ALBRIGHT CARE SERVICES AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Albright Care Services and Subsidiary
Lewisburg, Pennsylvania

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Albright Care Services and Subsidiary, which comprise the balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Albright Care Services and Subsidiary as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Albright Care Services and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the 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 Albright Care Services 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 Albright Care Services 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.

Board of Trustees
Albright Care Services and Subsidiary

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of operations 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 20, 2022

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,001,660	$ 8,346,227
Investments	14,632,735	-
Accounts Receivable, Net of Allowance for Doubtful Accounts of $864,852 and $615,971 at December 31, 2021 and 2020, Respectively	3,381,481	2,834,533
Other Receivables and Prepaid Expenses	1,829,266	1,203,264
Total Current Assets	21,845,142	12,384,024
Property and Equipment, Net	56,308,537	55,690,675
Right-Of-Use Assets - Operating Leases	5,930,146	6,759,846
Investments Restricted By Donors	5,505,730	4,858,922
Investments Held Under Bond Indenture	555,778	508,635
Deposits and Other Assets	415,356	359,913
Statutory Reserves	2,171,300	1,947,901
Investments Restricted By Board	36,789	12,815,844
Funds Held In Trust	4,773,586	4,453,228
Beneficial Interest in Net Assets of Foundation	661,179	-
Total Assets	$ 98,203,543	$ 99,778,988
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 886,149	$ 3,790,235
Accrued Compensation and Related Items	1,443,920	2,026,696
Accrued Interest Payable	50,013	51,502
Obligation Under Deferred-Giving Arrangements	46,472	316,733
Deposits From Prospective Residents and Other Deposits	565,002	397,100
Entrance Fees - Refundable	779,190	388,509
Deferred Revenue	468,004	188,017
Current Portion of Lease Liabilities - Operating Leases	947,833	812,902
Current Maturities of Long-Term Debt	1,477,821	7,554,925
Total Current Liabilities	6,664,404	15,526,619
Due to ACOMM, Net	7,920,100	-
Long-Term Lease Liabilities - Operating Leases	4,982,313	5,946,944
Long-Term Debt, Net of Current	22,611,331	24,040,230
Contingent Refundable Entrance Fee Liability	5,031,540	5,150,992
Entrance Fees - Deferred Revenue	20,570,241	20,235,010
Reserve for LIFE Program	2,958,960	2,536,027
Obligation Under Deferred-Giving Arrangements	213,184	-
Valuation of Derivative Instruments	524,667	1,007,715
Total Liabilities	71,476,740	74,443,537
NET ASSETS		
Without Donor Restrictions	17,017,337	16,966,180
With Donor Restrictions	9,709,466	8,369,271
Total Net Assets	26,726,803	25,335,451
Total Liabilities and Net Assets	$ 98,203,543	$ 99,778,988

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUE, GAINS, AND OTHER SUPPORT		
Net Resident and Client Services Revenue	$ 49,550,889	$ 50,604,695
Other Operating Revenue	7,025,384	4,547,060
Amortization of Entrance Fees	3,655,704	3,301,312
Interest and Dividend Income, Net	263,287	229,165
Net Realized Gains on Investments	3,166,979	403,930
Contributions	342,899	370,508
Net Assets Released from Restrictions Used for Operations	23,949	273,778
Allocations from Asbury Foundation, Inc.	68,840	-
Total Revenues, Gains, and Other Support	64,097,931	59,730,448
EXPENSES		
Salaries	19,499,238	21,021,216
Employee Benefits	5,369,688	4,812,465
Contract Labor	6,455,896	5,502,900
Food Purchases	1,224,489	1,282,742
Medical Supplies and Other Resident Costs	15,076,361	14,315,406
General and Administrative	1,409,717	1,545,631
Building and Maintenance	6,075,699	5,900,744
Professional Fees and Property Insurance	639,355	558,237
Interest	843,610	931,701
Taxes	246,497	214,577
Provision for Bad Debts	557,116	362,851
Depreciation and Amortization	4,335,148	3,937,089
Management Fee and Other Fees	3,924,219	1,645,724
Overhead Allocation	(3,176)	-
Total Expenses	65,653,857	62,031,283
LOSS FROM OPERATIONS PRIOR TO GAIN ON DISPOSAL OF ASSETS, UNREALIZED GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS, AND NET UNREALIZED GAIN (LOSS) ON INVESTMENTS	(1,555,926)	(2,300,835)
Gain on Disposal of Assets	-	4,859
Unrealized Gain (Loss) on Derivative Financial Instruments	483,048	(367,851)
Net Unrealized Gain (Loss) on Investments	(867,953)	2,279,516
Total Nonoperating Income (Loss)	(384,905)	1,916,524
LOSS FROM OPERATIONS	$ (1,940,831)	$ (384,311)

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Loss from Operations	$ (1,940,831)	$ (384,311)
Change in Value of Deferred-Giving Arrangements	(15,939)	(56,444)
Transfer of Capital	2,000,000	-
Net Assets Released from Restrictions		
Used for Purchase of Capital Items	7,927	-
Net Increase (Decrease) in Net Assets Without Donor Restrictions	51,157	(440,755)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	78,207	44,337
Investment Income, Net	640,529	457,455
Change in Value of Deferred-Giving Arrangements	(7,844)	(43,569)
Change in Beneficial Interest in Net Assets of Foundation	661,179	-
Net Assets Released from Restrictions		
Used for Operations	(23,949)	(273,778)
Net Assets Released from Restrictions		
Used for Purchase of Capital Items	(7,927)	-
Net Increase in Net Assets With Donor Restrictions	1,340,195	184,445
CHANGE IN NET ASSETS	1,391,352	(256,310)
Net Assets - Beginning of Year	25,335,451	25,591,761
NET ASSETS - END OF YEAR	$ 26,726,803	$ 25,335,451

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,391,352	$ (256,310)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Provision for Bad Debts	557,116	362,851
Depreciation	4,335,148	3,937,089
Amortization of Deferred Financing Costs	48,923	48,923
Gain on Disposal of Assets	-	(4,859)
Net Proceeds from Nonrefundable Entrance and Advance Fees	4,270,555	5,754,127
Amortization of Entrance Fees	(3,655,704)	(3,301,312)
Unrealized Gain on Investments with Donor Restrictions	(640,529)	(457,455)
Net Unrealized (Gain) Loss on Investments without Donor Restrictions	867,953	(2,279,516)
Unrealized (Gains) Losses on Change in Market Value of Derivative Instruments	(483,048)	367,851
Changes in Value of Deferred-Giving Arrangements	23,783	(100,013)
Change in Funds Held In Trust	(320,358)	(960,383)
Change in Beneficial Interest in Net Assets of Foundation	(661,179)	-
Transfer from ACOMM	(2,000,000)	-
Forgiveness of Paycheck Protection Program Loan	(4,138,000)	-
Restricted Contributions Received	(78,207)	(44,337)
Changes in Assets and Liabilities:		
Accounts Receivable	(1,104,064)	83,095
Pledges Receivable, Net	-	15,930
Other Receivables and Prepaid Expenses	(261,961)	(16,926)
Deferred Revenue	275,200	732,291
Deferred Entrance Fees	(418,700)	-
Accounts Payable and Accrued Expenses	(3,063,929)	(184,723)
Accrued Interest Payable	(1,489)	(20,782)
Net Cash Provided (Used) by Operating Activities	(5,057,138)	3,675,541
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchases) of Investments, Net	(2,727,912)	510,168
Purchase of Property and Equipment, Net	(4,953,010)	(4,883,889)
Net Cash Used by Investing Activities	(7,680,922)	(4,373,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	1,123,448	-
Refunds from Entrance and Advance Refundable Fees and Refundable Deposits	(959,150)	(1,992,928)
Paycheck Protection Program Loan Proceeds	-	4,138,000
Proceeds from Affiliation Loan	-	2,000,000
Payments on Long-Term Debt	(1,416,926)	(1,355,608)
Net Cash Distributed for Deferred-Giving Arrangements	(80,860)	155,967
Restricted Contributions	78,207	44,337
Change in Due to ACOMM, Net	7,920,100	-
Net Cash Provided by Financing Activities	6,664,819	2,989,768
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(6,073,241)	2,291,588
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	10,845,030	8,553,442
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 4,771,789	$ 10,845,030
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 796,176	$ 2,665,275

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Albright Care Services

Albright Care Services (Albright) is a nonprofit corporation that operates continuing care retirement communities in Lewisburg and York, Pennsylvania, providing housing, healthcare, and other related services to elderly residents through the operation of nursing facilities, personal care facilities, and residential living units. Albright also operates the Slifer House Museum located on its Lewisburg campus and a home office and Albright Living Independence for Elderly (LIFE) Programs located in Lebanon, Lancaster, Lycoming, and Chester, Pennsylvania.

Warrior Run Manor, Inc.

Warrior Run Manor Inc. (Warrior Run) is a nonprofit corporation that operates a 76-unit rental housing project for the elderly located in Watsontown, Pennsylvania (the Project). The Project is operated under Section 202 and 207 pursuant to Section 223(f) of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. Under this program, the Project was provided with a HUD-insured loan to refinance the Project's existing indebtedness. The Project is also subject to Section 8 Housing Assistance Payments agreements with HUD, and a significant portion of the Project's rental income is received from HUD. The housing assistance payments recognized under this contract during the years ended December 31, 2021 and 2020 were $529,867 and $514,922, respectively. The Project's major programs are its Section 207 pursuant to Section 223(f) insured loan and its Section 8 rent subsidy.

Warrior Run is a controlled entity of Albright due to Albright appointing a majority of the Warrior Run's Board of Director. Albright serves as the supporting organization of the Warrior Run.

Asbury Affiliation

On January 1, 2020, Albright and Warrior Run became affiliates of Asbury Communities, Inc. (ACOMM), by ACOMM serving as the supporting organization for Albright and Warrior Run. ACOMM was organized on August 1, 1994, as a Maryland nonprofit organization to provide executive and comprehensive administrative functions, as well as policy and overall planning guidance, to its supported organizations. A management services agreement was signed between the two under which ACOMM agrees to provide services to create efficiencies and a level of resources that might not be obtained otherwise. Albright maintains its ability to maintain licensures, make changes to scope of services, and expend funds. Day-to-day operations are still the responsibility of Albright. The initial term of the management services agreement commenced January 1, 2020 and terminated December 31, 2020. If notice of intent to terminate is not given by either party no less than sixty days prior to December 31, the agreement automatically renews for another 12 months and may be renewed for up to four more successive one-year periods. As notice of intent to terminate had not been given by either party no less than sixty days prior to December 31, 2021, the agreement automatically renewed for another 12 months through December 31, 2022. Due to the affiliation, a fair value analysis was completed that resulted in property and equipment being reduced by $5,475,708. This adjustment was recorded in beginning of year net assets for the year 2020.

NOTE 1 ORGANIZATION (CONTINUED)

Asbury Affiliation (Continued)

As it relates to Albright and Warrior Run, the affiliation is intended to increase and enhance the lifestyle and health care options of those who reside at Albright and Warrior Run now and in the future.

ACOMM serves as the supporting organization of Asbury Atlantic; Asbury, Inc. (Asbury Place) and Affiliate; Asbury Communities HCBS, Inc. (HCBS); and Albright Care Services and Subsidiary (Albright) (effective January 1, 2020). Asbury Atlantic has operating affiliates compromised of Asbury Methodist Village (AMV), Asbury Solomons (AS), Bethany Village (BV), and Springhill (SH). ACOMM is the sole voting stockholder of The Asbury Group, Inc. (TAG). Additionally, ACOMM is the sole member of Asbury Foundation, Inc. (AFOUND).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Albright Care Services and Warrior Run Manor, Inc. (collectively, the Organization). All significant intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

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

Cash, Cash Equivalents, and Restricted Cash

Cash and cash equivalents include amounts held in checking and savings accounts, money market accounts, and short-term certificates of deposit with original maturities of 90 days or less. Cash balances are principally uninsured and subject to normal credit risks. Cash and cash equivalents within funds identified as investments held under bond indenture and statutory reserves are considered restricted in nature.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents, and Restricted Cash (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows at December 31:

	2021	2020
Cash and Cash Equivalents	$ 2,001,660	$ 8,346,227
Statutory Reserves	2,171,300	1,947,901
Other Receivables and Prepaids:		
Restricted Mortgage Escrows	43,051	42,267
Investments Held Under Bond Indenture:		
Replacement Reserve	220,519	187,559
Residual Receipts	335,259	321,076
Total	$ 4,771,789	$ 10,845,030

Accounts Receivable

The Organization’s policy is to write off all resident accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for accounts not yet written off, which are estimated to become uncollectible in future periods.

Under Medicare and Medicaid reimbursement and other third-party agreements, amounts collected for services to patients under these agreements are computed at contractually agreed-upon rates. Accounts receivable have been adjusted to reflect the difference between charges and the reimbursable amounts under these third-party contracts. Revenues from Medicare and Medicaid programs and other third-party agreements accounted for approximately 67% and 70% of total net resident and client services revenues for the years ended December 31, 2021 and 2020, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out basis. Net realizable value is the value of an asset that can be realized upon the sale of the asset, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question. Inventories of $509,474 and $509,336 are included in other receivables and prepaid expenses on the consolidated balance sheets at December 31, 2021 and 2020, respectively.

Investments and Investment Income

Investments are comprised of equity securities or equity mutual funds, bonds or bond mutual funds and cash. The related unrealized gains or losses are recorded above loss from operations. The investments are managed by an investment advisor.

The Organization’s investments are comprised of a variety of financial instruments and certain investments are managed by investment advisors. The fair values reported on the consolidated balance sheet are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

If market quotations are not readily available for a security or if subsequent events suggest that a market quotation is not reliable, the funds will use the security's fair value, using consistently applied procedures established by and under the general supervision of the funds' manager. This generally means that securities listed and traded principally on any national securities exchange are valued on the basis of the last sale price or, lacking any sales, at the closing bid price, on the primary exchange on which the security is traded. The funds' manager may involve subjective judgments as to the fair value of securities. The use of fair value pricing by the funds may cause the net asset value of fund units to differ significantly from the net asset value that would be calculated using current market values.

Accordingly, valuations do not necessarily represent the amounts that might be realized from sales or other dispositions of investments, nor do they reflect taxes or other expenses that might be incurred upon disposition. Mortgage loans held by the underlying funds have been valued on the basis of principal and interest payment terms discounted at currently prevailing interest rates for similar investments. Because of the inherent uncertainty of valuations of the investments held by the underlying funds, their estimated values may differ significantly from the values that would have been used had a ready market for these investments existed, and the differences could be material.

The portion of investments that is available to fund current operating activities is included in current assets in the accompanying consolidated balance sheets. Donated investments are reported at their fair values at date of receipt.

Investment income or loss from equity securities, mutual funds, and bonds includes interest and dividends, net of investment management fees; realized gains and losses on investments, unrealized gains and losses on investments; and any provision for other-than-temporary impairment of investments and are included in loss from operations. Investment income or loss is included in loss from operations unless restricted by donor or law.

The Organization periodically evaluates whether any declines in the fair values of investments are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, the near-term prospects for recovery of the market value of a security and the intent and ability of the Organization to hold the security until the market value recovers. Declines in fair value below cost that are deemed to be other-than-temporary are recorded as realized losses in the accompanying consolidated statements of operations and changes in net assets.

The investment policy of the Organization provides a balance of long-term growth and preservation of capital of the assets while managing a core segment of assets in a manner specifically designed to meet the ongoing capital requirements of the Organization and other requirements specified under the terms of its financing agreements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on an investment strategy that allocates its investments among a number of asset classes. These asset classes may include: domestic equity, domestic fixed income, international equity, cash equivalents, and other alternative strategies and products. The purpose of allocating among asset classes is to ensure the proper level of diversification to achieve the portfolio's investment objectives. The Organization believes that this investment strategy meets the Organization's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle. In order to ensure that the Organization continues to meet its objectives, the Organization has established rebalancing guidelines and established mechanisms for ongoing monitoring of performance and risk.

Derivatives Policy

The Organization manages some of its exposure to interest rate volatility through use of interest rate swap contracts. These contracts qualify as derivative financial instruments. The book values of the derivative instruments are adjusted to their estimated fair values at each balance sheet date. The Organization has determined that, for continuing operations, the Organization's derivatives do not meet the criteria for hedge accounting and, therefore, the change in fair value of all of the derivative instruments are included within the Organization's performance indicator, income (loss) from operations.

Investments Restricted by the Board

Investments restricted by the board include assets designated by the Organization's Board of Trustees for future capital improvements and benevolent care. The board retains control of these assets and may, at its discretion, subsequently use them for other board-designated purposes.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating lease and lease liability – operating leases, and finance leases are included in right-of-use (ROU) assets-financing and lease liability – financing, if any, in the consolidated balance sheets.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of the gift. Improvements that materially extend the useful lives of the assets are capitalized. General repairs and maintenance costs are expensed as incurred. The Organization capitalizes all expenditures for property and equipment costing $1,000 or more and having useful lives greater than two years.

Interest costs incurred on borrowed funds and amortization of deferred financing costs during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset’s carrying value over its estimated fair value. No impairment loss was recognized during 2021 or 2020.

Advertising Expenses

The cost of advertising is expensed when incurred and included within the general and administrative financial statement line item within the consolidated statements of operations. Advertising expense was $90,602 and $153,409 for the years ended December 31, 2021 and 2020, respectively.

Deposits from Prospective Residents

Deposits from prospective residents are refundable until such time as the prospective resident executes a residency agreement and pays the balance of the entrance fee. Interest earned on these deposits belongs to the Organization.

Donated Collections

The Organization’s collections include art and other items of historical significance and are maintained in the Slifer House Museum. The collections, which were acquired through contributions, were recognized at fair value based upon an appraisal. Gains or losses from deaccessions of these items are reported on the accompanying consolidated statements of changes in net assets in the net assets with donor restrictions. Donated collections of $528,035 are included in property and equipment, net in the consolidated balance sheets for both the years ended December 31, 2021 and 2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held In Trust

The Organization has received as contributions various types of split-interest obligations, including perpetual trusts. Under the perpetual trust agreements, the Organization has recorded the asset and recognized permanently restricted contribution revenue at the fair market value of their beneficial interest in the trust assets. Income earned on the trust assets and distributed to the Organization is recorded as investment income on the consolidated statements of operations, unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gain (loss) in beneficial interest in perpetual trusts in the net asset class based on donor intent.

Obligations Under Deferred-Giving Arrangements

Under the charitable gift annuity agreements, the Organization has recorded the assets at fair value and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by the Organization to such individuals. The amount of the contribution is the difference between the asset and the liability and is recorded as net assets without donor restrictions or net assets with donor restrictions. Subsequent changes in the split-interest obligations are recorded as a change in value of split-interest agreements in the net assets without donor restrictions and net assets with donor restrictions.

Beneficial Interest in Net Assets of Foundation

The Organization records an interest in the net assets of Asbury Foundation, Inc. resulting from contributions with and without donor restrictions that are solicited and held by Asbury Foundation, Inc. to be used primarily for the benefit of the Organization.

Continuing Care Contracts

The Organization offers continuing care contracts to its residents. These contracts include residential facilities, meals, and other amenities, as well as priority access to health care services.

The Organization periodically reviews the present value of the net cost of future services and use of facilities to be provided to current residents under continuing care contracts and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to income.

As a result of this calculation, the present value of the net cost of future services and use of facilities did not exceed deferred revenue from resident entrance fees; accordingly, no obligation was recorded for the years ended December 31, 2021 and 2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue

Resident and client services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving skilled nursing services or residents receiving services in the facility. The Organization measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents. The Organization does not believe it is required to provide additional goods or services related to that sale.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s policy and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Under entrance fee plans for residential living cottage units and for the residential living apartment units on Albright’s Lewisburg and York campuses, the Organization received payments in advance. Residents have two entrance plan options available, one “refundable” option, and a “nonrefundable” option. The refundable option has a guaranteed refund component, which is 50% of the entrance fee paid, and the balance, if any, was previously refundable on a decreasing basis for five years. Previously, the Organization offered seven and ten-year declining refund options. Additionally, 90% and 100% refundable options were previously offered for certain units. The entrance fee paid under the nonrefundable option has no guaranteed refund component and is refundable on a decreasing basis for five years; after 60 months of occupancy, no refund is due or payable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

The guaranteed refund component of entrance fees received is not amortized into income and is classified as refundable fees and deposits on the accompanying consolidated balance sheets. The balance of advance fees received after being contractually earned by the Organization is amortized into income using the straight-line method over the estimated remaining life expectancies of the residents and is classified as deferred revenue from advance fees on the accompanying consolidated balance sheets. The period of amortization is adjusted annually based on the actuarially determined remaining life expectancies of the residents.

The gross amount of refund obligations is summarized below and are categorized as refundable entrance fees and standard entrance fees. All refunds are paid after the residential living unit vacated has been re-occupied by a new resident or within one year of the date on which the refund became due, whichever shall occur first.

A summary of net entrance fees is as follows at December 31:

	2021	2020
Entrance Fees - Refundable	$ 779,190	$ 388,509
Contingent Refundable Entrance Fees	5,031,540	5,150,992
Entrance Fees - Deferred Revenue:		
50% to 100% Refundable Contracts	1,259,866	942,179
Standard Entrance Fee Option Contracts:		
Five Year Contracts	16,311,006	11,880,948
Seven Year Contracts	2,953,890	7,398,211
Ten Year Contracts	6,507	13,672
Nonrefundable Contracts	38,972	-
Total Entrance Fees - Deferred Revenue	20,570,241	20,235,010
Total Entrance Fees	$ 26,380,971	$ 25,774,511

Personal care and nursing services provided to Albright’s residential living residents are paid for on a “fee-for-service” basis and are not included under the entrance fee plans.

The Organization has an agreement with third-party payors that provide for reimbursement to the Organization at amounts different from its established rates. Explicit price concessions under third-party reimbursement programs represent the difference between the Organization’s billings at established rates for services and amounts reimbursed by third-party payors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

A composition of resident and client services revenue by primary payor for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Medicaid	$ 16,193,326	$ 14,757,335
Medicare	15,446,209	18,037,184
Managed Care	1,794,798	2,468,750
Private Pay	16,116,556	15,341,426
Total Resident Services Revenue	$ 49,550,889	$ 50,604,695

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident and client services revenue based on its service lines, method of reimbursement, and timing of revenue recognition are as follows at December 31:

	2021					
	Riverwoods	Normandie Ridge	LIFE Program	Pharmacy	Other	Total
Service Lines:						
Skilled Nursing Facility	$ 11,721,814	$ 7,469,007	$ -	$ -	$ -	$ 19,190,821
Assisted Living	1,695,347	2,176,746	-	-	-	3,872,093
Independent Living	2,082,974	2,499,295	-	-	-	4,582,269
Home Health	-	-	-	-	54,398	54,398
Life Program	-	-	19,623,643	-	-	19,623,643
Pharmacy	-	-	-	2,044,885	-	2,044,885
Retail Sales	42,271	47,317	-	-	93,192	182,780
Total	$ 15,542,406	$ 12,192,365	$ 19,623,643	$ 2,044,885	$ 147,590	$ 49,550,889
Method of Reimbursement:						
Fee for Services	$ 15,500,135	$ 12,145,048	$ 19,623,643	$ 2,044,885	$ 54,398	$ 49,368,109
Retail Sales	42,271	47,317	-	-	93,192	182,780
Total	$ 15,542,406	$ 12,192,365	$ 19,623,643	$ 2,044,885	$ 147,590	$ 49,550,889
Timing of Revenue and Recognition:						
Health Care Services Transferred Over Time	$ 15,500,135	$ 12,145,048	$ 19,623,643	$ 2,044,885	$ 54,398	$ 49,368,109
Sales at Point in Time	42,271	47,317	-	-	93,192	182,780
Total	$ 15,542,406	$ 12,192,365	$ 19,623,643	$ 2,044,885	$ 147,590	$ 49,550,889

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

	2020					
	Riverwoods	Normandie Ridge	LIFE Program	Pharmacy	Other	Total
Service Lines:						
Skilled Nursing Facility	$ 12,278,072	$ 6,882,090	$ -	$ -	$ -	$ 19,160,162
Assisted Living	1,789,908	2,049,190	-	-	-	3,839,098
Independent Living	2,103,484	2,305,887	-	-	-	4,409,371
Life Program	-	-	21,416,912	-	-	21,416,912
Pharmacy	-	-	-	1,503,934	-	1,503,934
Retail Sales	110,273	164,945	-	-	-	275,218
Total	$ 16,281,737	$ 11,402,112	$ 21,416,912	$ 1,503,934	$ -	$ 50,604,695
Method of Reimbursement:						
Fee for Services	$ 16,171,464	$ 11,237,167	$ 21,416,912	$ 1,503,934	$ -	$ 50,329,477
Retail Sales	110,273	164,945	-	-	-	275,218
Total	$ 16,281,737	$ 11,402,112	$ 21,416,912	$ 1,503,934	$ -	$ 50,604,695
Timing of Revenue and Recognition:						
Health Care Services Transferred Over Time	$ 16,171,464	$ 11,237,167	$ 21,416,912	$ 1,503,934	$ -	$ 50,329,477
Sales at Point in Time	110,273	164,945	-	-	-	275,218
Total	$ 16,281,737	$ 11,402,112	$ 21,416,912	$ 1,503,934	$ -	$ 50,604,695

Contract Costs

The Organization has applied the practical expedient provided by Financial Accounting Standards Board (FASB) Accounting Standards Codification 340-40-25-4 and all incremental resident contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Charity Care

The Organization’s policy is to track those expenses for residents in its facilities who cannot pay for all or a portion of their care and to define these expenses as charity care. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reflected as revenue in the accompanying consolidated financial statements. Charity care provided to residents for the years ended December 31, 2021 and 2020 was $387,389 and $649,597, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages

During the years ended December 31, 2021 and 2020, the occupancy percentages and the percentages of Skilled Nursing Center (SNF) residents covered under the Medicaid program, Medicare program, and private pay and other were as follows:

	2021		2020	
	Normandie Ridge	Riverwoods	Normandie Ridge	Riverwoods
Total Skilled Nursing Center Occupancy	87%	69%	85%	76%
Medicaid	46%	59%	58%	67%
Medicare	28%	17%	17%	8%
Private Pay and Other	26%	24%	25%	25%

Provider Relief Funds

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its operations for the years ended December 31, 2021 and 2020 and financial results including but not limited to, personal protective equipment costs, additional costs for emergency preparedness, disease control and containment, additional testing, shortages of health care and other personnel, and loss of revenue due to reductions in certain revenue streams. Management believes the Organization continues to take appropriate actions to mitigate the negative impact of this pandemic.

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Organization for the years ended December 31, 2021 and 2020 was $2,209,373 and $3,047,681, respectively. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2021 and 2020, the Organization recognized $1,829,414 and $3,047,681, respectively, as other operating revenue in the consolidated statements of operations. At December 31, 2021 and 2020, the Organization recognized $379,959 and $-0-, respectively, as deferred revenue in the consolidated balance sheets. The Organization believes the amounts have been recognized appropriately as of December 31, 2021 and 2020.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with contribution-donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net deficit as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated statements of operations and changes in net deficit. Net assets with donor restrictions that are permanent in nature represent donor-restricted endowments to be held in perpetuity.

Net Assets and Endowment Funds

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

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has adopted an enacted version of the *Uniform Prudent Management of Institutional Funds Act*, which requires enhanced disclosures for all endowment funds. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Income (Loss) from Operations

The accompanying consolidated statements of operations include income (loss) from operations, which is the Organization's performance indicator. Changes in net assets (deficit) without donor restrictions, which are excluded from the income (loss) from operations, consistent with industry practice, include changes in value of deferred-giving arrangements, net assets released from restrictions for capital items, and transfers from ACOMM.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Organization members are each exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes is required as there are no unrelated trades or businesses.

The Organization has implemented processes to ensure compliance with the Internal Revenue Service's intermediate sanctions provisions for all its supported organizations, including the Organization. This includes an independent review by the board's compensation committee of all compensation arrangements with disqualified persons and outside compensation consultants to provide independent third-party review and advisement, and the implementation of a detailed conflict-of-interest policy and annual disclosure process for all disqualified persons. The compensation committee also hires outside counsel to advise the Organization on compliance.

The tax benefit from an uncertain tax position must be recognized only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Organization's reassessment of its tax positions did not have a material impact on the Organization's results of operations or financial position.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

The Organization primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization is able to classify fair value balances based on the observability of those inputs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The Organization's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Also, the time between inception and performance of the contract may affect the fair value. The determination of fair value may, therefore, affect the timing of recognition of revenues and net income.

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write down of individual assets. The Organization has determined that there would be no impact to the accompanying consolidated financial statements as a result of the application of this standard. Nonfinancial assets measured at fair value on a nonrecurring basis would include nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, other real estate owned, and other intangible assets measured at fair value for impairment assessment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The Organization also adopted the policy of valuing certain financial instruments at fair value. This accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent Events

In preparing these consolidated financial statements, the Organization evaluated events that occurred through April 20, 2022, the date the consolidated financial statements were issued, for potential recognition or disclosure.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2021 and 2020, the Organization has working capital (deficit) of $15,180,738 and ($5,678,621), respectively. The Organization has $2,500,000 available under its line of credit (Note 10).

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, consist of the following as of December 31, 2021 and 2020:

	2021	2020
Cash and Cash Equivalents	$ 2,001,660	$ 8,346,227
Investments	14,632,735	-
Accounts Receivable, Net	3,381,481	2,834,533
Other Receivables	1,829,266	1,203,264
Investments Held Under Bond Indenture	555,778	508,635
Total	$ 22,400,920	$ 12,892,659

The Organization has certain investments which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Organization has other assets limited to use such as statutory liquid reserves. These assets limited to use, which are more fully described in Note 6 are not available for general expenditure within the next year and are not reflected in the amounts above.

NOTE 4 REGULATORY ENVIRONMENT

Medicare and Medicaid

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegation of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Medicare Reimbursement

The Balanced Budget Act of 1997 modified how payment is made for Medicare skilled nursing facility (SNF) services. SNFs are reimbursed on the basis of a prospective payment system (PPS). The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing SNF covered services (routine, ancillary, and capital related costs). Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. The Centers for Medicare and Medicaid Services (CMS) recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident’s length of stay.

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Medicaid Reimbursement

The Commonwealth of Pennsylvania pays nursing facilities a prospective daily rate for Medicaid residents. The daily rate is set annually based on data in the three most recently filed cost reports. The rate consists of three net operating components (resident care, other resident related, and administrative) and one capital component. The net operating components are based upon the facilities’ actual net operating costs per day and limited by peer group ceilings. Resident care operating costs are adjusted to reflect the acuity level of the facility’s residents through a case-mix index. The case-mix index is measured quarterly, and the annual rate is adjusted for any changes on a quarterly basis.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Medicare and Medicaid (Continued)

Medicaid Reimbursement (Continued)

The Commonwealth of Pennsylvania updates payment rates to nursing homes on July 1 of each year. The rates are scheduled to be updated each quarter for the most recent case-mix index for a facility's Pennsylvania Medicaid residents and rebased annually on July 1 of each year. The Organization has utilized actual rates in the preparation of the consolidated financial statements. The capital component is based upon the facilities' fair rental value. Typically, the daily rate paid to the nursing facility is considered payment in full with no end-of-year settlements.

Other

The Organization participates in a system-wide Voluntary Compliance Program instituted by ACOMM. This program is based on the elements of an effective program identified by the Office of Inspector General of the Department of Health and Human Services. The program includes a dedicated compliance officer, board oversight, written policies and procedures, a code of conduct, continuous education, periodic auditing, and an associate hotline.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2021 or 2020.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident and client services revenue in the period of the change.

Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended December 31, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements

On a calendar year basis, the Organization is required by the Continuing Care Provider Registrations and Disclosure Act of 1984 to maintain a working capital reserve equivalent to the greater of the total of debt service payments due during the next 12 months on account of any loans or 10% of the projected annual operating expenses, exclusive of depreciation and amortization, computed only on the proportional share of financing or operating expenses that is applicable to residents of Normandie Ridge under continuing care agreements.

The statutory minimum liquid reserve requirement as of December 31, 2021 and 2020 is $1,040,321 and $934,470, respectively, and is based on 10% of the projected annual operating expenses exclusive of depreciation and amortization. The statutory minimum liquid reserve requirement as of December 31, 2021 and 2020 for Normandie Ridge is as follows:

	2021	2020
Projected Annual Interest Expense	$ 425,132	$ 444,419
Principal Payments Due on Long-Term Debt	669,135	699,333
Liquid Reserve Requirement	1,094,267	1,143,752
Projected Annual Operating Expenses	14,436,878	13,218,145
Minimum Rate	10%	10%
Liquid Reserve Requirement	1,443,688	1,321,815
Maximum Liquid Reserve Requirement	1,443,688	1,321,815
Approximate Percentage of Continuing Care Clients	72%	71%
Statutory Minimum Liquid Reserve	$ 1,040,321	$ 934,470

NOTE 4 REGULATORY ENVIRONMENT (CONTINUED)

Pennsylvania Department of Insurance Reserve Requirements

Riverwoods must adhere to the same reserve requirements. The statutory minimum liquid reserve requirement as of December 31, 2021 and 2020 is $1,130,979 and $1,013,431, respectively, and is based on 10% of the projected annual operating expenses exclusive of depreciation and amortization. The statutory minimum liquid reserve requirement as of December 31, 2021 and 2020 for Riverwoods is as follows:

	2021	2020
Projected Annual Interest Expense	$ 393,372	$ 410,974
Principal Payments Due on Long-Term Debt	735,131	646,705
Liquid Reserve Requirement	1,128,503	1,057,679
Projected Annual Operating Expenses	21,468,848	19,602,870
Minimum Rate	10%	10%
Liquid Reserve Requirement	2,146,885	1,960,287
Maximum Liquid Reserve Requirement	2,146,885	1,960,287
Approximate Percentage of Continuing Care Clients	53%	52%
Statutory Minimum Liquid Reserve	$ 1,130,979	$ 1,013,431

The Organization receives deposits for independent living units prior to a resident taking occupancy of that unit. The Organization is required to maintain certain deposits in escrow which is assets whose use is limited, an interest-bearing account, on the consolidated balance sheets.

NOTE 5 CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to its residents, some of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2021 and 2020 is as follows:

	2021	2020
Private Pay	40 %	40 %
Medicaid	30	4
Medicare	20	21
Other (Primarily Managed Care and Insurance)	10	35
Total	100 %	100 %

NOTE 6 INVESTMENTS

The investment portfolios, including assets whose use is limited and investments restricted by the board at fair value, consisted of the following as of December 31, 2021 and 2020:

	2021	2020
Investments:		
Cash and Short-Term Investments	$ 1,279,034	$ -
Fixed Income Mutual Funds	4,489,949	-
Equity Mutual Funds	8,863,752	-
Total Investments	$ 14,632,735	$ -
Investments Restricted by Donors:		
Cash and Short-Term Investments	$ 249,949	$ 118,733
Fixed Income Mutual Funds	1,785,391	1,502,785
Equity Mutual Funds	3,429,283	3,164,843
Other	41,107	72,561
Total Investments Restricted by Donors	$ 5,505,730	$ 4,858,922
Statutory Reserves:		
Cash and Short-Term Investments	$ 2,171,300	$ 1,947,901
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	$ 555,778	$ 508,635
Investments Restricted by Board:		
Cash and Short-Term Investments	$ 36,789	$ 313,170
Fixed Income Mutual Funds	-	3,963,729
Equity Mutual Funds	-	8,347,559
Other	-	191,386
Total Investments Restricted by Board	$ 36,789	$ 12,815,844

The total return on investments without donor restrictions, along with investments classified as assets whose use is limited and investments restricted by the board, including the change in the market value of derivative instruments, generated net investment income, excluding capitalized interest income, is as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Included within the Performance Indicator:		
Interest and Dividend Income, Net	$ 263,287	$ 229,165
Net Realized Gain on Investments	3,166,979	403,930
Unrealized Gain (Loss) on Derivative Financial Instruments	483,048	(367,851)
Total	3,913,314	265,244
Included in Other Changes in Net Assets:		
Net Unrealized Gain on Investments	(867,953)	2,279,516
Total	$ 3,045,361	$ 2,544,760

NOTE 6 INVESTMENTS (CONTINUED)

Interest and dividend income is presented net of capitalized interest income related to construction projects.

The Organization engages professionals to manage its investment portfolio within guidelines of ACOMM's board-approved investment policy. Management periodically reviews its investment portfolio and evaluates whether declines in the fair value of securities should be considered other than temporary. Factored into this evaluation are the general market conditions, the issuer's financial condition and near term prospects, conditions in the issuer's industry, the recommendation of advisors, and the length of time and extent to which the market value has been less than cost. During the years ended December 31, 2021 and 2020, the Organization did not identify any other than temporary declines in the fair value of investments.

NOTE 7 BENEFICIAL INTEREST IN NET ASSETS OF FOUNDATION

AFOUND was established to solicit, receive, hold, invest, and reinvest donations and bequests, which are made primarily for the benefit of AMV, AS, BV, SH, Asbury Place, Albright, and HCBS. The Organization records an interest in the net assets of AFOUND resulting from contributions without and with donor restrictions that are solicited and held by the foundations to be used for the benefit of the Organization. The Organization's beneficial interest in the net assets of AFOUND was $661,179 and $-0- as of December 31, 2021 and 2020, respectively.

NOTE 7 BENEFICIAL INTEREST IN NET ASSETS OF FOUNDATION (CONTINUED)

The balance sheets of AFOUND consisted of the following as of December 31:

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 79,364	$ 397,616
Investments	-	3,124
Pledges Receivable, Net	650,359	506,249
Prepaid Expenses and Other Assets	38,485	40,639
Total Current Assets	768,208	947,628
Property and Equipment, Net	5,329	9,375
Investments Restricted by Donor	43,076,657	32,636,232
Pledge Receivable, Net	7,158,088	3,906,043
Funds Held in Trust	1,939,854	1,897,957
Total Assets	$ 52,948,136	$ 39,397,235
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 8,700	$ 6,831
Due to ACOMM, Net	18,653,269	11,179,772
Obligations under Charitable Gift Annuities	3,431,631	3,725,135
Total Liabilities	22,093,600	14,911,738
NET ASSETS		
With Donor Restrictions	30,854,536	24,485,497
Total Net Assets	30,854,536	24,485,497
Total Liabilities and Net Assets	$ 52,948,136	$ 39,397,235

AFOUND's investments, which are recorded at fair value, consist principally of cash, bonds or bond mutual funds, and equity securities or equity mutual funds. Assets held under charitable gift annuities consist of funds contributed to AFOUND, or trusts managed by AFOUND, with the stipulation that specified distributions, primarily based on the income generated by the invested funds, be distributed to a life beneficiary specified by the donor.

The obligations under charitable gift annuities are based on the net present value of future payments to the beneficiary based on the discount rate that estimates the remaining life of the benefactor. Upon the death of the life beneficiary, the existing funds will be available for use by AMV, AS, BV, SH, Asbury Place, Albright, and HCBS.

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2021 and 2020:

	Useful Life	2021	2020
Land and Improvements	10 to 40 Years	$ 7,484,305	$ 10,088,727
Buildings and Improvements	10 to 40 Years	98,111,630	78,570,064
Furniture and Equipment	2 to 15 Years	13,413,883	27,424,640
Construction in Progress		1,183,137	2,515,808
Total		120,192,955	118,599,239
Less: Accumulated Depreciation		(63,884,418)	(62,908,564)
Property and Equipment, Net		$ 56,308,537	$ 55,690,675

Depreciation expense on property and equipment was $4,335,148 and $3,937,089 for the years ended December 31, 2021 and 2020.

NOTE 9 RELATED PARTY TRANSACTIONS

Due to ACOMM

ACOMM and its affiliates use consolidated cash management and payroll functions to make the process of receiving and disbursing cash more efficient. In order to allocate the appropriate amounts between the affiliates, ACOMM utilizes intercompany accounts to move funds between the affiliates. During the year, these intercompany accounts will fluctuate in order to reflect changes in cash flow, outstanding checks, or other cash movements between affiliates. However, in addition to the daily fluctuations, the intercompany accounts will also reflect the cumulative effect of the following types of transactions:

- Deferred Management Fees – From time to time, management fees may be deferred by ACOMM to its affiliates in order to meet bond covenant requirements. These fees can be recouped by ACOMM in subsequent periods when financial performance warrants reducing or eliminating the deferral. The cumulative effect of these deferrals will be included in the affiliate intercompany account. For 2021 and 2020, no management fees were deferred in order to maintain bond covenant compliance.

  Longer term advances from one affiliate to another are subject to repayment terms agreed to by governing boards of both affiliates. These advances are accounted for in the intercompany accounts.

- Cash Management – Entities supported by ACOMM share a common cash management function. Operating cash of the group is swept as needed to reimburse ACOMM for actual expenses incurred for the Company. Cash balances are principally uninsured and subject to normal credit risk.

Beginning in 2021, ACOMM is the conduit for all intercompany transactions; accordingly, due to and due from accounts from the affiliate point of view will always be either due to or due from ACOMM.

NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)

Service Fees

The Organization received administrative services from ACOMM under a service agreement at a cost of $3,924,219 and $2,078,370 in 2021 and 2020, respectively. Included in the administrative services is an information technology fee. Service fees are charged on a pro rata basis to all the affiliates based upon total revenue. The payment of service fees to ACOMM is subordinate to all obligations of the Organization under all of the Organization's secured loan agreements.

NOTE 10 LINE OF CREDIT

The Organization has an unsecured $2,500,000 revolving demand line of credit with a financial institution that is renewable annually. The line of credit bears interest at the bank's prime rate plus 3.00% (6.25% as of December 31, 2021 and 2020). Borrowings on the line of credit totaled $-0- for both the years ended December 31, 2021 and 2020. The line of credit supports two letters of credit, in the amount of $400,041 and $681,324 as of December 31, 2021 and 2020, respectively, in connection with the Organization's participation in the LIFE program and participation in a captive insurance program that provides workers compensation, general and professional liability, and automobile insurance (Note 15).

NOTE 11 LONG-TERM DEBT

Long-term debt as of December 31, 2021 and 2020 consists of the following:

	Interest Rate	Maturity Dates	2021	2020
Master Notes Payable:				
PA Series 2014 Master Note	Variable Rate	2014-2040	$ 8,458,286	$ 8,743,322
PA Series 2018 Master Note	Variable Rate	2018-2035	12,710,000	13,771,000
Total			21,168,286	22,514,322
Unamortized Deferred Financing Costs			(327,016)	(375,938)
Current Master Note			(1,404,266)	(1,346,038)
Total Master Notes Payable			19,437,004	20,792,346
Other Long-Term Debt:				
Mortgage Note			3,247,882	3,318,771
Payroll Protection Program Loan			-	4,138,000
Affiliation Loan			-	2,000,000
Total			3,247,882	9,456,771
Current Portion Other Long-Term Debt			(73,555)	(6,208,887)
Total Other Long-Term Debt			3,174,327	3,247,884
Total Long-Term Debt			$ 22,611,331	$ 24,040,230

NOTE 11 LONG-TERM DEBT (CONTINUED)

Series A 2018 Master Note

During the year ended December 31, 2018, the Organization obtained a Series A 2018 tax exempt loan in the amount of $14,404,000 to provide for the current refunding of the Series A 2013 and Series A 1997 debt. The note is payable over a term of 17 years with interest at a variable rate of 79% of 30-day LIBOR plus 1.39%.

Series B 2018 Master Note

During the year ended December 31, 2018, the Organization obtained a Series B 2018 taxable term loan in the amount of $1,503,000. The note is payable over a term of 7 years with interest at a variable rate of 79% of 30-day LIBOR plus 1.65%.

Series C 2018 Hedge Contract

During the year ended December 31, 2018, the Organization entered into an interest rate swap to hedge variable interest rates on a portion of the Series A 2018 Master Note ($2,873,000). The interest rate swap has a fixed rate of 4.235% with a termination date of October 4, 2025 (Note 12).

Series A 2014 Master Note

During the year ended December 31, 2014, the Organization obtained a Series A 2014 Master Note with the maximum borrowing amount of $10,000,000 to provide financing to support the approved capital projects of the Organization. The note is payable over a term of 25 years with interest at a variable rate of 30 day LIBOR plus 2.70%, times 68%. The Organization entered into an interest rate swap agreement which fixed the interest rate at 4.15% (Note 12).

Mortgage Note

In December 2013, Warrior Run Manor, Inc. refinanced its Section 207 Mortgage Note Payable to HUD with a HUD insured mortgage under Section 2233(a)(7) pursuant to Section 207/223(f) of the National Housing Act and Regulations. During this refinancing, Warrior Run borrowed funds in excess of the existing debt to finance renovations to the Project. The excess funds borrowed were placed into an escrow account, which is restricted for use by HUD and must be approved by HUD before disbursements can be made. This amount is reflected in assets whose use is limited on the consolidated balance sheets.

NOTE 11 LONG-TERM DEBT (CONTINUED)

Paycheck Protection Program

During the year ended December 31, 2020, the Organization received proceeds in the amount of $4,138,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The Organization had classified the loan as current accordance with the terms of the law. During the year ended December 31, 2021, the PPP loan was forgiven in full and the Organization recognized $4,138,000 as other operating revenue in the statements of operations and changes in net assets.

Affiliation Loan

As part of the affiliation with ACOMM, ACOMM made a commitment to make $2,000,000 available per year to the Organization in support of mutually agreed upon projects which may include new construction, renovation, business line expansion and service enhancement over a five-year period. The Organization had a $2,000,000 outstanding balance as of December 31, 2020. During 2021, the $2,000,000 outstanding balance was treated as a transfer of capital on the consolidated statements of changes in net assets. If the affiliation agreement was terminated, the Organization was required to pay 100% of the amount borrowed plus interest calculated at the average annual LIBOR for the prior 12 months within 45 days of termination notice.

Deferred Financing Costs

Costs incurred in relation to the issuance of long-term debt are deferred and amortized over the life of the debt using the straight-line method, which does not differ significantly from the effective interest method of amortization. The amortization of deferred financing costs is included in interest expense and totaled $48,923 for both the years ended December 31, 2021 and 2020. Deferred financing fees have been netted against long-term debt in accordance with authoritative guidance.

NOTE 11 LONG-TERM DEBT (CONTINUED)

Liens and Covenants

Master Notes were collateralized by a pledge of and security interest in the Organization's gross revenue, as defined in the indenture agreements, and by shared first lien mortgages on substantially all property and equipment now owned or hereafter acquired by the Organization. The first lien mortgages shall each be shared in priority and of equal parity with liens in place in favor of the Trustee for bondholders under the indenture. The Mortgage Note is collateralized by property and equipment.

The Organization is subject to various covenants under the loan agreements. As of December 31, 2021 and 2020, management is not aware of any noncompliance with these covenants.

Debt Maturities

A schedule of minimum maturities of long-term debt for the next five years and thereafter is as follows:

Year Ending December 31,	Amount
2022	$ 1,477,821
2023	1,540,341
2024	1,608,584
2025	1,569,321
2026	1,480,877
Thereafter	16,739,224
Total	$ 24,416,168

NOTE 12 DERIVATIVE FINANCIAL INSTRUMENT

As of December 31, 2021 and 2020, the Organization has two interest rate swap agreements which are considered derivative financial instruments with a financial institution. The Organization entered into interest rate swap agreements to hedge variable interest rates on the Series 2014 Master Note and the Series 2018 Master Note, on December 15, 2015, and October 4, 2018, respectively, but elected not to elect hedge accounting for these arrangements.

NOTE 12 DERIVATIVE FINANCIAL INSTRUMENT (CONTINUED)

The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed rate payments over the term of the swap agreements without the exchange of the underlying notional amounts. The notional amounts of the swap agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable, if any, which may be generated as a result of the swap agreements. Management believes losses related to credit risk are remote. The net cash paid or received under the swap agreements are recognized as adjustments to interest expense. The Organization does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

The following schedule outlines the terms and fair market values of the derivative instruments on December 31:

	Series 2014	Series 2018	Total
Notional Amount - December 31, 2021	$ 8,458,286	$ 1,922,000	
Trade Date	12/18/2014	10/4/2018	
Effective Date	12/15/2015	10/4/2018	
Termination or Cancellation Date	12/15/2040	10/4/2025	
Fixed Rate	4.150%	4.235%	
Fair Value at December 31, 2019	(520,297)	(119,567)	$ (639,864)
Unrealized Loss	(316,876)	(50,975)	(367,851)
Fair Value at December 31, 2020	(837,173)	(170,542)	(1,007,715)
Unrealized Gain	400,355	82,693	483,048
Fair Value at December 31, 2021	$ (436,818)	$ (87,849)	$ (524,667)

The Organization has included the fair market value of these derivative instruments as a liability of $524,667 and $1,007,715 as of December 31, 2021 and 2020, respectively, in the accompanying consolidated balance sheets. Within income from operations, The Organization recorded a net unrealized gain (loss) on derivative instruments of $483,048 and ($367,851) in 2021 and 2020, respectively.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 and 2020 are subject to the following purpose or time restrictions:

	2021	2020
Restricted for the Following Purposes:		
Split-Interest Obligations	$ 168,988	$ 142,879
Funds Available for Building Construction, Income Unrestricted	17,103	17,853
Beneficial Interest in Net Assets of Asbury Foundation, Inc.	134,717	-
Other Specific Purposes	2,273,992	1,670,872
Investments to be Held in Perpetuity:		
Income which is Unrestricted	3,492,845	3,492,845
Income which is Expendable for Benevolent Care	1,314,070	1,305,941
Moyer Endowment	768,656	734,946
Slifer House Museum Collection of Art	528,135	528,135
Audrey, Rehm, Magee Endowment	241,264	241,264
Stauffer Endowment	100,050	100,050
Split-Interest Obligations	143,184	134,486
Beneficial Interest in Net Assets of Asbury Foundation, Inc.	526,462	-
Total Net Assets With Donor Restrictions	$ 9,709,466	$ 8,369,271

The Organization’s endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

A summary of the net assets with donor restrictions that are to be held in perpetuity for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Endowment Fund - Beginning of Year	$ 6,554,270	$ 6,537,667
Contributions	32,230	9,508
Net Investment Income	6,123	19,572
Change in Value of Deferred-Giving Arrangement	(4,422)	(12,477)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	526,462	-
Endowment Fund - End of Year	$ 7,114,663	$ 6,554,270

NOTE 14 RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan. Basic and matching contributions were at the discretion of the employer. Employer's contribution expense under this plan were $199,738 and $239,054 for the years ended December 31, 2021 and 2020, respectively.

NOTE 15 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

The Organization's professional liability insurance generally provides for coverage of $1,000,000 per occurrence with an aggregate limit of $6,000,000. In addition, the Organization has an umbrella excess liability policy which provides for coverage of $5,000,000 per occurrence and in the aggregate. The general liability and umbrella excess liability policies are for all insurance coverages, including professional liability. This policy has been renewed through October 1, 2022. The Organization has no knowledge of unasserted claims which would exceed its insurance coverages and, accordingly, has not accrued for any potential claims.

Health Insurance

During 2020, the Organization had a self-funding arrangement for health insurance coverage. Under this arrangement, the Organization had stop-loss coverage up to $185,000 per participant.

Effective January 1, 2021, the Organization is covered under ACOMM and affiliates' self-funding arrangement for health insurance coverage. ACOMM and affiliates have stop-loss coverage up to $200,000 per participant with unlimited reimbursement after a $50,000 aggregate deductible (one time across all claimants) in effect through December 31, 2022.

Legal Actions and Claims

The Organization is party to various legal actions and claims arising in the ordinary course of business. The Organization's management believes that their ultimate disposition will not have material adverse effect on the Organization's financial position or results of operations.

Lease Commitments

The Organization leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2031. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

Total lease costs for the years ended December 31, 2021 and 2020 was $1,104,255 and $1,066,116, respectively.

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease Commitments (Continued)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2021 is as follows:

Year Ending December 31,	Amount
2022	$ 1,105,065
2023	1,048,605
2024	841,603
2025	713,093
2026	695,486
Thereafter	2,204,741
Total	6,608,593
Less: Interest Expense	(678,447)
Amounts Recognized in the Consolidated Balance Sheets	$ 5,930,146

NOTE 16 FUNCTIONAL EXPENSES

The Organization provides continuing and long-term care for the aging. Expenses related to providing these services are as follows for the years ended December 31:

	2021		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 19,499,238	$ -	$ 19,499,238
Employee Benefits	5,369,688	-	5,369,688
Contract Labor	6,455,896	-	6,455,896
Food Purchases	1,224,489	-	1,224,489
Medical Supplies and Other Resident Costs	15,076,361	-	15,076,361
General and Administrative	-	1,409,717	1,409,717
Building and Maintenance	6,075,699	-	6,075,699
Professional Fees and Insurance	639,355	-	639,355
Interest	843,610	-	843,610
Taxes	246,497	-	246,497
Provision for Bad Debts	557,116	-	557,116
Depreciation and Amortization	4,335,148	-	4,335,148
Management Fee and Other Fees	-	3,924,219	3,924,219
Overhead Allocation	-	(3,176)	(3,176)
Total Functional Expenses	$ 60,323,097	$ 5,330,760	$ 65,653,857

NOTE 16 FUNCTIONAL EXPENSES (CONTINUED)

	2020		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 21,021,216	$ -	$ 21,021,216
Employee Benefits	4,812,465	-	4,812,465
Contract Labor	5,502,900	-	5,502,900
Food Purchases	1,282,742	-	1,282,742
Medical Supplies and Other Resident Costs	14,315,406	-	14,315,406
General and Administrative	-	1,545,631	1,545,631
Building and Maintenance	5,900,744	-	5,900,744
Professional Fees and Insurance	558,237	-	558,237
Interest	931,701	-	931,701
Taxes	214,577	-	214,577
Provision for Bad Debts	362,851	-	362,851
Depreciation and Amortization	3,937,089	-	3,937,089
Management Fee and Other Fees	-	1,645,724	1,645,724
Total Functional Expenses	$ 58,839,928	$ 3,191,355	$ 62,031,283

Included in management and general expenses are management fees and other general and administrative expenses.

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The determination of the fair values incorporates various factors required under fair value accounting. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements (such as cash deposits, letters of credit and priority interests), but also the impact of the Organization’s nonperformance risk on its liabilities.

The fair value of investments is determined by third-party service providers utilizing various methods dependent upon the specific type of investment. When quoted prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include equity securities and mutual funds and fixed-income securities and mutual funds.

Liabilities utilizing Level 2 inputs are derivatives. A quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability, thus derivative instruments are classified within Level 2 of the valuation hierarchy.

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables sets forth by level within the fair value hierarchy the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31:

	Fair Value as of December 31, 2021			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 2,121,550	$ -	$ -	$ 2,121,550
Fixed Income Mutual Funds	6,275,340	-	-	6,275,340
Equity Mutual Funds	12,293,035	-	-	12,293,035
Statutory Reserve/Cash	2,171,300	-	-	2,171,300
Other	41,107	-	-	41,107
Subtotal	22,902,332	-	-	22,902,332
Funds Held in Trust	-	-	4,773,586	4,773,586
Total Assets	$ 22,902,332	$ -	$ 4,773,586	$ 27,675,918
Liabilities				
Obligation Under Deferred-Giving Arrangements	$ -	$ 259,656	$ -	$ 259,656
Derivative Instruments	-	524,667	-	524,667
Total Liabilities	$ -	$ 784,323	$ -	$ 784,323

	Fair Value as of December 31, 2020			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 431,903	$ -	$ -	$ 431,903
Fixed Income Mutual Funds	5,466,514	-	-	5,466,514
Equity Mutual Funds	11,512,403	-	-	11,512,403
Statutory Reserve/Cash	1,947,901	-	-	1,947,901
Other	263,946	-	-	263,946
Subtotal	19,622,667	-	-	19,622,667
Funds Held in Trust	-	-	4,453,228	4,453,228
Total Assets	$ 19,622,667	$ -	$ 4,453,228	$ 24,075,895
Liabilities				
Obligation Under Deferred-Giving Arrangements	$ -	$ 316,733	$ -	$ 316,733
Derivative Instruments	-	1,007,715	-	1,007,715
Total Liabilities	$ -	$ 1,324,448	$ -	$ 1,324,448

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table provides a summary of unobservable inputs related to the Organization's beneficial interest in perpetual trusts as of December 31:

	2021		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest In Perpetual Trust	$ 4,773,586	FMV of Trust Investments	Term of Distributions

	2020		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest In Perpetual Trust	$ 4,453,228	FMV of Trust Investments	Term of Distributions

There were no purchases, sales or transfers for the years ended December 31, 2021 and 2020 related to the beneficial interest in perpetual trusts.

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Riverwoods	Normandie Ridge	LIFE Program	Pharmacy	Other	Total Albright Care Services	Warrior Run Manor, Inc.	Eliminations	Total
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	$ 327,019	$ 101,006	$ 600	$ 100	$ 1,443,614	$ 1,872,339	$ 129,321	$ -	$ 2,001,660
Investments	-	-	-	-	14,632,735	14,632,735	-	-	14,632,735
Accounts Receivable, Net	1,778,305	1,117,585	198,542	280,384	6,665	3,381,481	-	-	3,381,481
Other Receivables and Prepaid Expenses	726,527	245,614	89,180	438,776	340,670	1,840,767	43,051	(54,552)	1,829,266
Total Current Assets	2,831,851	1,464,205	288,322	719,260	16,423,684	21,727,322	172,372	(54,552)	21,845,142
Due from ACOMM. Net	-	4,241,172	-	3,268,545	-	7,509,717		(7,509,717)	-
Property and Equipment, Net	25,753,662	24,168,895	1,793,466	614,346	2,810,763	55,141,132	1,167,405	-	56,308,537
Right-Of-Use Assets - Operating Leases	82,508	99,151	5,326,880	56,905	364,702	5,930,146	-	-	5,930,146
Investments Restricted By Donors	-	-	-	-	5,505,730	5,505,730	-	-	5,505,730
Investments Held Under Bond Indenture	-	-	-	-	-	-	555,778	-	555,778
Deposits and Other Assets	43,148	5,977	65,501	-	278,517	393,143	22,213	-	415,356
Statutory Reserves	-	-	-	-	2,171,300	2,171,300	-	-	2,171,300
Investments Restricted By Board	-	-	-	-	36,789	36,789	-	-	36,789
Funds Held In Trust	-	-	-	-	4,773,586	4,773,586	-	-	4,773,586
Beneficial Interest in Net Assets of Foundation	55,786	565,326	40,067	-	-	661,179	-	-	661,179
Total Assets	$ 28,766,955	$ 30,544,726	$ 7,514,236	$ 4,659,056	$ 32,365,071	$ 103,850,044	$ 1,917,768	$ (7,564,269)	$ 98,203,543
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES									
Accounts Payable and Accrued Expenses	$ 308,422	$ 172,617	$ 137,279	$ 223,063	$ 18,291	$ 859,672	$ 81,029	$ (54,552)	$ 886,149
Accrued Compensation and Related Items	336,175	195,961	186,398	71,617	653,769	1,443,920	-	-	1,443,920
Accrued Interest Payable	18,276	20,560	-	-	1,163	39,999	10,014	-	50,013
Obligation Under Deferred-Giving Arrangements	-	-	-	-	46,472	46,472	-	-	46,472
Deposits From Prospective Residents and Other Deposits	442,950	117,015	-	-	5,037	565,002	-	-	565,002
Entrance Fees - Refundable	470,981	308,209	-	-	-	779,190	-	-	779,190
Deferred Revenue	355,959	112,045	-	-	-	468,004	-	-	468,004
Current Portion of Lease Liabilities - Operating Leases	30,945	38,385	683,777	24,868	169,858	947,833	-	-	947,833
Current Maturities of Long-Term Debt	-	-	-	-	1,404,266	1,404,266	73,555	-	1,477,821
Total Current Liabilities	1,963,708	964,792	1,007,454	319,548	2,298,856	6,554,358	164,598	(54,552)	6,664,404
Due to ACOMM, Net	13,813,405	-	589,242	-	1,027,170	15,429,817	-	(7,509,717)	7,920,100
Long-Term Lease Liabilities - Operating Leases	51,563	60,766	4,643,104	32,036	194,844	4,982,313	-	-	4,982,313
Long-Term Debt, Net of Current	-	-	-	-	19,519,286	19,519,286	3,092,045	-	22,611,331
Contingent Refundable Entrance Fee Liability	2,907,679	2,123,861	-	-	-	5,031,540	-	-	5,031,540
Entrance Fees - Deferred Revenue	9,251,511	11,318,730	-	-	-	20,570,241	-	-	20,570,241
Reserve for LIFE Program	-	-	2,958,960	-	-	2,958,960	-	-	2,958,960
Obligations Under Deferred-Giving Arrangements	-	-	-	-	213,184	213,184	-	-	213,184
Valuation of Derivative Instruments	-	-	-	-	524,667	524,667	-	-	524,667
Total Liabilities	27,987,866	14,468,149	9,198,760	351,584	23,778,007	75,784,366	3,256,643	(7,564,269)	71,476,740
NET ASSETS (DEFICIT)									
Without Donor Restrictions	723,303	15,511,251	(1,724,591)	4,307,472	(461,223)	18,356,212	(1,338,875)	-	17,017,337
With Donor Restrictions	55,786	565,326	40,067	-	9,048,287	9,709,466	-	-	9,709,466
Total Net Assets (Deficit)	779,089	16,076,577	(1,684,524)	4,307,472	8,587,064	28,065,678	(1,338,875)	-	26,726,803
Total Liabilities and Net Assets (Deficit)	$ 28,766,955	$ 30,544,726	$ 7,514,236	$ 4,659,056	$ 32,365,071	$ 103,850,044	$ 1,917,768	$ (7,564,269)	$ 98,203,543

ALBRIGHT CARE SERVICES AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions								
	Riverwoods	Normandie Ridge	LIFE Program	Pharmacy	Other	Total Albright Care Services	Warrior Run Manor, Inc.	Eliminations	Consolidated
REVENUE, GAINS, AND OTHER SUPPORT									
Net Resident and Client Services Revenue	$ 15,542,406	$ 12,192,365	$ 19,623,643	$ 2,044,885	$ 147,590	$ 49,550,889	$ -	$ -	$ 49,550,889
Other Operating Revenue	2,968,217	1,787,825	848,345	3,613	890,044	6,498,044	719,359	(192,019)	7,025,384
Amortization of Entrance Fees	1,821,938	1,833,766	-	-	-	3,655,704	-	-	3,655,704
Interest and Dividend Income, Net	344	345	-	-	262,545	263,234	53	-	263,287
Net Realized Gains on Investments	-	-	-	-	3,166,979	3,166,979	-	-	3,166,979
Contributions	5,027	27	-	-	337,845	342,899	-	-	342,899
Net Assets Released from Restrictions Used for Operations	-	-	-	-	23,949	23,949	-	-	23,949
Allocations from Asbury Foundation, Inc.	55,611	13,229	-	-	-	68,840	-	-	68,840
Total Revenues, Gains, and Other Support	20,393,543	15,827,557	20,471,988	2,048,498	4,828,952	63,570,538	719,412	(192,019)	64,097,931
EXPENSES									
Salaries	7,800,282	5,011,231	4,136,746	808,925	1,742,054	19,499,238	131,391	(131,391)	19,499,238
Employee Benefits	2,244,611	1,371,735	1,004,285	134,504	614,553	5,369,688	21,028	(21,028)	5,369,688
Contract Labor	3,979,657	2,376,979	94,386	4,874	-	6,455,896	-	-	6,455,896
Food Purchases	629,571	570,584	24,334	-	-	1,224,489	-	-	1,224,489
Medical Supplies and Other Resident Costs	1,805,437	1,060,394	11,993,594	206,432	10,504	15,076,361	-	-	15,076,361
General and Administrative	424,918	201,531	355,201	47,771	352,030	1,381,451	67,866	(39,600)	1,409,717
Building and Maintenance	1,993,619	1,463,427	1,653,436	167,875	653,562	5,931,919	143,780	-	6,075,699
Professional Fees and Property Insurance	284,056	155,018	136,946	17,349	16,596	609,965	29,390	-	639,355
Interest	344,170	329,648	53	10	30,842	704,723	138,887	-	843,610
Taxes	110,917	78,988	56,592	-	-	246,497	-	-	246,497
Provision for Bad Debts	318,745	82,036	151,280	-	5,055	557,116	-	-	557,116
Depreciation and Amortization	1,706,566	1,877,710	247,665	42,677	262,167	4,136,785	198,363	-	4,335,148
Management Fee and Other Fees	1,408,361	902,273	1,297,527	247,589	68,469	3,924,219	-	-	3,924,219
Overhead Allocation	506,318	360,919	620,653	81,648	(1,572,714)	(3,176)	-	-	(3,176)
Total Expenses	23,557,228	15,842,473	21,772,698	1,759,654	2,183,118	65,115,171	730,705	(192,019)	65,653,857
INCOME (LOSS) FROM OPERATIONS PRIOR TO UNREALIZED GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS, AND NET UNREALIZED LOSS ON INVESTMENTS	(3,163,685)	(14,916)	(1,300,710)	288,844	2,645,834	(1,544,633)	(11,293)	-	(1,555,926)
Unrealized Gain on Derivative Financial Instruments	-	-	-	-	483,048	483,048	-	-	483,048
Net Unrealized Loss on Investments	-	-	-	-	(867,953)	(867,953)	-	-	(867,953)
Total Nonoperating Income	-	-	-	-	(384,905)	(384,905)	-	-	(384,905)
GAIN (LOSS) FROM OPERATIONS	(3,163,685)	(14,916)	(1,300,710)	288,844	2,260,929	(1,929,538)	(11,293)	-	(1,940,831)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS									
Change in Value of Deferred-Giving Arrangements	-	-	-	-	(15,939)	(15,939)	-	-	(15,939)
Transfer of Capital	-	-	-	-	2,000,000	2,000,000	-	-	2,000,000
Net Assets Released from Restrictions Used for Purchase of Capital Items	-	-	-	-	7,927	7,927	-	-	7,927
Total Other Changes in Net Assets Without Donor Restrictions	-	-	-	-	1,991,988	1,991,988	-	-	1,991,988
INCREASE (DECREASE) IN NET ASSETS	$ (3,163,685)	$ (14,916)	$ (1,300,710)	$ 288,844	$ 4,252,917	$ 62,450	$ (11,293)	$ -	$ 51,157