# FellowshipLife, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2023 and 2022

# Independent Auditors' Report

To the Board of Directors of
FellowshipLife, Inc. and Subsidiaries

**Opinion**

We have audited the consolidated financial statements of FellowshipLife, Inc. and Subsidiaries (the Organization), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, and the related consolidated statements of operations and 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
June 19, 2024

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 6,273,183 | $ 2,952,305 |
| Investments | 30,597,427 | 46,419,094 |
| Assets whose use is limited, current portion | 4,567,992 | 4,631,874 |
| Accounts receivable, net | 6,299,570 | 4,093,172 |
| Pledges receivable, current portion | 157,250 | 157,250 |
| Prepaid and other current assets | 1,912,553 | 1,491,639 |
| Total current assets | 49,807,975 | 59,745,334 |
| **Pledges Receivable** | 556,818 | 699,771 |
| **Noncurrent Assets Whose Use is Limited** | 27,728,049 | 4,019,670 |
| **Property and Equipment, Net** | 278,554,502 | 170,138,226 |
| **Long-Term Deposits** | 112,043 | 112,043 |
| Total assets | $ 356,759,387 | $ 234,715,044 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | $ 17,084,230 | $ 8,015,296 |
| Accrued interest payable | 1,905,834 | 1,847,190 |
| Current portion of long-term debt | 15,925,027 | 4,122,264 |
| Total current liabilities | 34,915,091 | 13,984,750 |
| **Refundable Waiting List Deposits** | 995,525 | 272,451 |
| **Refundable Advance Entrance Fees** | 56,529,856 | 48,035,640 |
| **Deferred Revenue From Advance Entrance Fees** | 21,335,965 | 17,898,918 |
| **Deferred Revenue for Renovations** | 521,687 | 618,657 |
| **Interest Rate Swap** | 147,645 | 263,046 |
| **Long-Term Debt, Net** | 101,741,738 | 100,370,204 |
| Total liabilities | 216,187,507 | 181,443,666 |
| **Net Assets** | | |
| Without donor restrictions | 138,689,814 | 49,049,152 |
| With donor restrictions | 1,882,066 | 4,222,226 |
| Total net assets | 140,571,880 | 53,271,378 |
| Total liabilities and net assets | $ 356,759,387 | $ 234,715,044 |

*See notes to consolidated financial statements*

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Net Assets Without Donor Restrictions** | | |
| Revenue: | | |
| Resident services, including amortization of advance entrance fees of $9,252,299 in 2023 and $9,657,285 in 2022 | $ 33,085,177 | $ 28,183,198 |
| Patient revenue from nonresidents | 20,328,567 | 6,268,732 |
| Home and community based services | 11,452,124 | 9,370,518 |
| Other revenues | 6,496,386 | 5,352,768 |
| Contributions | 749,967 | 152,211 |
| Management fee revenue | 1,087,775 | 466,811 |
| Investment Income | 2,371,919 | 2,297,971 |
| Net assets released from restrictions | - | 181,673 |
| Total revenue | 75,571,915 | 52,273,882 |
| Expenses: | | |
| Salaries and benefits | 38,182,295 | 26,148,763 |
| Contracted services | 15,635,649 | 7,793,741 |
| Supplies and other | 16,612,323 | 9,532,125 |
| Interest and amortization, net | 3,856,946 | 2,157,581 |
| Depreciation | 9,783,967 | 5,814,731 |
| Bad debt | 215,252 | 183,000 |
| Total expenses | 84,286,432 | 51,629,941 |
| (Loss) income from operations | (8,714,517) | 643,941 |
| **Loss on Disposal of Property and Equipment** | (29,709) | (77,101) |
| **Change in Fair Value of Interest Rate Swap** | 115,401 | - |
| **Net Change in Unrealized Gains (Losses) on Investments** | 1,620,355 | (9,209,001) |
| **Net Assets Received From Affiliation** | 90,772,753 | 6,633,431 |
| Revenues in excess of (less than) expenses | 83,764,283 | (2,008,730) |
| **Net Assets Released From Restriction for Property and Equipment** | 5,876,379 | - |
| Change in net assets without donor restrictions | 89,640,662 | (2,008,730) |
| **Net Assets With Donor Restrictions** | | |
| Contributions | 3,000,000 | 1,394,211 |
| Net assets released from restriction | (5,876,379) | (181,673) |
| Net assets received from affiliation | 536,219 | - |
| Change in net assets with donor restrictions | (2,340,160) | 1,212,538 |
| Increase (decrease) in net assets | 87,300,502 | (796,192) |
| **Net Assets, Beginning** | 53,271,378 | 54,067,570 |
| **Net Assets, Ending** | $ 140,571,880 | $ 53,271,378 |

*See notes to consolidated financial statements*

## FellowshipLife, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Increase (decrease) in net assets | $ 87,300,502 | $ (796,192) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Cash received from advance entrance fees and waiting list deposits, net | 10,011,978 | 10,315,406 |
| Amortization of advance entrance fees | (9,338,265) | (9,763,561) |
| Amortization of deferred revenue for renovations | (109,597) | (117,839) |
| Amortization of deferred financing costs | 124,681 | 51,682 |
| Amortization of bond premium | (378,304) | (385,544) |
| Loss on disposal of property and equipment | 29,709 | 77,101 |
| Depreciation | 9,783,967 | 5,814,731 |
| Net change in unrealized gain on investments | (1,620,355) | 9,209,001 |
| Net assets received from affiliation | (91,308,972) | (6,633,431) |
| Contributions restricted for long-term purposes | (3,000,000) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,571,101) | (582,322) |
| Pledges receivable | (14,297) | (133,315) |
| Prepaid and other current assets | (343,909) | (145,802) |
| Accounts payable and accrued expenses | 4,414,290 | 2,844,508 |
| Accrued interest payable | 31,797 | (32,900) |
| Deferred grant revenue | - | (31,716) |
| Net cash provided by operating activities | 4,012,124 | 9,689,807 |
| **Cash Flows From Investing Activities** | | |
| Net purchases of investments and assets whose use is limited | 18,973,476 | (2,427,157) |
| Cash received in membership affiliation | 3,195,037 | 239,605 |
| Acquisition of property and equipment | (23,729,116) | (17,379,347) |
| Net cash used in investing activities | (1,560,603) | (19,566,899) |
| **Cash Flows From Financing Activities** | | |
| Contributions restricted for long-term purposes | 3,000,000 | - |
| Pledge payments received | 157,250 | 115,000 |
| Cash received from refundable advance entrance fees | 1,075,200 | 8,025,652 |
| Principal payments of long-term debt | (4,193,536) | (1,763,577) |
| Net cash provided by financing activities | 38,914 | 6,377,075 |
| Net decrease in cash and cash equivalents and restricted cash and cash equivalents | 2,490,435 | (3,500,017) |
| **Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning** | 8,272,652 | 11,772,669 |
| **Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending** | $ 10,763,087 | $ 8,272,652 |
| **Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents** | | |
| Cash and cash equivalents | $ 6,273,183 | $ 2,952,305 |
| Under trust indenture | 3,567,670 | 4,631,874 |
| Wait list and entrance fee deposits | 283,770 | 429,154 |
| Assets with donor restrictions | 638,464 | 259,319 |
| Total cash and cash equivalents and restricted cash and cash equivalents | $ 10,763,087 | $ 8,272,652 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash paid for interest, net of amounts capitalized | $ 3,163,324 | $2,524,343 |
| **Noncash Investing and Financing Activities** | | |
| Obligations incurred for the acquisition of property and equipment | $ 1,501,515 | $2,542,130 |

*See notes to consolidated financial statements*

## 1. Organization

FellowshipLife, Inc. (FL) (formerly FSL, Inc. d/b/a Fellowship Senior Living, Inc.) was formed for the purpose of providing care to aging and elderly through wholly owned subsidiary corporations of various senior living housing, services and programs, home and community-based services, and ancillary services related thereto. FL is the sole corporate member of the following organizations:

- Fellowship Village, Inc. (Fellowship), formerly known as Fellowship Senior Living, Inc. through September 2021 and a subsidiary of FL, is a tax-exempt, not-for-profit organization, which operates a continuing care retirement community in Basking Ridge, New Jersey, consisting of 256 residential homes, a community building and a health center consisting of 67 long-term care beds, 55 assisted living beds, 37 memory care beds, a rehabilitation and wellness center and a medical center. Fellowship commenced operations on May 1, 1996.

- Friends Village, Inc. (Friends) is a is a tax-exempt, not-for-profit organization, which operates a continuing care retirement community in Woodstown, New Jersey, consisting of 75 independent living residences, 41 assisted living beds and 20 memory care beds. No operating activity is included in the consolidated reports as the activity through December 31, 2022 has been deemed immaterial.

- Pines Village, Inc. (Pines) is a tax-exempt, nonprofit corporation, which operates a continuing care retirement community in Whiting, New Jersey, consisting of 234 independent living units, 96 assisted living units and 66 skilled nursing care beds.

- HOTGS,. Inc. d/b/a Riverwalk Village (Riverwalk) is a tax-exempt, nonprofit corporation, which operates a continuing care retirement community in Hackettstown, New Jersey, consisting of 48 independent living units, and 35 assisted living units.

- Fellowship Foundation, Inc. (the Foundation) was incorporated under the provisions of the New Jersey Nonprofit Corporation Act as a tax-exempt, not-for-profit organization. The Foundation plans and oversees charitable fundraising development-related programs and activities for Fellowship and Riverwalk.

On December 19, 2023 FL signed an asset purchase agreement with Center for Aging, Inc. d/b/a Applewood (Applewood), a continuing care retirement community in Freehold, New Jersey, whose sole member is CentraState Healthcare System, Inc. (CSHS), wherein Applewood has agreed to transfer substantially all assets and liabilities to FL. The gross consideration expected to be paid by FL to CSHS consists of a purchase price of $40,000,000 (Purchase Price), which will primarily be financed through a bond issuance on the date of closing. In addition, Applewood has cash and investments of approximately $26,783,000 (Additional Consideration Payment). The final Purchase Price can increase or decrease up to $2,000,000 depending on the final amount of the Additional Consideration Payment at the time of closing. The transaction is anticipated to close July 1, 2024, subject to regulatory approvals.

## 2. Transfer of Membership

Effective August 1, 2023, FL acquired Keswick Pines, Inc. (Keswick), a continuing care retirement community in Whiting, NJ, through its wholly owned subsidiary, Pines, pursuant to an Asset Purchase Agreement dated October 7, 2022 (the Agreement). As part of the Agreement, Keswick transferred all of its assets, including all property and equipment, cash and cash equivalents, accounts receivable, investments and any other assets to Pines, and Pines assumed all of the liabilities of Keswick, including long-term debt, accounts payable and accrued expenses, entrance fee contracts and any other liabilities on the effective date and Pines assumed all operations, personnel and staff of Keswick. There were no amounts of consideration transferred to execute the affiliation.

The recognized amounts of identifiable assets acquired and liabilities assumed at the date of affiliation with Keswick (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 2,808 |
| Investments and assets whose use is limited | 3,504 |
| Accounts receivable | 711 |
| Prepaids and other current assets | 121 |
| Property and equipment, net | 68,414 |
| Accounts payable, accrued expenses, and other current liabilities | (1,631) |
| Long-term debt | (10,417) |
| Refundable waiting list deposits | (552) |
| Refundable advanced entrance fees | (6,228) |
| Deferred revenue from advance entrance fees | (3,161) |
| Net assets with donor restrictions (membership affiliation) | (93) |
| Net assets without donor restrictions (inherent contribution) | $ 53,476 |

This transaction was accounted for using the acquisition method. The inherent contribution represents the net assets without donor restrictions of Pines. The carrying amounts of cash and cash equivalents, investments and assets whose use is limited, accounts receivable, prepaid expenses and other current assets and accounts payable and accrued expenses approximated fair value as of the acquisition date due to the short-term nature of these amounts. The fair value of Pines property and equipment as of the acquisition date was based on an independent third-party appraisal. The carrying amount of deferred revenue and refundable advance entrance fees was deemed to approximate fair value as of the acquisition date as estimating fair value was not deemed practicable. The carrying amount of long-term indebtedness was also deemed to approximate fair value as the original terms of the long-term indebtedness are comparable to current market terms as of the acquisition date. The terms of the long-term indebtedness of Pines are more fully described in Note 9. The consolidated statements of operations and changes in net assets and cash flows include the activities of Pines for the five months from August 1, 2023 through December 31, 2023.

If the results of operations of Pines, as summarized below, were combined with the operations of FL had the acquisition occurred as of the earliest period presented, the Organization's unaudited results would appear as follows:

| | **Unaudited** | |
|---|---|---|
| | **2023** | **2022** |
| | **(In Thousands)** | |
| Total revenue | $ 87,156 | $ 69,776 |
| Increase (decrease) in net assets without donor restrictions | 89,681 | (4,726) |

Effective April 30, 2023, FL acquired the House of Good Sheperd, a continuing care retirement community in Hackettstown, NJ, and it's controlled entity the House of Good Shepherd Foundation, Inc. (collectively, the House), through its wholly owned subsidiary, Riverwalk, pursuant to an Asset Purchase Agreement dated May 25, 2022 (the Agreement). As part of the Agreement, Riverwalk transferred all of its assets, including all property and equipment, cash and cash equivalents, accounts receivable, investments and any other assets to Riverwalk, and Riverwalk assumed all of the liabilities of the House, including long-term debt, accounts payable and accrued expenses, entrance fee contracts and any other liabilities on the effective date and Riverwalk assumed all operations, personnel and staff of the House. There were no amounts of consideration transferred to execute the affiliation.

The recognized amounts of identifiable assets acquired and liabilities assumed at the date of affiliation with the House (in thousands):

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 387 |
| Investments and assets whose use is limited | | 22,503 |
| Property and equipment, net | | 24,049 |
| Accounts payable, accrued expenses, and other current liabilities | | (581) |
| Long-term debt | | (7,654) |
| Refundable advanced entrance fees | | (924) |
| Deferred revenue from advance entrance fees | | (40) |
| Net assets with donor restrictions (membership affiliation) | | (443) |
| Net assets without donor restrictions (inherent contribution) | $ | 37,297 |

This transaction was accounted for using the acquisition method. The inherent contribution represents the net assets without donor restrictions of Riverwalk. The carrying amounts of cash and cash equivalents, investments and assets whose use is limited, accounts receivable, prepaid expenses and other current assets and accounts payable and accrued expenses approximated fair value as of the acquisition date due to the short-term nature of these amounts. The fair value of Riverwalk's property and equipment as of the acquisition date was based on an independent third-party appraisal. The carrying amount of deferred revenue and refundable advance entrance fees was deemed to approximate fair value as of the acquisition date as estimating fair value was not deemed practicable. The carrying amount of long-term indebtedness was also deemed to approximate fair value as the original terms of the long-term indebtedness are comparable to current market terms as of the acquisition date. The terms of the long-term indebtedness Riverwalk are more fully described in Note 9. The consolidated statements of operations and changes in net assets and cash flows include the activities of Riverwalk for the eight months from May 1, 2023 through December 31, 2023.

If the results of operations of Riverwalk, as summarized below, were combined with the operations of FL had the acquisition occurred as of the earliest period presented, the Organization's unaudited results would appear as follows:

| | Unaudited | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | (In Thousands) | | | |
| Total revenue | $ | 77,066 | $ | 58,124 |
| Increase (decrease) in net assets without donor restrictions | | 88,036 | | (6,676) |

## 3. Summary of Significant Accounting Policies

### Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidation of the individual financial statements of FL, Fellowship, Friends, Pines, Riverwalk and the Foundation (collectively referred to as the Organization). FL has legal control over Fellowship, Friends, Pines, Riverwalk, and the Foundation. Inter-organization transactions and balances have been eliminated in consolidation.

### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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 and Cash Equivalents and Restricted Cash and Cash Equivalents

For the purpose of the consolidated balance sheets and consolidated statements of cash flows, cash and cash equivalents and restricted cash and cash equivalents consist of cash balances and investments in highly liquid debt instruments purchased with an original maturity of three months or less.

### Accounts Receivable

Accounts receivable include receivables for residential and health care services. The Organization assesses collectability on all resident accounts prior to providing services. An allowance for expected credit losses is recognized to reduce accounts receivable to its net realizable value for impairment of revenue for changes in resident credit worthiness. The allowances are estimated based on general factors such as payor mix, aging of the receivables and historical collection experience. Accounts are written off through expected credit losses expense when the Organization has exhausted all collection efforts and accounts are deemed impaired.

### Investments and Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under bond indenture agreements; waiting list and entrance fee deposits held in escrow and assets with donor restrictions.

Marketable securities included within investments and assets whose use is limited are recorded at fair value. The fair value of these investments is determined by reference to quoted market prices.

Alternative investments consist of investments in marketable hedging instruments and limited partnership interests. The marketable hedging instruments are recorded at fair value. The fair value of these investments is determined by reference to quoted market prices. The limited partnership interest investments are reported in the accompanying consolidated balance sheets based upon net asset values derived from the application of the equity method of accounting. Generally, net asset value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. Individual investment holdings of the limited partnerships may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of the nonmarketable securities are determined by the investment managers or general partner of the funds. These values may be based on historical cost, appraisals or other estimates that require varying degrees of judgment. The investments may indirectly expose the Organization to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. The Organization's risk is limited to its carrying value of the limited partnerships. Such investments are subject to notification periods to divest ranging from 1 to 30 days. The financial statements of the investees are audited annually by independent auditors, although the timing for reporting the results of such audits may not coincide with the Organization's annual consolidated financial statement reporting.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of (less than) expenses unless the income is restricted by donor or law.

### Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets (ranging from 3 to 40 years). The useful lives of property and equipment from acquired communities are adjusted based on the remaining useful life whereas assets may be placed out of service at a future date based upon planned renovations or demolition.

### Deferred Financing Costs

Deferred financing costs are costs incurred to obtain financings. Deferred financing costs are amortized using the effective interest or straight-line method over the term of the indebtedness, dependent upon the financing terms of the related debt.

### Refundable Advance Entrance Fees

Refundable advance entrance fees consist of deposits received from prospective residents who have entered into a Residency and Care Agreement. Advance entrance fees received prior to occupancy (generally 10% of the total advance entrance fees) are accounted for as partially refundable deposits in accordance with the terms of the Residency and Care Agreement. These deposit amounts are held in escrow and interest earned is deducted from the remaining advance entrance fees payment (generally 90% of the total advance entrance fees) which is payable upon occupancy. The advance entrance fee deposits are refundable to the residents upon termination of the residency agreement and prior to establishing residency. After residency is established and after a probationary period (generally 90-120 days), the fees are refundable to the residents according to the terms of the specific contract.

The Organization offers residents a 90% refund plan, traditional refund plan or rental contracts. Under the traditional refund plan refunds are due on a declining basis ranging from 2% to 4% per month. There is no entrance fee paid for rental contracts.

Pursuant to regulations under the State of New Jersey Department of Community Affairs Continuing Care Retirement Community Regulation and Financial Disclosure Act (the Act), effective for Refundable Residence and Care Agreements entered into on or after November 15, 2018, once the independent living unit has been vacated and the resident(s) has permanently left campus, the Organization will assign a sequential refund number to the unit and will, within 60 days, provide a detailed accounting of any outstanding fees due to the Community and an estimate of the anticipated refund amount due to the resident(s). Any refund will be paid in order according to the resident(s) assigned refund number.

### Deferred Revenue From Advance Entrance Fees

Fees paid by a resident upon entering into a continuing care contract, net of the portion that is refundable to the resident, are recorded as deferred revenue from advance entrance fees and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

### Obligation to Provide Future Services

The Organization engages an independent actuary once every three years to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. Based upon the last calculation performed (as of December 31, 2022), the present value of the net cost of future services and the use of facilities, based on a discount rate of 5%, did not exceed the balance of deferred revenue from entrance fees. Based upon this calculation, and the analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2023 and 2022.

### Deferred Revenue for Renovations

Deferred revenue for renovations relates to funds advanced for renovations. The unamortized balance is amortized into revenue over the applicable contract terms.

### Pledges Receivable

The Organization records unconditional pledges at fair value at the time the promise is received. Pledges to be received after one year are discounted using the U.S. treasury rate for the applicable period. Amortization of the discount is recorded as additional contribution revenue.

### Net Assets

Net assets, revenue, 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** - Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor-restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

**Net Assets With Donor 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. All revenue restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

### Net Services Revenue

Net services revenue is reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net service revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for the Organization's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net service revenues for recurring and routine monthly services are generally billed monthly in advance. Net service revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Entrance fees collected from residents in advance are recognized as deferred revenue from advance entrance fees until the performance obligations are satisfied and are included in deferred revenue from entrance fees in the accompanying consolidated balance sheets. The Organization applies the practical expedient in Accounting Standards Codification (ASC) No. 606 and, therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable advance entrance fees in the accompanying consolidated balance sheets.

Revenue from advance entrance fees other than refundable advance entrance fees received are recognized through amortization using the straight-line method over annually adjusted estimated life expectancies of the residents, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents.

Net services revenue is primarily comprised of the following revenue streams:

**Independent Living** - Independent living revenue is primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Organization has determined that the services included in the monthly service fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, independent living monthly fees are recognized on a month-to-month basis.

**Skilled Nursing** - Skilled nursing revenue is primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. The Organization has determined that skilled nursing services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing revenue is recognized on a daily basis as services are rendered.

**Assisted Living** - Assisted living revenue is primarily derived from providing housing and personal care services to residents at a stated monthly fee. The Organization has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, assisted living and personal care revenue is recognized on a month-to-month basis.

**Home and Community Based Services** - Home and community based services revenue is primarily derived from providing both on-site and at home care to patients and residents at a stated fee, net of any explicit and implicit price concessions. The Organization has determined that home and community based services are considered one performance obligation, which is satisfied over time as services are provided. Therefore, home and community based service revenue is recognized as performance obligations are satisfied, typically on an hourly or daily basis.

The Organization receives revenue for services under third-party payor programs, including Medicare, Medicaid for Hospice services and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Organization estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends and retroactive adjustments are recognized in future periods as final settlements are determined.

### Management Fees

FL receives management fees from its subsidiaries and other organizations for the provision of operational, managerial and financial oversight.

### Performance Indicator

The consolidated statements of operations and changes in net assets include the revenues in excess of (less than) expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the revenues (less than) in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets) and inherent contributions received in affiliation.

Transactions deemed by management to be ongoing, major or central to the provision of residential and health care services are reported within income from operations.

### General and Professional Liability

The Organization maintains claims made based professional and general liability coverage through a commercial insurance carrier.

### Income Taxes

FL and its subsidiaries are not-for-profit corporations as described under Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on its exempt income under Section 501(a) of the IRC. FL, Inc. and its subsidiaries are also exempt from state and local income taxes under similar statutes. The Organization accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met.

### Reclassification of Prior Year Amounts

Certain amounts from the prior year have been reclassified to conform to the current year presentation and did not affect changes in net assets or total net assets.

### Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through June 19, 2024, the date the consolidated financial statements were issued.

## 4. Investments and Assets Whose Use is Limited

Investments consist of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Cash and money market funds | $ 2,084,552 | $ 3,930,438 |
| Equities | 13,488,182 | 24,862,011 |
| Fixed income | 9,686,767 | 12,648,065 |
| Other | 816,999 | 214,200 |
| Alternative investments | 4,520,927 | 4,764,380 |
| Total | $ 30,597,427 | $ 46,419,094 |

Assets whose use is limited consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Assets with donor restrictions: | | |
| Cash and cash equivalents | $ 10,280,620 | $ 5,320,347 |
| Equities | 12,394,138 | 2,341,583 |
| Fixed income | 9,621,283 | 989,614 |
| Total | 32,296,041 | 8,651,544 |
| Less assets whose use is limited, current portion | 4,567,992 | 4,631,874 |
| Noncurrent assets whose use is limited | $ 27,728,049 | $ 4,019,670 |

Assets whose use is limited are maintained for the following purposes at December 31:

| | 2023 | 2022 |
|---|---|---|
| Bond indenture agreements | $ 20,274,052 | $ 4,631,874 |
| Waiting list and entrance fee deposits | 624,703 | 712,146 |
| Assets with donor restrictions | 1,167,988 | 3,307,524 |
| Board designated investments | 10,229,298 | - |
| Total | $ 32,296,041 | $ 8,651,544 |

Assets held by trustees under bond indenture agreements, are maintained for the following purposes at December 31:

| | 2023 | 2022 |
|---|---|---|
| Collateral fund | $ 11,132,164 | $ 1,100,000 |
| Interest fund | 1,787,326 | 1,821,430 |
| Sinking fund | 1,780,444 | 1,710,444 |
| Guarantor fund | 4,667,251 | - |
| Debt service reserve fund | 906,867 | - |
| Total | $ 20,274,052 | $ 4,631,874 |

Investment income, net of investment fees, included in investment income and other revenue consists of the following for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Interest and dividend income | $ 2,234,794 | $ 1,962,771 |
| Investment fees | (14,575) | (13,298) |
| Net realized gains | 151,700 | 348,498 |
| Total | $ 2,371,919 | $ 2,297,971 |

## 5. Liquidity and Availability of Resources

As of December 31, 2023 and 2022, the Organization has financial assets available for general expenditure within one year of the consolidated balance sheets date, consisting of the following:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 6,273,183 | $ 2,952,305 |
| Accounts receivable, net | 6,299,570 | 4,093,172 |
| Investments | 30,597,427 | 46,419,094 |
| Total | $ 43,170,180 | $ 53,464,571 |

The Organization has 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 held by trustee under bond indenture agreements. Additionally, certain other debt service funds are designated for long-term purposes. These investments, which are more fully described in Note 4, are not available for general expenditure within the next year and are not reflected in the amounts above.

The Organization designated a portion of its investments "reserved" to comply with state and lender liquid reserve requirements. Although the Organization does not intend to utilize the required liquid reserves for general expenditures as part of its annual budget and approval process, amounts designated for state and lender required liquid reserves could be made available as necessary.

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. The Organization's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

## 6. Fair Value Measurements

The Organization measures its investments, assets whose use is limited and derivative financial instruments at fair value on a recurring basis in accordance with GAAP.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to FL for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The following tables present the financial instruments carried at fair value as of December 31, 2023 and 2022 by caption on the consolidated balance sheets and within the valuation hierarchy levels defined above:

| | Assets at Fair Value as of December 31, 2023 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Reported at Fair Value** | | | | |
| Assets without donor restrictions: | | | | |
| Investments: | | | | |
| Equities: | | | | |
| Common stock | $ 8,956,293 | $ - | $ - | $ 8,956,293 |
| Closed end funds and exchange traded products | 1,008,365 | - | - | 1,008,365 |
| Structured products | 1,728,665 | - | - | 1,728,665 |
| Mutual funds | 1,794,859 | - | - | 1,794,859 |
| Total equities | 13,488,182 | - | - | 13,488,182 |
| Fixed income: | | | | |
| Corporate bonds and notes | - | 6,317,340 | - | 6,317,340 |
| Preferred securities | - | 90,610 | - | 90,610 |
| Municipal securities | - | 1,364,690 | - | 1,364,690 |
| Closed end funds and exchange traded products | 207,828 | - | - | 207,828 |
| Certificates of Deposit | 381,099 | - | - | 381,099 |
| Mutual funds | 1,325,200 | - | - | 1,325,200 |
| Total fixed income | 1,914,127 | 7,772,640 | - | 9,686,767 |
| Nontraditional: | | | | |
| Other investments | - | 279,487 | - | 279,487 |
| Total assets without donor restrictions in the fair value hierarchy | $ 15,402,309 | $ 8,052,127 | $ - | 23,454,436 |
| Cash and cash equivalents | | | | 2,084,553 |
| Investments measured at net asset value (a) | | | | 5,058,438 |
| Total investments | | | | $ 30,597,427 |

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments.

| | Assets at Fair Value as of December 31, 2023 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets whose use is limited: | | | | |
| Equities: | | | | |
| Common stock | $ 10,361,935 | $ - | $ - | $ 10,361,935 |
| Closed end funds and exchange traded products | 1,742,300 | - | - | 1,742,300 |
| Other equity investments | 64,653 | - | - | 64,653 |
| Mutual funds | 225,250 | - | - | 225,250 |
| Total equities | 12,394,138 | - | - | 12,394,138 |
| Fixed income: | | | | |
| Corporate bonds and notes | - | 5,268,973 | - | 5,268,973 |
| Municipal Securities | - | 83,377 | - | 83,377 |
| Government Securities | - | 3,489,360 | - | 3,489,360 |
| Closed end funds and exchange traded products | 659,286 | - | - | 659,286 |
| Mutual funds | 120,287 | - | - | 120,287 |
| Total fixed income | 779,573 | 8,841,710 | - | 9,621,283 |
| Total assets whose use is limited | $ 13,173,711 | $ 8,841,710 | $ - | 22,015,421 |
| Cash and cash equivalents | | | | 10,280,620 |
| Total | | | | $ 32,296,041 |

| | Assets at Fair Value as of December 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Reported at Fair Value** | | | | |
| Assets without donor restrictions: | | | | |
| Investments: | | | | |
| Equities: | | | | |
| Common stock | $ 17,467,198 | $ - | $ - | $ 17,467,198 |
| Closed end funds and exchange traded products | 1,594,581 | - | - | 1,594,581 |
| Structured products | - | 3,370,816 | - | 3,370,816 |
| Mutual funds | 1,922,495 | - | - | 1,922,495 |
| Other equity investments | 289,619 | - | - | 289,619 |
| Unit investment trusts | 217,302 | - | - | 217,302 |
| Total equities | 21,491,195 | 3,370,816 | - | 24,862,011 |
| Fixed income: | | | | |
| Corporate bonds and notes | - | 8,608,457 | - | 8,608,457 |
| Preferred securities | - | 88,641 | - | 88,641 |
| Municipal securities | - | 1,219,303 | - | 1,219,303 |
| Closed end funds and exchange traded products | 1,209,202 | - | - | 1,209,202 |
| Certificates of Deposit | 137,485 | - | - | 137,485 |
| Mutual funds | 1,384,977 | - | - | 1,384,977 |
| Total fixed income | 2,731,664 | 9,916,401 | - | 12,648,065 |
| Nontraditional: | | | | |
| Other investments | - | 214,200 | - | 214,200 |
| Total assets without donor restrictions in the fair value hierarchy | $ 24,222,859 | $ 13,501,417 | $ - | 37,724,276 |
| Cash and cash equivalents | | | | 3,930,438 |
| Investments measured at net asset value (a) | | | | 4,764,380 |
| Total investments | | | | $ 46,419,094 |

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments.

| | Assets at Fair Value as of December 31, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets whose use is limited: | | | | |
| Equities: | | | | |
| Common stock | $ 1,752,418 | $ - | $ - | $ 1,752,418 |
| Closed end funds and exchange traded products | 340,426 | - | - | 340,426 |
| Preferred securities | 18,681 | - | - | 18,681 |
| Other equity investments | 90,708 | - | - | 90,708 |
| Unit investment trusts | 65,172 | - | - | 65,172 |
| Mutual funds | 74,178 | - | - | 74,178 |
| Total equities | 2,341,583 | - | - | 2,341,583 |
| Fixed income: | | | | |
| Corporate bonds and notes | - | 707,320 | - | 707,320 |
| Closed end funds and exchange traded products | 186,107 | - | - | 186,107 |
| Mutual funds | 28,301 | - | - | 28,301 |
| Total fixed income | 214,408 | 707,320 | - | 921,728 |
| Nontraditional: | | | | |
| Other | - | 67,886 | - | 67,886 |
| Total nontraditional | - | 67,886 | - | 67,886 |
| Total assets whose use is limited | $ 2,555,991 | $ 775,206 | $ - | 3,331,197 |
| Cash and cash equivalents | | | | 5,320,347 |
| Total | | | | $ 8,651,544 |

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2023 and 2022:

Mutual funds, equities, unit investment trusts, closed end funds and exchange traded funds are valued at fair value based on quoted market prices which are considered Level 1 inputs.

Structured products are valued upon the unit values of such shares held at year-end. Values are based on the fair value of the underlying investments of the securities from inputs principally from or corroborated by observable market data by correlation or other means, although are not based upon quoted market prices in an active market, therefore they are considered Level 2 inputs. The underlying investments of the securities consist of Level 1 equities and adjusted for volatility, credit risk and discount rates.

Corporate bonds and notes, preferred securities and municipal securities, are valued using quoted market prices of similar securities, which are considered Level 2 inputs.

The nontraditional investments are comprised of limited partnerships that invest primarily in securities that are traded in active markets. Remaining commitments for nontraditional investments were $284,281 as of December 31, 2023.

Certain investments are measured at net asset value as a practical expedient. The investments have monthly redemption notices from one to 15 days.

| | 2023 Fair Value | 2022 Fair Value | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| AlphaKeys Rise Fund (b) | $ 550,668 | $ 511,138 | Daily | None |
| ARES Hi Income CR OPP Fund II ((Cayman) LP (c) | 490,157 | 534,098 | Daily | None |
| CIBUS Eleanor Fund LP (d) | 600,058 | 906,881 | Daily | None |
| Stepstone Tactical Growth Fund II Offshore LP (e) | 457,912 | 479,301 | Daily | None |
| MAN-AHL (f) | 835,128 | 854,805 | Monthly | 10 days |
| Grant Park Global I (g) | 399,992 | 410,112 | Monthly | None |
| Other investments valued at NAV | 1,724,523 | 1,068,045 | Various | Various |

(a) Pursues a merger arbitrage strategy, seeking to invest primarily in securities of entities involved in announced mergers, acquisitions, or contests for control (including by shorting such securities); however, the fund may make investments in entities involved in other types of restructuring or corporate events when, in the investment managers opinion, attractive opportunities exist.

(b) Invests in early and growth stage businesses that have an articulable and measurable positive social impact inherent in their operations.

(c) Invests exclusively in collateralized loan obligation securities. The fund actively manages the assets and seeks to deliver low-mid-teens net returns to investors over an anticipated horizon of 4 to 6 years. Strategy returns include a targeted annual dividend of approximately 10%, subject to available income.

(d) Invests in start up and early stage food companies.

(e) Invests in venture capital and growth equity opportunities primarily in small capital efficient companies.

(f) Seeks high to medium-term capital growth, independent of the movement of the stock and bond markets, through speculative trading, directly and indirectly, of physical commodities, future contracts spot and forward contracts, swaps and options on the foregoing, exchanges of futures for physical transactions and other investments on domestic and international exchange and markets.

(g) The fund is a multi-advisor commodity pool organized to pool assets of investors for the purpose of trading in the U.S. and international spot and derivatives markets for currencies, interest rates, stock indices, agriculture and energy products, precious and base metals and other commodities.

## 7. Property and Equipment

Property and equipment consist of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 19,548,577 | $ 11,148,577 |
| Land improvements | 6,470,600 | 1,497,242 |
| Buildings | 287,580,536 | 195,351,626 |
| Furnishings and equipment | 39,551,360 | 29,061,725 |
| | 353,151,073 | 237,059,170 |
| Less accumulated depreciation and amortization | 84,532,352 | 75,017,047 |
| | 268,618,721 | 162,042,123 |
| Construction in progress | 9,935,781 | 8,096,103 |
| Total | $ 278,554,502 | $ 170,138,226 |

Interest costs capitalized were $445,126 and $1,151,207 during 2023 and 2022, respectively.

During 2017, Fellowship commenced a new construction and renovation project (the Project). Payments to the general contractor are approved by the financial institutions managing the bond proceeds. A construction retainage of 10% is withheld as payment from each requisition and is payable to the general contractor upon completion of each phase of the Project. This retainage is recorded as a long-term liability and is also included in construction in progress. As of December 31, 2023 and 2022, the retainage payable is $1,113,380 and $1,678,452, respectively. At December 31, 2023, the Project was completed and there were no additional cost to complete.

## 8. Long-Term Debt

Long-term debt consists of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Series 2019AB Public Finance Authority (the Authority), Revenue and Refunding Bonds due in varying installments through 2052 plus interest ranging from 4.000% - 5.000%. | $ 83,685,000 | $ 85,395,000 |
| 2009 Bonds, due in monthly installments of principal and interest (variable rate of interest as of December 31, 2023, was 5.89%) through December 15, 2024 | 11,199,965 | 11,815,200 |
| 2012 Bonds, due in varying annual installments through July 2031 plus fixed interest at 6.34% | 9,095,255 | - |
| 2014 Bonds, due on December 1, 2029, monthly payments of $149,076, consisting of principal plus interest at 3.23% | 7,447,229 | - |
| Construction retainage payable | 1,113,380 | 1,678,452 |
| Note payable, vendor (interest free) | 507,326 | 625,903 |
| Total debt | 113,048,155 | 99,514,555 |
| Unamortized bond premium | 6,238,400 | 6,616,706 |
| Less current portion | (15,925,027) | (4,122,264) |
| Less deferred financing costs | (1,619,790) | (1,638,793) |
| Total | $ 101,741,738 | $ 100,370,204 |

### Series 2019 Bonds - Fellowship Village

On December 19, 2019, the Authority issued on behalf of Fellowship, $88,805,000 of public bonds, Series 2019AB (the Series 2019 Bonds). The net proceeds were used by Fellowship as follows: (a) advance refund of all of the outstanding Series 2013 A bonds in the amount of $32,027,666 and 2013 Series B bonds in the amount of $33,513,092; (b) financing for Phase III of the health center expansion and renovation project; (c) pay associated costs with the issuance of the Series 2019 Bonds, including the termination of related rate swap agreement; and (d) recover a portion of equity contributions as specified under the 2013 Series A agreement for Phases I and II. The Bonds are collateralized by a mortgage, the assignment of leases and rent and a security agreement. Under the terms of the 2019 bonds, Fellowship is subject to various covenants, which include the achievement of certain pre-established financial indicators.

### Series 2009 Bonds - Friends Village

Pursuant to an assignment of asset purchase agreement dated December 30, 2022, Friends assumed the remaining outstanding bonds issued by the New Jersey Economic Development Authority (NJEDA) to Truist Bank as Borrower with the original principal sum of $17,500,000 on December 23, 2009. The assumed debt in the amount of $11,815,200 matures December 2024 with a balloon payment due in the amount of approximately $10,610,000. The 2009 Bonds are secured by a first lien on the entire amount of Friends Village's personal property and a first mortgage lien on the facility. The series 2009 Bonds mature and are due in full in December, 2024, as such the entire balance due is classified as current as of December 31, 2023.

### Series 2012 Bonds - Riverwalk Village

Pursuant to an assignment of asset purchase agreement dated April 30, 2023, Riverwalk assumed the remaining outstanding bonds issued by the New Jersey Health Care Facilities Financing Authority (the Authority) issued, on behalf of Riverwalk, $14,645,000 of Health Care Facilities Refunding Bonds, Series 2012 (the 2012 Bonds). In November 2022, Riverwalk entered into a term loan note in the amount of $7,757,530. The original debt issued in November 2012 by the Authority, on behalf of the House of the Good Shepard, was in the amount of $14,645,000 of the 2012 Bonds. The proceeds from the 2012 Bonds were used to refund the Authority's 2001 Bonds and pay the costs and expenses of issuing the 2012 Bonds. Monthly installments under the note are $25,858 plus interest through November 2025 at which time the outstanding balance is due. Interest on the outstanding principal is at a per annum rate equal to Secured Overnight Financing Rate (SOFR) plus 100 basis points. As support for the loan, the Foundation maintains a collateral account for the benefit of Riverwalk.

### Series 2014 - Pines Village

In connection with the acquisition of Keswick (Note 2), Pines executed a Waiver and First Amendment to Bond Agreement and Assumption Agreement (the Pines Agreement) whereby Pines assumed Keswick's obligations related to the outstanding Public Finance Authority's tax-exempt Revenue and Refunding Bonds, Series 2014 (the Series 2014 Bonds) and the lender for the Series 2014 Bonds waived the existing Events of Default. On July 31, 2023, the outstanding balance of Series 2014 Bonds was $10,417,030, net of additional principal payment made by Pines of $750,148.

Under the terms of the Pines Agreement, FL is the Guarantor of the Series 2014 Bonds and was required to establish a $5,000,000 investment account with the lender to be used to pay operating and capital expenses at Pines (the Guarantor Account). In addition, Pines was also required to establish an investment account with the lender that, must maintain a value of not less than $1,500,000.

Under the terms of the Pines Agreement, Pines is subject to Debt Service Coverage Ratio (DSCR) and Minimum Liquidity requirements; the DSCR is measured quarterly beginning March 31, 2024 and the Minimum Liquidity is measured semi-annually beginning December 31, 2023. If Pines fails to achieve the minimum DSCR for any test period, Pines shall have the right to obtain unrestricted cash contributions, which are designated by Pines to be used to increase Funds Available for Debt Service, sufficient to comply with the DSCR. The unrestricted cash contributions can include amounts transferred from the Guarantor Account. Pines was not in compliance with the Minimum Liquidity requirement as of December 31, 2023, which was waived by the bank on June 18, 2024.

The remaining balance of Series 2014 Bonds are payable in monthly installments of approximately $140,000, including interest at 3.233%, through maturity in December 2029. The Series 2014 bonds are secured by a first mortgage on the real estate, including the land and buildings, and a first security interest in all equipment, furniture and fixtures and gross revenues.

Approximate principal payments on long-term debt for the next five years follow for the years ending December 31:

| | Note Payable | 2019 Series Bonds - Fellowship | 2009 Series Bonds - Friends | 2014 Series Bonds - Pines | 2012 Series Bonds - Riverwalk | Construction Retainage | Total |
|---|---|---|---|---|---|---|---|
| 2024 | $ 118,577 | $ 1,780,000 | $ 11,199,965 | $ 1,402,804 | $ 310,301 | $ 1,113,380 | $ 15,925,027 |
| 2025 | 118,577 | 1,850,000 | - | 1,446,725 | 7,136,928 | - | 10,552,230 |
| 2026 | 118,577 | 1,925,000 | - | 1,491,242 | - | - | 3,534,819 |
| 2027 | 118,577 | 2,000,000 | - | 1,537,130 | - | - | 3,655,707 |
| 2028 | 33,018 | 1,720,000 | - | 1,584,178 | - | - | 3,337,196 |
| Thereafter | - | 74,410,000 | - | 1,633,176 | - | - | 76,043,176 |
| Total | $ 507,326 | $ 83,685,000 | $ 11,199,965 | $ 9,095,255 | $ 7,447,229 | $ 1,113,380 | $ 113,048,155 |

## 9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

| | 2023 | 2022 |
|---|---|---|
| Health and medical fund | $ 69,901 | $ 75,308 |
| Fellowship promise fund | 373,352 | 411,321 |
| Team member fund | 31,882 | 44,800 |
| Life enrichment fund | 96,935 | 2,798,870 |
| Endowment fund for Riverwalk | 442,357 | - |
| Funds restricted for Pines | 92,862 | - |
| Theater endowment fund | 60,709 | 34,906 |
| Pledges receivable | 714,068 | 857,021 |
| Total | $ 1,882,066 | $ 4,222,226 |

## 10. Functional Expenses

The Organization provides residential, health care and home and community based services to residents and other patients within its geographic location. The consolidated financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other costs, are allocated to general and administrative. Other costs relating to specific functions, including plant operations and maintenance, grounds and security are allocated based on statistics related to total meals served. For the years ended December 31, 2023 and 2022, expenses relating to providing these services are approximately as follows:

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Resident Services | Health Care Services | Home and Community Based Services | General and Administrative | Fundraising | Total |
| Salaries and benefits | $ 3,955,167 | $ 14,408,841 | $ 10,062,752 | $ 9,482,904 | $ 272,631 | $ 38,182,295 |
| Contracted services | 3,723,507 | 5,329,732 | 79,370 | 6,468,700 | 34,340 | 15,635,649 |
| Supplies and other | 3,077,262 | 2,677,314 | 246,723 | 10,278,777 | 332,247 | 16,612,323 |
| Depreciation | - | - | - | 9,783,967 | - | 9,783,967 |
| Interest and amortization, net | - | - | - | 3,856,946 | - | 3,856,946 |
| Provision for bad debt | - | - | - | 215,252 | - | 215,252 |
| Total | $ 10,755,936 | $ 22,415,887 | $ 10,388,845 | $ 40,086,546 | $ 639,218 | $ 84,286,432 |

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Resident Services | Health Care Services | Home and Community Based Services | General and Administrative | Fundraising | Total |
| Salaries and benefits | $ 2,633,289 | $ 8,379,105 | $ 8,701,115 | $ 6,284,228 | $ 151,026 | $ 26,148,763 |
| Contracted services | 2,667,658 | 3,380,584 | 181,770 | 1,513,865 | 49,864 | 7,793,741 |
| Supplies and other | 2,662,483 | 2,187,857 | 494,447 | 3,992,967 | 194,371 | 9,532,125 |
| Depreciation | - | - | - | 5,814,731 | - | 5,814,731 |
| Interest and amortization, net | - | - | - | 2,157,581 | - | 2,157,581 |
| Provision for bad debt | - | - | - | 183,000 | - | 183,000 |
| Total | $ 7,963,430 | $ 13,947,546 | $ 9,377,332 | $ 19,946,372 | $ 395,261 | $ 51,629,941 |

## 11. Net Services Revenue

The Organization disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net resident service fees revenue (exclusive of amortization income from advance entrance fees) consist of the following for the years ended December 31, 2023 and 2022:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Independent Living | Assisted Living | Skilled Nursing | Home Community Based Services | Total |
| Lifecare | $ 15,436,494 | $ 2,230,736 | $ 1,013,577 | $ - | $ 18,680,807 |
| Private pay | 5,152,072 | 9,695,207 | 5,732,431 | 8,538,928 | 29,118,638 |
| Medicare and other | - | - | 4,900,928 | 2,913,196 | 7,814,124 |
| Subtotal | $ 20,588,566 | $ 11,925,943 | $ 11,646,936 | $ 11,452,124 | 55,613,569 |
| Amortization of advance entrance fees | | | | | 9,252,299 |
| Total | | | | | $ 64,865,868 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Independent Living | Assisted Living | Skilled Nursing | Home Community Based Services | Total |
| Lifecare | $ 14,680,030 | $ 2,142,081 | $ 1,038,547 | $ - | $ 17,860,658 |
| Private pay | - | 2,639,667 | 2,533,574 | 6,940,827 | 12,114,068 |
| Medicare and other | - | - | 1,760,746 | 2,429,691 | 4,190,437 |
| Subtotal | $ 14,680,030 | $ 4,781,748 | $ 5,332,867 | $ 9,370,518 | 34,165,163 |
| Amortization of advance entrance fees | | | | | 9,657,285 |
| Total | | | | | $ 43,822,448 |

Other revenues are primarily comprised of the following:

| | 2023 | 2022 |
|---|---|---|
| Culinary and catering | $ 1,098,559 | $ 1,070,808 |
| Medical Group | 1,555,239 | 1,314,903 |
| Ancillary therapy and wellness | 1,180,612 | 988,287 |
| Utility revenue | 493,046 | 466,018 |
| Ticket sales | 351,273 | 148,119 |
| Other operating | 1,817,657 | 1,364,633 |
| Total | $ 6,496,386 | $ 5,352,768 |

Revenues are recognized on a daily or monthly basis as services are rendered.

The Organization has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the principal payment arrangements with the third-party payors follows:

**Medicare and Other** - Skilled nursing and ancillary services provided by Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. Reimbursement for therapy services is provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

Services related to hospice beneficiaries are paid based on a published fee schedule and subject to an annual cap per patient. These rates may vary depending on the period of time a patient is receiving services as well as the level of intensity of services.

The Organization has also entered into payment arrangements with certain managed care and commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes predetermined contractual rates, discounts from established charges and retrospectively determined daily rates.

As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Organization’s clinical assessment of its residents. The Organization is required to clinically assess its resident at predetermined intervals during the resident's stay which are subject to review and adjustment by the respective program.

The Organization also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment under these agreements includes prospectively determined rates per day or discounts from established charges.

## 12. Contingencies

### New Jersey Liquid Reserves

The Organization is regulated by the New Jersey Department of Community Affairs (DCA) pursuant to the Continuing Care Retirement Community Regulation and Financial Disclosures Act (the Act). The Act requires, among other things, that the Organization establish an escrow account into which substantially all advance entrance fees must be deposited until certain conditions are satisfied and, upon issuance of a certificate of authority by the DCA, the Organization must establish and maintain liquid reserves which generally are equal to 15% of the projected operating expenses (excluding depreciation) related to contract residents. The Organization has complied with those requirements at December 31, 2023 and 2022.

### Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity has continued to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

## 13. Retirement Plan

The Organization sponsors a 401(k) defined contribution plan (the Plan). Under the Plan, the Organization makes annual matching contributions to the Plan of 100% of the first 1% plus 50.0% of the next 5.0% of compensation that a participant contributes to the Plan not to exceed 3.5% of compensation, as defined by the Plan. Employees are eligible to participate in the Plan upon completion of at least 1,000 hours of service. Employees become 100% vested in employee contributions immediately upon their participation. The employer matching contributions are subject to a five-year vesting schedule. Pension expense for Fellowship under the Plan was approximately $516,000 and $467,000 for the years ended December 31, 2023 and 2022, respectively. Riverwalk and Pines had 401(k) plans which terminated on April 30, 2023 and July 31, 2023, respectively. The employees of Riverwalk and Pines were eligible to participate in the Organization's 401(k) plan effective April 30, 2023 and July 31, 2023, respectively. The assets of the Keswick's 401(k) were transferred into the Organization's plan during January, 2024.

## 14. Concentrations

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts.

FL grants credit without collateral to its residents, primarily related to providing residential and healthcare related services.

## FellowshipLife, Inc. and Subsidiaries

Schedule I - Consolidating Balance Sheet
December 31, 2023

| | Fellowship Village, Inc. | Fellowship Foundation, Inc. | Friends Village Inc. | FellowshipLife, Inc. | Pines Village Inc. | Riverwalk Village Inc. | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **Current Assets** | | | | | | | | |
| Cash and cash equivalents | $ 3,210,878 | $ 151,117 | $ 1,292,538 | $ 178,528 | $ 1,383,539 | $ 56,583 | $ - | $ 6,273,183 |
| Investments | 26,799,886 | - | 1,182,255 | 50,192 | 1,748,765 | 816,329 | - | 30,597,427 |
| Assets whose use is limited, current portion | 3,567,674 | - | - | - | 1,000,318 | - | - | 4,567,992 |
| Accounts receivable, net | 5,441,764 | - | 19,635 | - | 873,036 | (34,865) | - | 6,299,570 |
| Pledges receivable, current portion | - | 157,250 | - | - | - | - | - | 157,250 |
| Due from related party | 218,669 | - | - | 7,586,633 | - | - | (7,805,302) | - |
| Prepaid and other current assets | 1,366,585 | 12,000 | 104,170 | 195,742 | 130,664 | 103,392 | - | 1,912,553 |
| Interest in net assets of Fellowship Foundation, Inc. | 1,450,123 | - | - | - | - | 21,326,500 | (22,776,623) | - |
| Total current assets | 42,055,579 | 320,367 | 2,598,598 | 8,011,095 | 5,136,322 | 22,267,939 | (30,581,925) | 49,807,975 |
| **Pledges Receivable** | - | 556,818 | - | - | - | - | - | 556,818 |
| **Noncurrent Assets Whose Use is Limited** | 578,833 | 22,104,840 | 45,920 | 4,667,251 | 331,205 | - | - | 27,728,049 |
| **Property and Equipment, Net** | 151,774,111 | - | 33,782,776 | - | 69,044,297 | 23,953,318 | - | 278,554,502 |
| **Long-Term Deposits** | 112,043 | - | - | - | - | - | - | 112,043 |
| Total assets | $ 194,520,566 | $ 22,982,025 | $ 36,427,294 | $ 12,678,346 | $ 74,511,824 | $ 46,221,257 | $ (30,581,925) | $ 356,759,387 |
| **Liabilities and Net Assets** | | | | | | | | |
| **Current Liabilities** | | | | | | | | |
| Accounts payable and accrued expenses | $ 9,165,826 | $ 38,538 | $ 3,423,155 | $ 665,387 | 2,671,637 | 1,119,687 | $ - | $ 17,084,230 |
| Accrued interest payable | 1,787,126 | - | 25,864 | - | 52,168 | 40,676 | - | 1,905,834 |
| Due to related party | - | 36,375 | 6,980,034 | - | 615,170 | 173,723 | (7,805,302) | - |
| Current portion of long-term debt | 3,011,957 | - | 11,199,965 | - | 1,402,804 | 310,301 | - | 15,925,027 |
| | | | | | | | | - |
| Total current liabilities | 13,964,909 | 74,913 | 21,629,018 | 665,387 | 4,741,779 | 1,644,387 | (7,805,302) | 34,915,091 |
| **Refundable Waiting List Deposits** | 295,080 | - | 52,093 | - | 619,192 | 29,160 | - | 995,525 |
| **Refundable Advance Entrance Fees** | 38,907,479 | - | 10,615,212 | - | 6,249,168 | 757,997 | - | 56,529,856 |
| **Deferred Revenue From Advance Entrance Fees** | 17,409,213 | - | 999,902 | - | 2,559,366 | 367,484 | - | 21,335,965 |
| **Deferred Revenue for Renovations** | 500,817 | - | 20,870 | - | - | - | - | 521,687 |
| **Interest Rate Swap** | - | - | 147,645 | - | - | - | - | 147,645 |
| **Long-Term Debt, Net** | 87,084,815 | - | (77,108) | - | 7,649,476 | 7,084,555 | - | 101,741,738 |
| Total liabilities | 158,162,313 | 74,913 | 33,387,632 | 665,387 | 21,818,981 | 9,883,583 | (7,805,302) | 216,187,507 |
| **Net Assets** | | | | | | | | |
| Without donor restrictions | 34,956,817 | 21,063,319 | 3,039,662 | 12,012,959 | 52,599,981 | 35,894,317 | (20,877,241) | 138,689,814 |
| With donor restrictions | 1,401,436 | 1,843,793 | - | - | 92,862 | 443,357 | (1,899,382) | 1,882,066 |
| Total net assets | 36,358,253 | 22,907,112 | 3,039,662 | 12,012,959 | 52,692,843 | 36,337,674 | (22,776,623) | 140,571,880 |
| Total liabilities and net assets | $ 194,520,566 | $ 22,982,025 | $ 36,427,294 | $ 12,678,346 | $ 74,511,824 | $ 46,221,257 | $ (30,581,925) | $ 356,759,387 |

**FellowshipLife, Inc. and Subsidiaries**

Schedule II - Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2023

| | Fellowship Village, Inc. | Fellowship Foundation, Inc. | Friends Village Inc. | FellowshipLife, Inc. | Pines Village Inc. | Riverwalk Village Inc. | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **Net Assets Without Donor Restrictions** | | | | | | | | |
| Revenue: | | | | | | | | |
| Resident services, including amortization of advance entrance fees of $9,252,299 | $ 26,816,376 | $ - | $ 2,463,485 | $ - | $ 2,445,893 | $ 1,359,423 | $ - | $ 33,085,177 |
| Patient revenue from nonresidents | 10,370,236 | - | 2,882,687 | - | 5,327,862 | 1,747,782 | - | 20,328,567 |
| Home and community based services | 11,452,124 | - | - | - | - | - | - | 11,452,124 |
| Other revenues | 5,685,613 | - | 236,316 | - | 361,580 | 212,877 | - | 6,496,386 |
| Contributions | - | 749,967 | - | - | - | - | - | 749,967 |
| Management fee revenue | - | - | - | 4,839,579 | - | - | (3,751,804) | 1,087,775 |
| Investment income (loss) | 2,071,061 | 93,210 | 55,133 | (22,445) | 170,017 | 4,943 | - | 2,371,919 |
| Total revenue | 56,395,410 | 843,177 | 5,637,621 | 4,817,134 | 8,305,352 | 3,325,025 | (3,751,804) | 75,571,915 |
| Expenses: | | | | | | | | |
| Salaries and benefits | 25,624,860 | 279,245 | 2,450,919 | 4,027,871 | 3,733,008 | 2,066,392 | - | 38,182,295 |
| Contracted services | 12,915,308 | 40,584 | 2,834,202 | 243,720 | 2,225,543 | 1,128,096 | (3,751,804) | 15,635,649 |
| Supplies and other | 10,759,177 | 191,484 | 2,391,661 | 900 | 2,177,020 | 1,092,081 | - | 16,612,323 |
| Interest and amortization, net | 2,802,502 | - | 522,524 | - | 163,900 | 368,020 | - | 3,856,946 |
| Depreciation | 7,161,326 | - | 1,073,075 | - | 732,326 | 817,240 | - | 9,783,967 |
| Bad debt | 196,502 | - | - | - | 18,750 | - | - | 215,252 |
| Total expenses | 59,459,675 | 511,313 | 9,272,381 | 4,272,491 | 9,050,547 | 5,471,829 | (3,751,804) | 84,286,432 |
| (Loss) income from operations | (3,064,265) | 331,864 | (3,634,760) | 544,643 | (745,195) | (2,146,804) | - | (8,714,517) |
| **(Loss) Gain on Disposal of Property and Equipment** | (30,709) | - | - | - | 1,000 | - | - | (29,709) |
| **Change in Fair Value of Interest Rate Swap** | - | - | 115,401 | - | - | - | | 115,401 |
| **Net Change in Unrealized Gains and Losses on Investments** | 803,982 | 803,241 | 32,416 | 97,961 | (131,504) | 14,259 | - | 1,620,355 |
| **Change in Interest of Net Assets of Fellowship Foundation, Inc.** | (2,827,692) | - | - | - | - | (1,176,285) | 4,003,977 | - |
| **Net Assets Received From Affiliation** | - | 22,059,428 | - | - | 53,475,555 | 37,297,198 | (22,059,428) | 90,772,753 |
| Revenues (less than) in excess of expenses | (5,118,684) | 23,194,533 | (3,486,943) | 642,604 | 52,599,856 | 33,988,368 | (18,055,451) | 83,764,283 |
| **Net Assets Released from Restriction for Property and Equipment** | 5,876,379 | 2,821,790 | - | - | - | - | (2,821,790) | 5,876,379 |
| **Transfers (to) From Affiliates** | (3,129,837) | (5,008,593) | 59,470 | 6,172,886 | 125 | 1,905,949 | - | - |
| (Decrease) increase in net assets without donor restrictions | (2,372,142) | 21,007,730 | (3,427,473) | 6,815,490 | 52,599,981 | 35,894,317 | (20,877,241) | 89,640,662 |
| **Net Assets With Donor Restrictions:** | | | | | | | | |
| Net assets received from affiliation | - | 443,357 | - | - | 92,862 | 443,357 | (443,357) | 536,219 |
| Contributions | - | 3,000,000 | - | - | - | - | - | 3,000,000 |
| Net assets released from restriction | (5,876,379) | (2,821,790) | - | - | - | - | 2,821,790 | (5,876,379) |
| Net asset transfers (to) from affiliates | 3,000,000 | (3,000,000) | - | - | - | - | - | - |
| (Decrease) increase in net assets with donor restrictions | (2,876,379) | (2,378,433) | - | - | 92,862 | 443,357 | 2,378,433 | (2,340,160) |
| (Decrease) increase in net assets | (5,248,521) | 18,629,297 | (3,427,473) | 6,815,490 | 52,692,843 | 36,337,674 | (18,498,808) | 87,300,502 |
| **Net Assets, Beginning** | 41,606,774 | 4,277,815 | 6,467,135 | 5,197,469 | - | - | (4,277,815) | 53,271,378 |
| **Net Assets, Ending** | $ 36,358,253 | $ 22,907,112 | $ 3,039,662 | $ 12,012,959 | $ 52,692,843 | $ 36,337,674 | $ (22,776,623) | $ 140,571,880 |

## FellowshipLife, Inc. and Subsidiaries

Schedule III - Consolidating Statement of Cash Flows
Year Ended December 31, 2023

| | Fellowship Village, Inc. | Fellowship Foundation, Inc. | Friends Village Inc. | FellowshipLife, Inc. | Pines Village Inc. | Riverwalk Village Inc. | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | | | | |
| (Decrease) increase in net assets | $ (5,248,521) | $ 18,629,297 | $ (3,427,473) | $ 6,815,490 | $ 52,692,843 | $ 36,337,674 | $ (18,498,808) | $ 87,300,502 |
| Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities: | | | | | | | | |
| Cash received from advance entrance fees and waiting list deposits, net | 8,739,807 | - | 474,757 | - | 487,586 | 309,828 | - | 10,011,978 |
| Amortization of advance fees | (8,214,533) | - | (481,748) | - | (583,914) | (58,070) | - | (9,338,265) |
| Amortization of deferred revenue for renovations | (117,840) | - | 20,870 | - | (12,627) | - | - | (109,597) |
| Amortization of deferred financing costs | 51,682 | - | 62,666 | - | 3,026 | 7,307 | - | 124,681 |
| Amortization of bond premium | (378,304) | - | - | - | - | - | - | (378,304) |
| Loss (gain) on disposal of property and equipment | 30,709 | - | - | - | (1,000) | - | - | 29,709 |
| Depreciation | 7,161,326 | - | 1,073,075 | - | 732,326 | 817,240 | - | 9,783,967 |
| Net change in unrealized (losses) gains on investments | (803,982) | (803,241) | (32,416) | (97,961) | 131,504 | (14,259) | - | (1,620,355) |
| Net change in interest in Fellowship Foundation, Inc. | 2,827,692 | - | - | - | - | 1,176,285 | (4,003,977) | - |
| Membership affiliation | - | (22,502,785) | - | - | (53,568,417) | (37,740,555) | 22,502,785 | (91,308,972) |
| Equity transfer | 3,129,837 | 5,008,593 | (59,470) | (6,172,886) | (125) | (1,905,949) | - | - |
| Contributions restricted for long-term purposes | - | (3,000,000) | | | | | | (3,000,000) |
| Changes in operating assets and liabilities: | | | | | | | | |
| Accounts receivable | (1,348,592) | - | (19,635) | - | (161,842) | (41,032) | - | (1,571,101) |
| Pledges receivable | - | (14,297) | - | - | - | - | - | (14,297) |
| Due to (from) related party | 29,084 | 12,134 | - | - | | | (41,218) | - |
| Prepaid and other current assets | (25,563) | (9,675) | (78,023) | (73,597) | (9,844) | (147,207) | - | (343,909) |
| Accounts payable and accrued expenses | 1,475,508 | 15,871 | 1,050,134 | 550,340 | 663,656 | 658,781 | - | 4,414,290 |
| Accrued interest payable | (34,200) | - | - | - | 25,321 | 40,676 | - | 31,797 |
| Net cash provided by operating activities | 7,274,110 | (2,664,103) | (1,417,263) | 1,021,386 | 398,493 | (559,281) | (41,218) | 4,012,124 |
| **Cash Flows From Investing Activities** | | | | | | | | |
| Net sale (purchases) of investments and assets whose use is limited | 15,597,533 | 4,887,855 | (94,375) | (907,284) | 291,817 | (802,070) | - | 18,973,476 |
| Change in due to (from) related party | - | - | - | (7,475,488) | - | - | 7,475,488 | |
| Cash received in membership affiliation | - | - | - | - | 2,807,656 | 387,381 | - | 3,195,037 |
| Acquisition of property and equipment | (18,910,735) | - | (3,152,351) | - | (944,957) | (721,073) | - | (23,729,116) |
| Net cash used in investing activities | (3,313,202) | 4,887,855 | (3,246,726) | (8,382,772) | 2,154,516 | (1,135,762) | 7,475,488 | (1,560,603) |
| **Cash Flows From Financing Activities** | | | | | | | | |
| Equity transfer | (3,129,837) | (5,008,593) | 59,470 | 6,172,886 | 125 | 1,905,949 | - | - |
| Contributions restricted for long-term purposes | - | 3,000,000 | - | - | - | - | - | 3,000,000 |
| Pledge payments received | - | 157,250 | - | - | - | - | - | 157,250 |
| Change in due to (from) related party | | | 6,645,377 | | 615,170 | 173,723 | (7,434,270) | - |
| Cash received from refundable advance entrance fees, net | 2,069,665 | - | (515,978) | | (416,989) | (61,498) | - | 1,075,200 |
| Principal payments on long-term debt | (1,828,576) | - | (730,636) | - | (1,367,776) | (266,548) | - | (4,193,536) |
| Net cash used in financing activities | (2,888,748) | (1,851,343) | 5,458,233 | 6,172,886 | (1,169,470) | 1,751,626 | (7,434,270) | 38,914 |
| Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents | 1,072,160 | 372,409 | 794,244 | (1,188,500) | 1,383,539 | 56,583 | - | 2,490,435 |
| **Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning** | 5,944,288 | 417,172 | 544,164 | 1,367,028 | - | - | - | 8,272,652 |
| **Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending** | $ 7,016,448 | $ 789,581 | $ 1,338,408 | $ 178,528 | $ 1,383,539 | $ 56,583 | $ - | $ 10,763,087 |
| **Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents** | | | | | | | | |
| Cash and cash equivalents | $ 3,210,878 | $ 151,117 | $ 1,292,538 | $ 178,528 | $ 1,383,539 | $ 56,583 | $ - | $ 6,273,183 |
| Under trust indenture | 3,567,670 | - | - | - | - | - | - | 3,567,670 |
| Wait list and entrance fee deposits | 237,900 | - | 45,870 | - | - | - | - | 283,770 |
| Assets with donor restrictions | - | 638,464 | - | - | - | - | - | 638,464 |
| Total cash and cash equivalents and restricted cash and cash equivalents | $ 7,016,448 | $ 789,581 | $ 1,338,408 | $ 178,528 | $ 1,383,539 | $ 56,583 | $ - | $ 10,763,087 |
| **Supplemental Disclosure of Cash Flow Information** | | | | | | | | |
| Cash paid for interest, net of amounts capitalized | $ 3,163,324 | $ - | $ - | $ - | $ - | $ - | $ - | $ 3,163,324 |