FellowshipLife, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2022 and 2021

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 sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 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 on pages 26 through 28 is presented for purposes of additional analysis of the consolidated financial statements 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 information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the results of operations of Friends Home at Woodstown, Inc. combined with the operations of Fellowship Life, Inc. had the acquisition occurred as of the earliest period as presented on page 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by accounting principles generally accepted in the United States of America who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
May 15, 2023

FellowshipLife, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 2,952,305	$ 3,694,123
Investments	46,419,094	53,146,337
Assets whose use is limited, current portion	4,631,874	7,348,587
Accounts receivable, net	4,093,172	3,510,850
Pledges receivable, current portion	157,250	115,000
Prepaid and other current assets	1,491,639	1,319,690
Total current assets	59,745,334	69,134,587
Pledges Receivable	699,771	723,706
Noncurrent Assets Whose Use is Limited	4,019,670	3,091,357
Property and Equipment, Net	170,138,226	126,913,739
Long-Term Deposits	112,043	80,929
Total assets	$ 234,715,044	$ 199,944,318
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 8,015,296	$ 3,215,429
Accrued interest payable	1,847,190	1,854,226
Deferred grant revenue	-	31,716
Current portion of long-term debt	4,122,264	3,127,093
Total current liabilities	13,984,750	8,228,464
Refundable Waiting List Deposits	272,451	190,053
Refundable Advance Entrance Fees	48,035,640	28,644,090
Deferred Revenue From Advance Entrance Fees	17,898,918	16,605,193
Deferred Revenue for Renovations	618,657	736,496
Interest Rate Swap	263,046	-
Long-Term Debt, Net	100,370,204	91,472,452
Total liabilities	181,443,666	145,876,748
Net Assets		
Without donor restrictions	49,049,152	51,057,882
With donor restrictions	4,222,226	3,009,688
Total net assets	53,271,378	54,067,570
Total liabilities and net assets	$ 234,715,044	$ 199,944,318

See notes to consolidated financial statements

FellowshipLife, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022	2021
Net Assets Without Donor Restrictions		
Revenue:		
Resident services, including amortization of advance entrance fees of $9,657,285 in 2022 and $7,050,855 in 2021	$ 28,183,198	$ 24,780,034
Patient revenue from nonresidents	6,268,732	6,606,170
Home and community based services, including amortization of advance entrance fees of $106,276 in 2022 and $99,384 in 2021	9,370,518	8,632,812
Other revenues	5,352,768	5,220,845
Contributions	152,211	61,588
Management fee revenue	466,811	-
Investment Income	2,297,971	2,532,994
PPP loan forgiveness revenue	-	4,147,700
Net assets released from restrictions	181,673	42,562
Total revenue	52,273,882	52,024,705
Expenses:		
Salaries and benefits	26,148,763	23,640,793
Contracted services	7,793,741	5,970,996
Supplies and other	9,532,125	8,808,620
Interest and amortization, net	2,157,581	2,346,418
Depreciation	5,814,731	5,570,734
Bad debt	183,000	390,281
Total expenses	51,629,941	46,727,842
Income from operations before accelerated depreciation	643,941	5,296,863
Accelerated Depreciation	-	140,141
Income from operations	643,941	5,156,722
Loss on Disposal of Property and Equipment	(77,101)	(104,604)
Net Change in Unrealized (Losses) Gains on Investments	(9,209,001)	3,876,363
Net Assets Received From Affiliation	6,633,431	-
Revenues (less than) in excess of expenses and (decrease) increase in net assets without donor restrictions	(2,008,730)	8,928,481
Net Assets With Donor Restrictions		
Contributions	1,394,211	576,886
Net assets released from restriction	(181,673)	(42,562)
Increase in net assets with donor restrictions	1,212,538	534,324
(Decrease) increase in net assets	(796,192)	9,462,805
Net Assets, Beginning	54,067,570	44,604,765
Net Assets, Ending	$ 53,271,378	$ 54,067,570

See notes to consolidated financial statements

FellowshipLife, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
(Decrease) increase in net assets	$ (796,192)	$ 9,462,805
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	10,315,406	11,874,833
Amortization of advance entrance fees	(9,763,561)	(7,150,239)
Amortization of deferred revenue for renovations	(117,839)	(117,839)
Amortization of deferred financing costs	51,682	51,443
Amortization of bond premium	(385,544)	(392,507)
Loss on disposal of property and equipment	77,101	104,604
Depreciation	5,814,731	5,710,875
Net change in unrealized gain on investments	9,209,001	(3,876,363)
Net assets of affiliation	(6,633,431)	-
Changes in operating assets and liabilities:		
Accounts receivable	(582,322)	(383,143)
Pledges receivable	(133,315)	(24,406)
Prepaid and other current assets	(145,802)	866,512
Accounts payable and accrued expenses	2,844,508	(795,966)
Accrued interest payable	(32,900)	(29,300)
Deferred grant revenue	(31,716)	(4,115,984)
Net cash provided by operating activities	9,689,807	11,185,325
Cash Flows From Investing Activities		
Net purchases of investments and assets whose use is limited	(2,427,157)	(3,776,365)
Cash received in contribution of Friends Village, Inc.	239,605	-
Acquisition of property and equipment	(17,379,347)	(18,192,605)
Net cash used in investing activities	(19,566,899)	(21,968,970)
Cash Flows From Financing Activities		
Pledge payments received	115,000	100,000
Cash received from refundable advance entrance fees	8,025,652	4,993,792
Principal payments of long-term debt	(1,763,577)	(1,585,376)
Net cash provided by financing activities	6,377,075	3,508,416
Net decrease in cash and cash equivalents and restricted cash and cash equivalents	(3,500,017)	(7,275,229)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	11,772,669	19,047,898
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 8,272,652	$ 11,772,669
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 2,952,305	$ 3,694,123
Under trust indenture	4,631,874	7,348,587
Wait list and entrance fee deposits	429,154	358,909
Assets with donor restrictions	259,319	371,050
Total cash and cash equivalents and restricted cash and cash equivalents	$ 8,272,652	$ 11,772,669
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 2,524,343	$ 2,009,093
Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	$ 2,542,130	$ 1,363,516
Forgiveness of Paycheck Protection Program loan	$ -	$ 4,147,700

See notes to consolidated financial statements

1. Organization

FellowshipLife, Inc. (FL) (formerly FSL, Inc. d/b/a Fellowship Senior Living, Inc.) was formed in September 2021 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. Subsequent to December 31, 2022 FL transferred $3,411,000 to Friends for expansion related costs and credit support.

- 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 was formed to plan and oversee charitable fundraising development-related programs and activities for Fellowship. For the year ending December 31, 2022, Fellowship paid for expenses on behalf of the Foundation in the amount of $149,268, which included salaries and benefits, contracted services and supplies and other.

On May 25, 2022, FL signed an asset purchase agreement with The House of the Good Shepherd (HOTGS), a continuing care retirement community in Hackettstown, NJ, wherein HOTGS has agreed to transfer substantially all assets and liabilities to FL. The transaction closed on April 30, 2023. No cash consideration was paid or received by FL to consummate this transaction. The initial accounting for the business combination is currently incomplete, therefore the qualitative description for the factors and the acquisition-date fair value of the consideration transferred in total or of each major class of consideration is not disclosed. Additionally, HOTGS signed a management agreement with FL which became effective on June 13, 2022, to engage FL as the sole and exclusive manager of the daily operations of HOTGS. FL has created a subsidiary organization, HOTGS, Inc. to effectuate the transfer.

On June 30, 2022 FL signed an asset purchase agreement with Keswick Pines, Inc. (Pines), a continuing care retirement community in Whiting, New Jersey, wherein Pines has agreed to transfer substantially all assets and liabilities to FL. The transaction is anticipated to close during the third quarter of 2023, subject to regulatory and bondholder approvals. Additionally, Pines signed a management agreement with FL as the sole and exclusive manager of the daily operations of Pines effective August 8, 2022. FL has created a subsidiary organization, Pines Village, Inc. to effectuate the transfer.

2. Transfer of Membership

On December 30, 2022, FL acquired Friends Home at Woodstown, Inc. (Friends Home), a continuing care retirement community in Woodstown, NJ, through its wholly owned subsidiary, Friends, pursuant to an Asset Purchase Agreement dated December 9, 2021, as amended February 7, 2022 (the Agreements). As part of the Agreements, Friends Home transferred all of its assets, including all property and equipment, cash and cash equivalents, accounts receivable, investments and any other assets to Friends, and Friends assumed all of the liabilities of Friends Home, including long-term debt, the interest rate swap, payroll obligations, entrance fee contracts and any other liabilities on the effective date and the Friends assumed all operations, personnel and staff of Friends Home. 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 (in thousands):

Investments	$ 1,056
Prepaids and other current assets	26
Noncurrent assets whose use is limited	240
Property and equipment, net	30,558
Accounts payable and accrued expenses	(1,094)
Accrued interest payable	(26)
Long-term debt	(11,675)
Refundable waiting list deposits	(54)
Refundable advanced entrance fees	(11,131)
Deferred revenue from advance entrance fees	(1,004)
Interest rate swap	(263)
Net assets without donor restrictions (inherent contribution)	$ (6,633)

The transfer of membership was accounted for using the acquisition method. The inherent contribution was a result of affiliation. The contractual amounts of accounts receivable approximate fair value. The carrying amount of deferred revenue from advance entrance fees were recorded as part of the transaction as estimating fair value was not deemed practicable. The long-term indebtedness approximate fair value.

The accompanying consolidated statement of operations and changes in net assets, and cash flows include the activities of Friends from December 30, 2022 through December 31, 2022.

If the results of operations of Friends Home, 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	
	2022	2021
	(In Thousands)	
Total revenue	$ 58,998	$ 64,252
(Decrease) Increase in net assets without donor restrictions	(5,256)	7,445

3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidation of the individual financial statements of FellowshipLife Inc., Fellowship Village, Inc., Friends Village, Inc., and the Fellowship Foundation (collectively referred to as the Organization). FL has legal control over Fellowship, Friends and the Foundation. Inter-organization transactions and balances have been eliminated in consolidation. There is no subsidiary activity as of December 31, 2022 for HOTGS, Inc. and Pines Village, Inc.

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 uncollectible accounts 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 bad debt 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 (less than) in excess of 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) or the term of the related lease. 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 90 day probationary period, the fees are refundable to the residents according to the terms of the specific contract.

The Organization offers residents either a 90% refund plan or a traditional refund plan. Under the 90% plan, 90% of the entrance fee is refundable subject to re-occupancy. Under the traditional refund plan refunds are due on a declining basis ranging from 2% to 4% per month.

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, 2020), 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, 2022 and 2021.

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 recognized amortization income of $9,763,561 and $7,150,239 in 2022 and 2021, respectively. 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 Continuing Care Retirement Communities (CCRCs) that have contracted with FL for the provision of operational, managerial and financial oversight.

Performance Indicator

The consolidated statements of operations and changes in net assets include the revenues (less than) in excess of 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 May 15, 2023, the date the consolidated financial statements were issued.

4. Investments and Assets Whose Use is Limited

Investments consist of the following at December 31:

	2022	2021
Cash and money market funds	$ 3,930,438	$ 4,455,150
Equities	24,862,011	27,716,247
Fixed income	12,648,065	14,410,148
Other	214,200	1,111,675
Alternative investments	4,764,380	5,453,117
Total	$ 46,419,094	$ 53,146,337

Assets whose use is limited consist of the following:

	2022	2021
Bond indenture agreements:		
Cash and cash equivalents	$ 4,631,874	$ 7,348,587
Total	4,631,874	7,348,587
Waiting list and entrance fee deposits:		
Cash and cash equivalents	429,154	358,909
Equities	263,291	263,673
Fixed income	19,701	21,442
Total	712,146	644,024
Assets with donor restrictions:		
Cash and cash equivalents	259,319	371,050
Equities	2,078,292	1,590,594
Fixed income	969,913	485,689
Total	3,307,524	2,447,333
Total assets whose use is limited	8,651,544	10,439,944
Less assets whose use is limited, current portion	4,631,874	7,348,587
Noncurrent assets whose use is limited	$ 4,019,670	$ 3,091,357

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

	2022	2021
Project fund	$ -	$ 3,848,814
Collateral fund	1,100,000	-
Interest fund	1,821,430	1,854,329
Sinking fund	1,710,444	1,645,444
Total	$ 4,631,874	$ 7,348,587

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

	2022	2021
Interest and dividend income	$ 1,962,771	$ 1,844,471
Investment fees	(13,298)	(9,810)
Net realized gains	348,498	698,333
Total	$ 2,297,971	$ 2,532,994

5. Liquidity and Availability of Resources

As of December 31, 2022 and 2021, the Organization has financial assets available for general expenditure within one year of the consolidated balance sheet dates, consisting of the following:

	2022	2021
Cash and cash equivalents	$ 2,952,305	$ 3,694,123
Accounts receivable, net	4,093,172	3,510,850
Assets whose use is limited	-	276,351
Investments	46,419,094	53,146,337
Total	$ 53,464,571	$ 60,627,661

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. Pledges Receivable, Net

Pledges receivable include all unconditional promises to give. Pledges are recorded at the present value of their expected future cash flows, net of reserve for doubtful accounts. The discount rate was 3.88%.

Pledges receivable at December 31, 2022 and 2021 are as follows:

	2022	2021
Due within one year	$ 157,250	$ 115,000
Due between one and five years	505,500	410,000
Due in more than five years	300,000	400,000
Total pledges	962,750	925,000
Less discount to present value	(105,729)	(86,294)
Pledges receivable, net	$ 857,021	$ 838,706

7. 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, 2022 and 2021 by caption on the consolidated balance sheets and within the valuation hierarchy levels defined above:

	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

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Reported at Fair Value				
Assets without donor restrictions:				
Investments:				
Equities:				
Common stock	$ 19,527,074	$ -	$ -	$ 19,527,074
Closed end funds and exchange traded products	2,233,895	-	-	2,233,895
Structured products	-	3,316,330	-	3,316,330
Mutual funds	1,599,324	-	-	1,599,324
Other equity investments	333,040	-	-	333,040
Unit investment trusts	706,584	-	-	706,584
Total equities	24,399,917	3,316,330	-	27,716,247
Fixed income:				
Corporate bonds and notes	-	8,588,143	-	8,588,143
Preferred securities	-	667,715	-	667,715
Municipal securities	-	713,307	-	713,307
Closed end funds and exchange traded products	2,710,060	-	-	2,710,060
Structured products	-	400	-	400
Mutual funds	1,730,523	-	-	1,730,523
Total fixed income	4,440,583	9,969,565	-	14,410,148
Nontraditional:				
Mutual funds	338,445	-	-	338,445
Other investments	-	773,230	-	773,230
Total nontraditional	338,445	773,230	-	1,111,675
Total assets without donor restrictions in the fair value hierarchy	$ 29,178,945	$ 14,059,125	$ -	43,238,070
Cash and cash equivalents				4,455,150
Investments measured at net asset value (a)				5,453,117
Total investments				$ 53,146,337

(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, 2021			
	Level 1	Level 2	Level 3	Total
Assets whose use is limited:				
Equities:				
Common stock	$ 1,146,487	$ -	$ -	$ 1,146,487
Closed end funds and exchange traded products	398,035	-	-	398,035
Other equity investments	58,212	-	-	58,212
Unit investment trusts	110,883	-	-	110,883
Mutual funds	140,650	-	-	140,650
Total equities	1,854,267	-	-	1,854,267
Fixed income:				
Corporate bonds and notes	-	349,797	-	349,797
Closed end funds and exchange traded products	125,440	-	-	125,440
Mutual funds	31,894	-	-	31,894
Total fixed income	157,334	349,797	-	507,131
Total assets whose use is limited	$ 2,011,601	$ 349,797	$ -	2,361,398
Cash and cash equivalents				8,078,546
Total				$ 10,439,944

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, 2022 and 2021:

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 $460,707 as of December 31, 2022.

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

	2022 Fair Value	2021 Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Nineteen77 Global Merger Arbitrage LTD (a)	$ -	$ 904,731	Monthly	15 days
AlphaKeys Rise Fund (b)	511,138	627,747	Daily	None
ARES Hi Income CR OPP Fund II ((Cayman) LP (c)	534,098	594,432	Daily	None
CIBUS Eleanor Fund LP (d)	906,881	914,969	Daily	None
Stepstone Tactical Growth Fund II Offshore LP (e)	479,301	545,661	Daily	None
MAN-AHL (f)	854,805	755,880	Monthly	10 days
Grant Park Global I (g)	410,112	390,556	Monthly	None
Other investments valued at NAV	1,068,045	719,141	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.

8. Property and Equipment

Property and equipment consist of the following at December 31:

	2022	2021
Land	$ 11,148,577	$ 6,838,577
Land improvements	1,497,242	1,478,260
Buildings	195,351,626	151,201,522
Furnishings and equipment	29,061,725	28,520,197
	237,059,170	188,038,556
Less accumulated depreciation and amortization	75,017,047	86,764,145
	162,042,123	101,274,411
Construction in progress	8,096,103	25,639,328
Total	$ 170,138,226	$ 126,913,739

Interest costs capitalized were $1,151,207 and $1,021,206 during 2022 and 2021, 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, 2022 and 2021, the retainage payable is $1,678,452 and $1,363,516, respectively. At December 31, 2022, the Project was completed and there were no additional cost to complete.

9. Long-Term Debt

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

	2022	2021
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%. The Bonds are collateralized by a mortgage, the assignment of leases and rent and a security agreement	$ 85,395,000	$ 87,040,000
2009 Bonds, due in monthly installments of principal and interest (variable rate of interest as of December 31, 2022, was 4.93%) through December 15, 2024	11,815,200	-
Construction retainage payable	1,678,452	1,363,516
Note payable, vendor (interest free)	625,903	744,480
Total debt	99,514,555	89,147,996
Unamortized bond premium	6,616,706	7,002,250
Less current portion	(4,122,264)	(3,127,093)
Less deferred financing costs	(1,638,793)	(1,550,701)
Total	$ 100,370,204	$ 91,472,452

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. Under the terms of the 2019 bonds, Fellowship is subject to various covenants, which include the achievement of certain pre-established financial indicators.

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. Friends is subject to various covenants, which include the achievement of certain pre-established financial indicators.

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

	Note Payable	2019 Bonds	2009 Bonds	Construction Retainage	Total
2023	$ 118,577	$ 1,710,000	$ 615,235	$ 1,678,452	$ 4,122,264
2024	118,577	1,780,000	11,199,965	-	13,098,542
2025	118,577	1,850,000	-	-	1,968,577
2026	118,577	1,925,000	-	-	2,043,577
2027	118,577	2,000,000	-	-	2,118,577
Thereafter	33,018	76,130,000	-	-	76,163,018
Total	$ 625,903	$ 85,395,000	$ 11,815,200	$ 1,678,452	$ 99,514,555

10. Net Assets With Donor Restrictions

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

	2022	2021
Health and medical fund	$ 75,308	$ 73,283
Fellowship promise fund	411,321	407,432
Team member fund	44,800	42,487
Life enrichment fund	2,798,870	1,625,180
Theater endowment fund	34,906	22,600
Pledges receivable	857,021	838,706
Total	$ 4,222,226	$ 3,009,688

11. 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, 2022 and 2021, expenses relating to providing these services are approximately as follows:

	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

	2021					
	Resident Services	Health Care Services	Home and Community Based Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 2,364,450	$ 8,521,541	$ 7,598,800	$ 4,982,680	$ 173,322	$ 23,640,793
Contracted services	2,412,959	2,344,248	266,468	924,767	22,554	5,970,996
Supplies and other	2,391,187	2,041,616	514,857	3,699,147	161,813	8,808,620
Depreciation	-	-	-	5,710,875	-	5,710,875
Interest and amortization, net	-	-	-	2,346,418	-	2,346,418
Provision for bad debt	-	-	-	390,281	-	390,281
Total	$ 7,168,596	$ 12,907,405	$ 8,380,125	$ 18,054,168	$ 357,689	$ 46,867,983

12. 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 consist of the following for the years ended December 31, 2022 and 2021:

	2022				
	Independent Living	**Assisted Living**	**Skilled Nursing**	**Home Community Based Services**	**Total**
Lifecare	$ 24,337,315	$ 2,142,081	$ 1,038,547	$ -	$ 27,517,943
Private pay	-	2,639,667	2,533,574	6,966,540	12,139,781
Medicare and other	-	-	1,760,746	2,403,978	4,164,724
Total	$ 24,337,315	$ 4,781,748	$ 5,332,867	$ 9,370,518	$ 43,822,448

	2021				
	Independent Living	**Assisted Living**	**Skilled Nursing**	**Home Community Based Services**	**Total**
Lifecare	$ 20,917,204	$ 2,297,000	$ 1,007,897	$ -	$ 24,222,101
Private pay	-	3,189,125	1,917,254	6,816,699	11,923,078
Medicare and other	-	-	2,057,724	1,816,113	3,873,837
Total	$ 20,917,204	$ 5,486,125	$ 4,982,875	$ 8,632,812	$ 40,019,016

Other revenues of $5,352,768 during 2022 and $5,220,845 during 2021, are primarily comprised of the following:

	2022	**2021**
Culinary and catering	$ 1,070,808	$ 987,967
Medical Group	1,314,903	1,223,625
Ancillary therapy and wellness	1,168,683	1,574,437
Other operating	1,798,374	1,434,816
Total	$ 5,352,768	$ 5,220,845

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 Corporation 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 Fellowship's clinical assessment of its residents. Fellowship 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.

13. 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, 2022 and 2021.

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.

14. 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 $467,000 and $385,000 for the years ended December 31, 2022 and 2021, respectively. Friends Home had a 401(k) plan which ceased operations on December 30, 2022. The employees of Friends Home were eligible to participate in the Organization's 401(k) plan effective December 30, 2022. The assets of the Friends Home 401(k) will transfer into the Organization's plan during 2023.

15. 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.

16. Paycheck Protection Program

On April 20, 2020, the Organization received proceeds in the amount of $4,147,700 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act and is administered through the Small Business Administration (SBA). The PPP provided loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintained its payroll levels and used the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during 2021. Legal release was received during June of 2021, therefore, the Organization recorded other revenue of $4,147,700 within its statement of operations for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

FellowshipLife, Inc. and Subsidiaries

Schedule I - Consolidating Balance Sheet
December 31, 2022

	Fellowship Village, Inc.	Fellowship Foundation, Inc.	Friends Village Inc.	FellowshipLife, Inc.	Elimination	Total
Assets						
Current Assets						
Cash and cash equivalents	$ 2,222,865	$ 157,853	$ 304,559	$ 267,028	$ -	$ 2,952,305
Investments	41,651,382	-	1,055,514	3,712,198	-	46,419,094
Assets whose use is limited, current portion	3,531,874	-	-	1,100,000	-	4,631,874
Accounts receivable, net	4,093,172	-	-	-	-	4,093,172
Pledges receivable, current portion		157,250			-	157,250
Due from related party	247,753	-	-	111,145	(358,898)	-
Prepaid and other current assets	1,341,022	2,325	26,147	122,145	-	1,491,639
Interest in net assets of Fellowship Foundation, Inc.	4,277,815	-	-	-	(4,277,815)	-
Total current assets	57,365,883	317,428	1,386,220	5,312,516	(4,636,713)	59,745,334
Pledges Receivable	-	699,771	-	-	-	699,771
Noncurrent Assets Whose Use is Limited	472,541	3,307,524	239,605	-	-	4,019,670
Property and Equipment, Net	139,579,868	-	30,558,358	-	-	170,138,226
Long-Term Deposits	112,043	-	-	-	-	112,043
Total assets	$ 197,530,335	$ 4,324,723	$ 32,184,183	$ 5,312,516	$ (4,636,713)	$ 234,715,044
Liabilities and Net Assets						
Current Liabilities						
Accounts payable and accrued expenses	$ 6,649,703	$ 22,667	$ 1,227,879	$ 115,047	$ -	$ 8,015,296
Accrued interest payable	1,821,326	-	25,864	-	-	1,847,190
Due to related party	-	24,241	334,657	-	(358,898)	-
Current portion of long-term debt	3,507,029	-	615,235	-	-	4,122,264
						-
Total current liabilities	11,978,058	46,908	2,203,635	115,047	(358,898)	13,984,750
Refundable Waiting List Deposits	218,358	-	54,093	-	-	272,451
Refundable Advance Entrance Fees	36,904,449	-	11,131,191	-	-	48,035,640
Deferred Revenue From Advance Entrance Fees	16,894,026	-	1,004,892	-	-	17,898,918
Deferred Revenue for Renovations	618,657	-	-	-	-	618,657
Interest Rate Swap	-	-	263,046	-	-	263,046
Long-Term Debt, Net	89,310,013	-	11,060,191	-	-	100,370,204
Total liabilities	155,923,561	46,908	25,717,048	115,047	(358,898)	181,443,666
Net Assets						
Without donor restrictions	37,328,959	55,589	6,467,135	5,197,469	-	49,049,152
With donor restrictions	4,277,815	4,222,226	-	-	(4,277,815)	4,222,226
Total net assets	41,606,774	4,277,815	6,467,135	5,197,469	(4,277,815)	53,271,378
Total liabilities and net assets	$ 197,530,335	$ 4,324,723	$ 32,184,183	$ 5,312,516	$ (4,636,713)	$ 234,715,044

FellowshipLife, Inc. and Subsidiaries

Schedule II - Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2022

	Fellowship Village, Inc.	Fellowship Foundation, Inc.	Friends Village Inc.	FellowshipLife, Inc.	Eliminations	Total
Net Assets Without Donor Restrictions						
Revenue:						
Resident services, including amortization of advance entrance fees of $9,657,285	$ 28,183,198	$ -	$ -	$ -	$ -	$ 28,183,198
Patient revenue from nonresidents	6,268,732	-	-	-	-	6,268,732
Home and community based services, including amortization of advance entrance fees of $106,276	9,370,518	-	-	-	-	9,370,518
Other revenues	5,352,168	-	-	600	-	5,352,768
Contributions	-	152,211	-	-		152,211
Management fee revenue	-	-	-	852,885	(386,074)	466,811
Investment Income	2,229,386	24,788	-	43,797	-	2,297,971
Net assets released from restrictions	-	181,673	-	-	-	181,673
Total revenue	51,404,002	358,672	-	897,282	(386,074)	52,273,882
Expenses:						
Salaries and benefits	25,413,016	151,026	-	584,721	-	26,148,763
Contracted services	8,019,118	49,864	109,062	1,771	(386,074)	7,793,741
Supplies and other	9,269,773	194,371	57,234	10,747	-	9,532,125
Interest and amortization, net	2,157,581	-	-	-	-	2,157,581
Depreciation	5,814,731	-	-	-	-	5,814,731
Bad debt	183,000	-	-	-	-	183,000
Total expenses	50,857,219	395,261	166,296	597,239	(386,074)	51,629,941
Income (loss) from operations	546,783	(36,589)	(166,296)	300,043	-	643,941
Loss on Disposal of Property and Equipment	(77,101)	-	-	-	-	(77,101)
Net Change in Unrealized Losses on Investments	(8,760,854)	(339,697)	-	(108,450)	-	(9,209,001)
Net Assets Received From Affiliation	-	-	6,633,431	-	-	6,633,431
Revenues (less than) in excess of expenses	(8,291,172)	(376,286)	6,467,135	191,593	-	(2,008,730)
Equity Transfer	(5,155,144)	149,268	-	5,005,876	-	-
(Decrease) increase in net assets without donor restrictions	(13,446,316)	(227,018)	6,467,135	5,197,469	-	(2,008,730)
Net Assets With Donor Restrictions						
Gross contributions	-	1,394,211	-	-	-	1,394,211
Net assets released from restriction	-	(181,673)	-	-	-	(181,673)
Change in interest of net assets of Fellowship Foundation, Inc.	985,520	-	-	-	(985,520)	-
(Decrease) increase in net assets with donor restrictions	985,520	1,212,538	-	-	(985,520)	1,212,538
(Decrease) increase in net assets	(12,460,796)	985,520	6,467,135	5,197,469	(985,520)	(796,192)
Net Assets, Beginning	54,067,570	3,292,295	-	-	(3,292,295)	54,067,570
Net Assets, Ending	$ 41,606,774	$ 4,277,815	$ 6,467,135	$ 5,197,469	$ (4,277,815)	$ 53,271,378

FellowshipLife, Inc. and Subsidiaries

Schedule III - Consolidating Statement of Cash Flows
Year Ended December 31, 2022

	Fellowship Village, Inc.	Fellowship Foundation, Inc.	Friends Village Inc.	FellowshipLife, Inc.	Eliminations	Total
Cash Flows From Operating Activities						
(Decrease) increase in net assets	$ (12,460,796)	$ 985,520	6,467,135	$ 5,197,469	$ (985,520)	$ (796,192)
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	10,315,406	-	-	-	-	10,315,406
Amortization of advance fees	(9,763,561)	-	-	-	-	(9,763,561)
Amortization of deferred revenue for renovations	(117,839)	-	-	-	-	(117,839)
Amortization of deferred financing costs	51,682	-	-	-	-	51,682
Amortization of bond premium	(385,544)	-	-	-	-	(385,544)
Loss on disposal of property and equipment	77,101	-	-	-	-	77,101
Depreciation	5,814,731	-	-	-	-	5,814,731
Net change in unrealized gains on investments	8,760,854	339,697	-	108,450	-	9,209,001
Net change in interest in Fellowship Foundation, Inc.	(985,520)	-	-	-	985,520	-
Membership affiliation	-		(6,633,431)	-	-	(6,633,431)
Changes in operating assets and liabilities:						
Accounts receivable	(582,322)	-	-	-	-	(582,322)
Pledges receivable	-	(133,315)	-	-	-	(133,315)
Due to (from) related party	(230,310)	6,798	334,657	(111,145)	-	-
Prepaid and other current assets	(25,325)	1,668	-	(122,145)	-	(145,802)
Accounts payable and accrued expenses	2,589,596	3,667	136,198	115,047	-	2,844,508
Accrued interest payable	(32,900)	-	-	-	-	(32,900)
Deferred grant revenue	(31,716)	-	-	-	-	(31,716)
Net cash provided by operating activities	2,993,537	1,204,035	304,559	5,187,676	-	9,689,807
Cash Flows From Investing Activities						
Net purchases of investments and assets whose use is limited	2,705,110	(1,311,619)	-	(3,820,648)	-	(2,427,157)
Cash received in contribution of Friends Village, Inc.	-	-	239,605	-	-	239,605
Acquisition of property and equipment	(17,379,347)	-	-	-	-	(17,379,347)
Net cash used in investing activities	(14,674,237)	(1,311,619)	239,605	(3,820,648)	-	(19,566,899)
Cash Flows From Financing Activities						
Bond financing costs	-	-	-	-	-	-
Pledge payments received	-	115,000	-	-	-	115,000
Cash received from refundable advance entrance fees	8,025,652	-	-		-	8,025,652
Principal payments on long-term debt	(1,763,577)	-	-	-	-	(1,763,577)
Net cash used in financing activities	6,262,075	115,000	-	-	-	6,377,075
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(5,418,625)	7,416	544,164	1,367,028	-	(3,500,017)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	11,362,913	409,756	-	-	-	11,772,669
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 5,944,288	$ 417,172	$ 544,164	$ 1,367,028	$ -	$ 8,272,652
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents						
Cash and cash equivalents	$ 2,222,865	$ 157,853	$ 304,559	$ 267,028	$ -	$ 2,952,305
Under trust indenture	3,531,874	-	-	1,100,000	-	4,631,874
Wait list and entrance fee deposits	189,549	-	239,605		-	429,154
Assets with donor restrictions	-	259,319	-	-	-	259,319
Total cash and cash equivalents and restricted cash and cash equivalents	$ 5,944,288	$ 417,172	$ 544,164	$ 1,367,028	$ -	$ 8,272,652
Supplemental Disclosure of Cash Flow Information						
Cash paid for interest, net of amounts capitalized	$ 2,524,343	$ -	$ -	$ -	$ -	$ 2,524,343