LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2023

MALONEY + NOVOTNY LLC

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONTENTS

MALONEY
+NOVOTNY LLC

+1111 Superior Avenue, Suite 700, Cleveland, Ohio 44114
+p 216.363.0100 | f 216.363.0500
+www.maloneynovotny.com

Independent Auditors' Report

To the Board of Directors
Laurel Lake Retirement Community, Inc. and Subsidiary
Hudson, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Laurel Lake Retirement Community, Inc. and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Laurel Lake Retirement Community, Inc. and Subsidiary as of December 31, 2023, and changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Laurel Lake Retirement Community, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Laurel Lake Retirement Community, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

The consolidated financial statements of Laurel Lake Retirement Community, Inc. and Subsidiary as of December 31, 2022 were audited by other auditors whose report dated May 31, 2023 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 consolidating balance sheet on pages 23-24 and consolidating statement of operations and changes in net assets on page 25 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maloney + Novotny LLC

Cleveland, Ohio
May 15, 2024

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2023
(With Comparative Totals for December 31, 2022)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 3,461,911	$ 3,879,767
Accounts receivable:		
Resident services, net	486,443	503,149
Other	35,453	1,485
	521,896	504,634
Pledges receivable	74,425	54,936
Inventory	18,708	16,438
Prepaid expenses	96,083	71,925
Total current assets	4,173,023	4,527,700
INVESTMENTS		
Investments	25,339,773	18,675,789
Assets whose use is limited:		
Investments - endowment	4,752,599	4,070,922
Investments - gift annuities	515,716	587,717
Investments - other	539,308	539,308
Total investments	31,147,396	23,873,736
PROPERTY AND EQUIPMENT, NET		
Land and land improvements	6,860,929	6,835,417
Building and building improvements	81,960,925	80,205,223
Equipment, furniture and fixtures	9,713,229	9,334,888
Construction in progress	670,478	146,465
	99,205,561	96,521,993
Less accumulated depreciation	35,715,829	31,683,170
Total property and equipment, net	63,489,732	64,838,823
OTHER ASSETS		
Deposits and other	63,900	63,900
Pledges receivable, net	270,070	318,068
Interest rate swap asset	802,661	1,132,154
Operating rights to licensed beds	1,500,000	1,500,000
Total other assets	2,636,631	3,014,122
TOTAL ASSETS	$101,446,782	$ 96,254,381

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2023
(With Comparative Totals for December 31, 2022)

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 1,433,334	$ 1,364,168
Current portion of annuity obligations	136,820	138,883
Accounts payable - trade	809,267	1,032,295
Accrued expenses:		
Salary, wages and related liabilities	506,237	358,460
Compensated absences	267,939	260,166
Real estate taxes	1,155,709	1,148,255
Interest	106,219	109,929
Other	410,806	314,020
Total current liabilities	4,826,331	4,726,176
OTHER LIABILITIES		
Security deposits	2,299,280	2,209,745
Refundable entrance fees	1,490,367	1,228,733
Deferred revenue - entrance fees	37,002,246	35,537,718
Long-term debt, net of unamortized deferred financing costs	26,265,958	27,666,179
Annuity obligations	312,133	306,187
Total other liabilities	67,369,984	66,948,562
Total liabilities	72,196,315	71,674,738
NET ASSETS		
Without donor restrictions	27,355,307	23,007,362
With donor restrictions	1,895,160	1,572,281
Total net assets	29,250,467	24,579,643
TOTAL LIABILITIES AND NET ASSETS	$101,446,782	$ 96,254,381

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Year Ended December 31, 2023
(With Comparative Totals for Year Ended December 31, 2022)

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUE AND OTHER SUPPORT		
Resident services, net of contractual allowances and discounts	$18,987,909	$17,086,339
Provision for credit losses	(64,964)	(29,250)
Amortization of deferred member entry fee	5,265,278	5,174,665
Net other operating revenue	826,872	710,766
Investments - other returns	596,733	487,600
Net resident service/program revenue	25,611,828	23,430,120
Contributions	667,104	1,286,164
Net assets released from restrictions - operating	287,870	94,372
Total operating revenue and other support	26,566,802	24,810,656
OPERATING EXPENSES		
Program	22,856,966	22,386,745
Management and general	3,129,633	3,091,859
Fundraising	169,702	257,652
Total operating expenses	26,156,301	25,736,256
INCOME (LOSS) FROM OPERATIONS	410,501	(925,600)
NONOPERATING INCOME AND (EXPENSES)		
Employer Retention Tax Credit, net	1,558,510	-
Miscellaneous	383,797	411,599
Investment/interest income	72,154	62,492
Interest rate swap - mark-to-market	(329,493)	2,445,185
Net realized and unrealized gain (loss) on investments	2,765,193	(4,003,830)
Reclassification of net assets	(512,717)	-
Total nonoperating income and (expenses)	3,937,444	(1,084,554)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,347,945	(2,010,154)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	60,353	34,257
Net investment return on endowment investments	37,679	(44,937)
Reclassification of net assets	512,717	-
Net assets released from restrictions	(287,870)	(94,372)
Total changes in net assets with donor restrictions	322,879	(105,052)
INCREASE (DECREASE) IN NET ASSETS	4,670,824	(2,115,206)
NET ASSETS – BEGINNING OF YEAR	24,579,643	26,694,849
NET ASSETS – END OF YEAR	$29,250,467	$24,579,643

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023
(With Comparative Totals for December 31, 2022)

	Program Services	Management and General	Fundraising and Development	2023 Total	2022 Total
Salary and wages	$ 6,694,781	$ 1,067,283	$ 7,361	$ 7,769,425	$ 7,893,254
Payroll taxes and employee benefits	2,035,843	283,952	23,272	2,343,067	2,296,977
Contract and purchased services	3,248,437	-	-	3,248,437	2,525,420
Professional fees	144,232	315,086	37,612	496,930	702,218
Maintenance and repair	854,673	116,546	-	971,219	770,353
Supplies	1,965,994	47,657	-	2,013,651	1,888,226
Utilities	1,225,980	193,140	13,862	1,432,982	1,446,759
Software	329,563	45,657	3,788	379,008	389,747
License, dues and subscriptions	407,974	2,722	840	411,536	389,312
Advertising	11,607	63,574	-	75,181	51,911
Insurance	408,296	56,317	4,693	469,306	437,372
Real estate taxes	1,006,630	138,845	11,570	1,157,045	1,239,171
Interest and bank fees	1,148,910	246,244	9,216	1,404,370	1,358,520
Other	140,664	68,691	17,161	226,516	245,113
Depreciation	3,508,413	483,919	40,327	4,032,659	4,101,903
Provision for credit losses	64,964	-	-	64,964	29,250
	23,196,961	3,129,633	169,702	26,496,296	25,765,506
Less expenses included elsewhere on the statement of operations and changes in net assets:					
Professional fees - ERTC	(275,031)	-	-	(275,031)	-
Provision for credit losses	(64,964)	-	-	(64,964)	(29,250)
Total expenses by function	$22,856,966	$ 3,129,633	$ 169,702	$26,156,301	$25,736,256

The accompanying notes are an integral part of these financial statements.

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2023
(With Comparative Totals for Year Ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,670,824	$ (2,115,206)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,032,659	4,101,903
Noncash interest expense due to amortization of deferred financing costs	28,943	28,943
Net realized and unrealized (gain) loss on investments	(2,797,628)	3,941,340
Interest rate swap mark-to-market	329,493	(2,445,185)
Amortization of deferred revenue - entrance fees	(5,265,278)	(5,174,665)
Credit loss expense	64,964	29,250
Proceeds from entrance fees	6,729,806	5,919,811
Restricted contributions	(450)	(300)
(Increase) decrease in accounts receivable, net	(82,226)	87,476
(Increase) decrease in inventory	(2,270)	787
(Increase) decrease in prepaid expenses	(24,158)	65,807
Decrease in pledges receivable, net	28,509	76,234
(Decrease) increase in accounts payable - trade	(223,028)	101,692
Increase (decrease) in accrued expenses	256,080	(253,947)
Increase in security deposits	89,535	526,470
Increase (decrease) in refundable entrance fees	261,634	(193,542)
Total adjustments	3,426,585	6,812,074
Net cash provided by operating activities	8,097,409	4,696,868
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(5,799,109)	(6,258,187)
Proceeds from sale of investments	1,323,077	5,998,284
Purchase of property and equipment	(2,683,568)	(2,345,324)
Purchase of investments - other	-	(195,000)
Net cash used in investing activities	(7,159,600)	(2,800,227)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in annuity obligations, net	3,883	(43,199)
Restricted contributions	450	300
Payments on long-term debt	(1,359,998)	(1,311,250)
Net cash used in financing activities	(1,355,665)	(1,354,149)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	(417,856)	542,492
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	3,879,767	3,337,275
CASH AND EQUIVALENTS AT END OF YEAR	$ 3,461,911	$ 3,879,767
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,239,772	$ 1,349,920

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

A. Organization – Laurel Lake Retirement Community, Inc. (the "Community") is an Ohio non-profit corporation designed as a continuing care retirement community ("CCRC") consisting of 280 residential units, 61 assisted living units and 75 licensed nursing beds operating under the "life care" concept. Laurel Lake Retirement Community Foundation, Inc. (the "Foundation") is an Ohio non-profit corporation established to solicit donations for the benefit of the Community. The Foundation's sole member is the Community.

The Community offers a comprehensive life care model for senior living, emphasizing long-term residential stability complemented by accessible assisted living and skilled nursing care options. Residents of the Community enter into an occupancy agreement that stipulates a one-time entrance fee alongside monthly service fees. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Community. The Community provides access to residential units, assisted living facilities with varying levels of care and a skilled nursing facility providing medical and rehabilitation services.

The Ohio Department of Health ("ODH") regulates many types of health care facilities through both state licensure and Federal certification rules. ODH approved the Community's licenses to continue to operate as a nursing facility and residential care facility through December 2024. The Community expects the licenses to continually be renewed by ODH in future years.

Collectively, the Community and the Foundation are referred to as the Organization, which derives its revenues from patient services, programs and various related activities. All significant intercompany accounts and transactions have been eliminated.

B. Basis of Presentation – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed stipulations. Board designated endowment funds have been set aside by the Board to operate as an endowment for future needs of the Foundation. This designation is based on Board actions, which can be altered or revoked at a future time by the Board.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Also included in this category are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. However, contributions with donor-imposed restrictions whose restrictions are fulfilled in the same accounting period are reported as net assets without donor restriction.

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

D. Cash and Equivalents – Cash and equivalents include highly liquid investments with maturities of three months or less. The Organization maintains cash balances at various institutions that may, at times, exceed federally insured amounts and may exceed reported balances.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Adoption of New Accounting Standard – As of January 1, 2023, the Organization adopted Financial Accounting Standards Board Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326)* ("ASC 326"), using a modified retrospective approach. This standard introduced a new model for the measurement of credit losses on financial instruments. The adoption of ASC 326 resulted in changes to the Organization's accounting policies and impacted the measurement of expected credit losses. The adoption of ASC 326 did not have a material impact on the Organization's consolidated financial statements.

The significant accounting policies affected by the adoption of ASC 326 are described below:

Measurement of Credit Losses – Under ASC 326, the Organization measures credit losses utilizing a forward-looking approach based on expected credit losses. This approach considers historical experience, current conditions and reasonable and supportable forecasts to estimate expected credit losses over the contractual term of the financial instrument.

Allowance for Credit Losses – The Organization maintains an allowance for credit losses on financial assets measured at amortized cost, including accounts receivable for residents and insurance companies. This allowance reflects the estimate of credit losses expected over the contractual term of the financial instrument. The allowance is deducted from the amortized cost basis of the financial asset to present the net amount expected to be collected.

F. Accounts Receivable – Accounts receivable are based on gross charges, reduced by explicit price concessions, discounts provided to qualifying individuals as part of the Organization's financial assistance policy and implicit price concessions. Estimates for explicit price concessions are based on contracts, payment terms for relevant prospective payment systems and historical experience adjusted for economic conditions and other trends affecting the Organization's ability to collect outstanding amounts.

For receivables associated with self-pay residents (which include both residents without insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records significant implicit price concessions in the period of service based on adjustments to the amount the Organization is willing to accept in exchange for services provided. Under ASC 326, the Organization may record an additional allowance for credit losses based on adjustments to the amount the Organization believed it was entitled to, but was unable to collect due to credit loss. Any amounts determined to be uncollectible are charged to credit loss expense when the determination is made. The allowance for credit losses amounted to $40,000 at December 31, 2023. Collection of some accounts receivable in the normal course of business is dependent on payment by the Medicare program. Gross amounts included in accounts receivable due from these programs amounted to $136,750 in 2023.

G. Inventory – Inventories are stated at the lower of cost or net realizable value derived by the use of the first-in, first-out valuation method. Inventories consist primarily of medical supplies and pharmaceuticals.

H. Property and Equipment – Property and equipment are recorded at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets. Costs of maintenance and repairs are charged to expense as incurred. Costs of renewals and betterments, where significant in amount, are capitalized in the period incurred. Depreciation expense for the year ending December 31, 2023 was $4,032,659.

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fair Value of Financial Instruments – The carrying values of cash and equivalents, accounts receivable, accounts payable and accrued expenses are reasonable estimates of fair value due to the short-term nature of these financial instruments. The fair value of the Organization's long-term debt is based on borrowing rates for similar types of borrowing arrangements and approximates its carrying amount. Investments - other are recorded at cost and excluded from fair value estimates.

The Organization estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or observable inputs that are corroborated by market data. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data. Instruments in this category include non-exchange traded derivatives, including interest rate swaps.

Level 3 – Unobservable inputs in which little or no market data exists.

The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels. The table does not include cash on hand or other assets and liabilities that are measured at historical cost or any basis other than fair value.

The following table sets forth by level within the fair value hierarchy the Organization's financial assets and liabilities that were accounted for at a fair value on a recurring basis as of December 31, 2023. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets at Market Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	$25,454,545	$ -	$ -	$25,454,545
Mutual funds - fixed	1,062,921	-	-	1,062,921
Mutual funds - equity	303,892	-	-	303,892
Equities - common stock	1,813,327	-	-	1,813,327
U.S. Treasuries	1,506,195	-	-	1,506,195
Charitable multi-asset fund	-	467,208	-	467,208
Total investments	$30,140,880	$ 467,208	$ -	$30,608,088
Interest rate swap asset	$ -	$ 802,661	$ -	$ 802,661

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fair Value of Financial Instruments (Continued)

Cash and money market funds – Cash and money market funds consist of a short-term investment fund that maintains daily liquidity and has a constant unit value of $1.00.

Mutual funds – Mutual funds consist of investments in a variety of industries , and market segments that are valued on quoted prices in active markets.

Equities – Equities consist of investments in common stock of domestic corporations in a variety of industries.

U.S. Treasuries – U.S. Treasuries consist of bonds and notes of varying maturities backed by the U.S. government and are valued by active market quotes.

Charitable multi-asset fund – Charitable multi-asset fund is held in a pooled investment account, which invests primarily in publicly traded securities and is valued at the market value of the underlying assets.

The Organization accounts for its investments in securities on the consolidated balance sheets at fair value, based upon quoted market prices, with any realized or unrealized gains and losses reported on the consolidated statements of operations and changes in net assets. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur.

J. Operating Rights to Licensed Beds – The Community holds operating rights to licensed beds in its nursing facility. These operating rights are recognized as intangible assets due to their nature of providing the Community with the exclusive right to operate 75 beds under regulatory licenses for an indefinite period. Intangible assets are not amortized, but rather tested for impairment on an annual basis and more often if circumstances require. Impairment losses are recognized whenever the implied fair value of the intangible asset is less than its carrying value. At December 31, 2023, management has determined that the carrying value of the operating rights to licensed beds has not been impaired.

K. Security Deposits – Security deposits are collected from prospective residents as part of the residence agreement process. These deposits serve to reserve a specific living unit or to secure a position on the waiting list for an available unit. A minimum deposit of 10% of the entrance fee is required at the time the residence agreement is signed. The remaining balance of the entrance fee is due on or before the move-in date, or the date on which the resident otherwise establishes residency. Prospective residents have the right to cancel their residence agreements at any point prior to occupancy. Upon cancellation, they are entitled to a full refund of their deposit, minus a $1,000 application fee, under certain specified conditions.

L. Annuity Obligations – The Foundation holds assets from donors under charitable annuity agreements that designate the Foundation as the charitable beneficiary. The terms of the agreements require that the Foundation pay an annuity to the annuitant, the donor or specified beneficiary, for the remainder of the designated individual's life or specified term. Upon the death of the individual or the expiration of the term, the Foundation retains the remaining assets as specified in the annuity agreement. The Foundation also records a liability for the actuarial present value of the future annuity payments. The actuarial present value of future payments is based on the individual's estimated life expectancy from IRS tables and a discount factor, set at the inception of the agreement.

Note 1. Summary of Significant Accounting Policies (Continued)

M. Debt Issuance Costs – Unamortized debt issuance costs are included with long-term debt on the consolidated balance sheets at December 31, 2023. Additionally, amortization of the debt issuance costs is included with interest and bank fees on the consolidated statement of functional expenses. Debt issuance costs are being amortized over the term of the related debt. Amortization of such costs totaled $28,943 in 2023. Accumulated amortization was $148,753 as of December 31, 2023.

N. Refundable Entrance Fees and Deferred Revenue – The Community recognizes and accounts for entrance fees based on the type of resident contract (Standard, 94% refundable and 50% refundable) executed, which dictate the terms of the fee's refundability. These fees are either recorded as a refundable entrance fee liability or deferred revenue, depending on the contract specifics regarding refund conditions and timing.

Refundable entrance fees are contingent upon specific conditions such as reoccupancy of the unit by a subsequent resident. The contract stipulates a portion of the entrance fee is refundable once the unit is reoccupied, the refund amount is limited to the proceeds received from reoccupancy and withholding of refunds until reoccupancy is supported both by the legal environment and the Community's management policies. Given these conditions, refundable advanced fees not limited to the proceeds of reoccupancy are recognized as a liability on the consolidated balance sheets.

Accounting treatment for each plan is as follows:

Standard – Residents are entitled to a refund of the entrance fee less a 10% cancellation fee, and less an additional 1.5% for each month of residency, up to a maximum of five years. Entrance fees under Plan A are recorded as deferred revenue and are amortized over the estimated remaining life expectancy of each resident.

94% Refundable – A total of 94% of the entrance fee is refundable upon reoccupancy of the unit, and this refundable portion is not amortized. The remaining 6% of the entrance fee is considered non-refundable and is amortized over the estimated life expectancy of the resident.

50% Refundable – The refund formula consists of the entrance fee less 10% of the fee and less 1.5% of the fee for each month of residency, with a cap at 40% of the entrance fee. A total of 50% of the entrance fee is considered refundable and is not amortized, while the remaining 50% is amortized over the resident's estimated life expectancy.

Entrance fees received in advance of residency and deposits are reported as contract liabilities on the consolidated balance sheets under categories: security deposits, refundable entrance fees and deferred revenue - entrance fees. These liabilities reflect the Community's obligation to either provide services or refund the fees depending on the fulfillment of contract stipulations related to residency and reoccupancy.

O. Obligation to Provide Future Services and the Use of Facilities to Current Residents – The Community annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future service obligations ("FSO") and use of facilities exceed the deferred revenue from entrance fees, a liability is recorded with a corresponding charge to expense. As of December 31, 2023, no such liability was determined to be required. The discount rate used to estimate the FSO was 5.0%.

Note 1. Summary of Significant Accounting Policies (Continued)

P. Revenue Recognition – The Organization derives its revenues from patient services, programs and various related activities. As a result, the Organization's contracts and resulting revenue are indirectly impacted by federal regulations surrounding the healthcare industry and are largely influenced by lobbying and regulators. Revenues are recognized when control of these products or services is transferred to its patients/customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products and services. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is typically received within one year with the exception of third-party settlements. The Organization has elected the portfolio approach practical expedient for purposes of revenue recognition and has identified two portfolios: patient service/program and other operating.

Patient service/program revenues are considered those various "bundled" services the Organization provides on a daily basis (room and board, administration of medications, meals, recreational activities, program activities, therapy services, etc.). These services are provided as part of the individual's plan of care and the nature of the Organization's promise to the resident is to transfer a combined item (skilled nursing facility services) to which the promised goods or services noted above are inputs.

Other operating revenues are considered to be those goods and services provided outside of the normal routine of care of the Organization (barber, beauty, transportation, etc.). These services are provided at the request of the resident and can be purchased from outside service providers.

Under the Community's assisted living residency agreements, which are generally for a contractual term of one month, the Community provides services to these residents for a stated monthly fee. The Community has determined that the services included under the residency agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time. The Community's assisted living admission agreements contain both lease and nonlease components. The Community elected to combine the embedded lease and the nonlease components as a single component, determined the nonlease components to be the predominate component of the contract and these agreements have been accounted for under ASC 606.

Under the Community's independent living resident leases, the Community provides housing to these residents for a monthly service fee. The Community recognizes revenue for these housing services in accordance with the provisions of ASC Topic 842, *Leases* (see Note 3).

<u>Disaggregation of Revenue From Contracts With Customers</u>
Revenue from performance obligations satisfied over time totaled $24,188,223 for the year ending December 31, 2023. Revenue from performance obligations satisfied at a point in time totaled $826,872 for the year ending December 31, 2023.

<u>Performance Obligations</u>
For performance obligations related to patient service/program revenue, control transfers each day services are rendered and represents a new contract and performance obligation. The Organization recognizes the amount billed for the services per the standard pricing model based on a daily rate to be paid by the resident, or its third-party payor, per actual days for which care is provided over time. For performance obligations related to other operating, control transfers as the service is provided and as its own performance obligation based on frequency and rates at a point in time. Related accounts receivable and deferred revenue at January 1, 2022 were $588,567 and $34,792,572, respectively.

Note 1. Summary of Significant Accounting Policies (Continued)

P. Revenue Recognition (Continued)

Variable Consideration and Constraint
The Organization records contractual adjustments (the difference between the list price and the reimbursement rate) at the time of billing depending on the payor. Due to the number of contracts with similar characteristics, the Organization has elected to use the "expected value" method which utilizes a reasonable estimate of the expected value based on discrete outcomes and probabilities. The Organization has used historical, current and forecasted information available and historical collection experience to determine this value. Due to the Organization estimating variable consideration at the portfolio level, the constraint has been applied at that level as well. The Organization concluded it is not probable that a significant revenue reversal in the amount of cumulative revenue recognized will occur.

Revenue under third-party payor agreements is subject to audit and adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Medicare reimbursement for Part A services is based on the Prospective Payment System and Part B services are based on fee schedules with minor exceptions.

Q. Contributions and Expiration of Donor-Imposed Restrictions – Contributions received are recorded without donor restrictions or with donor restrictions depending on the absence or existence of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. The Organization reports gifts of land, buildings and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related resources are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions.

R. Functional Expenses – The costs of program and supporting service activities have been summarized on a functional basis on the consolidated statements of operations and changes in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated included maintenance and repair, utilities, software, interest and bank fees, and depreciation on a square footage basis, as well as salary and wages, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

S. Significant Concentrations of Credit Risk – The Organization maintains cash at various financial institutions which, at times, may exceed federally insured amounts and may significantly exceed consolidated balance sheet amounts due to outstanding checks.

Note 1. Summary of Significant Accounting Policies (Continued)

T. Charity Care Benefits – The Organization provides care to eligible residents without charge or at amounts less than its established rates. The Organization accounts for its charity care under the cost method. The estimated costs and expenses incurred in providing these services were $71,575 at December 31, 2023 and are reflected on the consolidated statement of operations and changes in net assets.

U. Comparative Information – The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

V. Income Taxes – The Organization is a not-for-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

W. Reclassifications – Certain prior year balances have been reclassified to conform with current year presentation. The Organization has evaluated certain donor documentation and $512,717 of previously reported net assets without donor restriction have be reclassified to net assets with donor restriction as of December 31, 2023.

X. Subsequent Events – The Organization has evaluated subsequent events through May 15, 2024, which is the date the consolidated financial statements were available to be issued.

Note 2. Pledges Receivable, Net

The Foundation records a receivable for unconditional pledges, and the corresponding revenue, at estimated net realizable value when the unconditional promise to give is made. The pledges greater than one year were discounted at 1.3% net present value. The Foundation utilizes the allowance method to record its estimate for uncollectible pledges receivable. The allowance is based upon prior years' experience and management's analysis of promises made. At December 31, 2023, management had deemed all pledges fully collectible and no allowance was deemed necessary.

Pledges receivable at December 31, 2023 were due as follows:

Less than one year	$ 74,425
Two to five years	200,000
More than five years	100,000
Total	374,425
Net discount (at 1.3%)	(29,930)
Total outstanding pledges	$344,495

Note 3. Independent Living Resident Leases

The Community's independent living arrangements provide residents with leases that are inclusive of embedded property and equipment leases. These arrangements typically include a comprehensive monthly fee covering the use of the living unit, along with utilities, furnishings, meals, laundry services, wellness and health programs, housekeeping, parking, transportation, social and recreational programs, clinic access, security and mail services, among others. The Community has elected to account for the lease and nonlease components of the independent living resident leases as a single combined component. This election was made because the lease component is the predominant part of the contract. Consequently, the combined lease income is recognized as resident service revenue on the consolidated statement of activities and changes in net assets for the fiscal year ended December 31, 2023. The entrance fees collected from residents, which provide them with discounted rates and access to potential future services, are accounted for separately under ASC Topic 606 (*Revenue from Contracts with Customers*) as they do not qualify for combination with the lease and nonlease components under ASC Topic 842.

Management makes certain estimates and assumptions regarding the independent living resident leases, renewal and amendments, including, but not limited to, property value, property lives, discount rates and lease terms, all of which can impact (i) the classification and accounting for a lease as operating or finance, including sales-type and direct financing and (ii) variable payments that are taken into consideration when calculating lease income. The amount of depreciation and lease income reported would vary if different estimates and assumptions were used.

The independent living units are leased under non-cancellable agreements that include an option for residents to terminate with 90-days' notice. Despite this termination option, based on historical data and management's expectations, it is reasonably certain that most residents will stay for periods longer than 12 months. Thus, these leases are classified as long-term operating leases. The agreements stipulate that residents must pay monthly lease payments ranging from $2,088 to $3,739. Under the terms of the lease agreements, the Community does not retain substitution rights; the lessee (resident) has the right to direct the use of and obtain substantially all the economic benefits from the use of the identified assets.

Note 4. Net Assets

Net assets without donor restrictions as of December 31, 2023 comprise the following:

Undesignated	$22,933,087
Board designated endowment	4,422,220
Total net assets without donor restrictions	$27,355,307

Board designated endowment funds include assets set aside by the Board of Directors for future operations.

Note 4. Net Assets (Continued)

Net assets with donor restrictions as of December 31, 2023 comprise the following:

Subject to expenditure for specified purpose:	
Staff education	$ 14,150
Wellness	80,020
Skilled nursing care	21,480
Life care	918,815
Other programs	119,058
Promises to give, not restricted by donors	344,495
Subject to the passage of time:	
Split-interest agreements	66,763
Subject to the Organization's spending policy and appropriation:	
Original donor-restricted gifts required to be maintained in perpetuity	264,570
Staff education	(14,013)
Campus beautification	79,822
Total net assets with donor restrictions	$ 1,895,160

Note 5. Endowment Funds

The Board of Directors of the Foundation has approved a spending policy detailing the long-term goals, asset allocation, guidelines for security selection, measurable objectives and on-going communication. Objectives of the Foundation are, first and foremost, to preserve the safety to the principal and second, to maximize investment income. Endowment funds are subject to the spending policy approved by the Board of Directors.

The Foundation's endowment consists of donor-restricted funds and board designated endowment funds. Donor-restricted funds consist of donor gift amounts required to be maintained in perpetuity. Board designated endowment funds consists of funds invested by management for the long-term benefit of the Foundation. The endowment funds are recorded at historic dollar value.

Income from endowment funds and board designated funds is appropriated based on an approval process through the Board of Directors. Specific committees recommend amounts to be disbursed from the accumulated earnings of the endowment funds, which are then approved for appropriation by the Board of Directors.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations occurring shortly after the investment of new contributions from donor-restricted endowment funds and continued appropriation for certain programs deemed prudent by the Board of Directors. Funds with deficiencies were $(14,013) as of December 31, 2023.

Note 5. Endowment Funds (Continued)

At December 31, 2023, endowment net assets composition and changes by type of fund are as follows:

	December 31, 2023				
	Without Donor Restrictions	Original Donor Amount	Accumulated Gains	Total With Donor Restrictions	Total
Endowment investments, beginning of year	$3,778,672	$ 264,120	$ 28,130	$ 292,250	$4,070,922
Investment return:					
Investment income, net of fees	69,016	-	5,244	5,244	74,260
Net appreciation (realized and unrealized)	421,157	-	32,435	32,435	453,592
Total investment return	490,173	-	37,679	37,679	527,852
Contributions and transfers	255,981	450	-	450	256,431
Appropriation of net assets	(102,606)	-	-	-	(102,606)
Endowment investments, end of year	$4,422,220	$ 264,570	$ 65,809	$ 330,379	$4,752,599

Note 6. Split-Interest Agreements

The Foundation is obligated under various charitable remainder trusts, whereby donors have contributed cash to the Foundation with the agreement that the donors shall be the sole recipients of aggregate annuity payments of $138,883 per annum. Such payments are payable in equal monthly or quarterly installments and shall terminate on the last payment date preceding the death of the donor. The trusts are recorded at present value of the future payments to be made to the beneficiaries which is estimated at $448,953 as of December 31, 2023. Discount rates used to value the annuity obligations vary based on life expectancy factor and range between 2.25% and 10.38%.

Note 7. Long-Term Debt

On December 30, 2013, the Organization signed a credit and security agreement with a bank containing two term notes. Term Note A was in the amount of $22,930,000 and Term Note B was in the amount of $12,965,000.

Term Note A has monthly principal payments ranging from $41,250 to $58,333 with a balloon payment of the remaining principal and interest due in December 2026. Interest is calculated at the Secured Overnight Financing Rate plus applicable basis points ranging from 1.95% to 2.25% (5.08% at January 1, 2023). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. The Organization had $11,547,500 outstanding at December 31, 2023.

Term Note B has monthly principal payments ranging from $26,667 to $34,583 with a balloon payment of the remaining principal and interest due in December 2026. Interest is calculated at the Secured Overnight Financing Rate plus applicable basis points ranging from 1.95% to 2.25% (5.08% at January 1, 2023). The applicable basis points are determined by the computation of a certain covenant under provisions of the term loan agreement. The Organization had $9,617,917 outstanding at December 31, 2023.

Note 7. Long-Term Debt (Continued)

The Organization also entered into two interest rate swap agreements to reduce the Organization's exposure related to the variable interest rate on the term notes. At December 31, 2023, the swaps had notional principal amounts of $11,606,666 and $9,658,334, respectively, which effectively changed the interest rate exposure on the notional portion of the variable term bonds to a fixed rate of 5.34%. The notional amount of the swap decreases based upon the notes' principal payments. The interest rate swap has a termination date of December 1, 2026. The mark-to-market asset associated with the interest rate swap agreement is recorded on the consolidated balance sheets at December 31, 2023 at $802,661. The change in fair value of the interest rate swaps is recognized in non-operating gains (losses).

In 2013, the Organization received bond proceeds of $9,580,000 from the Summit County Revenue Bonds. Interest is calculated at 3.72% for the initial rate period from the issue date of December 31, 2013 through July 1, 2026. The interest rate will reset under terms of the bond agreement on July 1, 2026. The bonds may not be converted before this date. Principal and interest payments are due October 1 each year and continue until the bonds mature on October 1, 2038. The Organization had $6,860,000 outstanding at December 31, 2023. Unamortized debt issuance costs included with long-term debt totaled 326,125 at December 31, 2023.

Principal payments required on the Organization's long-term debt are summarized as follows:

2024	$ 1,433,334
2025	1,445,000
2026	19,381,248
2027	385,000
2028	400,000
Thereafter	4,980,835
Total future principal payment requirements	28,025,417
Less: unamortized deferred financing costs	326,125
	$27,699,292

Interest and bank fees of $1,404,370 was incurred during 2023.

Note 8. Retirement Plan

The Community has a defined contribution plan under Section 403(b) of the Internal Revenue Code, which covers all eligible employees. The Community matches 100% of the employee's contribution up to 4% of eligible wages. In addition, the Community has a discretionary match of 1% of compensation for each eligible employee. The discretionary match was not made in 2023. The Community's retirement plan expense was $137,965 for the year ended December 31, 2023.

Note 9. Insurance

During 2019, the Community became self-insured with regard to the State of Ohio Bureau of Workers' Compensation program. The Community will reimburse for substantiated claims of insured employees up to $350,000 per occurrence. Amounts in excess of the reimbursement maximum will be covered by an excess insurance policy up to a maximum of $1,000,000 per occurrence. Amounts related to these claims of $57,935 as of December 31, 2023 are included in accrued expenses - other on the consolidated balance sheets.

Note 10. Financial Assets and Liquidity

The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general expenditures within one year:

Financial assets:	
Cash and equivalents	$ 3,461,911
Accounts receivable, net	521,896
Pledges receivable, net	74,425
Investments	25,339,773
Financial assets, at year-end	29,398,005
Less those not available for general expenditures within one year:	
Subject to expenditure for specified purpose	(1,153,523)
Financial assets available to meet cash needs for general expenditures within one year	$28,244,482

As part of the Organization's liquidity management, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has board designated endowment funds of $4,422,220 as of December 31, 2023 available for any operational shortfalls and other purposes. Although the Organization does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated endowment funds could be made available if necessary.

Note 11. Investments - Other

Caring Communities

The Community has an agreement with a multi-provider risk retention group (Caring Communities) for its professional medical liability insurance which commenced January 1, 2014. The risk retention group obtained reinsurance with another insurance company. As part of the agreement, the Community was required to invest $94,208 in the group, which is included in investments - other on the consolidated balance sheets. The ownership percentage for the Community is less than 1%, therefore, the investment is carried on the cost basis. Total distributions received totaled $176,733 for the year ended December 31, 2023 and are included in investments - other returns on the consolidated statement of operations and changes in net assets.

The risk retention group insurance coverage is a claims-made policy. The Community has a self-insured retention per occurrence and the policy includes a reimbursement provision of a maximum amount per claim and a maximum aggregate claim per the term of the policy. An estimate of claims incurred and reported but unpaid and estimates for incurred but unreported claims of $151,000 as of December 31, 2023 are included in accrued expenses - other on the consolidated balance sheets.

Note 11. Investments - Other (Continued)

Northeast Ohio Hospice, Inc.

Northeast Ohio Hospice, Inc. (the "Corporation") is an Ohio not-for-profit corporation which provides hospice and related services to terminally ill patients and their families within Northeast Ohio. The Corporation was formed in March 2017, through a Joint Operating Agreement between the Community and two other not-for-profit healthcare providers. The Corporation was set up where each of the three members provided an initial equity contribution and received an equal 33 1/3 percentage interest in the venture. In December 2020, the Joint Operating Agreement was amended and restated to reflect an additional member. The four members now hold an equal 25% of the membership interest in the Corporation and each received $133,333 from the additional member.

The Community accounts for its interest in the Corporation on the cost method of accounting. At December 31, 2023, the value of the Community's investment in the Corporation was $100 and is reflected on the consolidated balance sheets as investments - other. Pursuant to the operating agreement, the Community received distributions from the Corporation in the amount of $400,000 during the year ended December 31, 2023 and are included in investments - other returns on the consolidated statement of operations and changes in net assets.

Northeast Ohio Home Care

Northeast Ohio Home Care ("Home Care") is an Ohio not-for-profit corporation which provides a full range of in-home services, from house calls and in-home therapy, to skilled home health and wellness promotion within Northeast Ohio. Home Care was formed in March 2022, through a Joint Operating Agreement between the Community and three other not-for-profit healthcare providers. Based on the agreement and consideration, Home Care received initial amounts of $125,000 from other members. Home Care was set up where each of the four members received an equal 25 percentage interest in the venture, which totaled $195,000 and is reflected on the consolidated balance sheets as investments - other. Upon inception, the Organization made an additional $70,000 investment advance to Home Care. At December 31, 2022, the entire amount has been drawn on the working capital advance. Pursuant to the operating agreement, the Organization will receive distributions from Home Care upon surplus cash. At December 31, 2023, no distributions have been made.

Senior Pharmacy Services Ltd.

Senior Pharmacy Services, Ltd. ("SPS") is an Ohio limited corporation which provides pharmacy supplies and services to facilities. The Organization purchased 16.66% of the company in 2019 at an initial investment price of $250,000. The Organization accounts for its interest in SPS on the cost method of accounting. At December 31, 2023, the value of the Organization's investment in the Corporation was $250,000 and is reflected on the consolidated balance sheets as investments - other. Pursuant to the operating agreement, the Organization received distributions from the SPS in the amount of $20,000 during the year ended December 31, 2023 and are included in investments - other returns on the consolidated statement of operations and changes in net assets.

Note 12. Commitments and Contingencies

The Organization is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of the litigation and claims will not have a material adverse effect on the Organization's operations or financial position.

Note 13. Employer Retention Tax Credit

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law by the U.S. Government. The CARES Act created several programs for the benefit of healthcare facilities.

The CARES act created the Employer Retention Tax Credit ("ERTC") for a refundable payroll tax credit. In December 2022, the Community amended its quarterly tax returns for an ERTC for March 2021 and June 2021 totaling $1,833,541. The Community recorded the full amount in non-operating income and it was fully collected in 2023. The Organization was also required to pay a fee of 15% or $275,031, which has been recorded in professional fees expenses on the consolidated statements of functional expenses. Laws and regulations concerning the CARES Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Community's claim to the ERTC, and it is not possible to determine the impact (if any) this would have on the Community.

SUPPLEMENTARY INFORMATION

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2023

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Total
ASSETS				
Cash and equivalents	$ 3,413,281	$ 48,630	$ -	$ 3,461,911
Accounts receivable:				
Resident services, net	486,443	-	-	486,443
Related party	156,361	-	(156,361)	-
Other	35,453	-	-	35,453
Pledges receivable	-	74,425	-	74,425
Inventory	18,708	-	-	18,708
Prepaid expenses	96,083	-	-	96,083
Interest rate swap asset	802,661	-	-	802,661
Investments	25,339,472	301	-	25,339,773
Assets whose use is limited:				
Pledges receivable, net	-	270,070	-	270,070
Investments - endowment	-	4,752,599	-	4,752,599
Investments - gift annuities	-	515,716	-	515,716
Investments - other	539,308	-	-	539,308
	539,308	5,538,385	-	6,077,693
Property and equipment:				
Land and land improvements	6,860,929	-	-	6,860,929
Building and building improvements	81,960,925	-	-	81,960,925
Equipment, furniture and fixtures	9,713,229	-	-	9,713,229
Construction in progress	670,478	-	-	670,478
	99,205,561	-	-	99,205,561
Less accumulated depreciation	35,715,829	-	-	35,715,829
	63,489,732	-	-	63,489,732
Other assets:				
Deposits and other	63,900	-	-	63,900
Operating rights to licensed beds	1,500,000	-	-	1,500,000
	1,563,900	-	-	1,563,900
TOTAL ASSETS	$ 95,941,402	$ 5,661,741	$ (156,361)	$101,446,782

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET

December 31, 2023

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Total
LIABILITIES AND NET ASSETS				
Current portion of long-term debt	$ 1,433,334	$ -	$ -	$ 1,433,334
Current portion of annuity obligations	-	136,820	-	136,820
Accounts payable:				
Trade	809,267	-	-	809,267
Related party	-	156,361	(156,361)	-
Accrued expenses:				
Salary, wages and related liabilities	506,237	-	-	506,237
Compensated absences	267,939	-	-	267,939
Real estate taxes	1,155,709	-	-	1,155,709
Interest	106,219	-	-	106,219
Other	410,806	-	-	410,806
	4,689,511	293,181	(156,361)	4,826,331
Security deposits	2,299,280	-	-	2,299,280
Refundable entrance fees	1,490,367	-	-	1,490,367
Deferred revenue - entrance fees	37,002,246	-	-	37,002,246
Long-term debt, net of unamortized deferred financing costs	26,265,958	-	-	26,265,958
Annuity obligations	-	312,133	-	312,133
Total liabilities	71,747,362	605,314	(156,361)	72,196,315
Net assets:				
Without donor restrictions	24,194,040	3,161,267	-	27,355,307
With donor restrictions	-	1,895,160	-	1,895,160
Total net assets	24,194,040	5,056,427	-	29,250,467
TOTAL LIABILITIES AND NET ASSETS	$ 95,941,402	$ 5,661,741	$ (156,361)	$101,446,782

LAUREL LAKE RETIREMENT COMMUNITY, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year Ended December 31, 2023

	Laurel Lake Retirement Community, Inc.	Laurel Lake Retirement Community Foundation, Inc.	Eliminations	Total
REVENUES				
Resident services, net of contractual allowances and discounts	$ 18,987,909	$ -	$ -	$ 18,987,909
Provision for credit losses	(64,964)	-	-	(64,964)
Amortization of deferred member entry fee	5,265,278	-	-	5,265,278
Net other operating revenue	826,872	-	-	826,872
Investments - other returns	596,733	-	-	596,733
Net resident service revenue	25,611,828	-	-	25,611,828
Contributions	616,271	278,172	(166,986)	727,457
	26,228,099	278,172	(166,986)	26,339,285
OPERATING EXPENSES				
Program	22,848,815	175,137	(166,986)	22,856,966
Management and general	3,098,376	31,257	-	3,129,633
Fundraising	107,567	62,135	-	169,702
Total operating expenses	26,054,758	268,529	(166,986)	26,156,301
INCOME FROM OPERATIONS	173,341	9,643	-	182,984
NONOPERATING INCOME AND (EXPENSES)				
Employer Retention Tax Credit	1,558,510	-	-	1,558,510
Miscellaneous	383,797	-	-	383,797
Investment/interest income	256	77,142	-	77,398
Interest rate swap - mark-to-market	(329,493)	-	-	(329,493)
Net realized and unrealized gain on investments	2,422,801	374,827	-	2,797,628
Total nonoperating income and (expenses)	4,035,871	451,969	-	4,487,840
CHANGE IN NET ASSETS	4,209,212	461,612	-	4,670,824
NET ASSETS – BEGINNING OF YEAR	19,984,828	4,594,815	-	24,579,643
NET ASSETS – END OF YEAR	$ 24,194,040	$ 5,056,427	$ -	$ 29,250,467