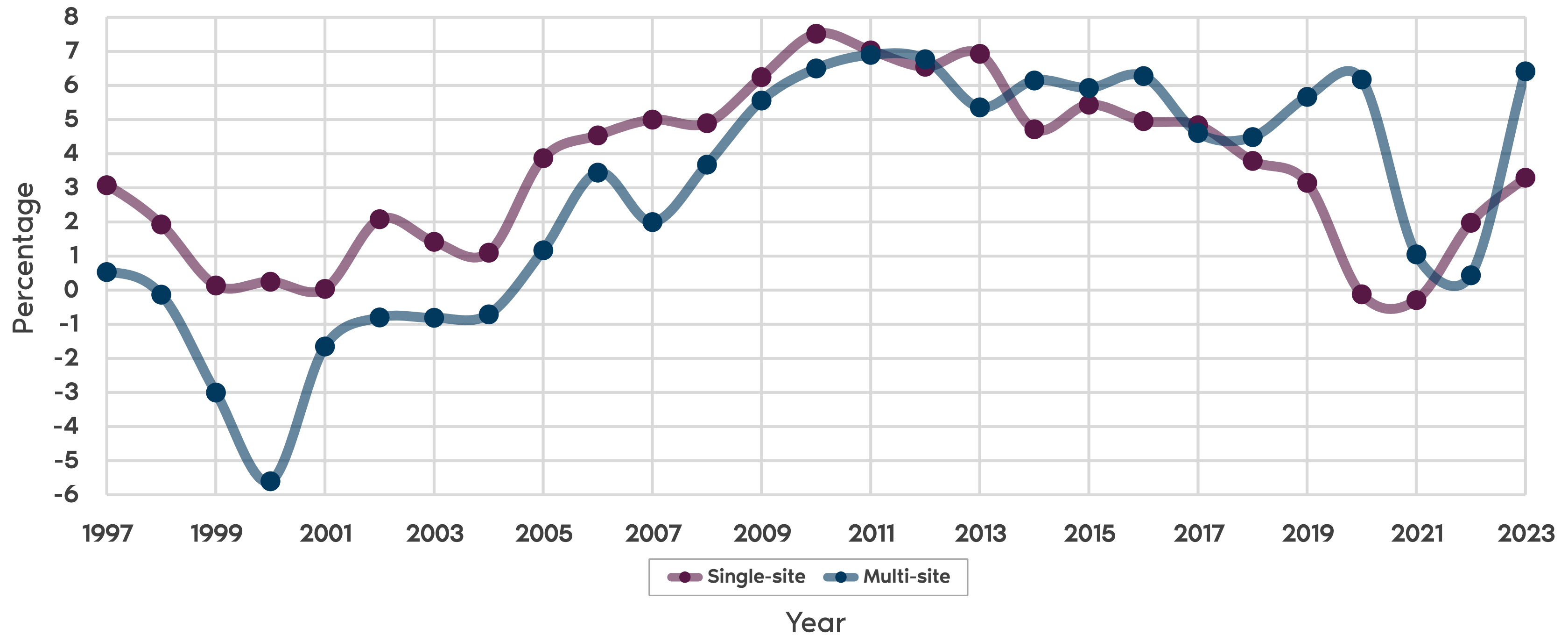
$$\frac{\text{Resident Revenue}^{*} - \text{Resident Expense}^{**}}{\text{Resident Revenue}}$$

** Resident Revenue = Total Operating Revenues, excluding interest/dividend income, entrance fee amortization, and contributions*

*** Resident Expense = Total Operating Expense, excluding interest expense, depreciation, amortization, and income taxes*

Net Operating Margin Ratio *continued*





Net Operating Margin Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	-3.89	**3.30**	8.05
2022	-5.32	**1.98**	8.87
2021	-5.50	**-0.29**	8.19
2020	-4.41	**-0.12**	8.48
2019	-1.91	**3.15**	8.61
2018	-1.83	**3.79**	9.88
2017	-1.03	**4.84**	10.19
2016	-1.57	**4.96**	10.39
2015	-0.83	**5.44**	11.73
2014	-1.43	**4.72**	11.47
2013	0.84	**6.93**	11.28
2012	-0.18	**6.55**	11.32
2011	1.40	**7.03**	12.32
2010	0.69	**7.52**	12.20
2009	-0.23	**6.25**	12.26
2008	-1.59	**4.90**	9.80
2007	-1.27	**5.00**	10.35

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	0.98	**6.42**	9.18
2022	-3.25	**0.44**	4.53
2021	-4.21	**1.05**	6.05
2020	-5.75	**6.18**	11.39
2019	1.42	**5.67**	12.41
2018	-1.11	**4.49**	15.49
2017	1.35	**4.61**	14.04
2016	0.92	**6.28**	13.97
2015	0.43	**5.93**	11.78
2014	0.35	**6.15**	10.83
2013	-0.19	**5.36**	11.05
2012	1.03	**6.77**	12.08
2011	1.16	**6.90**	12.51
2010	1.22	**6.50**	12.30
2009	-0.71	**5.56**	12.11
2008	-3.22	**3.68**	12.12
2007	-2.17	**2.00**	10.85

Net Operating Margin–Adjusted Ratio

The Net Operating Margin Ratio (NOM) is adjusted in the computation of the NOM-Adjusted Ratio (NOM-A) to include net entrance fee receipts, recognizing that many not-for-profit CCRCs/LPCs have entrance fee contracts for their independent living units. Although excluded from the NOM ratio calculation, entrance fees are typically employed, in part, for the provision of healthcare services to their residents and other operating expenses. This practice is widely utilized by not for profit continuing care retirement/life plan communities and is accepted by creditors and ratings agencies. By comparing the results of this ratio to the NOM ratio, the user can determine the extent to which providers rely on net entrance fee receipts to enhance annual cash flows.

There are unique, one-time distortions created to NOM-A as well as Debt Service Coverage Ratio (DSC) when the entrance fees of new independent living units are collected. This will occur in the initial fill-up stage of new independent living units such as in the case of a new CCRC/LPC or an independent living unit expansion undergoing its initial fill. Beginning in 2016, these first-time independent living unit entrance fees were excluded from "net proceeds from entrance fees" in this publication. This practice is consistent with the viewpoint of the various key capital markets credit sources as well as the credit rating agencies to senior living.

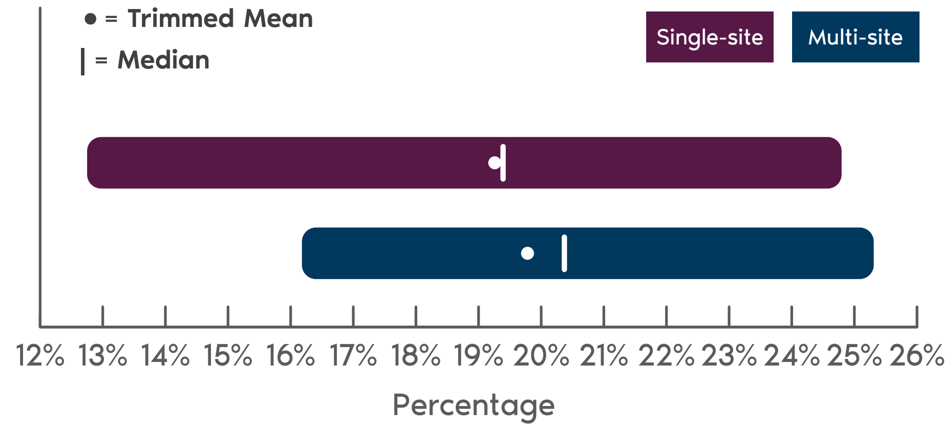
$$\frac{\text{Resident Revenue* + Net Proceeds from Entrance Fees – Resident Expense**}}{\text{Resident Revenue + Net Proceeds from Entrance Fees}}$$

** Resident Revenue = Total Operating Revenues, excluding interest/dividend income, entrance fee amortization, and contributions*

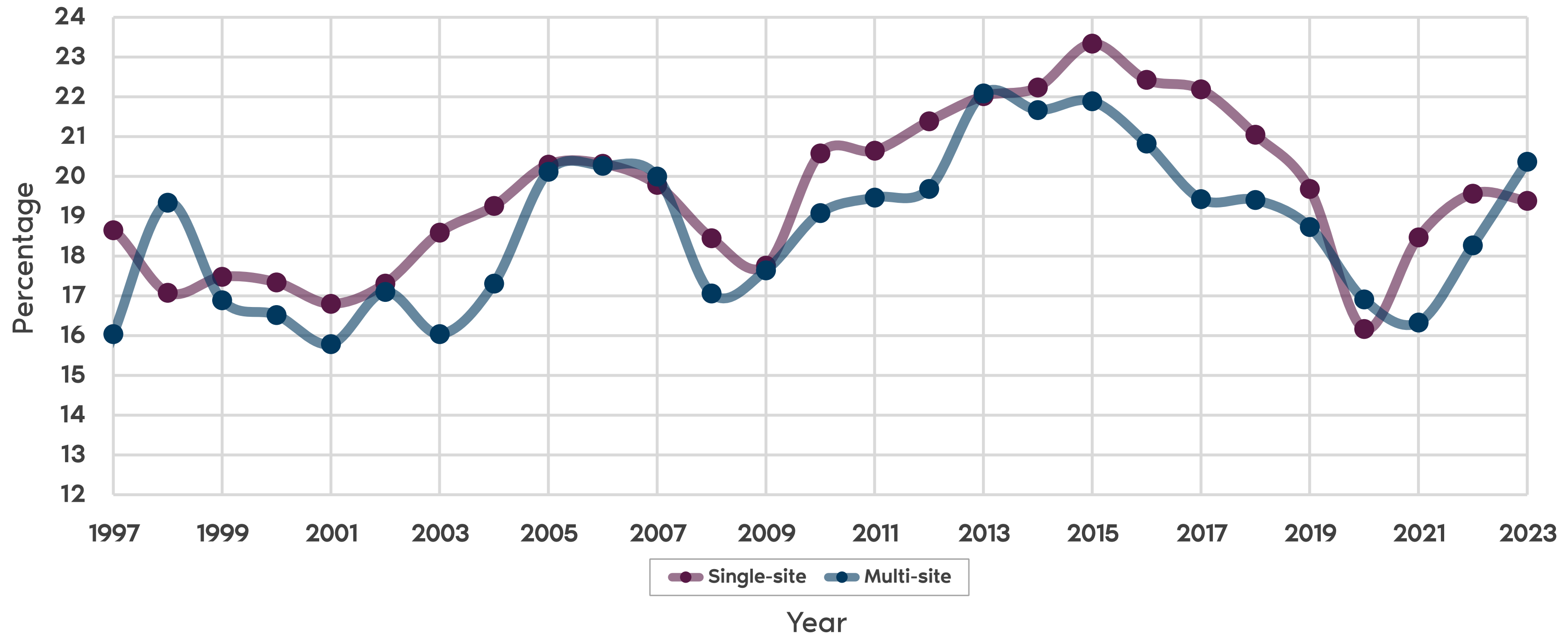
*** Resident Expense = Total Operating Expense, excluding interest expense, depreciation, amortization, and income taxes*

Net Operating Margin–Adjusted Ratio *continued*

Interquartile Range



Trended Median



Net Operating Margin–Adjusted Ratio *continued*

Single-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	12.75	**19.39**	24.79
2022	10.78	**19.57**	27.96
2021	9.92	**18.47**	25.92
2020	8.08	**16.17**	24.34
2019	15.52	**19.69**	26.44
2018	14.40	**21.05**	27.58
2017	14.57	**22.19**	30.27
2016	15.01	**22.43**	30.39
2015	14.53	**23.34**	29.37
2014	14.30	**22.24**	29.96
2013	16.11	**22.02**	29.06
2012	15.04	**21.39**	27.40
2011	13.53	**20.65**	29.43
2010	13.31	**20.58**	27.57
2009	11.71	**17.76**	26.88
2008	11.56	**18.45**	25.83
2007	13.96	**19.79**	28.03

Multi-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	16.18	**20.37**	25.31
2022	13.95	**18.27**	20.93
2021	9.60	**16.33**	22.37
2020	12.08	**16.91**	21.82
2019	9.48	**18.73**	27.00
2018	11.62	**19.41**	25.19
2017	10.10	**19.43**	27.02
2016	15.61	**20.83**	27.35
2015	14.69	**21.89**	27.42
2014	15.59	**21.67**	27.07
2013	12.46	**22.09**	26.28
2012	14.05	**19.69**	25.17
2011	13.77	**19.47**	23.30
2010	14.09	**19.08**	23.66
2009	11.24	**17.64**	21.16
2008	13.82	**17.06**	22.34
2007	14.52	**20.00**	23.78

Operating Ratio

The Operating Ratio (OR) measures whether current year cash operating revenues are sufficient to cover current year cash operating expenses. The set of items considered in the OR differs from the Net Operating Margin Ratio (NOM) only by the inclusion of Interest/Dividend Income, Interest Expense, and Net Assets Released for Operations. This makes it a more stringent test of a provider's ability to support annual operating expenses from resident operations than the Operating Margin Ratio (OM). Thus, like the NOM and Net Operating Margin-Adjusted Ratio (NOM-A), the OR focuses on cash.

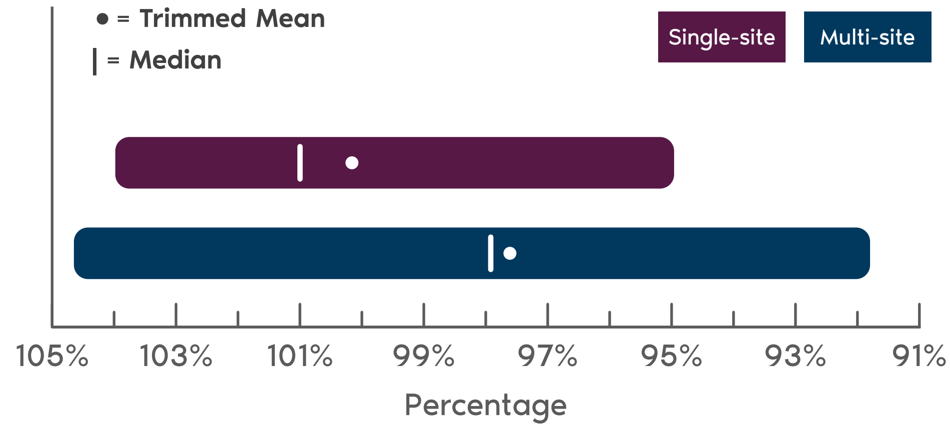
Although an OR of less than 100% is desired, this ratio may push above the 100% mark (a value resulting from cash operating expenses exceeding cash operating revenues) because of the historical dependence of some CCRCs/LPCs on cash generated from net entrance fees turnover collected during the year.

Several factors should be considered when evaluating the OR. These factors include contract type, price structure balance between entrance fees and monthly service fees, and entrance fee refund provisions. New CCRCs/LPCs in particular will often experience ratios in excess of 100% if they have been structured to rely on initial entrance fees to subsidize operating losses during the early fill-up years. ORs of mature CCRCs/LPCs can drop below 100% if these providers generate more annual cash flow from resident operations. OR's for both single- and multi-site providers crept over 100% during the COVID period which was not a surprise given the operational elements discussed earlier. Also noted earlier, in a positive development, multi-site providers did slip back under 100% in 2023.

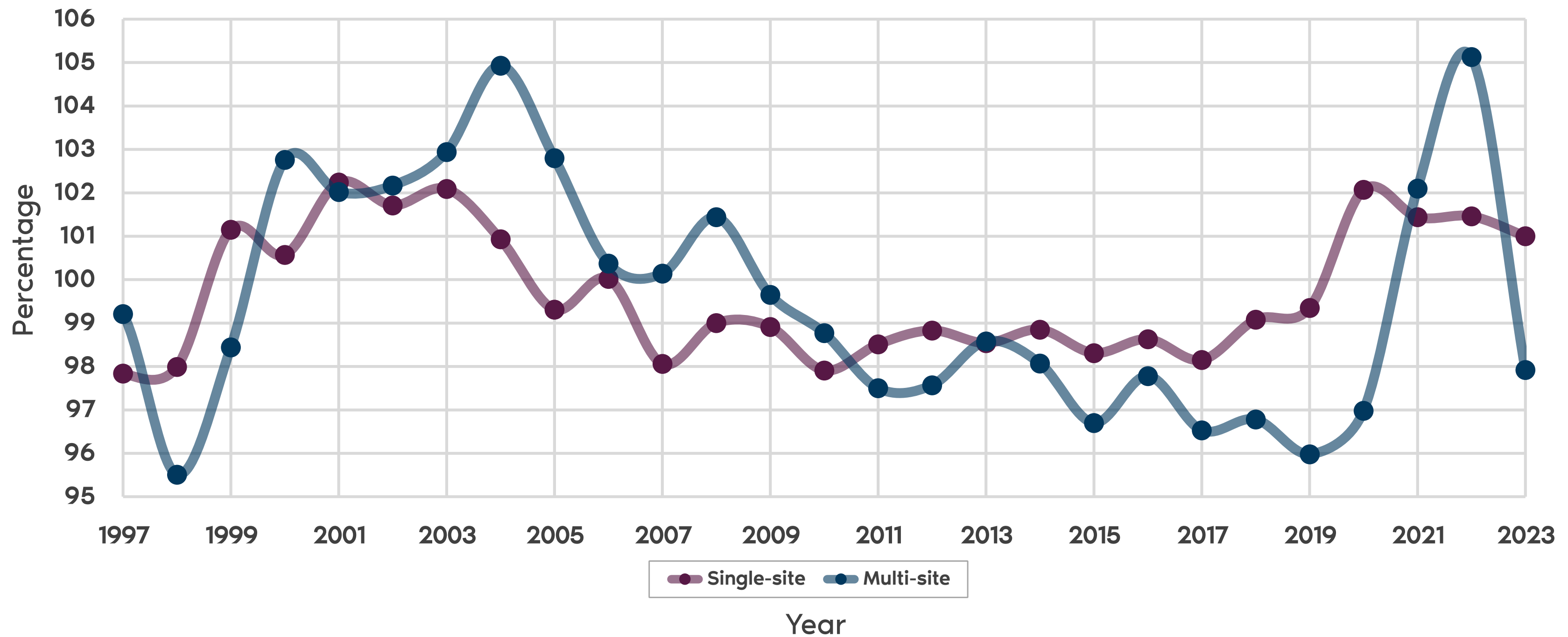
A final caveat is that Type A independent living contract providers typically have OMs in excess of 100. This is for a variety of reasons but can be understood as the resident's upfront payment for future healthcare services made through a larger relative entrance fee and presumptively in exchange for a lower relative monthly service fee.

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

Interquartile Range



Trended Median



Operating Ratio *continued*

Single-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	103.98	**101.00**	94.96
2022	108.08	**101.46**	95.91
2021	108.51	**101.44**	93.77
2020	109.41	**102.07**	96.04
2019	105.10	**99.35**	93.40
2018	104.64	**99.08**	93.07
2017	104.20	**98.15**	92.96
2016	104.39	**98.63**	92.97
2015	104.79	**98.31**	93.74
2014	104.66	**98.85**	93.88
2013	103.32	**98.54**	92.99
2012	103.82	**98.83**	94.32
2011	103.18	**98.51**	94.08
2010	104.24	**97.91**	93.43
2009	103.30	**98.91**	93.08
2008	105.74	**99.00**	93.59
2007	104.39	**98.06**	92.80

Multi-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	104.65	**97.92**	91.80
2022	108.98	**105.13**	100.36
2021	107.98	**102.10**	98.92
2020	109.76	**96.98**	89.14
2019	102.77	**95.98**	91.10
2018	105.72	**96.78**	89.19
2017	102.35	**96.53**	92.49
2016	101.39	**97.78**	92.44
2015	101.49	**96.70**	95.67
2014	102.79	**98.07**	95.17
2013	104.44	**98.58**	95.00
2012	105.11	**97.57**	93.40
2011	103.63	**97.50**	92.08
2010	101.65	**98.77**	93.62
2009	105.60	**99.65**	93.83
2008	108.18	**101.44**	91.14
2007	104.46	**100.14**	93.09

Operating Margin Ratio

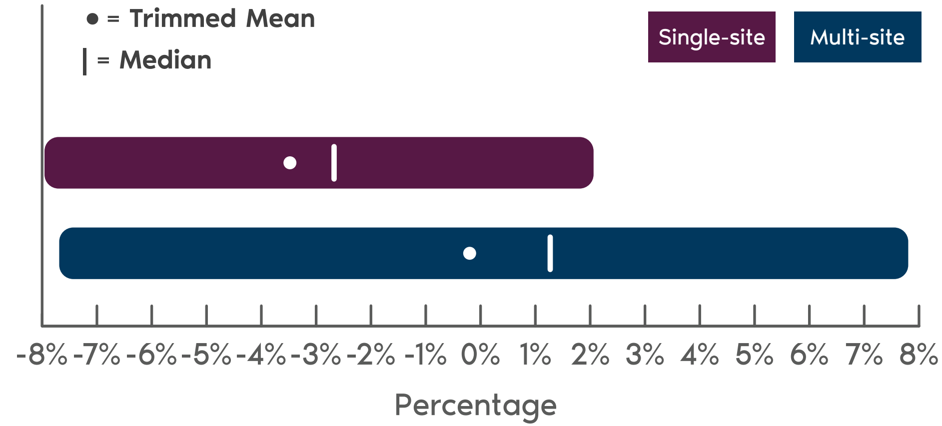
The Operating Margin Ratio (OM) measures the portion of total operating revenues remaining after operating expenses are met. For purposes of calculating the OM ratio, "total operating revenues" are defined to include all operating revenues net of contractual adjustments and charity care. Although financial statements may present contributions and realized investment gains and losses within operating income, these items are excluded from the OM ratio calculation in this document. Revenues from nonoperating sources that are not ongoing, or central to operations, such as gains and losses from the disposition of assets are also excluded. However, noncash operating items such as earned entrance fees and depreciation are included. For this reason, this ratio sometimes is considered to be the primary indicator of a provider's ability to generate surpluses for future needs and unplanned events. However, many credit analysts believe the Total Excess Margin Ratio (TEM) to be a strong indicator of a provider's overall financial performance.

For purposes of calculating the OM ratio, we have excluded the impact of any changes in future service obligation reflected on the Statement of Operations. Typically, credit analysts do not consider the effects of this line item in their analysis of operating profitability because this actuarial computation has only long-range implications. Furthermore, incorporating this item in the budgeting process when targeting a specific level of performance in terms of the OM ratio could prove misleading because the change in future service obligation reflects a year-end adjustment in the associated deferred liability accounts in contrast to an ongoing cash operating expense. Other noncash items excluded from the computation of the OM are unrealized gains/losses on investments and derivatives (e.g., interest rate swap agreements).

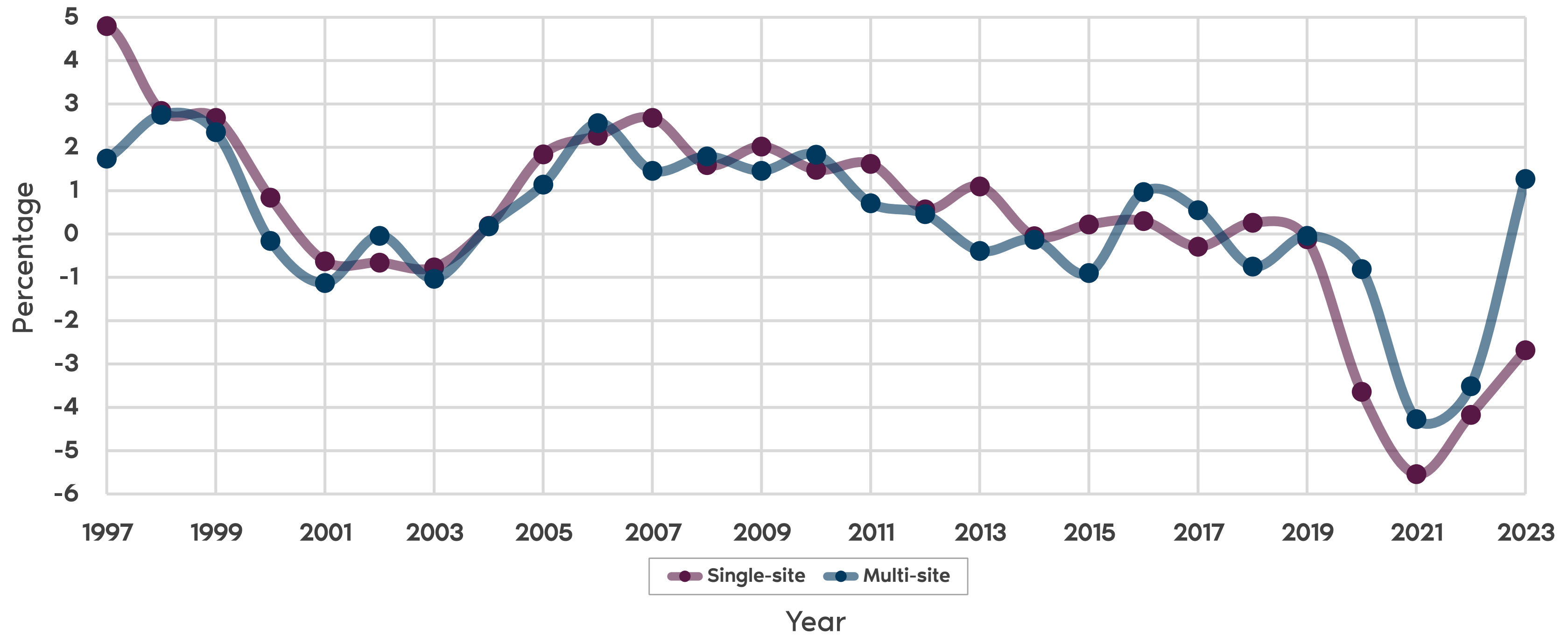
In general, a trend of stable or increasing OM ratio values is favorable. A declining trend and/or negative ratio may signal an inappropriate monthly service fee pricing structure, poor expense control, low occupancy, or operating inefficiencies. If a provider has a low OM ratio but a high TEM ratio, the provider may be relying significantly on nonoperating gains and/or contributions. Although some providers experience a trend of steady contributions, others find donation revenue difficult to control and predict.

$$\frac{\text{Income or Loss from Operations}}{\text{Total Operating Revenues}}$$

Interquartile Range



Trended Median



Operating Margin Ratio *continued*

Single-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	-7.96	**-2.68**	2.06
2022	-12.45	**-4.17**	1.48
2021	-9.14	**-5.54**	1.52
2020	-10.02	**-3.64**	3.25
2019	-5.53	**-0.12**	3.33
2018	-5.18	**0.26**	4.75
2017	-5.36	**-0.29**	5.70
2016	-5.56	**0.30**	5.02
2015	-4.80	**0.22**	5.30
2014	-6.76	**-0.05**	4.13
2013	-5.92	**1.10**	4.96
2012	-3.96	**0.57**	5.21
2011	-3.41	**1.62**	5.15
2010	-1.98	**1.48**	5.05
2009	-2.13	**2.02**	5.83
2008	-2.84	**1.59**	5.94
2007	-1.43	**2.68**	6.62

Multi-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	-7.69	**1.27**	7.80
2022	-17.48	**-3.51**	0.79
2021	-11.16	**-4.27**	0.85
2020	-5.83	**-0.81**	4.98
2019	-3.09	**-0.04**	6.20
2018	-6.15	**-0.75**	4.67
2017	-5.50	**0.55**	3.57
2016	-3.65	**0.97**	3.08
2015	-5.01	**-0.90**	3.92
2014	-3.32	**-0.13**	4.02
2013	-4.27	**-0.39**	2.49
2012	-3.88	**0.46**	5.83
2011	-4.75	**0.71**	6.22
2010	-2.56	**1.83**	4.53
2009	-4.29	**1.46**	3.74
2008	-3.68	**1.79**	5.03
2007	-1.34	**1.46**	4.48

Total Excess Margin Ratio

The Total Excess Margin Ratio (TEM) includes both operating and nonoperating sources of revenue and gains. To promote consistency and comparability, the TEM ratio includes contributions without donor restrictions, realized gains/losses on investments without donor restrictions or derivatives, and net assets released from restrictions for PP&E in both the numerator and denominator. Unrealized gains/losses on investments and derivatives are be excluded from the computation of all profitability ratios.

This ratio is most sensitive to the argument put forward by many not-for-profit providers that, because many have unique and reliable access to charitable donations as an ongoing source of support, charitable donations should be included in measuring their ability to generate surpluses. Some providers classify contributions in operating revenues if they believe their contributions are ongoing, major, or central to the operation of the provider. Others classify contributions as nonoperating revenue. This latter presentation can be used to emphasize to potential donors that resident revenue does not fully cover expenses.

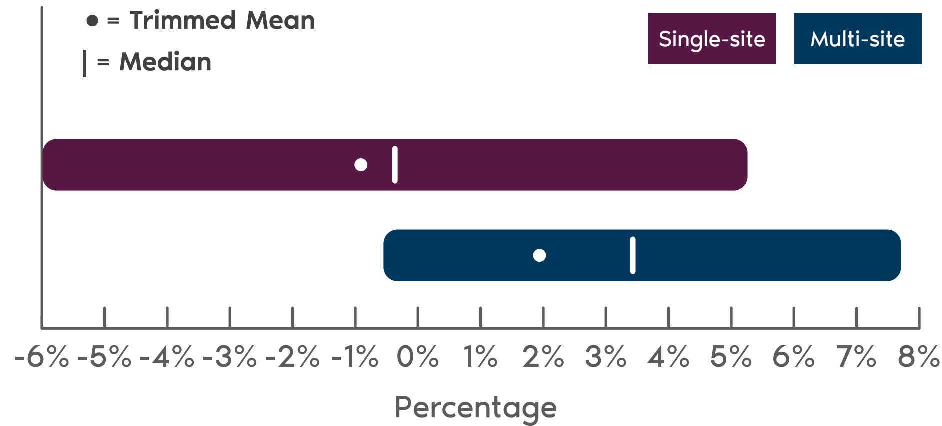
A value greater than zero for the TEM ratio is essential for a provider to achieve positive net assets, to maintain a favorable balance sheet, and to provide adequate contingency funds for unforeseen financial needs.

The TEM ratio for both single-site and multi-site providers presents a more complete picture of financial performance than the other profitability ratios. The gap between the Operating Margin Ratio (OM) and the TEM ratio is primarily due to the inclusion of contributions without donor restrictions, realized gains and losses on investments, and net assets released from restrictions for PP&E in the calculation of the latter ratio. Concerns about a provider’s OM ratio may be mitigated when the TEM is evaluated depending on the provider’s performance in these areas.

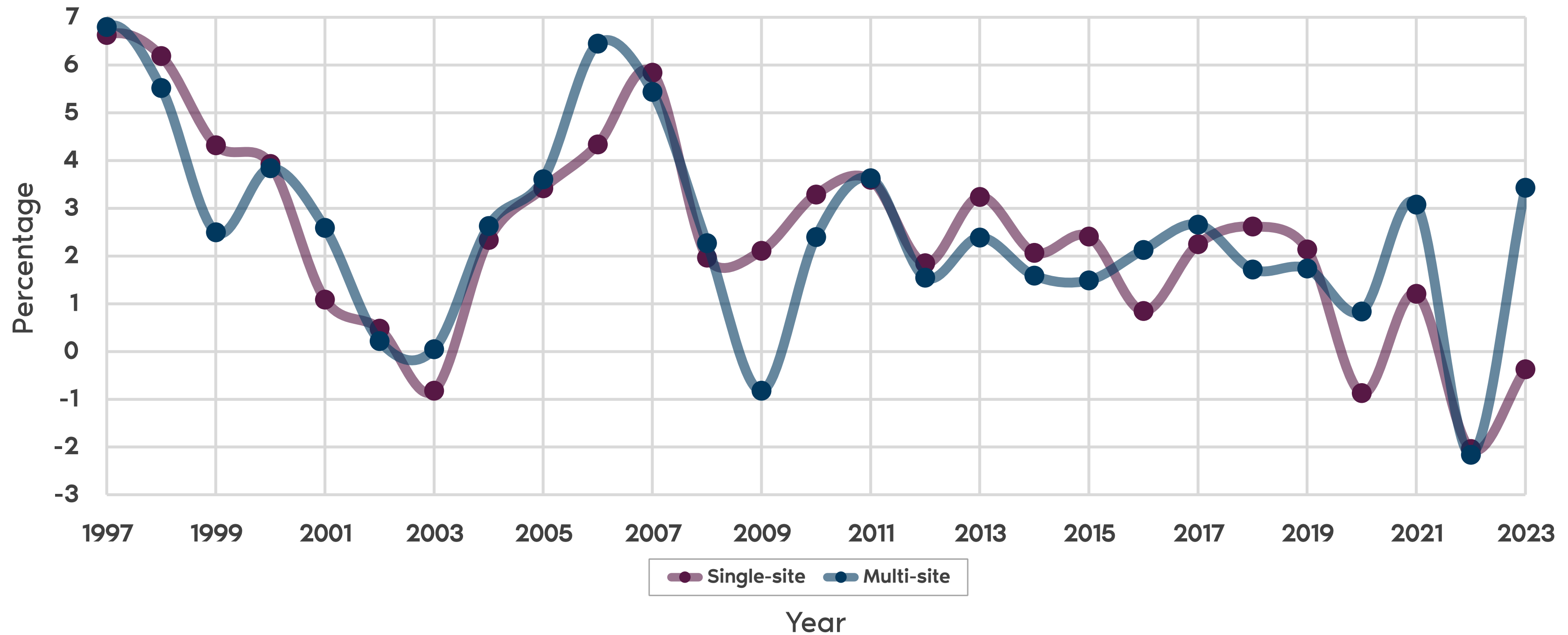
$$\frac{\text{Total Excess of Revenues over Expenses}}{\text{Total Operating Revenues and Net-Nonoperating Gains and Losses}}$$

Total Excess Margin Ratio *continued*

Interquartile Range



Trended Median



Total Excess Margin Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	-5.99	**-0.37**	5.26
2022	-12.29	**-2.04**	3.57
2021	-4.51	**1.21**	7.06
2020	-8.92	**-0.87**	5.41
2019	-3.40	**2.14**	5.35
2018	-3.29	**2.62**	8.49
2017	-3.65	**2.25**	7.72
2016	-6.33	**0.85**	6.01
2015	-3.26	**2.41**	7.46
2014	-5.22	**2.07**	7.65
2013	-1.38	**3.24**	8.47
2012	-1.49	**1.85**	7.38
2011	-1.63	**3.60**	7.42
2010	-2.52	**3.29**	6.84
2009	-2.79	**2.11**	6.59
2008	-3.31	**1.97**	6.86
2007	1.25	**5.84**	9.08

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	-0.55	**3.43**	7.71
2022	-14.23	**-2.16**	4.37
2021	-4.47	**3.08**	7.72
2020	-2.71	**0.84**	5.00
2019	-2.90	**1.74**	8.42
2018	-0.91	**1.72**	6.79
2017	-0.12	**2.66**	10.36
2016	-2.59	**2.13**	6.66
2015	-3.69	**1.49**	8.60
2014	-1.91	**1.59**	8.93
2013	-0.70	**2.39**	4.68
2012	-3.84	**1.55**	4.48
2011	-2.08	**3.63**	7.27
2010	-1.57	**2.40**	5.99
2009	-6.85	**-0.82**	2.93
2008	-5.89	**2.27**	7.57
2007	1.02	**5.44**	10.45

Section 3
Liquidity Ratios

Overview and Findings

Overview

Liquidity ratios are intended to measure a provider's ability to meet the short-term (one year or less) cash needs of its ongoing operations. As is true of any business, a CCRC/LPC needs to ensure that it has sufficient cash, or investments readily convertible to cash, to meet its payroll, pay for goods and services, fund current debt service payments, refund entrance fees (if applicable), and provide for essential maintenance and repairs. Further, liquidity is also assessed over the long-term to understand an organization's ability to provide reserves to withstand unforeseen circumstances as well as to support future strategic growth such as bricks and mortar expansions, acquisition activity or the creation of new service lines to highlight a few.

An intent of the CCRC/LPC accreditation process is that financially sound organizations maintain adequate unrestricted cash and investment reserves, or have access to third-party cash/reserves, to fund any unforeseen operating cash shortfalls and to meet the commitments of serving their residents and other persons served.

The three liquidity ratios commonly used to evaluate the ability of senior living organizations to meet their liquidity needs include:

- Days in Accounts Receivable Ratio (DAR)
- Days Cash on Hand Ratio (DCH)
- Cushion Ratio (CUSH)

Often cash and investments have been set aside by board action as assets limited as to use. For purposes of the ratio calculations within this document, all board-designated funds were considered unrestricted and all donor-restricted funds were considered restricted. When unrestricted funds are used in a liquidity ratio, all such funds, whether classified as current or noncurrent on the balance sheet, are included as liquidity in these calculations. This treatment is consistent with how many senior living creditor providers as well as the rating agencies treat these two classes of assets.

Appendix A of this publication includes an explanatory discussion of these determinations as well as the uses of cash and investments in ratio calculations.

Findings

Median liquidity for single-site organizations experienced stable or improved performance in 2023 across the various liquidity measures with DCH showing the most positive change. For multi-site organizations median DCH had a modest decline although the top and bottom quartiles showed meaningful improvements. The other liquidity ratios generally also improved for all quartiles for multi-site organizations in 2023. Overall, median liquidity ratios continued to remain at healthy levels.

The single-site median Days Cash on Hand Ratio (DCH) increased to 439 days in 2023 from 419 days in the prior year. This level is one of only a handful of measurements in excess of 400 DCH, a level which was only reached for the first time in 2019. COVID funding is very likely a key part of the explanation for such strong recent values. The multi-site median weakened to 297 days in 2023 which was down from 308 days in the prior year. This still represents a strong level of liquidity over the publication's history but it is an eight year low. The upper and lower quartile medians for multi-site providers however improved during 2023.

The median Cushion Ratio (CUSH), a measure of unrestricted cash and investments as a multiple of the annual debt service requirement, was essentially level for 2023; data showed a very modest decline to 10.46 for single-site providers which was down from 10.54 in 2022. Like the DCH median, this level remains healthy for single-site providers when compared with pre-2020 medians. For multi-site organizations, the median CUSH ratio showed strong improvement of 7.14 from 5.31 in 2022, to a level that is consistent with pre-COVID levels.

Finally, the median Days in Accounts Receivable Ratio (DAR) were essentially flat in 2023. Single-site providers modestly declined to 16 days from 15 days while multi-site providers remained steady at 19 days. These results are still favorable when compared to longer-term trends.

Days in Accounts Receivable Ratio

The Days in Accounts Receivable Ratio (DAR) measures the average number of days accounts receivable remain outstanding. The calculation compares the total amount in accounts receivable (net of allowances for uncollectible accounts) to average daily operating revenues received from residents of independent living, personal care, assisted living, and nursing units. Third-party settlements are excluded from the numerator of this calculation; net assets released from restriction for operations and amortization of entrance fees are excluded from the denominator.

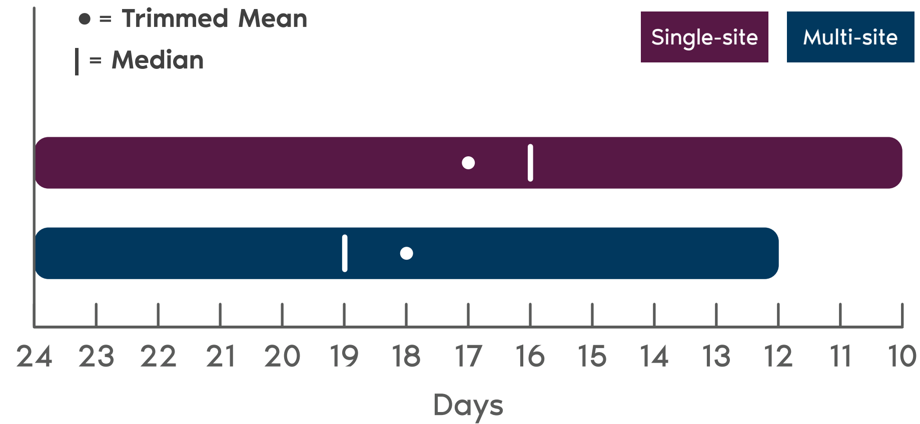
The CARF accreditation long-term financial planning intent states that "effective management of accounts receivable ensures a steady stream of cash that can be invested to earn additional income for the organization." A key component of accounts receivable management is understanding how receivables will change depending on the payer type. Amounts billed to third parties, such as government or other third-party payers, generally will be paid on a much slower basis than amounts billed to residents. In fact, the payer mix of a provider, along with the configuration of healthcare units as a percentage of the provider's total units, dramatically affects the value of this ratio. Generally, a value of 30 days or less is desired, although for providers with a low level of government or other third-party reimbursement, values may be less than ten days because most CCRCs/LPCs bill private-pay residents at the beginning of the month and receive payment before the close of the monthly accounting period.

For providers with significant reliance on third-party reimbursement, values generally will exceed 30 days. Conversely, the higher the percentage of the resident population that is private pay, the lower this value should be. It is important to note that the timeliness of Medicaid payments varies from state to state. Therefore, a CCRC's/LPC's DAR ratio may vary significantly depending on the magnitude of third-party payments, regardless of management's efforts. Management may want to track the DAR ratio separately for residential and healthcare services; the former usually are private payers, and the latter often are third-party payers.

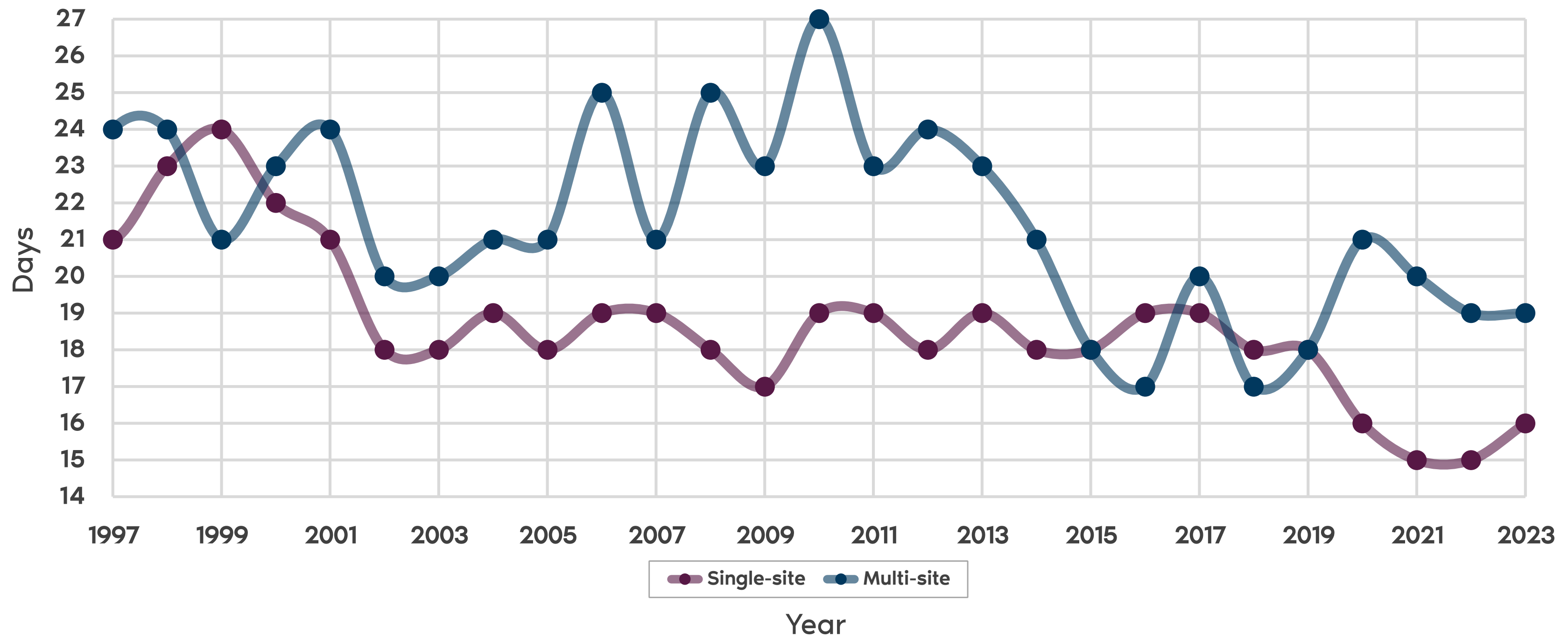
$$\frac{\text{Net Accounts Receivable}}{\text{Residential and Healthcare Revenues/365}}$$

Days in Accounts Receivable Ratio *continued*

Interquartile Range



Trended Median



Days in Accounts Receivable Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	24	**16**	10
2022	24	**15**	8
2021	25	**15**	8
2020	23	**16**	9
2019	26	**18**	9
2018	25	**18**	9
2017	25	**19**	10
2016	28	**19**	9
2015	27	**18**	10
2014	28	**18**	10
2013	27	**19**	10
2012	28	**18**	9
2011	27	**19**	11
2010	29	**19**	11
2009	28	**17**	10
2008	30	**18**	10
2007	29	**19**	11

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	24	**19**	12
2022	23	**19**	14
2021	26	**20**	14
2020	26	**21**	13
2019	31	**18**	14
2018	29	**17**	12
2017	25	**20**	14
2016	25	**17**	14
2015	26	**18**	12
2014	30	**21**	13
2013	34	**23**	15
2012	31	**24**	16
2011	34	**23**	17
2010	34	**27**	20
2009	30	**23**	17
2008	29	**25**	18
2007	28	**21**	16

Days Cash on Hand Ratio

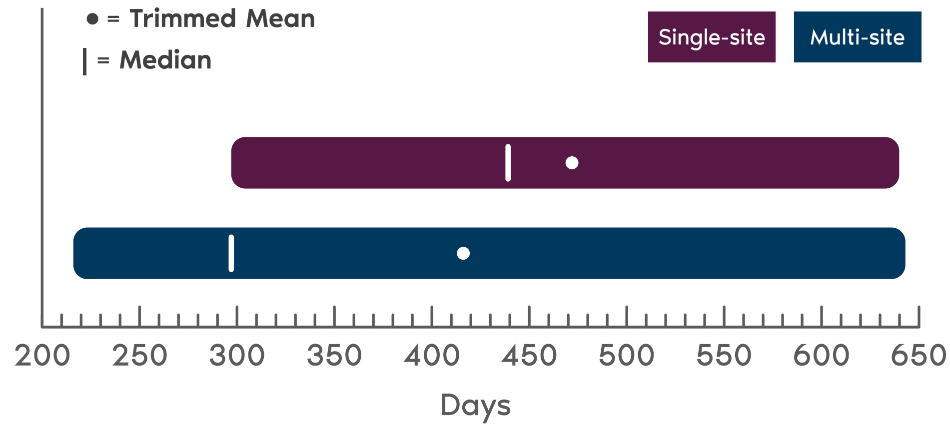
The Days Cash on Hand Ratio (DCH) measures the number of days of cash operating expenses a provider could cover with its unrestricted cash, cash equivalents, and marketable securities on hand. Board-designated funds should be included in the numerator, whereas funds that are either trustee-held or donor-restricted should be excluded. This treatment of these balances is the same whether the assets are classified as current or noncurrent. Please refer to Appendices A and B for additional information regarding accounts included in this ratio.

Regardless of contract type or ownership type (for-profit or not-for-profit), it is essential that organizations have access to liquidity, either through direct cash on hand or via third-party support. Third-party sources of liquidity may include a parent or affiliate organization's legal guarantee to fund operating shortfalls, a parent or affiliate organization's history of funding operating shortfalls without a guarantee (moral obligation), foundations, annual subsidies, annual appropriation, and owner/limited partners.

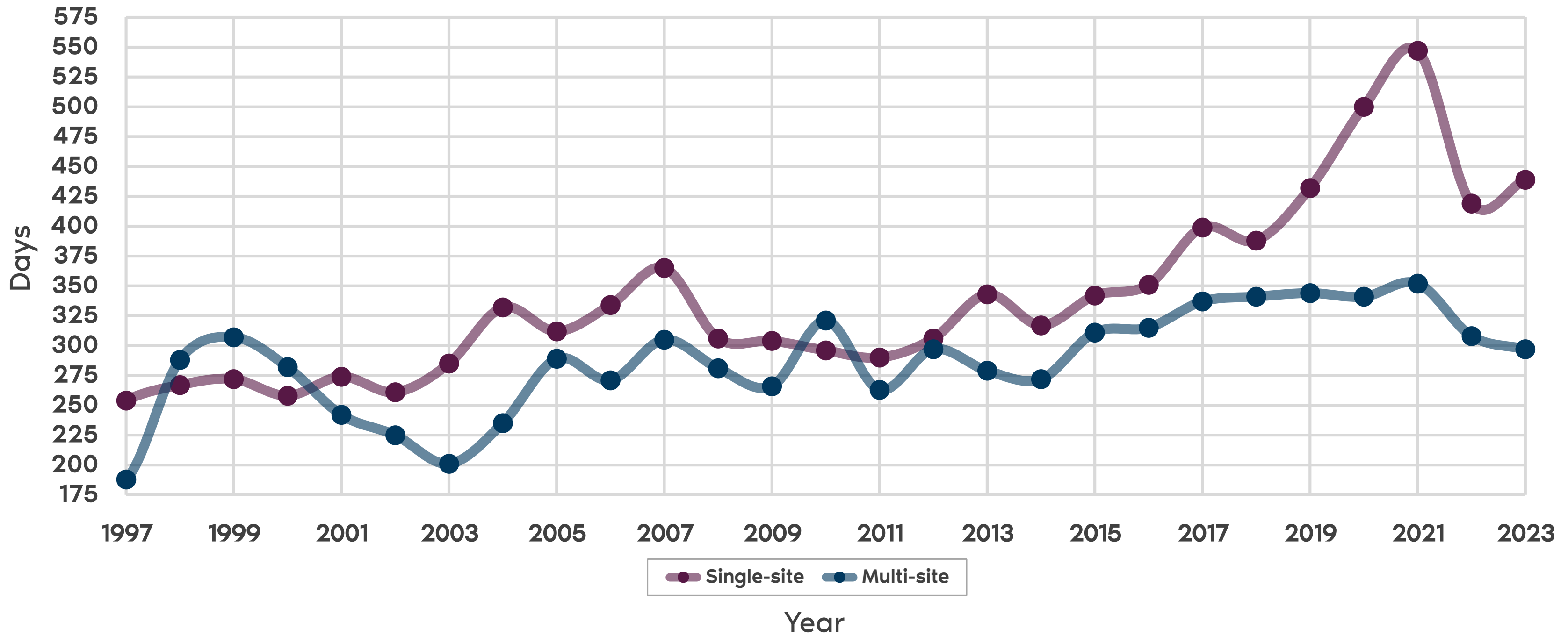
Positive cash flows from operations, net entrance fee receipts, to the extent they are used to build reserves, and robust contribution programs are each key drivers impacting provider's DCH. The performance of the investment markets (stock and bonds for example) in any given year also can have a significant influence on the DCH ratio. Another key driver of DSC is a provider's daily cash expenses. The addition of new programs, be it through bricks and mortar or services, will impact this measure. Pure service lines with little physical capital associated with them are sometimes removed from the borrower's debt borrowing group to minimize the impact of DCH.

$$\frac{\text{Unrestricted Current Cash and Investments} + \text{Unrestricted Noncurrent Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

Interquartile Range



Trended Median



Days Cash on Hand Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	297	**439**	640
2022	266	**419**	720
2021	372	**547**	805
2020	260	**500**	746
2019	225	**432**	654
2018	200	**388**	650
2017	188	**399**	641
2016	181	**351**	609
2015	196	**342**	579
2014	172	**317**	556
2013	180	**343**	549
2012	184	**306**	511
2011	181	**290**	517
2010	179	**296**	524
2009	176	**304**	492
2008	188	**306**	470
2007	224	**365**	529

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	216	**297**	643
2022	166	**308**	439
2021	218	**352**	571
2020	221	**341**	602
2019	242	**344**	510
2018	200	**341**	506
2017	232	**337**	538
2016	193	**315**	428
2015	205	**311**	460
2014	173	**272**	418
2013	182	**279**	402
2012	182	**297**	396
2011	201	**263**	365
2010	239	**321**	380
2009	204	**266**	338
2008	181	**281**	411
2007	238	**305**	476

Cushion Ratio

The Cushion Ratio (CUSH) measures the provider's cash position relative to its annual debt obligation. This ratio is calculated using annual debt service (the current year's capitalized interest cost plus interest expense and scheduled principal payments) in the denominator as annual debt service is obtainable from a provider's audited financial statements. This is similar to the approach used for the Debt Service Coverage Ratio (DSC). The numerator of this ratio includes unrestricted cash and investments, both current and noncurrent. All board-designated funds (including those set aside for capital improvements, replacements, etc.) also are included in the numerator.

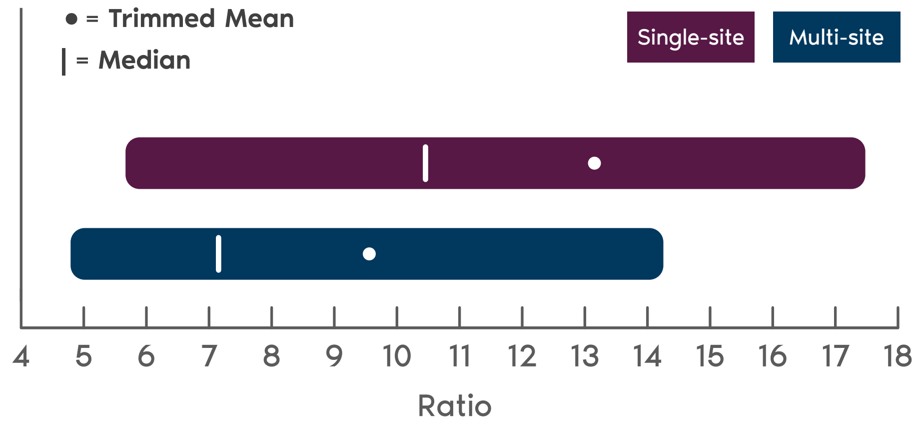
Because this ratio is computed on the basis of current annual debt service payments rather than the maximum annual debt service, the ratios may vary each year as principal payments and interest payments vary, particularly if a provider has refinanced or has no scheduled principal payments in the current year. In the event a provider refinanced, it may be difficult to obtain a "normal" annual principal payment from the provider's audited financial statements. In these situations, the "normal" principal payments used in this ratio calculation may be estimated using information in the CCRC's/LPC's financial statements (e.g., the prior year current maturities of long-term debt). In addition a provider may incur additional debt service payments for temporary debt for the construction of new independent living units that are to be repaid from initial entrance fee proceeds.

In the event a provider had no principal payments in one or more of the years, the provider's CUSH ratio was excluded from the median computation for the missing year(s).

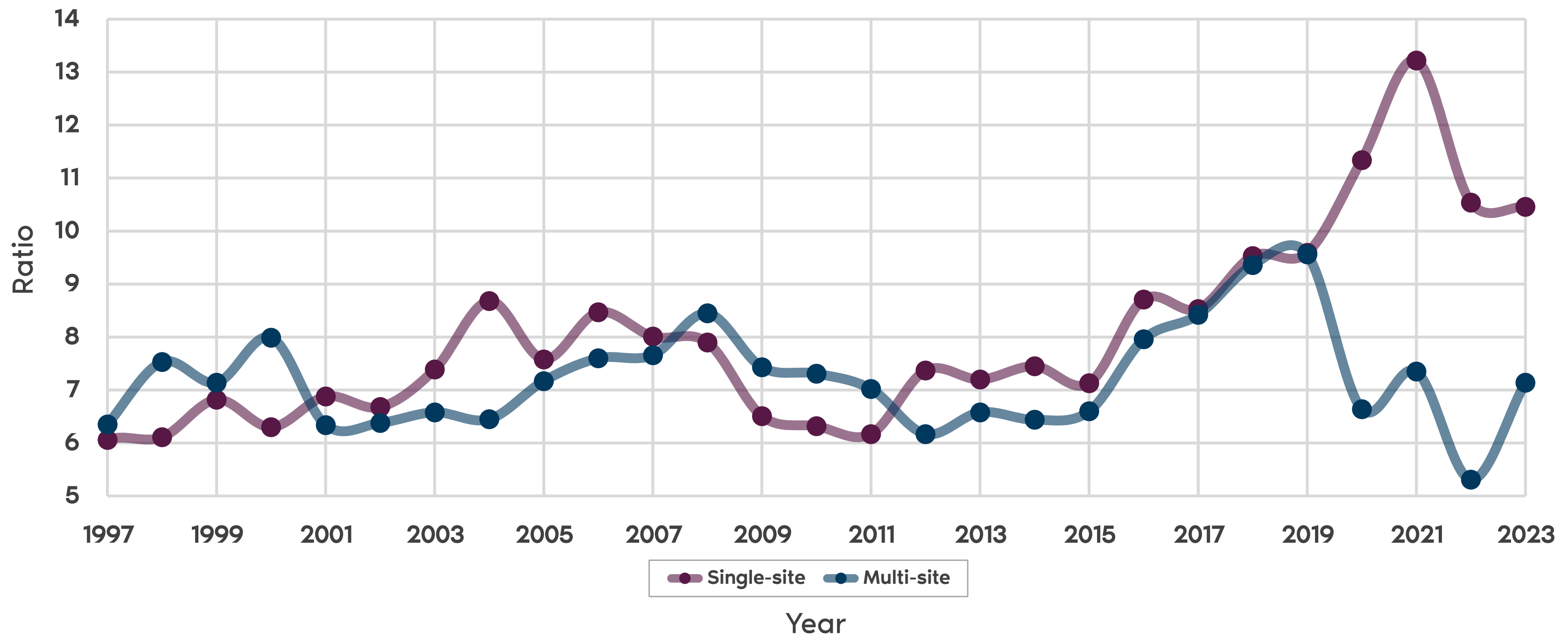
Typically, mature organizations would be expected to have greater cash reserves than newer organizations and, therefore, a stronger CUSH ratio. A provider's debt structure also plays an important role in its CUSH ratio. Tax-exempt financings often have level debt service over 25- to 35-year periods.

$$\frac{\text{Unrestricted Current Cash and Investments} + \text{Unrestricted Noncurrent Cash and Investments}}{\text{Annual Debt Service}}$$

Interquartile Range



Trended Median



Cushion Ratio *continued*

Single-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	5.66	**10.46**	17.48
2022	6.12	**10.54**	17.89
2021	7.54	**13.22**	23.57
2020	5.51	**11.34**	20.88
2019	5.03	**9.59**	16.82
2018	5.34	**9.53**	15.82
2017	5.59	**8.53**	15.77
2016	4.01	**8.71**	14.94
2015	3.73	**7.13**	13.52
2014	3.41	**7.45**	13.24
2013	3.41	**7.20**	13.46
2012	3.37	**7.37**	12.66
2011	2.63	**6.17**	11.11
2010	2.99	**6.32**	14.39
2009	2.91	**6.51**	13.58
2008	3.49	**7.90**	13.57
2007	4.28	**8.01**	13.32

Multi-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	4.78	**7.14**	14.26
2022	3.37	**5.31**	12.08
2021	5.36	**7.35**	14.89
2020	4.76	**6.64**	14.30
2019	4.58	**9.56**	14.32
2018	4.16	**9.36**	13.32
2017	4.07	**8.42**	16.01
2016	3.25	**7.96**	13.20
2015	3.06	**6.60**	13.48
2014	3.29	**6.44**	12.79
2013	4.26	**6.58**	13.17
2012	4.26	**6.17**	10.58
2011	4.15	**7.02**	11.66
2010	4.86	**7.31**	10.19
2009	4.51	**7.43**	14.88
2008	4.19	**8.45**	15.28
2007	5.54	**7.66**	12.82

Section 4
Capital Structure Ratios

Overview

Capital structure ratios primarily focus on a provider's balance sheet strengths and weaknesses. These ratios are useful in assessing the long-term solvency of a provider. The capital structure ratios measure the relative amount of debt a provider has undertaken. A high percentage of debt relative to assets or equity is an important indication of risk in the CCRC/LPC industry because high leverage typically means high debt repayment obligations and therefore high annual debt service payments. One of the capital structure ratios, the Debt Service Coverage Ratio (DSC), incorporates a measure of annual cash flow and provides an important quantification of the link between annual operating performance and a provider's debt obligations.

One intent of the CARF accreditation process is that an organization effectively manages its balance sheet. Effective asset/liability management is key to an organization's long-term survival. Example goals are to ensure that funds are available to meet the long-term contractual needs of residents, for both healthcare and contract refunds, as well as strategic growth objectives relating to existing and future facilities, affiliations, and new service line opportunities.

The capital structure ratios presented in this section are tools to measure the balance sheet strength of senior living provider organizations. Nine ratios are provided to help measure the strength of an organization's capital structure:

- Debt Service Coverage Ratio (DSC)
- Debt Service Coverage–Revenue Basis Ratio (DSC-R)
- Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio (DS-TR)
- Unrestricted Cash and Investments to Long-Term Debt Ratio (CD)
- Long-Term Debt as a Percentage of Total Capital Ratio (LTDC)
- Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio (LTDC-A)
- Long-Term Debt to Total Assets Ratio (LTD-TA)
- Average Age of Community Ratio (AGE)
- Capital Expenditures as a Percentage of Depreciation Ratio (CED)

As discussed here, the ratios incorporating current annual debt service as a component of their calculation would be affected during years in which interest cost is capitalized. To adjust for such occurrences, when capitalized interest for a given year is provided in the audited financial statements, that amount is added to interest expense in the current year. This treatment by the publication is more conservative than the capital markets and credit agencies who generally do not make this adjustment.

Findings

The median capital structure ratios for the 2024 publication (2023 fiscal year) generally showed across the board improvement for both single- and multi-site providers for nearly all ratio medians and for many of the quartiles. In the instances of deterioration, many were modest declines from the prior year and the ratio could be thought of as remaining in a narrow, stable range. The direction of these findings are anticipated given the improvements noted earlier in both profitability and liquidity measures.

For single-site organizations, the median Debt Service Coverage Ratio (DSC) rose to 2.56x in 2023 from 2.30x the prior year to within a range it has held since 2013. The median DSC for multi-site providers rose to 1.99x from 1.91x which also was positive. However, this measure was still the second lowest median DSC value for multi-site organizations in the publication's history with last year being the lowest measurement.

The median Debt Service Coverage-Revenue Basis Ratio (DSC-R), which excludes cash flow from turnover entrance fees, rose to 0.70x in 2023 from 0.66x for single-site organizations and strongly rebounded to 1.25x from 0.56x for multi-site providers. Median DSC-R for single-site providers remained on the weak end of values reported in the publications' history. However, median DSC-R for multi-sites rebounded from one of its lowest levels ever last year.

The median ratio of Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio (DS-TR) nominally strengthened (decreased) for single-site providers to 10.01% from 10.07% in 2022 as well as for multi-site organizations to 9.23% from 9.42%. Both median ratios improved for a second year in a row following a softness experienced during the COVID period.

The median Unrestricted Cash and Investments to Long-Term Debt Ratio (CD) improved significantly for both single- and multi-site organizations. The median single-site CD ratio improved to 69.61% from 55.70% in 2022 which was the low point for this ratio's value since 2012. For multi-site providers, the median CD ratio rose to 69.80% in 2023 from 39.04% which was a significant improvement from 2022's all-time low for the publication.

The debt-to-capital ratios generally strengthened for both single- and multi-site organizations during the year. The median Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio (LTDC-A) improved to 52.88% in 2023 from 54.14% for single-site providers and this value is consistent with recent years. The median multi-site LTDC-A ratio fell to 53.09% from 62.61% in 2022, improving from the ratio's highest median value since 2009.

Finally, single-site providers' median Average Age of Community Ratio (AGE) was essentially flat at 12.25 years in 2023. The median multi-site AGE rose, however by one full year to 12.45 years for 2023. The median Capital Expenditures as a Percentage of Depreciation Ratio (CED) compares purchases of property, plant, and equipment to annual depreciation expense. The median CED for single-site organizations was 94% which was nominally lower from 105% in the prior year. The median CED for multi-site organizations improved to 132% from 113%. The capital markets rule of thumb for annual capital spending is for borrowers to annually match their depreciation expense. This rule of thumb even at a 1:1 ratio may still lead to an increase in the Average Age of Community Ratio (AGE).

Debt Service Coverage Ratio

Many credit analysts and lenders generally consider the Debt Service Coverage Ratio (DSC) to be the penultimate credit ratio. DSC, combined with Days Cash on Hand Ratio (DCH) and the Unrestricted Cash and Investments to Long-Term Debt Ratio (CD) for many are considered to be apex credit ratios as they are powerful tools used in evaluating a provider's short- and long-term financial viability. The DSC ratio reflects a provider's ability to fund its annual debt service requirements with cash flow from operations as well as net entrance fees received.

This ratio is calculated using annual debt service (the current year's capitalized interest cost plus interest expense and scheduled principal payments) in the denominator as annual debt service is obtainable from a provider's audited financial statements. However, certain lenders may require that the maximum annual debt service (MADS) be used in the denominator. Accordingly, the results included in this report may vary from a lender's calculation of the DSC ratio. For CCRCs/LPCs with level annual debt service requirements, the difference between annual debt service and MADS should be insignificant.

Most debt obligations require CCRCs/LPCs to maintain a DSC ratio of at least 1.20 times, and they often use underwriting levels in the 1.30 to 1.50 times range. As CCRCs/LPCs mature, and as the positive impact of inflation grows operating cash flows relative to the debt load, it is common to see the DCS ratio begin to grow beyond these underwriting levels. This is particularly true for organizations that are not growing their physical plant and equipment through the use of debt financed projects.

Because the DSC ratios are computed on the basis of current annual debt service payments, these ratios may vary based on the amortization schedule of principal payments in particular if there are deliberate deferrals. For example, if a provider has refinanced and has not scheduled principal payments in the current year or if they borrowed for a new project and have elected to partially or fully defer principal for a period of time during construction and fill up, it will be difficult to obtain a normalized annual principal payment from the provider's audited financial statements. In these situations, the "normalized" principal payments used in the DSC ratio calculation may be estimated using information in the CCRC's/LPC's financial statements (i.e. the prior year current maturities of long-term debt). In the event a provider had no principal payments in one or more of the years, the provider's DSC ratio was excluded from the median computation for the missing year(s).

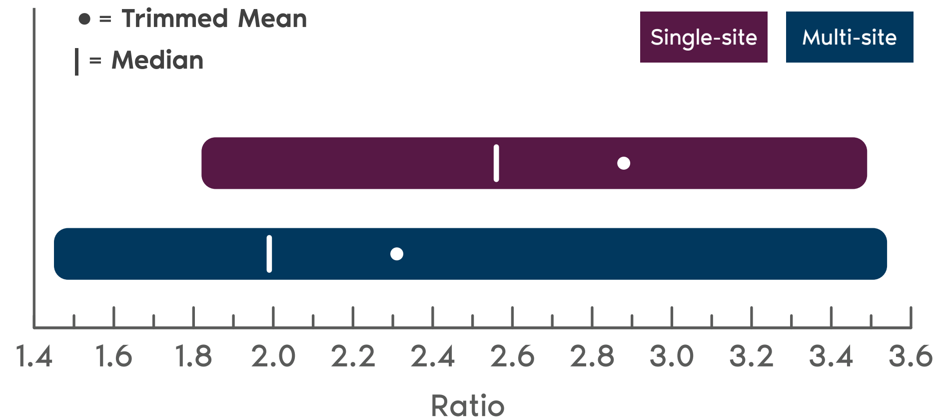
A high DSC ratio may be reflective of a low level of annual debt service requirements. This circumstance may or may not be a sign of financial strength as it could be a sign of under investment in the community's assets. For this reason, it is often necessary to analyze the DSC ratio in combination with other information and ratios to evaluate the adequacy of annual cash flows for achieving the financial goals of the organization. Further, the DSC ratio is influenced to a certain degree by contract type, price structure (balance between entrance fees and monthly service fees), and entrance fee refund provisions.

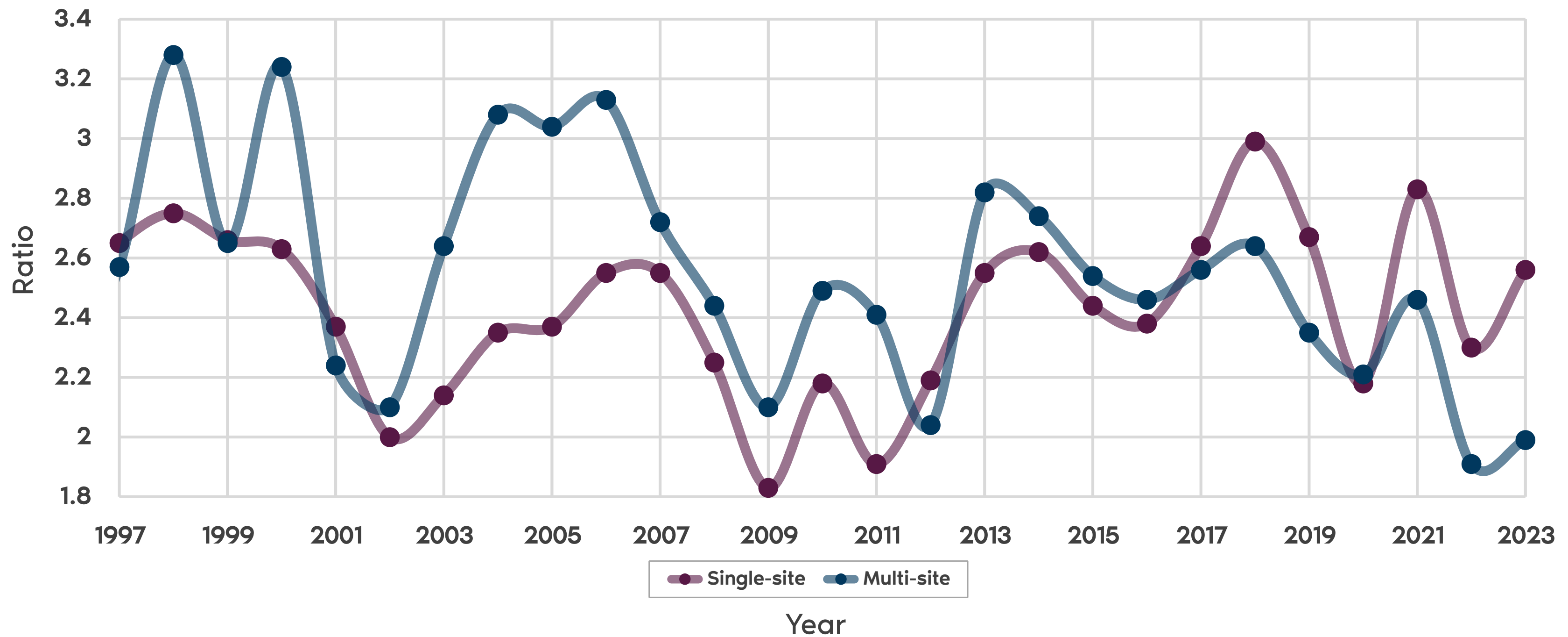
Readers should note that, beginning in 2016, initial entrance fees relating to the first resident of an independent living unit are excluded from "net proceeds from entrance fees" to be consistent with industry credit analysis practices. Covenant calculation methodologies in lender documents typically exclude entrance fees from these first-generation units from the debt service calculations. This is because all or a substantial portion of these entrance fees are often used to immediately retire debt, and, more importantly, because these initial entrance fees are not upon their collection a consistent source of recurring cash flow from operations.

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

While the CARF ratios are calculated excluding COVID funding from the numerator, many lenders permit the inclusion of COVID funding within the numerator of this calculation. This may result in significant differences between the CARF DSC ratio and a lender's required ratio.

Debt Service Coverage Ratio *continued*





Debt Service Coverage Ratio *continued*

Single-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	1.82	**2.56**	3.49
2022	1.58	**2.30**	3.47
2021	1.86	**2.83**	4.02
2020	1.33	**2.18**	3.46
2019	1.89	**2.67**	4.00
2018	1.95	**2.99**	4.18
2017	2.01	**2.64**	4.31
2016	1.79	**2.38**	3.41
2015	1.65	**2.44**	3.87
2014	1.78	**2.62**	3.78
2013	1.79	**2.55**	3.90
2012	1.60	**2.19**	3.44
2011	1.26	**1.91**	3.32
2010	1.32	**2.18**	3.58
2009	1.00	**1.83**	3.24
2008	1.32	**2.25**	3.85
2007	1.68	**2.55**	3.97

Multi-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	1.45	**1.99**	3.54
2022	1.52	**1.91**	3.85
2021	1.93	**2.46**	3.37
2020	1.50	**2.21**	3.78
2019	1.71	**2.35**	3.67
2018	1.62	**2.64**	3.75
2017	1.79	**2.56**	3.73
2016	1.59	**2.46**	4.00
2015	1.71	**2.54**	4.08
2014	2.17	**2.74**	3.38
2013	1.95	**2.82**	4.32
2012	1.46	**2.04**	3.64
2011	1.24	**2.41**	3.52
2010	1.50	**2.49**	3.51
2009	1.14	**2.10**	2.86
2008	1.55	**2.44**	4.01
2007	2.24	**2.72**	3.27

Debt Service Coverage–Revenue Basis Ratio

The Debt Service Coverage–Revenue Basis Ratio (DSC-R) is a conservative measure of a CCRC's/LPC's ability to meet its debt obligations through revenues alone (i.e. exclusive of net entrance fees from independent living unit turnover). By excluding net proceeds from entrance fees from operating cash flows from the numerator (they are included in the numerator for the DSC ratio), this ratio indicates a provider's ability to cover debt service exclusively from net operating revenues and nonoperating sources. A low DSC-R ratio indicates that a provider relies heavily on entrance fees to meet ongoing annual operating expenses. Ideally organizations can show DSC-R of 1.0 times meaning operations can fund annual debt service requirements.

As with the DSC ratio, this ratio is calculated using annual debt service (the current year's capitalized interest cost plus interest expense and scheduled principal payments) in the denominator as annual debt service is obtainable from a provider's audited financial statements. Lenders do not typically require CCRCs/LPCs to maintain a certain DSC-R ratio.

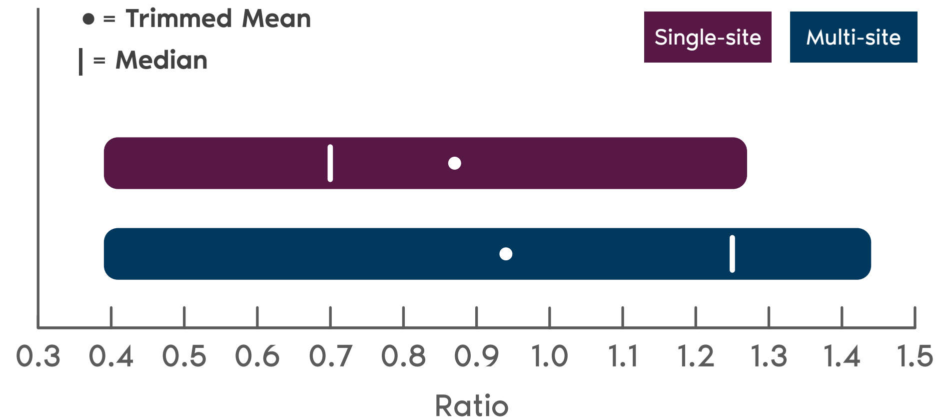
Some financial analysts argue that heavy reliance on entrance fees may leave a provider vulnerable to a slowdown in independent living unit demand from disruptions in local housing markets, the ability of residents in the service area to secure home financing, or new competition in the service area for example. Further, as with the DSC ratio, this ratio is influenced to a certain degree by contract type and entrance fee plans and provisions (i.e., fees, refund provisions, etc.). For example, a provider that offers highly refundable entrance fee plans is obligated to refund a substantial portion of the entrance fee to residents. As a result, this type of provider should place less reliance on entrance fees for debt service coverage. Also, fee-for-service contracts typically require a lower entrance fee because future monthly service payments are anticipated to fully cover the future care needs of the residents. Generally, the weakest DSC-R ratios are exhibited by providers with Type A (extensive) contracts (see definition in Section 5).

Readers should recognize that most providers need to be sensitive to contract types, price structure (balance between entrance fees and monthly service fees), and entrance fee refund provisions offered. If the provider's market is accustomed to high entrance fees and low monthly fees, a provider may have neither the flexibility nor the desire to adjust its pricing structure.

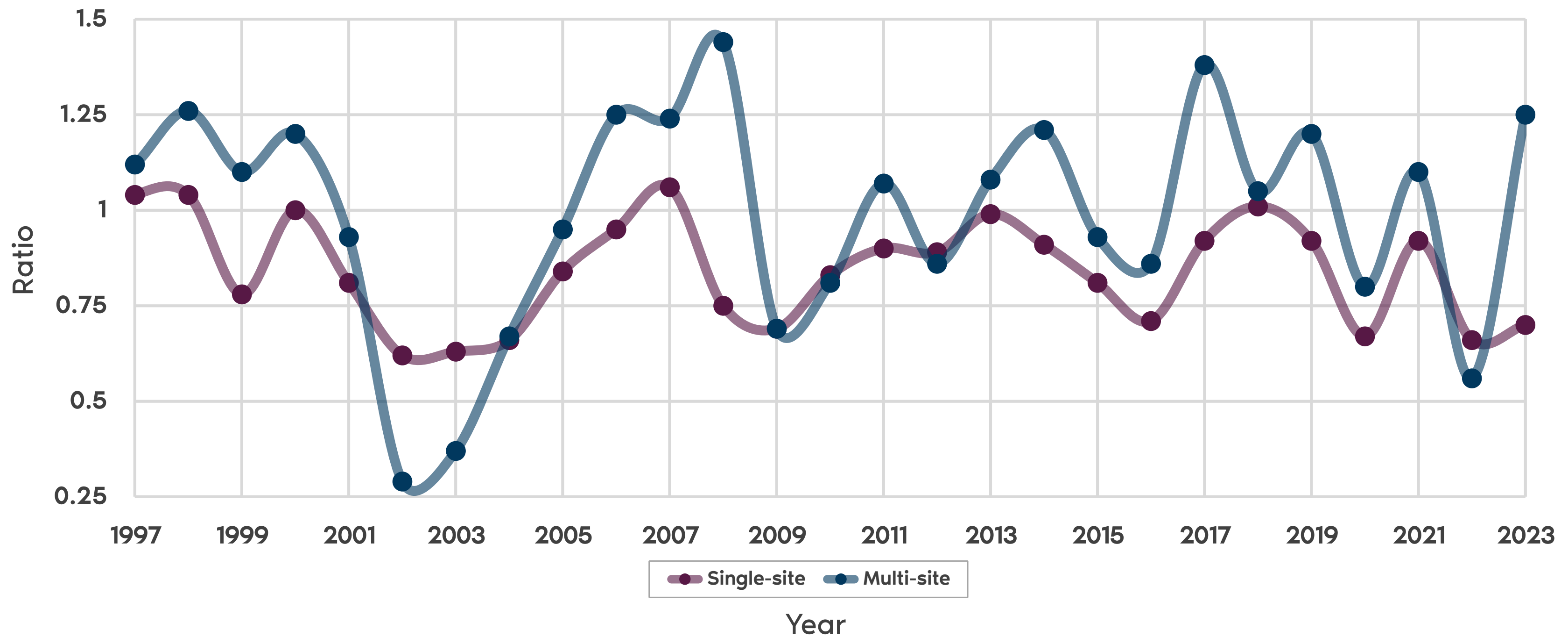
$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation and Amortization Expenses} - \text{Amortization of Deferred Revenue}}{\text{Annual Debt Service}}$$

Debt Service Coverage–Revenue Basis Ratio *continued*

Interquartile Range



Trended Median



Debt Service Coverage–Revenue Basis Ratio *continued*

Single-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	0.39	**0.70**	1.27
2022	0.03	**0.66**	1.22
2021	0.31	**0.92**	2.02
2020	0.18	**0.67**	1.31
2019	0.34	**0.92**	1.63
2018	0.58	**1.01**	1.89
2017	0.43	**0.92**	1.48
2016	0.27	**0.71**	1.17
2015	0.34	**0.81**	1.36
2014	0.36	**0.91**	1.42
2013	0.50	**0.99**	1.63
2012	0.45	**0.89**	1.39
2011	0.37	**0.90**	1.39
2010	0.39	**0.83**	1.55
2009	0.17	**0.69**	1.36
2008	0.21	**0.75**	1.45
2007	0.53	**1.06**	1.65

Multi-site Providers Quartiles			
Year	**25th%**	**50th%**	**75th%**
2023	0.39	**1.25**	1.44
2022	0.24	**0.56**	1.02
2021	0.28	**1.10**	1.51
2020	0.20	**0.80**	1.69
2019	0.52	**1.20**	1.65
2018	0.37	**1.05**	2.06
2017	0.68	**1.38**	1.81
2016	0.35	**0.86**	1.64
2015	0.63	**0.93**	1.59
2014	0.79	**1.21**	1.83
2013	0.70	**1.08**	1.64
2012	0.40	**0.86**	1.37
2011	0.34	**1.07**	1.66
2010	0.26	**0.81**	1.58
2009	0.00	**0.69**	1.28
2008	0.18	**1.44**	1.90
2007	0.79	**1.24**	2.10

Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio

This ratio indicates the percentage of all operating revenues and nonoperating gains and losses utilized for annual debt service. This ratio has similar uses and limitations as the Debt Service Coverage–Revenue Basis Ratio (DSC-R). CCRCs/LPCs that are newly developed or undergoing significant renovation or expansion generally have financed construction with debt. Unoccupied units resulting from new construction, renovation, or expansion, coupled with additional debt, could cause a temporary deterioration in this ratio.

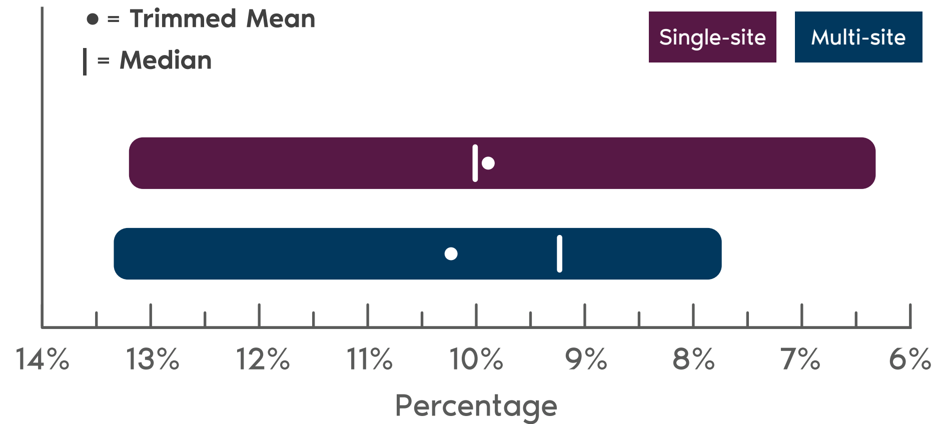
For new CCRCs/LPCs still in start-up and without the benefit of operating revenues from full occupancy, debt service may exceed 30% of total operating revenues plus net nonoperating gains and losses. Credit capital markets generally prefer to see this ratio at 20% or below for mature organizations.

As with both the DSC ratio and DSC-R ratio, the Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio (DS-TR) will be affected by changes in current annual debt service, periods in which no principal payments were due, and market conditions that enable favorable gains.

$$\frac{\text{Annual Debt Service}}{\text{Total Operating Revenues} + \text{Net Nonoperating Gains and Losses}}$$

Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio *continued*

Interquartile Range



Trended Median

Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	13.20	**10.01**	6.32
2022	14.27	**10.07**	7.21
2021	12.89	**9.59**	6.57
2020	12.64	**9.91**	6.72
2019	12.37	**9.75**	6.90
2018	12.61	**9.67**	5.92
2017	13.77	**10.02**	6.87
2016	15.33	**10.47**	6.61
2015	15.46	**10.41**	6.93
2014	14.11	**11.11**	6.52
2013	15.06	**10.94**	6.86
2012	15.64	**10.55**	7.05
2011	18.85	**11.93**	6.92
2010	16.75	**10.06**	6.25
2009	17.33	**10.49**	5.83
2008	15.47	**9.88**	5.72
2007	13.86	**9.78**	6.12

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	13.34	**9.23**	7.74
2022	12.55	**9.42**	8.12
2021	12.16	**9.20**	6.99
2020	11.71	**10.19**	8.05
2019	11.50	**9.47**	6.55
2018	11.66	**9.53**	6.41
2017	11.41	**8.46**	6.21
2016	13.98	**8.82**	5.94
2015	13.92	**9.89**	6.16
2014	14.03	**9.48**	6.57
2013	13.21	**8.68**	5.37
2012	12.63	**10.72**	7.23
2011	11.25	**9.45**	0.70
2010	13.49	**8.02**	6.45
2009	10.44	**9.29**	6.27
2008	11.41	**8.48**	5.95
2007	11.89	**9.43**	6.31

Unrestricted Cash and Investments to Long-Term Debt Ratio

The Unrestricted Cash and Investments to Long-Term Debt Ratio (CD) measures a provider's position in available cash and marketable securities in relation to its long-term debt, less current portion. This ratio is a measure of a provider's ability to withstand annual fluctuations in cash, either through weakened operating results or through little or no resident entrance fee receipts because of low turnover or higher refundability of entrance fee contracts. The numerator includes all cash and investments (excluding trustee-held funds) that are in any way available to retire debt or to pay operating expenses. Board-designated assets are included in the numerator; trustee-held funds and assets restricted by donors are excluded. This treatment of asset balances is the same whether the assets are classified as current or noncurrent. Please refer to the "Discussion of Unrestricted Cash & Investments" as well as Appendices A and B for additional information regarding accounts included in this ratio.

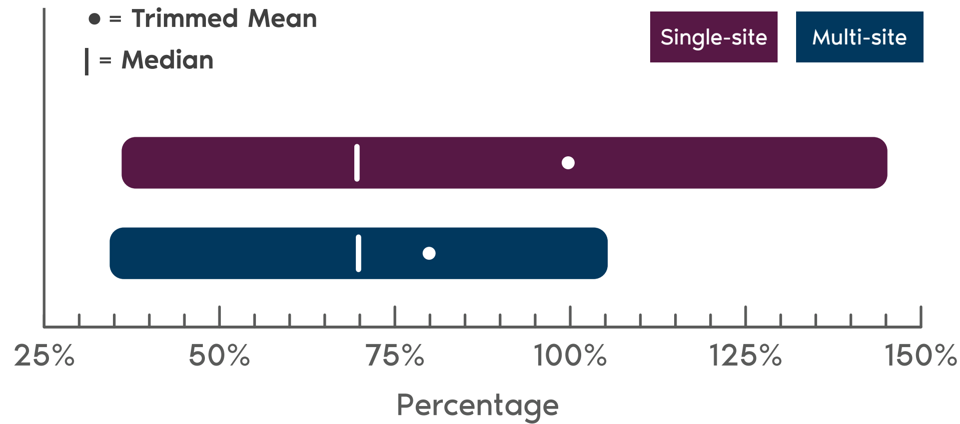
Credit analysts place a high degree of reliance on this ratio as an indicator of a provider's debt capacity. A ratio of unrestricted reserves in excess of 20% of long-term debt is desired. In many instances, bond financing documents incorporate an alternative ratio and calculation that include the debt service reserve fund in the numerator as cash, with the rationale that, although this fund is not generally considered "unrestricted," it is available to make debt service payments in an emergency. Under this calculation, a ratio of cash to long-term-debt at or about 30% is desired. Although they view annual cash flow as the primary source of support for long-term debt, credit analysts also prefer to see adequate discretionary liquidity to hedge against potentially volatile annual cash flows. In addition to building cash reserves to support any existing debt or planned expenditure, providers should build cash reserves to offset their long-term healthcare liability.

The median multi-site ratio has been volatile over the past several years. This is in part likely due to the receipt and subsequent spending of COVID stimulus funding.

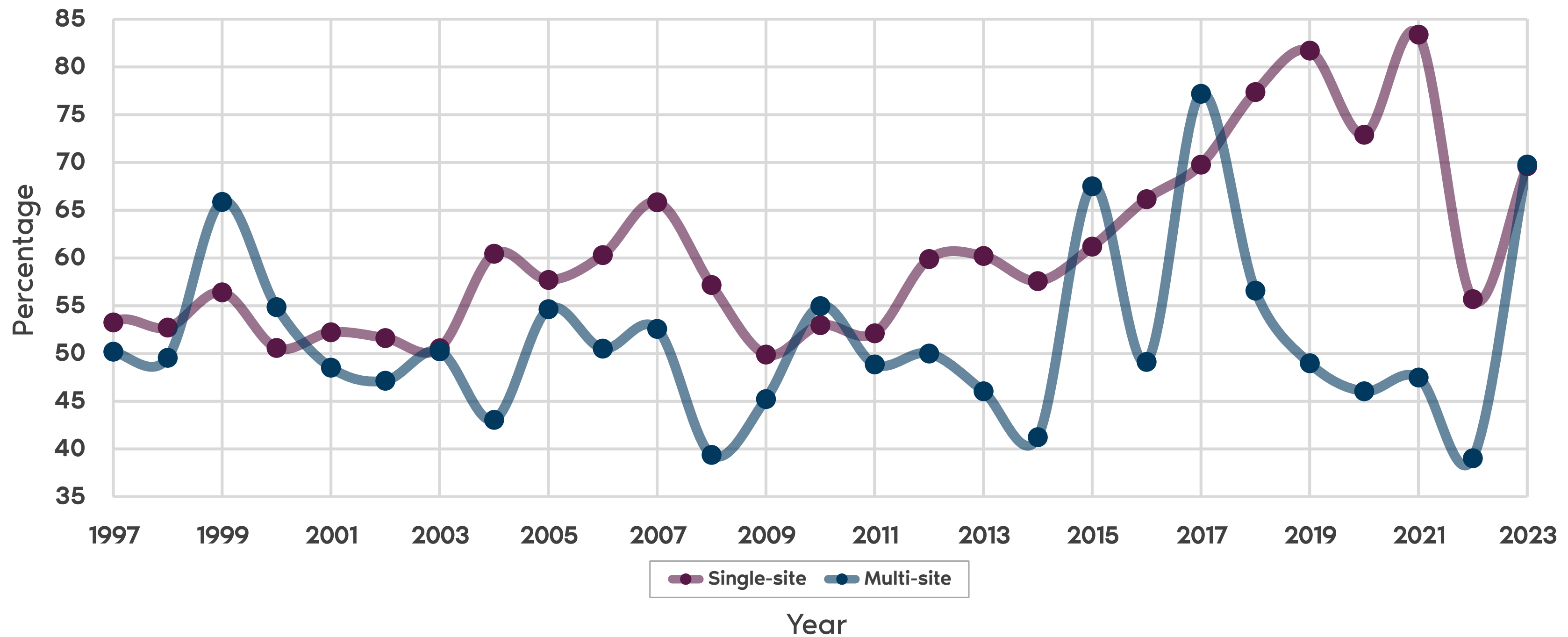
$$\frac{\text{Unrestricted Current Cash and Investments} + \text{Unrestricted Noncurrent Cash and Investments}}{\text{Long-Term Debt, less Current Portion}}$$

Unrestricted Cash and Investments to Long-Term Debt Ratio *continued*

Interquartile Range



Trended Median



Unrestricted Cash and Investments to Long-Term Debt Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	36.03	**69.61**	145.20
2022	34.02	**55.70**	139.81
2021	33.68	**83.39**	187.46
2020	32.03	**72.90**	176.93
2019	32.74	**81.71**	152.46
2018	29.75	**77.38**	148.08
2017	30.01	**69.77**	131.01
2016	34.36	**66.16**	129.81
2015	32.57	**61.19**	113.10
2014	29.68	**57.58**	111.67
2013	27.38	**60.21**	108.84
2012	30.03	**59.90**	101.88
2011	25.97	**52.12**	88.76
2010	26.63	**52.98**	91.54
2009	24.19	**49.89**	95.13
2008	27.21	**57.17**	89.59
2007	36.07	**65.84**	109.96

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	34.31	**69.80**	105.31
2022	23.43	**39.04**	67.39
2021	39.20	**47.50**	75.63
2020	35.18	**46.05**	122.08
2019	32.56	**48.98**	107.50
2018	32.75	**56.58**	97.59
2017	29.63	**77.20**	117.70
2016	27.31	**49.13**	81.13
2015	28.58	**67.51**	77.89
2014	30.03	**41.24**	83.94
2013	30.81	**46.05**	89.01
2012	32.37	**50.01**	95.74
2011	38.61	**48.86**	76.67
2010	37.46	**54.97**	71.51
2009	35.74	**45.23**	68.71
2008	25.34	**39.40**	70.94
2007	32.58	**52.59**	80.36

Long-Term Debt as a Percentage of Total Capital Ratio

The Long-Term Debt as a Percentage of Total Capital Ratio (LTDC) is a traditional measure of the extent to which a provider has relied on debt versus net assets (retained earnings) and invested or donated capital. For CCRCs/LPCs, values in excess of 100% (caused by net deficits) are not uncommon because of the reliance on cash from entrance fees, which are treated on the balance sheet as a liability rather than equity or an increase to net assets.

Low net assets or net deficits are particularly common in newer CCRCs/LPCs. It is not uncommon to find new CCRCs/LPCs with substantial cash and investment reserves collected from entrance fees but with net deficits because they have not yet earned the deferred revenue from entrance fees. Thus, the value of this ratio is not significant when considered alone. The ability to repay long-term debt is better understood when considered in conjunction with the Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio (LTDC-A). Other ratios such as the Unrestricted Cash and Investments to Long-Term Debt Ratio (CD) and Total Excess Margin Ratio (TEM) also help.

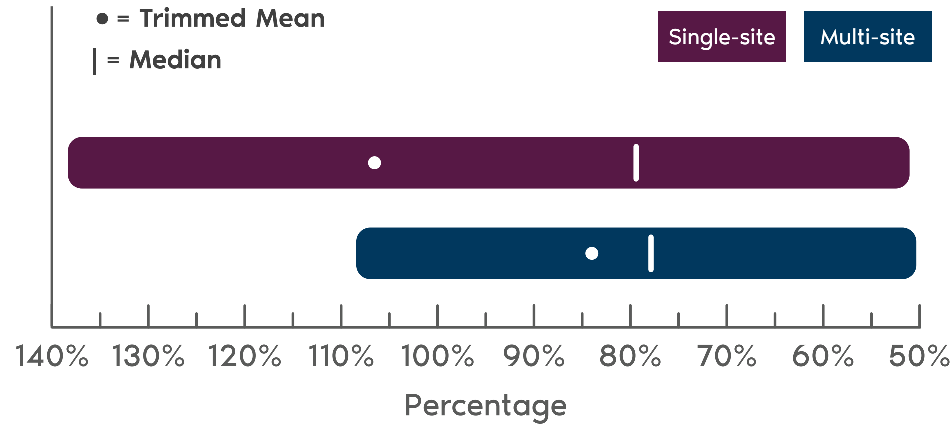
This ratio calculation indicates that much of the financial strength of accredited CCRCs/LPCs is due to the positive relationship between debt and net assets without donor restrictions for these providers. Newer organizations may not be able to reach these levels until a number of years have passed and they have had the opportunity to reduce debt levels, accumulate operational surpluses, and amortize deferred revenue from entrance fees. Organizations, such as those in the accredited group, that have managed their financial performance over many years to achieve these positive ratios can expect to receive favorable credit consideration.

This ratio is not computed by the rating agencies. Many view the LTDC as a stepping stone to the LTDC-A ratio, a financial ratio used by Fitch, S&P, and investors alike.

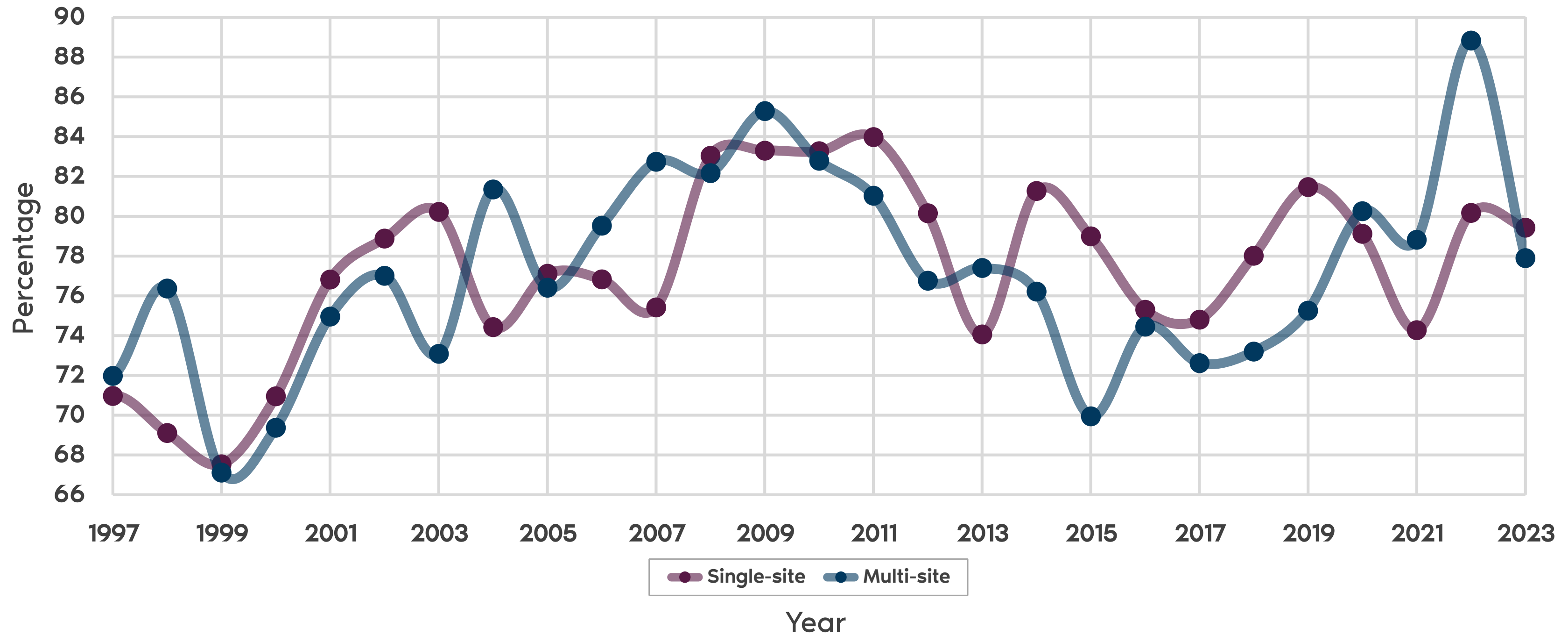
$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Long-Term Debt, less Current Portion} + \text{Net Assets without Donor Restrictions}}$$

Long-Term Debt as a Percentage of Total Capital Ratio *continued*

Interquartile Range



Trended Median



Long-Term Debt as a Percentage of Total Capital Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	138.34	**79.43**	50.99
2022	131.71	**80.17**	51.75
2021	120.87	**74.28**	45.03
2020	109.86	**79.12**	48.75
2019	117.08	**81.47**	49.57
2018	107.59	**78.02**	47.12
2017	114.06	**74.81**	46.62
2016	119.37	**75.30**	34.78
2015	121.66	**78.99**	39.14
2014	125.52	**81.27**	45.72
2013	110.72	**74.06**	43.50
2012	118.56	**80.15**	52.15
2011	116.12	**83.98**	53.29
2010	113.06	**83.27**	55.63
2009	114.51	**83.30**	57.29
2008	113.63	**83.04**	60.68
2007	101.44	**75.42**	50.90

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	108.44	**77.90**	50.39
2022	103.69	**88.83**	68.43
2021	103.19	**78.82**	61.60
2020	106.78	**80.26**	46.32
2019	94.44	**75.26**	45.27
2018	108.56	**73.20**	46.19
2017	106.83	**72.62**	44.71
2016	103.84	**74.46**	54.60
2015	100.65	**69.95**	49.53
2014	98.10	**76.22**	52.40
2013	102.91	**77.40**	59.05
2012	99.26	**76.76**	53.01
2011	96.54	**81.03**	56.90
2010	100.14	**82.79**	61.59
2009	108.76	**85.29**	72.41
2008	105.75	**82.17**	60.24
2007	94.19	**82.74**	60.97

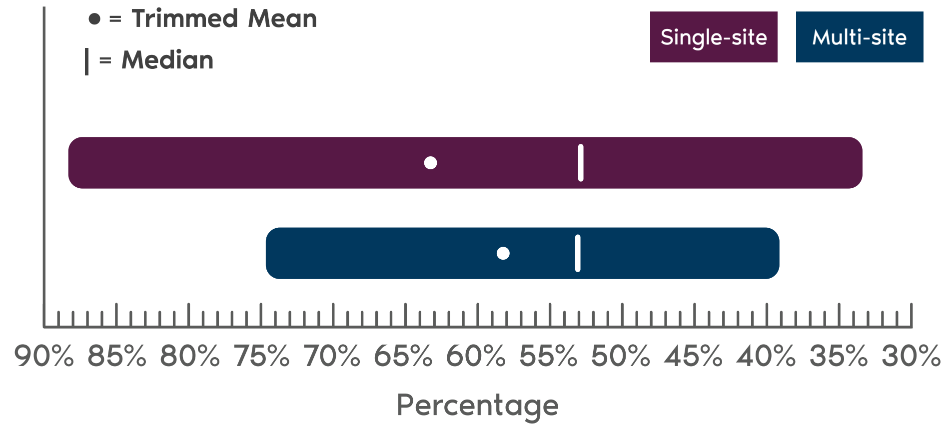
Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio

This ratio is similar to the Long-Term Debt as a Percentage of Total Capital Ratio (LTDC), except that it adds deferred revenue from the nonrefundable portion of entrance fees to the denominator. Deferred revenue from the nonrefundable portion of entrance fees is added in recognition that this account balance represents cash paid to the community that is often used to redeem debt used for new unit construction or other capital improvements and/or retained as cash reserves. Thus, this cash is often viewed as "quasi-equity." A low value for this ratio indicates a stronger equity base.

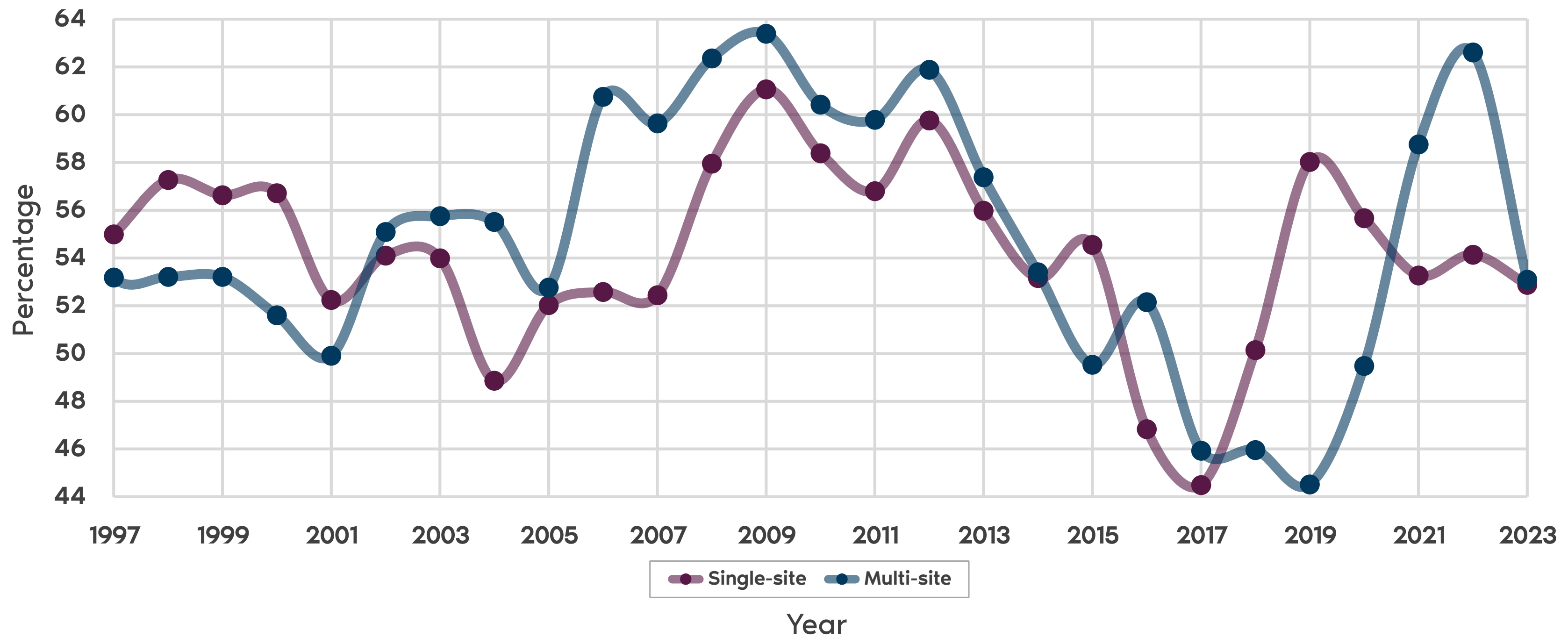
Also, as noted earlier, when CCRCs/LPCs within a multi-site provider are accredited, it is possible that financial statements of the multi-site provider may include significant non-entrance fee producing assets (e.g., affordable housing, home healthcare companies) or non-senior living entities. CCRC/LPC organizations that offer predominantly rental independent living contracts will lack this "quasi-equity."

$$\frac{\text{Long-Term Debt, less Current Portion}}{\begin{array}{c}\text{Long-Term Debt, less Current Portion} \\ + \text{ Net Assets without Donor Restrictions} \\ + \text{ Deferred Revenue from Entrance Fees} \\ \text{(Nonrefundable Entrance Fees Only)}\end{array}}$$

Interquartile Range



Trended Median



Long-Term Debt as a Percentage of Total Capital—Adjusted Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	88.35	**52.88**	33.38
2022	94.10	**54.14**	34.31
2021	87.66	**53.27**	31.61
2020	90.78	**55.67**	33.59
2019	100.20	**58.02**	31.73
2018	84.44	**50.14**	29.67
2017	89.35	**44.49**	29.57
2016	83.82	**46.83**	23.88
2015	96.68	**54.55**	29.84
2014	89.59	**53.16**	31.06
2013	88.26	**55.98**	27.22
2012	82.71	**59.76**	35.90
2011	85.51	**56.80**	38.08
2010	89.87	**58.39**	37.81
2009	85.14	**61.06**	39.24
2008	81.74	**57.95**	40.31
2007	73.31	**52.44**	36.33

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	74.67	**53.09**	39.13
2022	80.23	**62.61**	45.86
2021	76.86	**58.76**	45.19
2020	78.96	**49.48**	35.40
2019	70.84	**44.52**	38.25
2018	82.34	**45.96**	39.21
2017	83.41	**45.93**	37.08
2016	81.05	**52.15**	43.95
2015	71.50	**49.53**	38.43
2014	78.58	**53.40**	44.61
2013	74.00	**57.38**	37.61
2012	76.88	**61.88**	38.77
2011	71.24	**59.79**	49.23
2010	74.67	**60.42**	45.78
2009	73.98	**63.39**	53.87
2008	77.18	**62.36**	49.63
2007	73.43	**59.64**	51.65

Long-Term Debt to Total Assets Ratio

The Long-Term Debt to Total Assets Ratio (LTD-TA) relates an organization's indebtedness to total assets. This ratio has the attributes of a liquidity ratio, as its value is highly sensitive to the market values of investments. Notwithstanding, a provider with a higher percentage for this ratio is considered to have a weaker capital structure than a provider with a lower percentage.

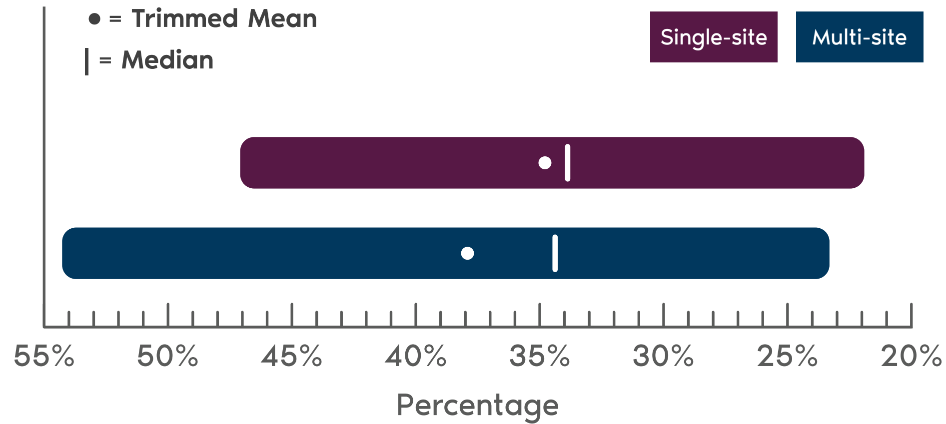
Start-up organizations would be expected to have relatively high LTD-TA. Unless mature organizations have recently undergone significant expansions and/or renovations, they would be expected to have relatively lower LTD-TA.

Although not-for-profit organizations sometimes choose to use their cash to finance expansions and/or repositioning, typically organizations conclude that this type of strategy (reducing cash reserves) may ultimately result in a weaker financial position despite the higher leveraging that more debt produces.

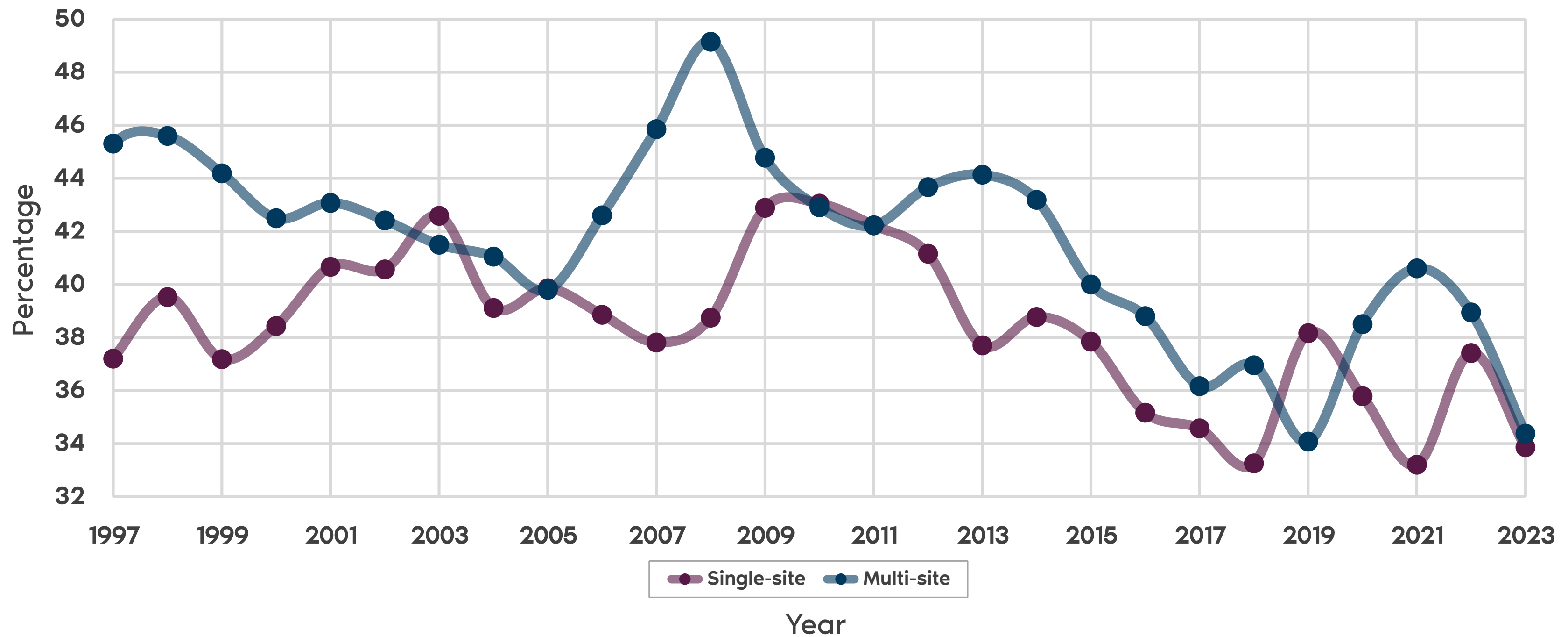
$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

Long-Term Debt to Total Assets Ratio *continued*

Interquartile Range



Trended Median



Long-Term Debt to Total Assets Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	47.09	**33.87**	21.90
2022	49.70	**37.42**	23.04
2021	49.00	**33.21**	21.88
2020	49.82	**35.79**	24.17
2019	49.37	**38.17**	24.33
2018	48.54	**33.26**	24.16
2017	49.53	**34.58**	24.07
2016	48.36	**35.17**	22.15
2015	49.55	**37.85**	24.75
2014	49.47	**38.78**	25.67
2013	50.80	**37.71**	23.90
2012	50.12	**41.16**	27.22
2011	52.29	**42.23**	28.67
2010	53.16	**43.05**	30.17
2009	54.21	**42.89**	28.75
2008	52.66	**38.75**	29.59
2007	52.20	**37.82**	26.13

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	54.28	**34.38**	23.31
2022	48.60	**38.95**	34.52
2021	47.49	**40.61**	34.05
2020	44.40	**38.51**	24.28
2019	48.13	**34.08**	24.76
2018	48.38	**36.96**	26.41
2017	47.16	**36.17**	24.51
2016	52.69	**38.81**	33.03
2015	54.77	**40.00**	28.34
2014	52.36	**43.19**	29.88
2013	49.46	**44.14**	27.79
2012	51.21	**43.67**	25.89
2011	48.17	**42.23**	28.92
2010	49.03	**42.91**	30.73
2009	51.35	**44.78**	35.17
2008	55.61	**49.15**	34.50
2007	53.92	**45.86**	37.03

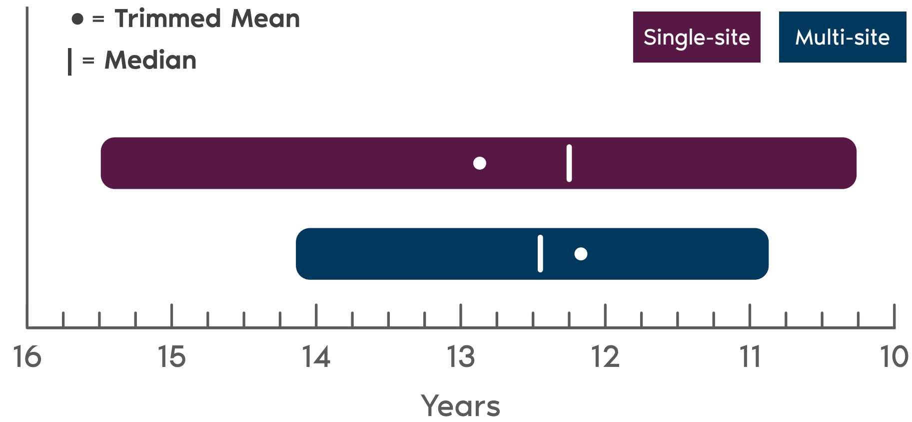
Average Age of Community Ratio

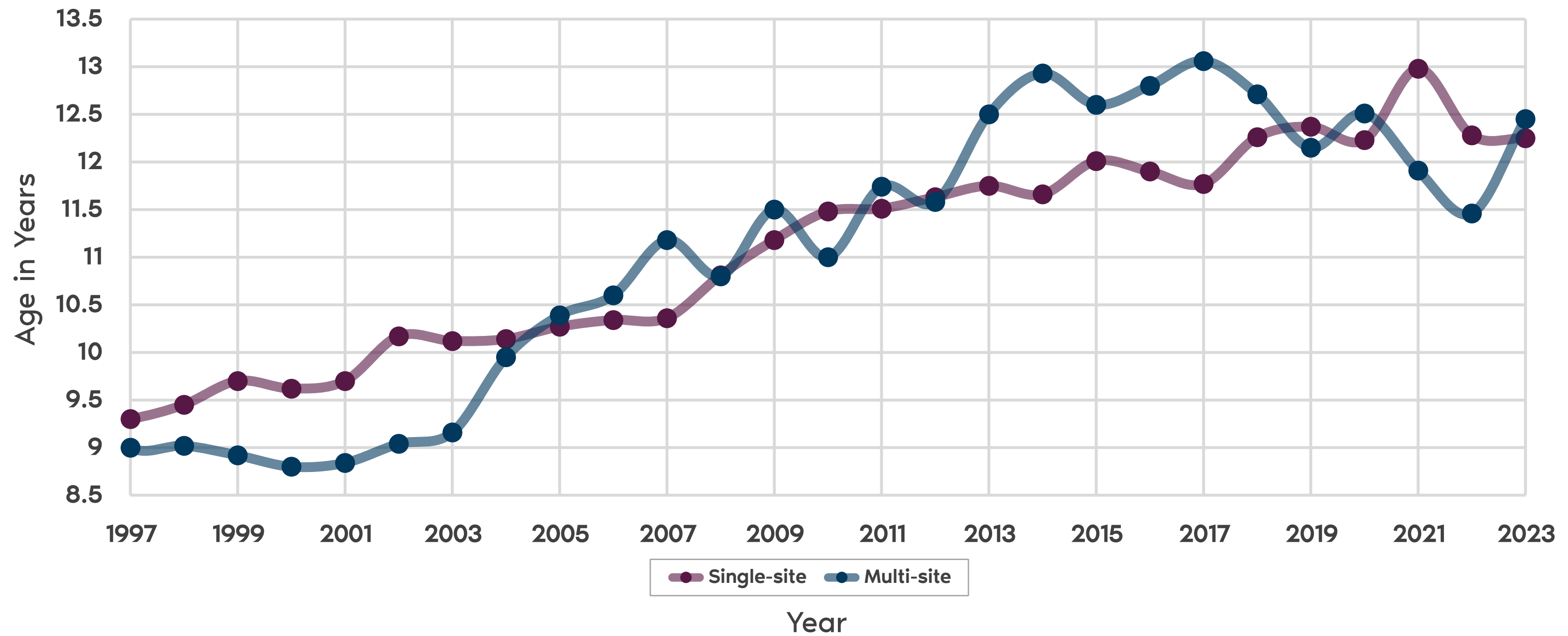
As facilities age, the ongoing marketability of the community typically depends on maintaining the physical plant. In addition to routine maintenance and upkeep, most organizations must show evidence of a commitment to renewal through renovation and/or replacement of their buildings and grounds. This commitment is measured through a calculation called Average Age of Community Ratio (AGE). This ratio estimates the number of years of depreciation that have already been realized for a facility by dividing accumulated depreciation by annual depreciation expense. A steadily increasing value for the AGE ratio is an indication that resources are not being used to significantly renovate a community. It also may be an indication that significant expenditures soon may be required to keep the community viable. An important caveat of the calculation is that significant expansion can drop a community's age without renovating existing, aging areas of the community. Providers that do complete a significant renovation or modernization effort will see a reduction in this ratio for their campuses. Many providers combine depreciation and amortization when reporting these expenses on the statement of activities. The AGE ratio should be calculated using depreciation expense only. Organizations are urged to separate depreciation and amortization expenses line items on the statement of operations.

Further, it is important for CCRCs/LPCs to ensure that their property and equipment detail includes only assets that are still "in service." If a CCRC/LPC has a significant balance of fully depreciated assets that are no longer "in service" included in the property and equipment detail, the accumulated depreciation amount used to compute the AGE ratio will not be accurate and will result in a higher AGE ratio. For this reason, CCRCs/LPCs should implement policies to ensure the ongoing accuracy of their property and equipment.

$$\frac{\text{Accumulated Depreciation}}{\text{Annual Depreciation Expense}}$$

Average Age of Community Ratio *continued*





Average Age of Community Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	15.49	**12.25**	10.25
2022	15.38	**12.28**	9.54
2021	15.84	**12.98**	10.11
2020	14.96	**12.23**	10.16
2019	14.25	**12.37**	10.09
2018	14.14	**12.26**	10.44
2017	13.62	**11.77**	10.31
2016	14.25	**11.90**	9.67
2015	14.82	**12.01**	9.77
2014	14.49	**11.66**	9.47
2013	14.29	**11.75**	9.45
2012	14.11	**11.63**	9.17
2011	13.70	**11.51**	9.10
2010	13.47	**11.48**	8.61
2009	13.04	**11.18**	8.24
2008	12.64	**10.81**	7.99
2007	12.36	**10.36**	8.07

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	14.14	**12.45**	10.87
2022	13.39	**11.46**	10.38
2021	13.64	**11.91**	10.50
2020	14.49	**12.51**	10.39
2019	14.81	**12.15**	9.73
2018	15.99	**12.71**	10.68
2017	15.22	**13.06**	11.43
2016	15.32	**12.80**	11.18
2015	15.29	**12.60**	11.52
2014	14.31	**12.93**	11.21
2013	15.16	**12.50**	10.35
2012	14.64	**11.58**	9.96
2011	13.14	**11.74**	9.99
2010	12.43	**11.00**	9.36
2009	12.37	**11.50**	9.64
2008	12.47	**10.80**	8.97
2007	12.78	**11.18**	8.95

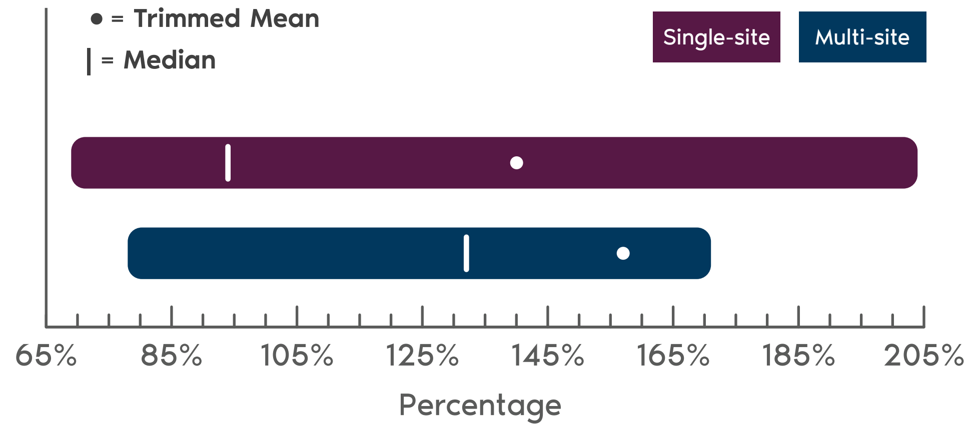
Capital Expenditures as a Percentage of Depreciation Ratio

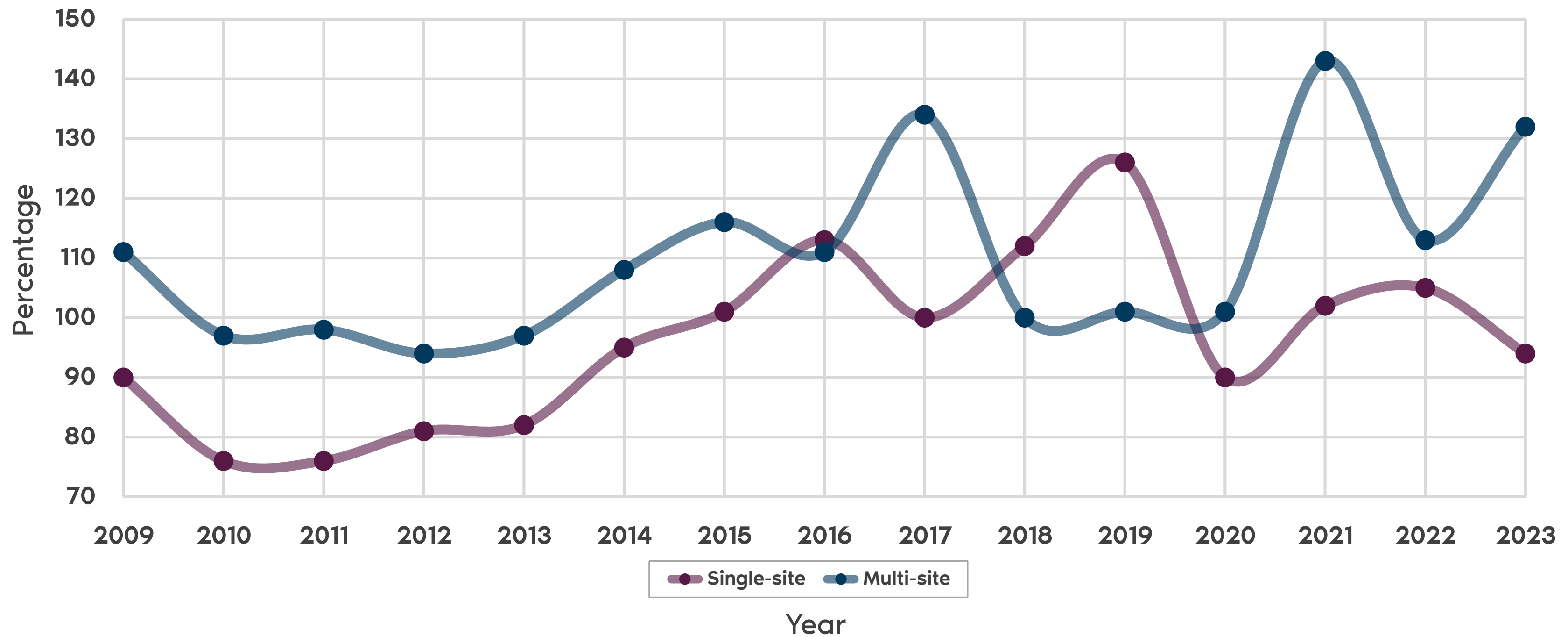
The Capital Expenditures as a Percentage of Depreciation Ratio (CED) was added to the publication in 2010. This ratio is computed by dividing annual property, plant, and equipment purchases by annual depreciation expense. When studied in tandem with the Average Age of Community Ratio (AGE), this ratio offers senior living providers a tool for understanding the sufficiency of their annual reinvestment in their physical plant.

It is particularly important to study the CED ratio over time, as it is not uncommon to see cycles over periods of time, say 7 to 10 years. A particularly high value in one year may compensate for having postponed necessary expenditures from previous years. Alternatively, a high value may signal a major one-time purchase, such as the acquisition of new technology or renovations, so trending the value of this ratio will be subject to these variations. Individual providers may find it a valuable tool for monitoring the commitment of capital to renewal and replacement.

$$\frac{\text{Purchases of Property, Plant, and Equipment}}{\text{Depreciation Expense}}$$

Capital Expenditures as a Percentage of Depreciation Ratio *continued*





Capital Expenditures as a Percentage of Depreciation Ratio *continued*

Single-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	69	**94**	204
2022	70	**105**	199
2021	58	**102**	197
2020	53	**90**	191
2019	72	**126**	252
2018	65	**112**	250
2017	56	**100**	217
2016	60	**113**	193
2015	56	**101**	196
2014	55	**95**	171
2013	50	**82**	153
2012	48	**81**	134
2011	50	**76**	136
2010	43	**76**	126
2009	47	**90**	180

Multi-site Providers Quartiles			
Year	25th%	50th%	75th%
2023	78	**132**	171
2022	72	**113**	201
2021	63	**143**	211
2020	47	**101**	193
2019	74	**101**	164
2018	73	**100**	202
2017	71	**134**	193
2016	76	**111**	219
2015	86	**116**	187
2014	83	**108**	175
2013	61	**97**	164
2012	67	**94**	127
2011	65	**98**	147
2010	51	**97**	144
2009	66	**111**	200

Section 5
Contract Type Ratios

Overview

Many CARF-accredited CCRCs/LPCs offer more than one contract type. For purposes of producing this report, organizations have been assigned to a contract type based on the predominant contract type signed by residents of their community. In this case, predominant is defined as a contract with the largest sum/total number of contracts for all levels of care in an organization.

A number of communities offer rental, per diem, or equity contracts, but these contracts were the predominant contract type for fewer than five communities. As a result, ratios for rental or equity contract types are not included in the listing. Ratios from organizations with no predominant contract type have been excluded from this analysis.

Organizations provide information about residents by contract type as part of their accreditation process and on an ongoing basis through their annual financial reporting.

Types of contracts offered to residents at CCRCs/LPCs may affect certain ratios. Generally, accredited CCRCs/LPCs offer one or more of the following contract types:

- **Type A (Lifecare) Agreement:** An entrance fee contract that includes housing, residential services, amenities, and unlimited specific health-related services with little or no substantial increase in monthly payments, except to cover normal operating costs and inflation adjustments.
- **Type B (Lifecare Modified) Agreement:** An entrance fee contract that includes housing, residential services, amenities, and a specified amount of healthcare. After the specified amount of healthcare is used, individuals pay either a discounted rate or the full daily rates for required healthcare services.
- **Type C (Fee-for-Service) Agreement:** An entrance fee contract that includes housing, residential services, and amenities for fees stated in the resident agreement. Access to healthcare services is given priority, but it may be required at full fee-for-service rates.
- **Type D (Rental) Agreement:** Allows residents the opportunity to rent their housing and provides, but does not guarantee, access to healthcare services paid on a fee-for-service basis.
- **Equity Agreement:** These types of agreements involve the actual purchase of real estate or membership, including condominiums and cooperatives.

In addition, many CCRCs/LPCs are able to admit residents from outside their communities directly into their assisted living or nursing facility.

- **Assisted Living Agreement:** An individual enters into an assisted living agreement and pays the per diem (an agreed-upon daily rate) or market rate for assisted living services.
- **Nursing Agreement:** An individual enters into a nursing agreement and pays the per diem (an agreed-upon daily rate) or market rate for skilled nursing services.

The ratios that follow are for entrance fee (Type A, B, or C) contracts only. For the 2024 publication year, 45% of communities indicated that Type A contracts were their predominant contract type while 25% indicated Type B and 29% identified Type C as the predominant contract type.

NOTE: Because the sample size of the multi-site organizations is small, only median values are provided. Readers are cautioned in the use of the data.

2023 Median Ratios Comparison By Contract Type

Rating agency computation of ratios may differ as well as its definition of single- and multi-site provider.

	Type A			Type B			Type C		
	Fitch	Single*	Multi*	Fitch	Single*	Multi*	Fitch	Single*	Multi*
Sample Size**	**58**	**34**	**7**	**48**	**18**	**5**	**41**	**17**	**10**
Margin (Profitability) Ratios									
Net Operating Margin Ratio (%)	2.7	-0.17	1.30	6.4	3.70	6.64	5.7	3.73	7.75
Net Operating Margin–Adjusted Ratio (%)	23.7	19.47	25.35	21.2	18.50	17.10	16.4	17.96	19.93
Operating Ratio (%)	101.2	102.19	102.82	97.9	97.88	96.31	97.2	99.57	96.76
Operating Margin Ratio (%)	N/C	-0.53	0.63	N/C	-2.24	1.92	N/C	-6.28	-1.35
Total Excess Margin Ratio (%)	-0.4	0.86	3.94	-0.5	0.29	6.88	-4.5	-3.80	2.35
Liquidity Ratios									
Days in Accounts Receivable Ratio	N/C	14	23	N/C	13	12	N/C	19	19
Days Cash on Hand Ratio	519.3	512	391	411.0	538	410	392.7	311	247
Cushion Ratio (x)	10.7	11.80	6.31	8.6	12.08	11.48	8.7	5.50	6.13
Capital Structure Ratios									
Debt Service Coverage Ratio (x)	2.4	2.94	2.35	2.1	2.66	1.99	2.0	1.83	1.99
Debt Service Coverage–Revenue Basis Ratio (x)	0.5	0.51	0.19	0.8	0.87	1.34	1.0	0.85	1.26
Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio (%)	11.2	10.42	9.23	12.0	9.29	13.34	10.0	9.52	8.73
Unrestricted Cash and Investments to Long-Term Debt Ratio (%)	78.4	97.19	52.06	57.1	63.00	73.43	61.2	47.21	64.72
Long-Term Debt as a Percentage of Total Capital Ratio (%)	N/C	82.36	76.44	N/C	80.22	77.90	N/C	76.53	89.81
Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio (%)	54.2	44.02	42.18	62.4	56.45	58.67	65.6	66.51	67.19
Long-Term Debt to Total Assets Ratio (%)	N/C	29.58	35.52	N/C	39.42	37.94	N/C	33.35	29.95
Average Age of Community Ratio (Years)	11.9	12.83	12.28	12.7	11.72	11.87	11.7	12.18	13.36
Capital Expenditures as a Percentage of Depreciation Ratio (%)	134.1	124	155	113.8	93	109	98.0	82	108

* Providers identified themselves by contract type by indicating which contract represented the predominant type of contract in effect in their community.

** Please refer to page 15 for a discussion of providers included in this report.

Fitch = Fitch rated single/multi, Single = Single-site data only, Multi = Multi-site data only, N/C = Not Computed

2023 Financial Ratios by Contract Type–Single-site Providers*

	Type A			Type B			Type C		
	25%	50%	75%	25%	50%	75%	25%	50%	75%
Sample Size**		34			18			17	
Margin (Profitability) Ratios									
Net Operating Margin Ratio (%)	-4.74	-0.17	5.79	0.24	3.70	11.58	-0.76	3.73	8.16
Net Operating Margin–Adjusted Ratio (%)	14.72	19.47	27.43	14.46	18.50	24.12	12.07	17.96	21.39
Operating Ratio (%)	104.37	102.19	97.30	102.46	97.88	93.69	104.59	99.57	97.55
Operating Margin Ratio (%)	-7.17	-0.53	3.27	-3.91	-2.24	1.26	-12.62	-6.28	-4.13
Total Excess Margin Ratio (%)	-3.79	0.86	6.31	-5.36	0.29	4.39	-8.43	-3.80	1.93
Liquidity Ratios									
Days in Accounts Receivable Ratio	23	14	8	21	13	7	26	19	12
Days Cash on Hand Ratio	334	512	784	372	538	638	170	311	395
Cushion Ratio (x)	7.59	11.80	19.87	9.57	12.08	16.88	2.98	5.50	11.15
Capital Structure Ratios									
Debt Service Coverage Ratio (x)	1.93	2.94	3.71	2.11	2.66	3.10	1.45	1.83	3.00
Debt Service Coverage–Revenue Basis Ratio (x)	0.28	0.51	1.05	0.42	0.87	1.60	0.61	0.85	1.24
Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio (%)	12.81	10.42	8.44	12.86	9.29	5.18	15.89	9.52	5.26
Unrestricted Cash and Investments to Long-Term Debt Ratio (%)	46.53	97.19	149.58	47.89	63.00	126.26	25.05	47.21	159.41
Long-Term Debt as a Percentage of Total Capital Ratio (%)	141.23	82.36	48.20	94.88	80.22	68.41	184.07	76.53	44.07
Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio (%)	61.85	44.02	32.76	83.87	56.45	43.53	107.61	66.51	35.20
Long-Term Debt to Total Assets Ratio (%)	43.14	29.58	21.45	52.54	39.42	27.37	50.62	33.35	23.00
Average Age of Community Ratio (Years)	15.45	12.83	10.20	14.50	11.72	10.28	18.61	12.18	10.22
Capital Expenditures as a Percentage of Depreciation Ratio (%)	72	124	191	73	93	223	60	82	166

* Providers identified themselves by contract type by indicating which contract represented the predominant type of contract in effect in their community.

** Please refer to page 15 for a discussion of providers included in this report.

Rating Agency Median Ratios Comparison

Rating agency computation of ratios may differ as well as its definition of single- and multi-site provider.

	Fitch Single/Multi				Single**	Multi**
	IG	A	BBB	BIG	Median*	Median*
Sample Size	**109**	**31**	**76**	**43**	**70**	**22**
Margin (Profitability) Ratios						
Net Operating Margin Ratio (%)	4.0	3.5	4.0	4.9	3.3	6.42
Net Operating Margin–Adjusted Ratio (%)	21.3	21.6	20.3	20.5	19.39	20.37
Operating Ratio (%)	97.6	96.2	98.3	101.2	101	97.92
Operating Margin Ratio (%)	N/C	N/C	N/C	N/C	-2.68	1.27
Total Excess Margin Ratio (%)	-0.2	0.2	-0.6	-3.7	-0.37	3.43
Liquidity Ratios						
Days in Accounts Receivable Ratio	N/C	N/C	N/C	N/C	16	19
Days Cash on Hand Ratio	489.7	717.8	438.1	309.9	439	297
Cushion Ratio (x)	11.4	16.8	10.2	5.2	10.46	7.14
Capital Structure Ratios						
Debt Service Coverage Ratio (x)	2.5	3.0	2.2	1.5	2.56	1.99
Debt Service Coverage–Revenue Basis Ratio (x)	0.9	1.1	0.8	0.7	0.70	1.25
Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio (%)	10.0	9.0	10.8	14.5	10.01	9.23
Unrestricted Cash and Investments to Long-Term Debt Ratio (%)	79.8	129.9	68.7	33.5	69.61	69.8
Long-Term Debt as a Percentage of Total Capital Ratio (%)	N/C	N/C	N/C	N/C	79.43	77.9
Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio (%)	53.7	42.8	55.3	81.1	52.88	53.09
Long-Term Debt to Total Assets Ratio (%)	N/C	N/C	N/C	N/C	33.87	34.38
Average Age of Community Ratio (Years)	12.5	12.6	12.6	11.8	12.25	12.45
Capital Expenditures as a Percentage of Depreciation Ratio (%)	116.5	107.8	127.0	84.3	94	132

*50th Percentile

**In 2024, a select number of formerly accredited Multi-Site Life Plan Communities were invited to participate by submitting data for Ratio Trends. This helps to maintain the sample size for MS and also added 6 single-sites to the data for FYE 2023. Due to the small MS sample size, readers are cautioned in use of the data.

IG = Investment Grade; A and BBB are subcomponents of the Investment Grade category

BIG = Below Investment Grade, N/C = Not Computed

CARF Discussion of Unrestricted Cash & Investments

Over this publication's history, CARF has computed financial ratios by reviewing information available in an accredited organization's audited financial statements, reviewing methodologies employed by the capital markets, and receiving input from the Financial Advisory Panel regarding the composition of "unrestricted cash and investments." This information has been used to arrive at the CARF methodology for determining unrestricted cash and investments.

The debt capital market is made up of many constituents: borrowers, buyers of bonds (institutional buyers as well as retail buyers), investment banking firms, financial advisors, rating agencies, auditors, and others. For financial ratio computations, it is generally agreed by these constituents that funds available to pay current operating expenses are usually considered unrestricted cash and investments. Unrestricted cash and investments generally include all unrestricted operating cash and cash equivalents, unrestricted investments, and board-designated funds (even if the funds are restricted by the board for specific purposes, including capital expenditures). Unrestricted cash and investments generally exclude trustee-held funds (held by trustees in connection with long-term debt), assets restricted by donors, prospective resident deposits, and collateral for bank loans.

The current versus noncurrent classification of cash and investments on an entity's balance sheet does not affect the financial ratio computations as current and noncurrent amounts are combined.

It can be challenging to distinguish the various types of funds (unrestricted versus restricted) for financial ratio computations when analyzing an entity's balance sheet. Although the authoritative accounting guidance requires an entity to segregate cash or other assets received with a donor-imposed restriction that limits their use to long-term purposes (e.g., capital expenditures) from cash or other assets that are unrestricted and available for current use, this information may not be evident on the face of an entity's balance sheet, but should generally be available in the notes to the audited financial statements. Authoritative accounting guidance for not-for-profit health-care organizations also requires that the balance sheet account for two types of net assets (or equity): 1.) without donor restrictions; and, 2.) with donor restrictions. This net asset classification can also provide useful information related to the donor-restricted assets held by an entity to assist a financial analyst in arriving at an entity's unrestricted cash and investments for financial ratio computations.

Some funds that may be "unrestricted" for purposes of an entity's net asset classification may be subject to certain withdrawal restrictions by regulatory bodies, banks, and others. For example, various states have imposed operating reserve requirements whereby CCRCs/LPCs are required to set funds aside in a separately maintained account and access to the funds will only be granted with state approval. In this case, the funds would be considered restricted for financial ratio computations. Another example would be a bank financing arrangement whereby the bank requires the CCRC/LPC to maintain collateral for the loan by establishing a cash or investment account with the bank. In this case, the funds would also be considered restricted for financial ratio computations.

Some questions that help to distinguish between unrestricted and restricted assets include:

- Is the board imposing the restriction on certain cash and investments? If so, the board can remove the restriction. Therefore, for ratio calculation purposes, board-restricted or board-designated funds are considered "unrestricted."
- Is the restriction on certain cash and investments imposed by donors? For ratio purposes, these funds are considered "restricted."
- Is the restriction on certain cash and investments imposed by bond or loan documents that would require outside action by a bond trustee only after getting bondholder approval or by a bank's loan committee? For ratio purposes, these funds are considered "restricted."
- Do regulatory bodies require approval from state authorities before funds can be utilized by the community? If so, for ratio purposes, these funds are considered "restricted."

In summary, because audited financial statements are not prepared consistently for all CARF-accredited communities, professional judgment is sometimes utilized when determining unrestricted cash and investments for purposes of financial ratio computations. Users of financial statements who perform ratio analysis generally will make conservative categorization decisions regardless of management's intent in the financial statement presentation. It would benefit every CCRC/LPC to be as clear as possible in their financial statement presentations as to the unrestricted versus restricted status of cash and investments.

CARF Definition of Unrestricted Cash & Investments

Include*	***Exclude****
• Operating cash and cash equivalents • Investments without donor restrictions • Board-restricted or designated assets • State operating reserves (if not required to be maintained in a separate escrow account) • The financial statements of foundations set up solely for the benefit of the operating entity generally should be consolidated with the operating entity. Accordingly, unrestricted cash and investments of these foundations would be included	• Trustee-held funds (e.g., debt service reserve funds, or debt service reserves) • Funds held for residents • Prospective resident deposits • Collateral for bank loans (if required to be held by and maintained at the bank whereby the organization has no access to the funds for operating purposes, similar to a debt service reserve fund) • State operating reserves (if required to be held in separate escrow account) • Cash and investments restricted by donors • Any assets to the extent that there is not enough information to determine if any portions should be included
Rule of thumb: any funds that may be legally disbursed without outside cooperation to pay operating expenses (The board is not considered an outside entity.)	Rule of thumb: any funds requiring a long or difficult process to access

* Proper determination of these items typically requires examination of the notes to the financial statements and, at times, the documentation supporting the notes to the financial statements.

Benchmarking Against the CARF Ratios

For organizations to measure their financial strength against CARF-accredited CCRCs/LPCs, it is imperative that the same methodology be used to calculate the financial ratios. This appendix will explore in greater depth the methodology used by CARF to calculate the financial ratios. As a companion tool to this publication, CARF produces an Excel spreadsheet, *Ratio Pro*, which is designed to calculate financial ratios according to the CARF methodology. *Ratio Pro* completion is required on an annual basis. Nonaccredited organizations can purchase *Ratio Pro* from the CARF online store at **www.carf.org/catalog**.

The **Ratio Definitions Matrix** (with the accompanying **Ratio Definitions Legend**) lists each CARF financial ratio on the horizontal axis, while the vertical axis lists the common audited financial statement accounts for accredited organizations (CARF Financial Ratios Chart of Accounts). In developing the CARF financial ratios, data are collected from each accredited organization's audited financial statements. Because accounts tracked on financial statements are not standardized within the industry, the account titles listed in the matrix are the more common names for these accounts.

Organizations need to map their audited financial statement accounts according to the formulas in the **Ratio Definitions Matrix** in order to successfully measure against the CARF benchmarks. To assist, the right hand column lists common issues encountered in calculating financial ratios according to CARF methodology.

COVID-19 Relief Income (i.e., FEMA, ERC, PRF and PPP) is excluded from the ratios. Additionally debt incurred from PPP loans are excluded from these ratios. However, the cash received from these programs is included in ratios where cash balances are incorporated, for example, DCH.

Common Issues:

- Unrealized investment/derivative gains or losses are not directly included in any of the ratios. However, the mark-to-market adjustments are reflected in investments and are therefore included in ratios where cash balances are incorporated, for example, Days Cash on Hand Ratio (DCH).
- Donor-restricted income and expenses are not included in any of the ratios. Restricted income is included only when the net assets are released and reflected on the statement of operations as net assets released for operations or property, plant, and equipment.
- Other than temporary declines in investments are considered unrealized losses and are not included in any of the ratios.
- Contributions without donor restrictions are only included in the Total Excess Margin Ratio (TEM). They are not included in the other margin/profitability ratios.
- Amortization of debt issuance costs and original issue discounts or premiums are excluded from interest expense.
- The Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio (LTDC-A) does not include deferred resident entrance fees that are contractually guaranteed to be refundable. CARF employs a more conservative approach in developing this benchmark by excluding contractually refundable fees.

For information regarding trustee-held cash and investments in unrestricted cash and investments, see Appendix A.

Ratio Definitions Legend

N	Designates codes included in the numerator of the ratio calculation
D	Designates codes included in the denominator of the ratio calculation
-	Before an "N" or "D" indicates the value should be multiplied by -1
N/D	Designates codes included in both the numerator and the denominator of the ratio calculation
NOM	Net Operating Margin Ratio
NOM-A	Net Operating Margin–Adjusted Ratio
OR	Operating Ratio
OM	Operating Margin Ratio
TEM	Total Excess Margin Ratio
DAR	Days in Accounts Receivable Ratio
DCH	Days Cash on Hand Ratio
CUSH	Cushion Ratio
DSC	Debt Service Coverage Ratio
DSC-R	Debt Service Coverage–Revenue Basis Ratio
DS-TR	Debt Service as a Percentage of Total Operating Revenues and Net Nonoperating Gains and Losses Ratio
CD	Unrestricted Cash and Investments to Long-Term Debt Ratio
LTDC	Long-Term Debt as a Percentage of Total Capital Ratio
LTDC-A	Long-Term Debt as a Percentage of Total Capital–Adjusted Ratio
LTD-TA	Long-Term Debt to Total Assets Ratio
AGE	Average Age of Community Ratio
CED	Capital Expenditures as a Percentage of Depreciation Ratio

Days in Accounts Receivable Ratio

Sum of codes designated by "N"

DIVIDED BY

(Sum of codes designated by "D" divided by 365)

Days Cash on Hand Ratio

Sum of codes designated by "N"

DIVIDED BY

(Sum of codes designated by "D" divided by 365)

Ratio Definitions Matrix

	CARF Financial Ratios Chart of Accounts	Margin (Profitability) Ratios					Liquidity Ratios			Capital Structure Ratios								
		NOM	NOM-A	OR	OM	TEM	DAR	DCH	CUSH	DSC	DSC-R	DS-TR	CD	LTDC	LTDC-A	LTD-TA	AGE	CED
	STATEMENT OF FINANCIAL POSITION/BALANCE SHEET																	
Current Assets	Current Cash and Investments – Unrestricted							N	N				N			D		
Current Assets	Current Cash and Investments – Restricted															D		
Current Assets	Patient/Resident Accounts Receivable						N									D		
Current Assets	Other Accounts Receivable															D		
Current Assets	Resident Deposits															D		
Current Assets	Other Current Assets															D		
Noncurrent Assets	Noncurrent Cash and Investments – Unrestricted							N	N				N			D		
Noncurrent Assets	Noncurrent Cash and Investments – Restricted															D		
Noncurrent Assets	Property Plant and Equipment, Net															D		
Noncurrent Assets	Accumulated Depreciation																N	
Noncurrent Assets	Other Noncurrent Assets															D		
Noncurrent Assets	Derivatives/Interest Rate Swap Asset															D		
Current Liabilities	Accounts Payable and Accrued Expenses																	
Current Liabilities	Current Portion of Long-Term Debt																	
Current Liabilities	Resident/Nonresident Deposits – Current																	
Current Liabilities	Other Current Liabilities																	
Noncurrent Liabilities	Resident/Nonresident Deposits – Noncurrent																	
Noncurrent Liabilities	Long-Term Debt, Less Current Portion/Capital Leases												D	N/D	N/D	N		
Noncurrent Liabilities	Deferred Revenues – Refundable																	
Noncurrent Liabilities	Deferred Revenues – Nonrefundable														D			
Noncurrent Liabilities	Other Noncurrent Liabilities (COVID-19 funding)																	
Noncurrent Liabilities	Derivative/Interest Rate Swap Liabilities																	
Noncurrent Liabilities	Gift Annuities																	
Net Assets	Net Assets w/o Donor Restrictions/Stockholder's Equity													D	D			
Net Assets	Net Assets with Donor Restrictions																	
	STATEMENT OF OPERATIONS/INCOME STATEMENT																	
Operating Revenues	Residential Revenue	N/D	N/D	D	N/D	N/D	D			N	N	D						
Operating Revenues	Entrance Fee Amortization				N/D	N/D						D						
Operating Revenues	Nursing Revenue	N/D	N/D	D	N/D	N/D	D			N	N	D						
Operating Revenues	Assisted Living Revenue	N/D	N/D	D	N/D	N/D	D			N	N	D						
Operating Revenues	Adult Day/Home Health Revenue	N/D	N/D	D	N/D	N/D	D			N	N	D						
Operating Revenues	Management Fees	N/D	N/D	D	N/D	N/D				N	N	D						
Operating Revenues	Investment Interest/Dividends			D	N/D	N/D				N	N	D						
Operating Revenues	Other Operating Revenue	N/D	N/D	D	N/D	N/D				N	N	D						
Operating Revenues	Net Assets Released from Restrictions for Operation			D	N/D	N/D				N	N	D						

* Other analysts view on a case-by-case basis, particularly if the transaction includes a non-cash item.
** Excludes initial entry fees

Ratio Definitions Matrix *continued*

	CARF	Margin (Profitability) Ratios					Liquidity Ratios			Capital Structure Ratios								
	Financial Ratios Chart of Accounts	**NOM**	**NOM-A**	**OR**	**OM**	**TEM**	**DAR**	**DCH**	**CUSH**	**DSC**	**DSC-R**	**DS-TR**	**CD**	**LTDC**	**LTDC-A**	**LTD-TA**	**AGE**	**CED**
Cost Center Operating Expenses	Nursing/Health Care	-N	-N	N	-N	-N		D		-N	-N							
	Dietary/Food Service	-N	-N	N	-N	-N		D		-N	-N							
	Social and Community Services	-N	-N	N	-N	-N		D		-N	-N							
	Recreation, Activities, and Transportation	-N	-N	N	-N	-N		D		-N	-N							
	Assisted Living and Personal Services	-N	-N	N	-N	-N		D		-N	-N							
	Housekeeping	-N	-N	N	-N	-N		D		-N	-N							
	Building and Maintenance	-N	-N	N	-N	-N		D		-N	-N							
	Administration/General	-N	-N	N	-N	-N		D		-N	-N							
	Marketing	-N	-N	N	-N	-N		D		-N	-N							
	Adult Day Care/Home Health	-N	-N	N	-N	-N		D		-N	-N							
	Other Operating Departments	-N	-N	N	-N	-N		D		-N	-N							
	Housing/Independent Living	-N	-N	N	-N	-N		D		-N	-N							
Cost Type Operating Expenses	Salaries and Benefits	-N	-N	N	-N	-N		D		-N	-N							
	Supplies	-N	-N	N	-N	-N		D		-N	-N							
	Contract Services	-N	-N	N	-N	-N		D		-N	-N							
	Building and Maintenance	-N	-N	N	-N	-N		D		-N	-N							
	Ancillary Health Services	-N	-N	N	-N	-N		D		-N	-N							
	Insurance	-N	-N	N	-N	-N		D		-N	-N							
	Other Operating Expenses	-N	-N	N	-N	-N		D		-N	-N							
Other Operating Expenses	Management Fees Expense	-N	-N	N	-N	-N		D		-N	-N							
	Interest Expense			N	-N	-N		D	D	D	D	N						
	Depreciation				-N	-N											D	D
	Amortization				-N	-N												
	Provision for Bad Debts	-N	-N	N	-N	-N				-N	-N							
Nonoperating Revenues/Expenses	Contribution/Donation Revenue					N/D				N	N	D						
	Gain (Loss) on Sale of Investments/Derivatives					N/D				N	N	D						
	Gain (Loss) on Sale of Other Assets*					N/D				N	N	D						
	Unrealized Gain (Loss) on Investments/Derivatives																	
	Other Nonoperating Revenue (Expenses)					N/D				N	N	D						
	Net Assets Released from Restriction for PP&E					N/D				N	N	D						
	Gain (Loss) on Extinguishment of Debt																	
	Extraordinary Items–COVID-19 Grants																	
	Change in Future Service Obligation																	
Cash Flow Items	**STATEMENT OF CASH FLOWS**																	
	Acquisition of Property and Equipment																	N
	Principal Payments								D	D	D	N						
	Short-Term Debt Payments																	
	Capitalized Interest								D	N/D	N/D	N						
	Entrance Fees Received**		N/D							N								
	Entrance Fees Refunded		-N/-D							-N								

* Other analysts view on a case-by-case basis, particularly if the transaction includes a non-cash item.
** Excludes initial entry fees

carf INTERNATIONAL

1775 Eye Street, Suite 1150
Washington, DC 20006-2435, USA
Toll free (888) 281-6531
www.carf.org/aging

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