ALBRIGHT CARE SERVICES AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2022 AND 2021

ALBRIGHT CARE SERVICES AND AFFILIATE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Albright Care Services and Affiliate
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 Affiliate, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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 Affiliate as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with 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 Affiliate 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 Affiliate'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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Albright Care Services and Affiliate'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 Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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

King of Prussia, Pennsylvania
April 20, 2023

ALBRIGHT CARE SERVICES AND AFFILIATE
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,804,117	$ 2,001,660
Investments	11,813,689	14,632,735
Accounts Receivable	2,980,540	3,381,481
Other Receivables and Prepaid Expenses	2,252,353	1,829,266
Total Current Assets	21,850,699	21,845,142
Property and Equipment, Net	56,146,949	56,308,537
Right-of-Use Assets - Operating Leases	4,747,812	5,930,146
Right-of-Use Assets - Finance Leases	167,837	-
Investments Restricted By Donors	4,646,443	5,505,730
Investments Held Under Bond Indenture	649,644	555,778
Deposits and Other Assets	393,455	415,356
Statutory Reserves	1,920,208	2,171,300
Investments Restricted By Board	-	36,789
Funds Held In Trust	3,872,269	4,773,586
Beneficial Interest in Net Assets of Foundation	1,637,989	661,179
Valuation of Derivative Instruments	374,476	-
Total Assets	$ 96,407,781	$ 98,203,543
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 903,466	$ 886,149
Accrued Compensation and Related Items	238,680	1,443,920
Accrued Interest Payable	69,786	50,013
Obligation Under Deferred-Giving Arrangements	37,606	46,472
Deposits From Prospective Residents and Other Deposits	438,205	565,002
Entrance Fees - Refundable	791,038	779,190
Deferred Revenue	249,940	468,004
Reserve for LIFE Program	2,722,667	2,958,960
Current Portion of Lease Liabilities - Operating Leases	884,159	947,833
Current Portion of Lease Liabilities - Finance Leases	49,744	-
Current Maturities of Long-Term Debt	1,540,340	1,477,821
Total Current Liabilities	7,925,631	9,623,364
Due to ACOMM, Net	16,224,633	7,920,100
Long-Term Lease Liabilities - Operating Leases	4,059,707	4,982,313
Long-Term Lease Liabilities - Finance Leases	95,417	-
Long-Term Debt, Net of Current	21,119,911	22,611,331
Contingent Refundable Entrance Fee Liability	4,808,085	5,031,540
Entrance Fees - Deferred Revenue	20,787,050	20,570,241
Obligation Under Deferred-Giving Arrangements	100,614	213,184
Valuation of Derivative Instruments	-	524,667
Total Liabilities	75,121,048	71,476,740
NET ASSETS		
Without Donor Restrictions	11,299,999	17,017,337
With Donor Restrictions	9,986,734	9,709,466
Total Net Assets	21,286,733	26,726,803
Total Liabilities and Net Assets	$ 96,407,781	$ 98,203,543

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND AFFILIATE
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUE, GAINS, AND OTHER SUPPORT		
Resident and Client Services Revenue	$ 52,006,770	$ 49,550,889
Other Operating Revenue	4,886,784	7,025,384
Amortization of Entrance Fees	3,407,747	3,655,704
Interest and Dividend Income, Net	347,266	263,287
Net Realized Gains (Losses) on Investments	(1,689,099)	3,166,979
Net Unrealized Loss on Equity Security Investments	(2,079,869)	-
Contributions	-	342,899
Net Assets Released from Restrictions Used for Operations	-	23,949
Allocations from Asbury Foundation, Inc.	999,740	68,840
Total Revenues, Gains, and Other Support	57,879,339	64,097,931
EXPENSES		
Salaries	21,019,287	19,499,238
Employee Benefits	4,696,961	5,369,688
Contract Labor	6,621,005	6,455,896
Food Purchases	1,314,778	1,224,489
Medical Supplies and Other Resident Costs	15,489,688	15,076,361
General and Administrative	1,486,189	1,409,717
Building and Maintenance	6,500,414	6,075,699
Professional Fees and Property Insurance	650,992	639,355
Interest	953,918	843,610
Taxes	246,865	246,497
Provision for Bad Debts	12,304	557,116
Depreciation and Amortization	5,025,877	4,335,148
Management Fee and Other Fees	1,855,153	3,924,219
Overhead Allocation	-	(3,176)
Total Expenses	65,873,431	65,653,857
LOSS FROM OPERATIONS PRIOR TO UNREALIZED GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS	(7,994,092)	(1,555,926)
Unrealized Gain on Derivative Financial Instruments	899,143	483,048
LOSS FROM OPERATIONS	$ (7,094,949)	$ (1,072,878)

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND AFFILIATE
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Loss from Operations	$ (7,094,949)	$ (1,072,878)
Change in Value of Deferred-Giving Arrangements	53,209	(15,939)
Net Unrealized Loss on Fixed Income Securities and Other Investments	(764,527)	(867,953)
Transfer of Capital	2,000,000	2,000,000
Equity Transfer	48,929	-
Net Assets Released from Restrictions Used for Purchase of Capital Items	40,000	7,927
Net Increase (Decrease) in Net Assets Without Donor Restrictions	(5,717,338)	51,157
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	78,207
Investment Income (Loss), Net	(729,334)	640,529
Change in Value of Deferred-Giving Arrangements	29,792	(7,844)
Change in Beneficial Interest in Net Assets of Foundation	1,016,810	661,179
Net Assets Released from Restrictions Used for Operations	-	(23,949)
Net Assets Released from Restrictions Used for Purchase of Capital Items	(40,000)	(7,927)
Net Increase in Net Assets With Donor Restrictions	277,268	1,340,195
CHANGE IN NET ASSETS	(5,440,070)	1,391,352
Net Assets - Beginning of Year	26,726,803	25,335,451
NET ASSETS - END OF YEAR	$ 21,286,733	$ 26,726,803

See accompanying Notes to Consolidated Financial Statements.

ALBRIGHT CARE SERVICES AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (5,440,070)	$ 1,391,352
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Provision for Bad Debts	12,304	557,116
Depreciation	5,025,877	4,335,148
Amortization of Deferred Financing Costs	48,923	48,923
Amortization of ROU Asset - Finance Leases	29,445	-
Straight-Line Rent Adjustment	196,054	-
Net Proceeds from Nonrefundable Entrance and Advance Fees	4,387,420	4,270,555
Amortization of Entrance Fees	(3,407,747)	(3,655,704)
Net Unrealized Loss on Investments	2,844,396	867,953
Unrealized Gains on Change in Market Value of Derivative Instruments	(899,143)	(483,048)
Changes in Value of Deferred-Giving Arrangements	(83,001)	23,783
Change in Funds Held In Trust	901,317	(320,358)
Change in Beneficial Interest in Net Assets of Foundation	(976,810)	(661,179)
Transfer from ACOMM	(2,000,000)	(2,000,000)
Forgiveness of Paycheck Protection Program Loan	-	(4,138,000)
Restricted Contributions Received	-	(78,207)
Changes in Assets and Liabilities:		
Accounts Receivable	388,637	(1,104,064)
Other Receivables and Prepaid Expenses	(827,926)	(261,961)
Deferred Revenue	(223,100)	275,200
Deferred Entrance Fees	418,700	(418,700)
Accounts Payable and Accrued Expenses	(1,424,216)	(3,063,929)
Accrued Interest Payable	19,773	(1,489)
Net Cash Used by Operating Activities	(1,009,167)	(4,416,609)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (Purchases) of Investments, Net	870,726	(3,368,441)
Purchase of Property and Equipment, Net	(4,864,289)	(4,953,010)
Net Cash Used by Investing Activities	(3,993,563)	(8,321,451)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Entrance and Advance Refundable Fees and Refundable Deposits	1,059,680	1,123,448
Refunds from Entrance and Advance Refundable Fees and Refundable Deposits	(2,155,912)	(959,150)
Payments on Long-Term Debt	(1,477,824)	(1,416,926)
Payments on Finance Leases	(52,121)	-
Net Cash Distributed for Deferred-Giving Arrangements	(38,435)	(80,860)
Restricted Contributions	-	78,207
Change in Due to ACOMM, Net	8,304,533	7,920,100
Transfer from ACOMM	2,000,000	-
Net Cash Provided by Financing Activities	7,639,921	6,664,819
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,637,191	(6,073,241)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	4,771,789	10,845,030
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 7,408,980	$ 4,771,789
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 885,222	$ 796,176
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
ROU Asset Received in Exchange for Finance Leases	$ 197,282	$ -
ROU Asset Received in Exchange for Operating Leases	$ 24,026	$ 1,700,140

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION

Albright Care Services

Albright Care Services (Albright) is a nonprofit corporation that operates two continuing care retirement communities, Riverwoods (RW) located in Lewisburg, Pennsylvania and Normandie Ridge (NR) located in York, Pennsylvania, that provides 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 Albright Pharmacy Services located in Pennsylvania and Maryland 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, 2022 and 2021 were $525,126 and $529,867, 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, 2022, the agreement automatically renewed for another 12 months through December 31, 2023.

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, Inc. (Asbury Atlantic); Asbury, Inc. (Asbury Place) and Affiliate; Asbury Communities HCBS, Inc. (HCBS); and Albright Care Services (Albright) and Affiliate (Warrior Run). 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, 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:

	2022	2021
Cash and Cash Equivalents	$ 4,804,117	$ 2,001,660
Statutory Reserves	1,920,208	2,171,300
Other Receivables and Prepaids:		
Restricted Mortgage Escrows	35,011	43,051
Investments Held Under Bond Indenture:		
Replacement Reserve	253,855	220,519
Residual Receipts	395,789	335,259
Total	$ 7,408,980	$ 4,771,789

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 61% and 67% of total resident and client services revenues for the years ended December 31, 2022 and 2021, 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 $1,067,685 and $509,474 are included in other receivables and prepaid expenses on the consolidated balance sheets at December 31, 2022 and 2021, respectively.

Investments and Investment Income

Investments are comprised of equity securities or equity mutual funds, bonds or bond mutual funds, alternative investments, and cash. The equity securities and the related unrealized gains or losses are recorded above income from operations. The fixed income securities and other types of investments and their related unrealized gains or losses are recorded below income from operations. The investments are managed by an investment advisor.

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. The fair values relating to certain alternative investments have been estimated by the funds' manager in the absence of readily ascertainable market values. 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, bonds, and alternative investments includes interest and dividends, net of investment management fees; realized gains and losses on investments, unrealized gains and losses on equity security investments; and any provision for other-than-temporary impairment of investments and are included in income from operations. Investment income or loss is included in income from operations unless restricted by donor or law. Unrealized gains and losses on fixed income securities and other investments with readily determinable market values are excluded from income from operations unless the losses are deemed to be other-than-temporary.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income (Continued)

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.

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 – finance leases and lease liability – finance leases in the consolidated balance sheets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

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.

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 2022 or 2021.

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 $88,882 and $90,602 for the years ended December 31, 2022 and 2021, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Collections

The Organization's collections include art and other items of historical significance and are maintained in the Slifer House Museum, located on its RW campus. 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, 2022 and 2021.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Continuing Care Contracts (Continued)

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, 2022 and 2021.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

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. Currently, residents have three entrance plan options available, a fifty percent (50%) refundable entrance fee, a standard entrance fee (SEF) which amortize over a five (5) year period, and a nonrefundable entrance fee. The 50% refundable option has a guaranteed refund component, which is 50% of the entrance fee paid. Previously, 90% and 100% refundable options were offered for certain units. The entrance fee paid under the SEF option is refundable on a decreasing basis for five (5) years; after 60 months of occupancy, the entrance fee is fully amortized and no refund is due or payable. The nonrefundable entrance fee option is classified as deferred revenue and is recognized as revenue on a straight-line basis over each individual resident's expected remaining life, adjusted annually (time-based measurement).

The 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 all accommodations (including skilled nursing and personal care) have been vacated and a successor resident occupies the residential living unit. Prior to August 2020, the refund was paid after vacating the residential living unit only and a successor resident occupies the residential living unit or after one year of vacating the unit, whichever is earlier.

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

	2022	2021
Entrance Fees - Refundable	$ 791,038	$ 779,190
Contingent Refundable Entrance Fees	4,808,085	5,031,540
Entrance Fees - Deferred Revenue:		
50% to 100% Refundable Contracts	1,271,256	1,259,866
Standard Entrance Fee Option Contracts:		
Five Year Contracts	17,201,627	16,311,006
Seven Year Contracts	2,281,119	2,953,890
Ten Year Contracts	1,310	6,507
Nonrefundable Contracts	31,738	38,972
Total Entrance Fees - Deferred Revenue	20,787,050	20,570,241
Total Entrance Fees	$ 26,386,173	$ 26,380,971

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

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.

A composition of resident and client services revenue by primary payor for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Medicaid	$ 15,221,931	$ 16,193,326
Medicare	16,125,377	15,446,209
Managed Care	516,778	1,794,798
Private Pay	20,142,684	16,116,556
Total Resident Services Revenue	$ 52,006,770	$ 49,550,889

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:

	2022					
	Riverwoods	Normandie Ridge	LIFE Program	Pharmacy	Other	Total
Service Lines:						
Skilled Nursing Facility	$ 11,400,076	$ 7,815,315	$ -	$ -	$ -	$ 19,215,391
Assisted Living	1,902,199	1,789,240	-	-	-	3,691,439
Independent Living	2,313,780	2,736,389	-	-	(137,111)	4,913,058
Home Health	-	-	-	-	-	-
Life Program	-	-	18,496,504	-	-	18,496,504
Pharmacy	-	-	-	5,486,987	-	5,486,987
Retail Sales	139,397	63,994	-	-	-	203,391
Total	$ 15,755,452	$ 12,404,938	$ 18,496,504	$ 5,486,987	$ (137,111)	$ 52,006,770
Method of Reimbursement:						
Fee for Services	$ 15,616,055	$ 12,340,944	$ 18,496,504	$ 5,486,987	$ (137,111)	$ 51,803,379
Retail Sales	139,397	63,994	-	-	-	203,391
Total	$ 15,755,452	$ 12,404,938	$ 18,496,504	$ 5,486,987	$ (137,111)	$ 52,006,770
Timing of Revenue and Recognition:						
Health Care Services Transferred Over Time	$ 15,616,055	$ 12,340,944	$ 18,496,504	$ 5,486,987	$ (137,111)	$ 51,803,379
Sales at Point in Time	139,397	63,994	-	-	-	203,391
Total	$ 15,755,452	$ 12,404,938	$ 18,496,504	$ 5,486,987	$ (137,111)	$ 52,006,770

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident and Client Services Revenue (Continued)

	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

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, 2022 and 2021 was $798,571 and $387,389, respectively.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Occupancy Percentages

During the years ended December 31, 2022 and 2021, 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:

	2022		2021	
	Normandie Ridge	Riverwoods	Normandie Ridge	Riverwoods
Total Skilled Nursing Center Occupancy	89%	65%	87%	69%
Medicaid	44%	63%	46%	59%
Medicare	25%	16%	28%	17%
Private Pay and Other	31%	21%	26%	24%

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, 2022 and 2021 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, 2022 and 2021 was $3,090,941 and $2,209,373, 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, 2022 and 2021, the Organization recognized $3,470,900 and $1,829,414, respectively, as other operating revenue in the consolidated statements of operations. At December 31, 2022 and 2021, the Organization recognized $-0- and $379,959, respectively, as deferred revenue in the consolidated balance sheets. The Organization believes the amounts have been recognized appropriately as of December 31, 2022 and 2021.

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 unrealized gain (loss) on fixed income securities and other investments, net assets released from restrictions for capital items, equity transfers, 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 consolidated 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, 2023, the date the consolidated financial statements were issued, for potential recognition or disclosure.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2022 and 2021, the Organization has working capital (deficit) of $13,925,068 and $12,221,778, 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, 2022 and 2021:

	2022	2021
Cash and Cash Equivalents	$ 4,804,117	$ 2,001,660
Investments	11,813,689	14,632,735
Accounts Receivable, Net	2,980,540	3,381,481
Other Receivables	2,252,353	1,829,266
Investments Held Under Bond Indenture	649,644	555,778
Total	$ 22,500,343	$ 22,400,920

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 2022 or 2021.

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, 2022 and 2021. 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, 2022 and 2021 is $960,996 and $1,040,321, 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, 2022 and 2021 for Normandie Ridge is as follows:

	2022	2021
Projected Annual Interest Expense	$ 292,210	$ 425,132
Principal Payments Due on Long-Term Debt	727,356	669,135
Liquid Reserve Requirement	1,019,566	1,094,267
Projected Annual Operating Expenses	15,232,150	14,436,878
Minimum Rate	10%	10%
Liquid Reserve Requirement	1,523,215	1,443,688
Maximum Liquid Reserve Requirement	1,523,215	1,443,688
Approximate Percentage of Continuing Care Clients	63%	72%
Statutory Minimum Liquid Reserve	$ 960,996	$ 1,040,321

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, 2022 and 2021 is $959,212 and $1,130,979, 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, 2022 and 2021 for Riverwoods is as follows:

	2022	2021
Projected Annual Interest Expense	$ 304,672	$ 393,372
Principal Payments Due on Long-Term Debt	736,661	735,131
Liquid Reserve Requirement	1,041,333	1,128,503
Projected Annual Operating Expenses	20,637,098	21,468,848
Minimum Rate	10%	10%
Liquid Reserve Requirement	2,063,710	2,146,885
Maximum Liquid Reserve Requirement	2,063,710	2,146,885
Approximate Percentage of Continuing Care Clients	46%	53%
Statutory Minimum Liquid Reserve	$ 959,212	$ 1,130,979

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, 2022 and 2021 is as follows:

	2022	2021
Private Pay	29 %	42 %
Medicaid	24	22
Medicare	17	30
Other (Primarily Managed Care and Insurance)	30	6
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, 2022 and 2021:

	2022	2021
Investments:		
Cash and Short-Term Investments	$ 166,797	$ 1,279,034
Fixed Income Mutual Funds	4,747,035	4,489,949
Equity Mutual Funds	4,601,908	8,139,752
Alternative Investments	2,297,949	724,000
Total Investments	$ 11,813,689	$ 14,632,735
Investments Restricted by Donors:		
Cash and Short-Term Investments	$ 127,808	$ 249,949
Fixed Income Mutual Funds	1,327,439	1,785,391
Equity Mutual Funds	3,191,196	3,429,283
Other	-	41,107
Total Investments Restricted by Donors	$ 4,646,443	$ 5,505,730
Statutory Reserves:		
Cash and Short-Term Investments	$ 1,920,208	$ 2,171,300
Investments Held under Bond Indenture:		
Cash and Short-Term Investments	$ 649,644	$ 555,778
Investments Restricted by Board:		
Cash and Short-Term Investments	$ -	$ 36,789

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, 2022 and 2021:

	2022	2021
Included within the Performance Indicator:		
Interest and Dividend Income, Net	$ 347,266	$ 263,287
Net Realized Gain (Loss) on Investments	(1,689,099)	3,166,979
Net Unrealized Loss on Equity Security Investments	(2,079,869)	-
Unrealized Gain on Derivative Financial Instruments	899,143	483,048
Total	(2,522,559)	3,913,314
Included in Other Changes in Net Assets:		
Net Unrealized Loss on Fixed Income Securities and Other Investments	(764,527)	(867,953)
Total	$ (3,287,086)	$ 3,045,361

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, 2022 and 2021, 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 AFOUND to be used for the benefit of the Organization. The Organization’s beneficial interest in the net assets of AFOUND was $1,637,989 and $661,179 as of December 31, 2022 and 2021, respectively.

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

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

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 119,358	$ 79,364
Pledges Receivable, Net	807,667	650,359
Prepaid Expenses and Other Assets	76,143	38,485
Total Current Assets	1,003,168	768,208
Property and Equipment, Net	122,815	5,329
Investments Restricted by Donor	37,884,356	43,076,657
Pledge Receivable, Net	6,614,828	7,158,088
Long-Term Investments	1,200,000	-
Funds Held in Trust	2,871,521	1,939,854
Total Assets	$ 49,696,688	$ 52,948,136
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 175,763	$ 8,700
Due to ACOMM, Net	10,627,594	18,653,269
Obligations under Charitable Gift Annuities	3,748,909	3,431,631
Total Liabilities	14,552,266	22,093,600
NET ASSETS		
With Donor Restrictions	35,144,422	30,854,536
Total Net Assets	35,144,422	30,854,536
Total Liabilities and Net Assets	$ 49,696,688	$ 52,948,136

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, 2022 and 2021:

	Useful Life	2022	2021
Land and Improvements	10 to 40 Years	$ 7,613,909	$ 7,484,305
Buildings and Improvements	10 to 40 Years	101,037,620	98,111,630
Furniture and Equipment	2 to 15 Years	15,491,091	13,413,883
Construction in Progress		757,580	1,183,137
Total		124,900,200	120,192,955
Less: Accumulated Depreciation		(68,753,251)	(63,884,418)
Property and Equipment, Net		$ 56,146,949	$ 56,308,537

Depreciation expense on property and equipment was $4,996,432 and $4,335,148 for the years ended December 31, 2022 and 2021.

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 the years ended December 31, 2022 and 2021, respectively, there were $4,341,666 and $-0- management fees 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 $1,703,973 and $3,924,219 in 2022 and 2021, 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.

Pharmacy Services

In 2021, the Organization entered into a services agreement with Asbury Atlantic to provide pharmacy services for the benefit of the residents at the BV and SH campuses. The Organization submits monthly invoices to Asbury Atlantic for all products and services provided under this agreement on behalf of BV and SH residents. The term of this agreement will continue on an annual basis until termination by either party. The total cost of pharmacy services provided to BV and SH for the years ended December 31, 2022 and 2021 was $344,320 and $187,574, respectively.

In 2022, the Organization entered into a services agreement with Asbury Atlantic to provide pharmacy services for the benefit of the residents at the AMV and AS campuses. The Organization submits monthly invoices to Asbury Atlantic for all products and services provided under this agreement on behalf of AMV and AS residents. The term of this agreement will continue on an annual basis until termination by either party. The total cost of pharmacy services provided to AMV and AS for the year ended December 31, 2022 was $653,240.

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, 2022 and 2021). Borrowings on the line of credit totaled $-0- for both the years ended December 31, 2022 and 2021. The line of credit supports a letter of credit, in the amount of $500,000 and $400,041 as of December 31, 2022 and 2021, respectively, in connection with the Organization's participation in the LIFE program. (Note 15).

NOTE 11 LONG-TERM DEBT

Long-term debt as of December 31, 2022 and 2021 consists of the following:

	Interest Rate	Maturity Dates	2022	2021
Master Notes Payable:				
PA Series 2014 Master Note	Variable Rate	2014-2040	$ 8,161,015	$ 8,458,286
PA Series 2018 Master Note	Variable Rate	2018-2035	11,603,000	12,710,000
Total			19,764,015	21,168,286
Unamortized Deferred Financing Costs			(278,093)	(327,016)
Current Master Note			(1,464,017)	(1,404,266)
Total Master Notes Payable			18,021,905	19,437,004
Other Long-Term Debt:				
Mortgage Note			3,174,329	3,247,882
Total			3,174,329	3,247,882
Current Portion Other Long-Term Debt			(76,323)	(73,555)
Total Other Long-Term Debt			3,098,006	3,174,327
Total Long-Term Debt			$ 21,119,911	$ 22,611,331

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).

NOTE 11 LONG-TERM DEBT (CONTINUED)

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.

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). 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. For both the years ended December 31, 2022 and 2021, $2,000,000 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, 2022 and 2021. 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, 2022 and 2021, 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
2023	$ 1,540,340
2024	1,608,584
2025	1,569,321
2026	1,480,877
2027	1,270,169
Thereafter	15,469,053
Total	$ 22,938,344

NOTE 12 DERIVATIVE FINANCIAL INSTRUMENTS

As of December 31, 2022 and 2021, 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 INSTRUMENTS (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, 2022	$ 8,161,015	$ 1,593,000	
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, 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)
Unrealized Gain	784,977	114,166	899,143
Fair Value at December 31, 2022	$ 348,159	$ 26,317	$ 374,476

The Organization has included the fair market value of these derivative instruments as an asset (liability) of $374,476 and $(524,667) as of December 31, 2022 and 2021, respectively, in the accompanying consolidated balance sheets. Within income from operations, The Organization recorded a net unrealized gain on derivative instruments of $899,143 and $483,048 in 2022 and 2021, respectively.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021 are subject to the following purpose or time restrictions:

	2022	2021
Restricted for the Following Purposes:		
Split-Interest Obligations	$ 122,478	$ 168,988
Funds Available for Building Construction, Income Unrestricted	14,143	17,103
Beneficial Interest in Net Assets of Asbury Foundation, Inc.	247,130	134,717
Other Specific Purposes	2,121,304	2,273,992
Investments to be Held in Perpetuity:		
Income which is Unrestricted	3,440,049	3,492,845
Income which is Expendable for Benevolent Care	1,086,651	1,314,070
Moyer Endowment	635,629	768,656
Slifer House Museum Collection of Art	528,135	528,135
Audrey Rehm Magee Endowment	199,509	241,264
Stauffer Endowment	82,735	100,050
Split-Interest Obligations	118,112	143,184
Beneficial Interest in Net Assets of Asbury Foundation, Inc.	1,390,859	526,462
Total Net Assets With Donor Restrictions	$ 9,986,734	$ 9,709,466

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, 2022 and 2021 is as follows:

	2022	2021
Endowment Fund - Beginning of Year	$ 7,114,663	$ 6,554,270
Contributions	-	32,230
Net Investment Income	(504,348)	6,123
Change in Value of Deferred-Giving Arrangement	6,964	(4,422)
Change in Beneficial Interest in Net Assets of Asbury Foundation, Inc.	864,399	526,462
Endowment Fund - End of Year	$ 7,481,678	$ 7,114,663

NOTE 14 RETIREMENT PLAN

Effective January 1, 2022, the Organization began participating in ACOMM's defined-contribution plan (the Plan) under IRC Section 401(k). All full-time employees of the Company are eligible to participate in the Plan. Employees may elect to defer up to $20,500 of their base salary, subject to certain limitations. The employer match is 100% of the employee contributions up to 4% and 50% on the next 2% of contributions for each eligible employee. Employer's contribution expense under this Plan were $549,009 for the year ended December 31, 2022.

Previously, the Organization sponsored 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 for the year ended December 31, 2021.

NOTE 15 COMMITMENTS AND CONTINGENCIES

General and Professional Liability Insurance

Effective October 2022, the Organization is covered under ACOMM's general and professional liability insurance policy (GL/PL), which is claims-made based. The GL/PL coverage has a limit of $1,000,000 per occurrence and a $3,000,000 annual aggregate. ACOMM and its affiliates also have excess coverage in effect with a limit of $10,000,000 per claim and a $30,000,000 annual aggregate. This policy has been renewed through December 31, 2023. Any losses for general and professional liability not currently covered by insurance in force are not expected to be material to the consolidated financial statements.

Previously, the Organization's professional liability insurance provided for coverage of $1,000,000 per occurrence with an aggregate limit of $6,000,000. In addition, the Organization had an umbrella excess liability policy which provided for coverage of $5,000,000 per occurrence and in the aggregate.

Health Insurance

ACOMM and its affiliates have a self-funding arrangement for health insurance coverage. ACOMM and affiliates have stop-loss coverage for any claim exceeding $200,000 per participant with unlimited reimbursement after a $50,000 aggregate deductible (one time across all claimants).

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.

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

The following table provides quantitative information regarding the Organization's leases.

	2022	2021
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	$ 29,445	$ -
Interest on lease liabilities	1,838	-
Operating lease cost	1,529,030	1,104,255
Total lease cost	$ 1,560,313	$ 1,104,255
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 1,838	$ -
Operating cash flows from operating leases	1,529,030	1,104,255
Financing cash flows from finance leases	52,121	-
Right-of-use assets obtained in exchange for new finance lease liabilities	197,282	-
Right-of-use assets obtained in exchange for new operating lease liabilities	24,026	1,700,140
Weighted-average remaining lease term - finance leases	3.26 years	-
Weighted-average remaining lease term - operating leases	6.71 years	7.42 years
Weighted-average discount rate - finance leases	2.00%	-
Weighted-average discount rate - operating leases	2.91%	2.87%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

Year Ending December 31,	Operating Leases	Finance Leases
2023	$ 1,014,701	$ 52,164
2024	809,298	52,164
2025	713,699	29,124
2026	695,096	16,206
2027	699,827	-
Thereafter	1,523,258	-
Total	5,455,879	149,658
Less: Interest Expense	(512,013)	(4,497)
Amounts Recognized in the Consolidated Balance Sheets	$ 4,943,866	$ 145,161

NOTE 16 FUNCTIONAL EXPENSES

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

	2022		
	Program Services	Supporting Services	
	Continuing Care Services	Management and General	Total
Salaries and Wages	$ 21,019,287	$ -	$ 21,019,287
Employee Benefits	4,696,961	-	4,696,961
Contract Labor	6,621,005	-	6,621,005
Food Purchases	1,314,778	-	1,314,778
Medical Supplies and Other Resident Costs	15,489,688	-	15,489,688
General and Administrative	-	1,486,189	1,486,189
Building and Maintenance	6,500,414	-	6,500,414
Professional Fees and Insurance	650,992	-	650,992
Interest	953,918	-	953,918
Taxes	246,865	-	246,865
Provision for Bad Debts	12,304	-	12,304
Depreciation and Amortization	5,025,877	-	5,025,877
Management Fee and Other Fees	-	1,855,153	1,855,153
Total Functional Expenses	$ 62,532,089	$ 3,341,342	$ 65,873,431

	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

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.

Investments measured at fair value using net asset value per share include alternative investments. Alternative investments are those not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not readily available. The Organization follows guidance related to the fair value measurement standard that was issued for estimating the fair value of investments in investment companies that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with a U.S. GAAP. As a practical expedient, the Organization is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if NAV is not calculated in accordance with U.S. GAAP.

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, 2022			
Recurring Fair Value Measures	Level 1	Level 2	Level 3	Total
Assets				
Cash and Short-Term Investments	$ 944,249	$ -	$ -	$ 944,249
Fixed Income Mutual Funds	6,074,474	-	-	6,074,474
Equity Mutual Funds	7,793,104	-	-	7,793,104
Statutory Reserve/Cash	1,920,208	-	-	1,920,208
Derivative Instruments	-	374,476	-	374,476
Subtotal	16,732,035	374,476	-	17,106,511
Funds Held in Trust	-	-	3,872,269	3,872,269
Investments measured at Fair Value Using Net Asset Value Per Share				2,297,949
Total Assets	$ 16,732,035	$ 374,476	$ 3,872,269	$ 23,276,729
Liabilities				
Obligation Under Deferred-Giving Arrangements	$ -	$ 138,220	$ -	$ 138,220
Derivative Instruments	-	-	-	-
Total Liabilities	$ -	$ 138,220	$ -	$ 138,220

	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	11,569,035	-	-	11,569,035
Statutory Reserve/Cash	2,171,300	-	-	2,171,300
Other	41,107	-	-	41,107
Subtotal	22,178,332	-	-	22,178,332
Funds Held in Trust	-	-	4,773,586	4,773,586
Investments measured at Fair Value Using Net Asset Value Per Share				724,000
Total Assets	$ 22,178,332	$ -	$ 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

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Organization has a policy which permits investments in alternative investments that do not have a readily determinable fair value and, as such, uses the NAV per share as calculated on the reporting entity's measurement date as the fair value of the investment. A listing of the investments held by the Organization and their attributes that may qualify for these valuations consist of the following as of December 31, 2022:

Investment/Strategy	Fair Value	Unfunded Commitments	Redemption Frequency*	Redemption Notice Period
Pomona Investment Fund	$ 280,000	-	Quarterly	20 business days
ACL Alternative Fund	509,329	-	Daily	N/A
Ironwood Institutional Multi-Strategy Fund	297,202	-	Semi-Annually (June 30 and Dec 31)	95 calendar days
Partners Group	222,775	-	Quarterly	20 business days
Owl Rock Core Income Corp.	119,444	-	Quarterly	20 business days
FS Credit Real Estate Income Trust	122,500	-	Monthly	7 days prior to month-end
Blackstone Real Estate Income Trust, Inc.	377,334	-	Monthly	7 days prior to month-end
Nuveen Global Cities	279,743	-	Monthly	7 days prior to month-end
CPG Focused Access Fund	89,622	-	Quarterly	20 business days
Total	$ 2,297,949			

**Subject to Board approval for each period or as documented in the fund's prospectus*

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

	2022		
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest In Perpetual Trust	$ 3,872,269	FMV of Trust Investments	Term of Distributions

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

There were no purchases, sales or transfers for the years ended December 31, 2022 and 2021 related to the beneficial interest in perpetual trusts.

ALBRIGHT CARE SERVICES AND AFFILIATE
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Riverwoods	Normandie Ridge	LIFE Program	Pharmacy	Fund Development	Total Albright Care Services	Warrior Run Manor, Inc.	Eliminations	Total
ASSETS									
CURRENT ASSETS									
Cash and Cash Equivalents	$ 4,691,107	$ 258,077	$ 600	$ 600	$ -	$ 4,950,384	$ 72,650	(218,917)	$ 4,804,117
Investments	-	-	-	-	11,813,689	11,813,689	-	-	11,813,689
Accounts Receivable	1,060,916	854,914	110,371	954,339	-	2,980,540	-	-	2,980,540
Other Receivables and Prepaid Expenses	406,718	355,683	439,246	1,034,226	-	2,235,873	35,011	(18,531)	2,252,353
Total Current Assets	6,158,741	1,468,674	550,217	1,989,165	11,813,689	21,980,486	107,661	(237,448)	21,850,699
Due from ACOMM. Net	-	10,317,053	-	4,930,586	-	15,247,639		(15,247,639)	-
Property and Equipment, Net	28,601,013	23,955,573	1,866,674	734,524	-	55,157,784	989,165	-	56,146,949
Right-Of-Use Assets - Operating Leases	190,299	52,270	4,472,020	33,223	-	4,747,812	-	-	4,747,812
Right-Of-Use Assets - Finance Leases	74,482	-	-	93,355	-	167,837	-	-	167,837
Investments Restricted By Donors	-	-	-	-	4,646,443	4,646,443	-	-	4,646,443
Investments Held Under Bond Indenture	-	-	-	-	-	-	649,644	-	649,644
Deposits and Other Assets	287,296	6,342	71,791	-	3,794	369,223	24,232	-	393,455
Statutory Reserves	-	-	-	-	1,920,208	1,920,208	-	-	1,920,208
Funds Held In Trust	-	-	-	-	3,872,269	3,872,269	-	-	3,872,269
Beneficial Interest in Net Assets of Foundation	127,320	1,461,409	-	-	49,260	1,637,989	-	-	1,637,989
Valuation of Derivative Instruments	238,691	135,785	-	-	-	374,476	-	-	374,476
Total Assets	$ 35,677,842	$ 37,397,106	$ 6,960,702	$ 7,780,853	$ 22,305,663	$ 110,122,166	$ 1,770,702	$ (15,485,087)	$ 96,407,781
LIABILITIES AND NET ASSETS (DEFICIT)									
CURRENT LIABILITIES									
Accounts Payable and Accrued Expenses	$ 475,912	$ 235,194	$ 129,140	$ 27,895	$ 6,715	$ 874,856	$ 47,141	(18,531)	$ 903,466
Accrued Compensation and Related Items	238,680	-	-	-	-	238,680	-	-	238,680
Accrued Interest Payable	26,716	33,282	-	-	-	59,998	9,788	-	69,786
Obligation Under Deferred-Giving Arrangements	-	-	-	-	37,606	37,606	-	-	37,606
Deposits From Prospective Residents and Other Deposits	140,900	297,305	-	-	-	438,205	-	-	438,205
Entrance Fees - Refundable	583,377	207,661	-	-	-	791,038	-	-	791,038
Deferred Revenue	231,815	12,209	5,916	-	-	249,940	-	-	249,940
Reserve for LIFE Program	-	-	2,722,667	-	-	2,722,667	-	-	2,722,667
Current Portion of Lease Liabilities - Operating Leases	161,163	26,695	663,474	32,827	-	884,159	-	-	884,159
Current Portion of Lease Liabilities - Finance Leases	22,322	-	-	27,422	-	49,744	-	-	49,744
Current Maturities of Long-Term Debt	736,661	727,356	-	-	-	1,464,017	76,323	-	1,540,340
Total Current Liabilities	2,617,546	1,539,702	3,521,197	88,144	44,321	7,810,910	133,252	(18,531)	7,925,631
Due to ACOMM, Net	20,703,175	-	3,681,379	-	7,306,635	31,691,189	-	(15,466,556)	16,224,633
Long-Term Lease Liabilities - Operating Leases	29,136	25,575	4,004,601	395	-	4,059,707	-	-	4,059,707
Long-Term Lease Liabilities - Finance Leases	22,773	-	-	72,644	-	95,417	-	-	95,417
Long-Term Debt, Net of Current	8,784,103	9,316,972	-	-	-	18,101,075	3,018,836	-	21,119,911
Contingent Refundable Entrance Fee Liability	3,195,669	1,612,416	-	-	-	4,808,085	-	-	4,808,085
Entrance Fees - Deferred Revenue	9,407,447	11,379,603	-	-		20,787,050	-	-	20,787,050
Obligations Under Deferred-Giving Arrangements	-	-	-	-	100,614	100,614	-	-	100,614
Total Liabilities	44,759,849	23,874,268	11,207,177	161,183	7,451,570	87,454,047	3,152,088	(15,485,087)	75,121,048
NET ASSETS (DEFICIT)									
Without Donor Restrictions	(9,737,462)	12,061,429	(4,246,475)	7,619,670	6,984,223	12,681,385	(1,381,386)	-	11,299,999
With Donor Restrictions	655,455	1,461,409	-	-	7,869,870	9,986,734	-	-	9,986,734
Total Net Assets (Deficit)	(9,082,007)	13,522,838	(4,246,475)	7,619,670	14,854,093	22,668,119	(1,381,386)	-	21,286,733
Total Liabilities and Net Assets (Deficit)	$ 35,677,842	$ 37,397,106	$ 6,960,702	$ 7,780,853	$ 22,305,663	$ 110,122,166	$ 1,770,702	$ (15,485,087)	$ 96,407,781

ALBRIGHT CARE SERVICES AND AFFILIATE
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Without Donor Restrictions								
	Riverwoods	Normandie Ridge	LIFE Program	Pharmacy	Fund Development	Total Albright Care Services	Warrior Run Manor, Inc.	Eliminations	Consolidated
REVENUE, GAINS, AND OTHER SUPPORT									
Resident and Client Services Revenue	$ 15,755,452	$ 12,404,938	$ 18,496,504	$ 8,832,111	$ (137,111)	$ 55,351,894	$ -	$ (3,345,124)	$ 52,006,770
Other Operating Revenue	3,094,110	855,997	389,560	15,488	-	4,355,155	727,101	(195,472)	4,886,784
Amortization of Entrance Fees	1,837,242	1,570,505	-	-	-	3,407,747	-	-	3,407,747
Interest and Dividend Income, Net	2,378	11,872	2,436	2,349	328,170	347,205	61	-	347,266
Net Realized Losses on Investments	(1,092)	-	-	-	(1,688,007)	(1,689,099)	-	-	(1,689,099)
Net Unrealized Loss on Equity Security Investments	-	-	-	-	(2,079,869)	(2,079,869)	-	-	(2,079,869)
Allocations from Asbury Foundation, Inc.	850,479	145,389	-	-	3,872	999,740	-	-	999,740
Total Revenues, Gains, and Other Support	21,538,569	14,988,701	18,888,500	8,849,948	(3,572,945)	60,692,773	727,162	(3,540,596)	57,879,339
EXPENSES									
Salaries	8,376,197	5,922,496	5,123,597	1,596,997	-	21,019,287	133,809	(133,809)	21,019,287
Employee Benefits	1,943,819	1,407,540	1,125,128	220,474	-	4,696,961	22,063	(22,063)	4,696,961
Contract Labor	4,405,687	2,100,113	83,941	31,264	-	6,621,005	-	-	6,621,005
Food Purchases	650,512	623,729	40,537	-	-	1,314,778	-	-	1,314,778
Medical Supplies and Other Resident Costs	1,622,748	956,865	10,709,669	5,545,530	-	18,834,812	-	(3,345,124)	15,489,688
General and Administrative	479,847	229,415	589,536	140,893	202	1,439,893	85,896	(39,600)	1,486,189
Building and Maintenance	2,320,626	1,776,045	1,999,439	240,928	-	6,337,038	163,376	-	6,500,414
Professional Fees and Property Insurance	205,108	147,067	211,957	53,634	-	617,766	33,226	-	650,992
Interest	418,153	390,071	4,612	1,566	3,425	817,827	136,091	-	953,918
Taxes	108,571	85,059	53,235	-	-	246,865	-	-	246,865
Provision for (Recovery of) Bad Debts	(6,592)	(64,168)	32,237	50,827	-	12,304	-	-	12,304
Depreciation and Amortization	2,255,301	2,149,124	314,721	111,519	-	4,830,665	195,212	-	5,025,877
Management Fee and Other Fees	523,938	332,192	521,847	477,176	-	1,855,153	-	-	1,855,153
Total Expenses	23,303,915	16,055,548	20,810,456	8,470,808	3,627	68,644,354	769,673	(3,540,596)	65,873,431
INCOME (LOSS) FROM OPERATIONS PRIOR TO UNREALIZED GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS	(1,765,346)	(1,066,847)	(1,921,956)	379,140	(3,576,572)	(7,951,581)	(42,511)	-	(7,994,092)
Unrealized Gain on Derivative Financial Instruments	554,611	344,532	-	-	-	899,143	-	-	899,143
GAIN (LOSS) FROM OPERATIONS	(1,210,735)	(722,315)	(1,921,956)	379,140	(3,576,572)	(7,052,438)	(42,511)	-	(7,094,949)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS									
Change in Value of Deferred-Giving Arrangements	-	-	-	-	53,209	53,209	-	-	53,209
Net Unrealized Loss on Fixed Income Securities and Other Investments	-	-	-	-	(764,527)	(764,527)	-	-	(764,527)
Transfer of Capital	1,600,000	400,000	-	-	-	2,000,000	-	-	2,000,000
Equity Transfer	(10,321,895)	(3,127,508)	(599,928)	2,933,058	11,165,202	48,929	-	-	48,929
Net Assets Released from Restrictions Used for Purchase of Capital Items	-	-	40,000	-	-	40,000	-	-	40,000
Total Other Changes in Net Assets Without Donor Restrictions	(8,721,895)	(2,727,508)	(559,928)	2,933,058	10,453,884	1,377,611	-	-	1,377,611
INCREASE (DECREASE) IN NET ASSETS	$ (9,932,630)	$ (3,449,823)	$ (2,481,884)	$ 3,312,198	$ 6,877,312	$ (5,674,827)	$ (42,511)	$ -	$ (5,717,338)