COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2023 AND 2022

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Collington Episcopal Life Care Community, Inc.
Mitchellville, Maryland

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Collington Episcopal Life Care Community, Inc. (a Maryland corporation), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets (deficiency), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collington Episcopal Life Care Community, Inc. as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Collington Episcopal Life Care Community, Inc.'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 Collington Episcopal Life Care Community, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Collington Episcopal Life Care Community, Inc.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, operations and changes in net assets (deficiency), and cash flows are presented for purposes of additional analysis and 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
April 24, 2024

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,230,574	$ 1,646,055
Accounts Receivable	516,163	587,321
Allowance for Credit Losses	(138,512)	(108,702)
Accounts Receivable - Partial Closing	215,953	1,409,706
Prepaid Expenses and Other Assets	667,789	635,317
Assets Whose Use is Limited, Current	2,054,159	1,835,644
Total Current Assets	5,546,126	6,005,341
INVESTMENTS	17,407,311	16,235,767
ASSETS WHOSE USE IS LIMITED	4,747,326	4,702,537
PROPERTY AND EQUIPMENT		
Land	909,016	909,016
Land, Building, and Building Improvements	141,706,669	132,266,759
Furniture and Equipment	11,667,561	11,401,734
Construction in Progress	601,357	4,007,440
Total	154,884,603	148,584,949
Less: Accumulated Depreciation	(99,764,199)	(94,121,930)
Property and Equipment, Net	55,120,404	54,463,019
OTHER ASSETS		
Contributions Receivable from Remainder Trust	29,200	50,750
Total Other Assets	29,200	50,750
Total Assets	$ 82,850,367	$ 81,457,414

See accompanying Notes to Consolidated Financial Statements.

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2023 AND 2022

		2023	2022
LIABILITIES AND NET ASSETS (DEFICIENCY)			
CURRENT LIABILITIES			
Current Maturities of Long-Term Debt		$ 2,150,000	$ 2,045,000
Accounts Payable		2,161,417	2,522,674
Accrued Salaries and Benefits		771,443	823,716
Accrued Interest Payable		450,294	468,351
Entrance Fees and Deposits from Prospects Payable		842,961	466,292
Total Current Liabilities		6,376,115	6,326,033
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Maturities		51,982,940	54,176,352
REFUNDABLE ENTRANCE FEE LIABILITY		15,956,929	16,229,519
DEFERRED REVENUE FROM RESIDENT ENTRANCE FEES		39,225,138	36,753,602
Total Liabilities		113,541,122	113,485,506
NET ASSETS (DEFICIENCY)			
Net Deficiency Without Donor Restrictions		(35,189,765)	(36,178,007)
Net Assets With Donor Restrictions		4,499,010	4,149,915
Total Net Deficiency		(30,690,755)	(32,028,092)
Total Liabilities and Net Deficiency		$ 82,850,367	$ 81,457,414

See accompanying Notes to Consolidated Financial Statements.

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUE		
Net Residential Services Revenue	$ 20,379,955	$ 18,481,568
Health Care Revenue	3,856,387	5,035,240
Amortization of Deferred Entrance Fees	5,543,058	6,394,526
Ancillary Income	486,777	461,211
Investment Income and Realized Gains	94,753	586,974
Contributions	169,176	160,476
Net Assets Released from Donor Restrictions	609,708	251,125
Other Income	709,290	554,833
Total Revenue	31,849,104	31,925,953
EXPENSES		
General and Administrative	10,200,742	9,578,570
Pandemic Expenses	-	180,035
Plant and Environmental Services	5,008,010	4,534,264
Health Care	1,133,030	2,504,713
Dining Services	4,228,470	4,338,203
Utilities	1,783,051	1,554,089
Real Estate Taxes	558,914	556,413
Affiliation and System Fee	1,030,704	1,026,360
Depreciation	5,642,270	5,054,019
Interest	2,697,767	2,798,684
Provision for Credit Losses	162,272	(104,545)
Total Expenses	32,445,230	32,020,805
LOSS FROM OPERATIONS BEFORE OTHER GAINS (LOSSES)	(596,126)	(94,852)
NET UNREALIZED GAIN (LOSS) ON INVESTMENTS WITHOUT DONOR RESTRICTIONS	1,584,368	(3,014,164)
INCOME (LOSS) FROM OPERATIONS	988,242	(3,109,016)
NET ASSETS WITH DONOR RESTRICTIONS		
Investment Income and Realized Gains	235,707	72,649
Unrealized Gains (Losses) on Investments	516,943	(940,066)
Contributions	206,153	202,500
Net Assets Released from Donor Restriction and Used in Operations	(609,708)	(251,125)
Increase (Decrease) in Net Assets With Donor Restrictions	349,095	(916,042)
CHANGE IN NET DEFICIENCY	1,337,337	(4,025,058)
Net Deficiency - Beginning of Year	(32,028,092)	(28,003,034)
NET DEFICIENCY - END OF YEAR	$ (30,690,755)	$ (32,028,092)

See accompanying Notes to Consolidated Financial Statements.

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Deficiency	$ 1,337,337	$ (4,025,058)
Adjustments to Reconcile Change in Net Deficiency to Net Cash Provided by Operating Activities:		
Depreciation	5,642,270	5,054,019
Provision for Credit Losses	162,272	(104,545)
Amortization of Resident Entrance Fees	(5,543,058)	(6,394,526)
Amortization of Deferred Financing Costs	49,097	49,097
Amortization of Bond Premium	(92,509)	(92,509)
Proceeds from Nonrefundable Entrance Fees	9,582,085	6,288,671
Net Unrealized and Realized (Gains) Losses on Investments and Assets Limited as to Use	(1,632,552)	3,806,412
(Increase) Decrease in Assets:		
Accounts Receivable	(61,304)	374,733
Prepaid Expenses and Other Assets	(10,922)	66,092
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(413,530)	715,068
Accrued Interest Payable	(18,057)	(16,191)
Net Cash Provided by Operating Activities	9,001,129	5,721,263
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(6,299,655)	(5,524,268)
Purchases of Investments and Assets Limited as to Use	(2,903,728)	(2,101,459)
Sales of Investments and Assets Limited as to Use	3,210,289	2,411,205
Net Cash Used by Investing Activities	(5,993,094)	(5,214,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Refundable Entrance Fees	2,889,817	2,619,591
Refunds for Entrance Fees	(3,159,476)	(2,958,008)
Principal Payments of Long-Term Debt	(2,045,000)	(1,945,000)
Net Cash Used by Financing Activities	(2,314,659)	(2,283,417)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	693,376	(1,776,676)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,060,816	3,837,492
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 2,754,192	$ 2,060,816
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 2,759,236	$ 2,858,287
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and Cash Equivalents	$ 2,230,574	$ 1,646,055
Restricted Cash	523,618	414,761
Total Cash and Restricted Cash	$ 2,754,192	$ 2,060,816

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Collington Episcopal Life Care Community, Inc. (CELCC) was incorporated as a nonprofit corporation on March 30, 1982, under the laws of the state of Maryland to develop, construct, and operate a continuing care retirement community in Prince George's County, Maryland. CELCC received its certification from the Maryland Department of Aging to provide services according to the provisions of its Residence and Care Agreement on November 14, 1988 and renews this certificate annually.

On April 24, 2023, CELCC notified the Maryland Office of Health Care Quality of intent to delicense all 44 of its comprehensive care facility (CCF) beds. On June 7, 2023, CELCC received authorization from the Maryland Health Care Commission for temporary delicensure of the 44 CCF beds for a period of one year. During the one-year temporary delicensure period, CELCC has the option to apply to relicense the CCF beds, or transfer ownership. If neither option is exercised, the beds will be permanently delicensed on June 7, 2024.

On April 19, 2023, Collington received approval from the Maryland Department of Health Assisted Living division to add 12 additional beds to its Assisted Living license, for a total of 77 beds.

Collington Foundation, Inc. (CF) was incorporated as a nonprofit corporation on July 31, 1996, under the laws of the state of Maryland to provide and inspire philanthropic support for CELCC. In addition, the vision is to harness our generosity of spirit to nurture the goals and aspirations of all who live, work and serve in the community. CELCC is the sole member of CF.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CELCC and CF (collectively, the Organization). All significant intercompany transactions 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities when purchased of six months or less to be cash equivalents. As of December 31, 2023 and 2022, cash equivalents consisted primarily of checking and savings accounts.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are reported net of an allowance for credit losses to represent the Organization's estimate of expected losses at the balance sheet date. The adequacy of the Organization's allowance for credit losses is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

Residents are not required to provide collateral for services rendered. Payment for services is expected within 30 days of receipt of invoice or claim submitted. Accounts past due more than 90 days are individually analyzed for collectability and the collection process is initiated. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. At December 31, 2023 and 2022, the allowance for credit losses was $138,512 and $108,702, respectively.

Changes in the allowance for credit losses for the year ended December 31, 2023 were as follows:

Allowance for Credit Losses:	
Balance, Beginning of Year	$ 108,702
Provision for Losses	162,272
Amounts Written Off	(132,462)
Balance, End of Year	$ 138,512

Accounts Receivable — Partial Closing

Accounts Receivable — Partial Closing represents a portion of the entrance fees that are deferred for up to one year, in 30-day increments, after a resident sign the promissory note for the partial closing. The receivables are expected to be collected during the immediate subsequent fiscal year and are included in current assets as of December 31, 2023 and 2022. Management determined that no allowance is necessary on the Accounts Receivable — Partial Closing as of December 31, 2023 and 2022.

Investments

Investments are comprised primarily of mutual funds, equity securities, and debt securities and are measured at fair value in the statements of financial position. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment income, including interest and dividends, declines in market value deemed to be other than temporary and earnings on investments, are reported as investment income and realized gains and included in the income from operations. The cost of substantially all securities sold is based on the specific identification method. The unrealized gains and losses are included in the performance indicator.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the risk associated with certain investments, it is reasonably possible that changes in the value of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Concentration of Credit Risk

The Organization maintains its cash accounts at commercial banks. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in the bank may exceed FDIC insurance limits. The funds on deposit with brokerage accounts are insured by the SIPC up to $500,000.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or at fair value at the date of donation. It is the policy of the Organization to capitalize long-lived assets with a cost basis of $2,000 individually or in the aggregate. Depreciation is provided on assets using the straight-line method over the estimated useful lives of the assets. Estimated lives are determined using American Hospital Association guidelines. Useful lives range from 5 to 40 years. Repairs and maintenance are expensed as incurred. Depreciation expense for the years ended December 31, 2023 and 2022 was $5,642,270 and $5,054,019, respectively.

The Organization records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management’s estimation process, no impairment losses have been recorded as of December 31, 2023 and 2022.

Deposits from Prospective Residents

Deposits from prospective residents consist of entrance fee deposits. Entrance fee deposits are received from prospective residents who intend to move into the Organization. Entrance fee deposits generally represent 10% of the total entrance fee for the unit selected. The deposit funds are applied against the total entrance fee upon occupancy or are refunded to the prospective residents if they decide not to move into the Organization.

Deferred Revenue

Nonrefundable entrance fees paid by residents pursuant to a continuing care contract are recorded as deferred revenue and amortized into operating revenue over the actuarially determined life expectancy of each resident or couple, adjusted annually. Upon death of a sole surviving resident, any remaining unamortized portion of the nonrefundable entrance fee is recognized as operating revenue.

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Obligation to Provide Future Services

The Organization periodically calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entry fee revenue. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. The obligation is discounted at 5.0% based, in part, on the expected annual increases in monthly fees. This calculation did not result in a liability as of December 31, 2023 and 2022.

Deferred Financing Costs

Deferred financing costs represent expenses (e.g., underwriting, legal, consulting, and other costs) incurred in connection with issuance of debt and are deferred and amortized over the life of the related indebtedness on a straight-line basis, which approximates the effective interest method. The amortization expense on deferred financing costs is included in interest expense and totaled $49,097 for each of the years ended December 31, 2023 and 2022.

Bond Premium

Bond premium is comprised of the difference between the price at which a bond was sold and its fair value. Bond premium is amortized on a straight-line basis into interest expense over the life of the bonds. The amortization on the bond premium included in interest expense was $92,509 for each of the years ended December 31, 2023 and 2022, respectively.

Net Assets

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

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At December 31, 2023 and 2022, the governing board has not made this designation.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that, is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance

The Organization maintains professional liability insurance on a claims made basis with no deductible and has coverage in excess of the $100,000 required under state statute. No claims have been asserted against the Organization. If claims should be asserted arising from past services rendered, management believes that those claims would be settled within the limits of insurance coverage.

Income Taxes

CELCC and CF are exempt from federal and Maryland state income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required. The Organization follows the provisions of the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on the Organization's consolidated financial statements. The Organization's tax returns are subject to review and examination by federal and state authorities.

Performance Indicator

The statement of activities and changes in net assets (deficiency) includes the determination of income or loss from operations which includes the unrealized gains and losses on investments without donor restrictions.

Resident Services Revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident services and care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes any variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. There were no such adjustments in 2023 and 2022. Generally, the Organization bills the residents monthly for services and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facility receiving independent and assisted living services or residents receiving other services in the facility. The Organization measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that resident, which is generally at the time of the termination of the resident contract.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare

The licensed nursing facility participated in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Effective October 1, 2019, the nursing facility is paid under the Medicare Patient Driven Payment Model (PDPM) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services. The PDPM is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

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

As discussed in Note 1, the Organization delicensed its nursing facility beds during 2023.

Health care services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by Medicare. All services are considered to be fee for service and transferred over time.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2023 or 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

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

All resident services revenue for the Organization is provided at the single campus located in Mitchellville, Maryland. The composition of resident services revenue and amortization of deferred entrance fees by primary payor for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Medicare	$ -	$ 1,013,077
Private Pay and Other	30,975,467	29,914,301
Total Resident Services Revenue	$ 30,975,467	$ 30,927,378

The composition of resident care service revenue and amortization of deferred entrance fees based on its lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Service Lines:		
Independent Living	$ 26,860,054	$ 25,643,744
Assisted Living	4,002,194	3,570,024
Skilled Care	113,219	1,713,610
Total	$ 30,975,467	$ 30,927,378
Method of Reimbursement:		
Fee for Service	$ 29,779,400	$ 29,911,334
Other	1,196,067	1,016,044
Total	$ 30,975,467	$ 30,927,378
Timing of Revenue and Recognition:		
Services Transferred Over Time	$ 29,779,400	$ 29,911,334
Services Transferred At Point of Sale	1,196,067	1,016,044
Total	$ 30,975,467	$ 30,927,378

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

The opening and closing balances in Deferred Revenue and Accounts Receivable were as follows:

	Deferred Revenue	Accounts Receivable, Net	Accounts Receivable - Partial Closing
Balance as of January 1, 2022	$ 36,254,861	$ 748,807	$ 478,385
Balance as of December 31, 2022	36,753,602	478,619	1,409,706
Balance as of December 31, 2023	39,225,138	377,651	215,953

Health Care Services Revenue

Health care services revenue is reported as net realizable amounts from residents, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenues from the Medicare program accounted for approximately 0% and 20% of the Organization's health service revenues for the year ended December 31, 2023 and 2022, respectively. Laws and regulations governing the Medicare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

New Accounting Pronouncements – ASU 2016-13

The Organization has adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's consolidated financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 24, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY

Financial assets available for general expenditure within one year of the statement of financial position dates consisted of the following:

	2023	2022
Cash and Cash Equivalents	$ 2,230,574	$ 1,646,055
Accounts Receivable, Net and		
Accounts Receivable - Partial Closing	593,604	1,888,325
Investments Available for Use	12,908,301	12,085,852
Assets Limited to Use	2,054,159	1,835,644
Total Financial Assets	$ 17,786,638	$ 17,455,876

NOTE 3 DEFERRED REVENUE, REFUNDABLE ENTRANCE FEES, AND DEPOSITS

Resident entrance fees, which consist of a refundable and a nonrefundable portion, are paid in full, or through a promissory note from a partial closing, upon occupancy and represent the Organization's obligation to provide continuing care to the residents. Nonrefundable entrance fees are recognized as deferred revenue upon receipt. Refundable entrance fees are recorded as refundable entrance fee liabilities. Refunds of entrance fees for termination prior to occupancy are made within 30 days. For termination after occupancy, including death, any refund is deferred until (i) the unit has been vacated and (ii) the Organization has entered into a Residency Agreement for the same unit with a new resident who has accepted.

The Residency Agreement currently provides three refund options to residents:

- 90% Refundable entrance fee - 90% is fully refundable upon termination and the nonrefundable portion (remaining 10%) becomes nonrefundable at two percent per month over a period of five-months.
- 50% Refundable entrance fee - 50% is fully refundable upon termination and the nonrefundable portion (remaining 50%) becomes nonrefundable at two percent per month over a period of 25-months.
- Nonrefundable entrance fee - Becomes nonrefundable at two percent per month over a period of 50-months.

The total contractual refundable amount of the Residency Agreements, which is different than the accounting principles generally accepted in the United States of America (U.S. GAAP) refundable entrance fee liability and deferred revenue from resident entrance fees on the consolidated statements of financial position, is $27,745,971 and $27,881,165 as of December 31, 2023 and 2022, respectively.

The nonrefundable portion of these fees is deferred upon occupancy and recognized as income on a straight-line basis over each individual resident's or joint residents' expected remaining lives. Remaining life expectancies are adjusted annually using actuarial decrements based on industry and Collington-specific information. In addition, entrance fees are earned on a joint and last survivor basis for persons occupying the same unit.

NOTE 3 DEFERRED REVENUE, REFUNDABLE ENTRANCE FEES, AND DEPOSITS (CONTINUED)

Upon termination of a contract through death or withdrawal from the Organization after occupancy, any unamortized nonrefundable deferred entrance fee is recorded as termination income, which is included in amortization of deferred entrance fees on the consolidated statements of operations and changes in net assets (deficiency). Termination income was $1,336,642 and $1,751,032 for the years ended December 31, 2023 and 2022, respectively.

NOTE 4 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

The Organization reports investments and assets whose use is limited at fair value. The estimated fair value of investments and assets whose use is limited as of December 31 is as follows:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	$ 7,703,657	$ 7,717,204	$ 7,374,481	$ 7,399,701
Marketable Equity Securities	16,090,058	13,487,683	14,139,823	13,574,943
U.S. Government and Municipals	-	-	541,416	597,809
Fixed Income Investments	-	-	310,124	360,612
Other	415,081	409,375	408,104	371,875
Total Investments and Assets Whose Use is Limited	$ 24,208,796	$ 21,614,262	$ 22,773,948	$ 22,304,940

Assets whose use is limited, which is reported at fair value and consists of cash and cash equivalents, is comprised as follows:

	2023	2022
Debt Service Fund	$ 2,054,159	$ 1,835,644
Debt Service Reserve Fund	4,747,326	4,702,537
Total	6,801,485	6,538,181
Less: Current Portion	(2,054,159)	(1,835,644)
Assets Whose Use is Limited, Net of Current Portion	$ 4,747,326	$ 4,702,537

NOTE 4 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Investment income (loss) from investments and assets whose use is limited is as follows:

	2023	2022
Without Donor Restrictions:		
Interest and Dividend Income, Net of Fees	$ 563,512	$ 511,471
Net Realized Gains on Investments	(468,759)	75,503
Net Unrealized Gain (Loss) on Investments	1,584,368	(3,014,164)
Total Investment Income (Loss) Without Donor Restrictions	1,679,121	(2,427,190)
With Donor Restrictions:		
Interest and Dividend Income, Net of Fees	235,707	334
Net Realized Gains on Investments	-	72,315
Net Unrealized Gain (Loss) on Investments	516,943	(940,066)
Total Investment Income (Loss) With Donor Restrictions	752,650	(867,417)
Total Investment Income (Loss)	$ 2,431,771	$ (3,294,607)

The Organization performs due diligence on the valuation of their investments. The Organization reviews its portfolio and evaluates whether declines in the fair value of securities should be considered other-than-temporary. Management considers in this evaluation factors such as general market conditions, the issuer's financial condition and near-term prospects, conditions in the issuer's industry, the recommendation of its investment advisors, and the length of time and extent to which the market value has been less than cost, and the ability and intent of the Organization to hold investments in the long-term.

For the years ended December 31, 2023 and 2022, management does not believe that the declines in the market value of investments are considered other-than-temporary.

NOTE 5 LONG-TERM DEBT

On May 1, 2017, the Organization entered into a loan agreement with Prince George's County, Maryland (the County) pursuant to which the County issued $63,995,000 of Revenue Bonds, Collington Episcopal Life Care Community, Inc., Series 2017 (Series 2017 Bonds). The Series 2017 Bonds mature at varying annual amounts on April 1 between 2018 and 2047. Interest payments are due semiannually on April 1 and October 1, with rates ranging between 3% and 5.25%. The Series 2017 Bonds are secured by a first lien security interest in all present and future receipts, real estate, and personal property of the Organization.

NOTE 5 LONG-TERM DEBT (CONTINUED)

The proceeds of the Series 2017 Bonds were used to refund existing balances from the County, Revenue Bonds, Collington Episcopal Life Care Community, Inc., Series 2006 (Series 2006 Bonds), repay an existing construction loan, finance the costs of certain capital improvements, fund a deposit to the Debt Service Reserve Fund, and pay the costs of issuance.

Long-term debt as of December 31, 2023 and 2022 is as follows:

	2023	2022
Series 2017 Bonds	$ 53,120,000	$ 55,165,000
Add: Bond Premium	2,590,246	2,682,755
Less: Unamortized Debt Issuance Costs and Bond Premium	(1,577,306)	(1,626,403)
Less: Current Maturities of Long-Term Debt	(2,150,000)	(2,045,000)
Long-Term Debt, Net of Current Maturities	$ 51,982,940	$ 54,176,352

Principal maturities over the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2024	$ 2,150,000
2025	2,260,000
2026	2,370,000
2027	2,485,000
2028	2,610,000
Thereafter	41,245,000
Total	$ 53,120,000

Among other things, the Organization is required to meet certain financial covenants under the security agreements related to the Series 2017 Bonds. As of December 31, 2023, management is not aware of any instances of noncompliance with the required covenants.

NOTE 6 MARYLAND DEPARTMENT OF AGING RESERVE REQUIREMENTS

The Maryland Department of Aging requires providers of continuing care to maintain certain operating reserves that equal 25% (15% prior to January 1, 2023) of the facilities' net operating expenses, as defined by the state, relating to continuing care contracts. The reserves must be kept in reasonably liquid form in the judgment of the provider.

NOTE 6 MARYLAND DEPARTMENT OF AGING RESERVE REQUIREMENTS (CONTINUED)

The Organization's required reserves for the years ended December 31, 2023 and 2022 (based on the 12 months ended December 2022 and 2021, respectively) are as follows:

	2023	2022
Maryland Department of Aging Reserves:		
Operating Expenses	$ 32,020,805	$ 29,583,540
Less: Depreciation Expense	(5,054,019)	(4,832,094)
Interest Expense	(2,798,684)	(2,894,682)
Net Operating Expenses	$ 24,168,102	$ 21,856,764
Total Operating Reserve (25% and 15% of Net Operating Expenses for the years ended December 31, 2023 and 2022, respectively)	$ 6,042,026	$ 3,278,515
Required Reserves for the Period Ended December 31 (100% of Total Operating Reserve)	$ 6,042,026	$ 3,278,515
Unrestricted Cash and Investments Available for Operating Reserve	$ 13,403,260	$ 12,315,164

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2023 and 2022:

	2023	2022
Fellowship Fund	$ 3,844,109	$ 3,383,955
Scholarship Fund	613,819	517,871
Arts and Culture Fund	36,082	35,418
Auditorium Fund	5,000	-
Capital Campaign Fund	-	212,671
Total	$ 4,499,010	$ 4,149,915

NOTE 8 RETIREMENT PLANS

403(b) Plan

The Organization participates in the Kendal Corporation defined contribution plan (the Plan). The Plan contains an employer discretionary grant and/or match component for eligible employees. Eligible employees must have attained age 21, must complete one eligibility year of service and 1,000 hours of service, and work at least 1,000 hours each year to qualify for a match and/or grant. Pursuant to the terms of the Plan, employees are required to make contributions in order to benefit from the Plan only if the Organization makes a matching contribution.

NOTE 8 RETIREMENT PLANS (CONTINUED)

403(b) Plan (Continued)

The Organization's grant or matching contribution is discretionary and eligible employees must have completed 1,000 hours of service during the plan year. Employees are 50% vested in the employer contribution after one (1) year of service; 100% vested after two (2) years of service. All employees are eligible to make contributions to the Plan. The Organization calculated grant and matching contributions to the defined contribution plan of $269,319 and $245,683 for the years ended December 31, 2023 and 2022, respectively. These amounts have been accrued as of December 31, 2023 and 2022.

NOTE 9 RELATED PARTY TRANSACTIONS

The Organization entered into an affiliation agreement with The Kendal Corporation in June 2011, by the execution of an *Agreement Between The Kendal Corporation and its Affiliates: Mutual Expectations, System Services, and Financial Understandings*. The agreement calls for the Organization to pay The Kendal Corporation a "System Fee," and provides for certain performance requirements and values-based management and governance standards.

The Organization is affiliated with The Kendal Corporation through bylaw requirements. The Kendal Corporation must approve the election of board members of the Organization and amendments to the articles of incorporation and specific sections of the bylaws of the Organization as well as the incurrence of debt of specified value, changes in corporate purpose; use of the name "Kendal," the substance of resident contracts; and the purchase, sale, lease, or other disposition of any real estate or improvements thereon of a specific value; and dissolution, merger with another entity, division, or acquiring control of another entity.

The System Fee incurred by the Organization for the years ended December 31, 2023 and 2022 was $1,030,704 and $1,026,360, respectively, under the terms of this agreement. The Organization has accounts payable to The Kendal Corporation of $234,375 and $102,937 as of December 31, 2023 and 2022, respectively.

The Organization bylaws also specify that the Organization and The Kendal Corporation shall have certain board members in common, and that the president of The Kendal Corporation, or his/her designee, shall be invited to attend the Organization's board meetings *ex officio*.

As of December 31, 2023 and 2022, CELCC has a note payable to CF (the CF Loan) in the amount of $972,571. Interest expense for the years ended December 31, 2023 and 2022 was $31,609 and $31,648, respectively. Accrued interest as of December 31, 2023 and 2022 was $57,949 and $25,991, respectively. The note payable of $972,571 is due on December 31, 2027. The principal and interest amounts related to the CF Loan are eliminated for the purposes of consolidation.

NOTE 10 FUNCTIONAL EXPENSES

The Organization provides residential living and general healthcare services to its residents. The Organization has nominal fundraising expenses. The functional expenses as of the year ended December 31, 2023, related to providing these services are as follows:

	Care and Service to Residents Program	Management General and Administrative	Fundraising	Total
Salaries and Wages	$ 8,584,192	$ 829,727	$ 124,072	$ 9,537,991
Payroll Taxes and Fringe Benefits	2,126,131	236,237	-	2,362,368
Other Staff Expenses	132,583	14,731	-	147,314
Medical Supplies	67,749	-	-	67,749
General Supplies	2,016,681	224,076	-	2,240,757
Professional Fees	51,642	5,738	-	57,380
Purchased Services	4,036,015	410,172	38,274	4,484,461
Purchased Therapy Services	2,785	-	-	2,785
Administrative Expenses	252,675	314,044	11,371	578,090
Utilities	1,604,745	178,305	-	1,783,050
Repairs and Maintenance	1,446,015	160,668	-	1,606,683
Insurance	-	510,825	-	510,825
Real Estate Taxes	503,023	55,891	-	558,914
Miscellaneous Plant Costs	4,099	455	-	4,554
Provison for Credit Losses	-	162,272	-	162,272
Depreciation	5,078,043	564,227	-	5,642,270
Interest Expense	-	2,697,767	-	2,697,767
Totals	$ 25,906,378	$ 6,365,135	$ 173,717	$ 32,445,230

The functional expenses as of the year ended December 31, 2022, related to providing these services are as follows:

	Care and Service to Residents Program	Management General and Administrative	Fundraising	Total
Salaries and Wages	$ 8,870,386	$ 898,499	$ 87,099	$ 9,855,984
Payroll Taxes and Fringe Benefits	1,943,594	215,955	-	2,159,549
Other Staff Expenses	141,410	15,712	-	157,122
Medical Supplies	469,474	-	-	469,474
General Supplies	2,031,459	225,718	-	2,257,177
Professional Fees	24,992	2,777	-	27,769
Purchased Services	4,133,965	451,968	7,361	4,593,294
Purchased Therapy Services	207,754	-	-	207,754
Administrative Expenses	-	796,291	8,284	804,575
Utilities	1,251,177	139,020	-	1,390,197
Repairs and Maintenance	1,133,789	125,977	-	1,259,766
Insurance	-	533,403	-	533,403
Real Estate Taxes	500,771	55,642	-	556,413
Miscellaneous Plant Costs	153	17	-	170
Provison for Credit Losses	-	(104,545)	-	(104,545)
Depreciation	4,548,617	505,402	-	5,054,019
Interest Expense	-	2,798,684	-	2,798,684
Totals	$ 25,257,541	$ 6,660,520	$ 102,744	$ 32,020,805

NOTE 10 FUNCTIONAL EXPENSES (CONTINUED)

The Organization allocates functional expenses based on the ratio of square footage under roof between Program and Management. Program and Management areas of the Organization's campus are identified and the square footage is determined for each of these identified areas. The ratio between Program and Management is determined by comparing the specified square footage to the total under roof square footage. A percentage is allocated to the Program and Management functional areas and the expense line items are allocated based on this percentage. After the expenses are allocated, Collington reviews the Program and Management functional expenses and makes adjustments. 100% of Medical Supplies and Purchased Therapy Services are Program expenses. 100% of Administrative Expenses, Insurance, Provision for Credit Losses, and Interest Expense are Management expenses.

NOTE 11 CONCENTRATION OF CREDIT RISK

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

	2023	2022
Medicare	- %	15 %
Private and Other	100	85
Total	100 %	100 %

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31:

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable Equity Securities	$ 16,090,058	$ -	$ -	$ 16,090,058
Other	-	-	415,081	415,081
Total	$ 16,090,058	$ -	$ 415,081	$ 16,505,139

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable Equity Securities	$ 14,139,823	$ -	$ -	$ 14,139,823
U.S. Government and Municipals	-	541,416	-	541,416
Fixed Income Investments	-	310,124	-	310,124
Other	-	-	408,104	408,104
Total	$ 14,139,823	$ 851,540	$ 408,104	$ 15,399,467

Investments Measured at Fair Value

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Investments measured at fair value using net asset value per share include limited partnerships and are considered alternative investments. Alternative investments are those not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not readily available. The Organization follows guidance related to the fair value measurement standard that was issued for estimating the fair value of investments in investment companies that have a calculated value of their capital account or Net Asset Value (NAV) in accordance with, or in a manner consistent with accounting principles generally accepted in the United States of America (U.S. GAAP).

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments Measured at Fair Value (Continued)

As a practical expedient, the Organization is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using reported net asset value (NAV) without further adjustment unless the entity expects to sell the investment at a value other than NAV or if NAV is not calculated in accordance with U.S. GAAP. The Linkage account which is shown as an investment valued using the net asset value per share in the table below has an unfunded capital commitment of $215,625.

	Investment/Strategy	Fair Value	Unfunded Commitments	Redemption Notice Period
(a)	Ziegler Link-Age Fund II, LP	$ 284,202	$ -	Illiquid
(a)	Ziegler Link-Age Fund III, LP	$ 130,879	$ 215,625	Illiquid

(a) These funds are growth-oriented innovation funds, focused on technology, tech-enabled services and emerging care delivery models in the post-acute and aging markets. Across these verticals, the profile of companies in which the Fund will invest will typically have reached commercialization stage with a differentiated solution and are believed to feature prospects for growing revenue.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Litigation

The Organization periodically finds itself a defendant in legal suits that have developed in the normal course of business. Although it is impossible to determine the ultimate resolution of matters that remain unresolved at this time, the Organization believes that the matters will be resolved without significant negative financial impact.

Industry Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with fraud and abuse statutes as well as other applicable government statutes.

NOTE 14 PAYCHECK PROTECTION PROGRAM LOAN

On May 8, 2020, the Organization received a loan from Truist Bank, a North Carolina banking corporation, in the amount of $2,469,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). On July 26, 2021, the Small Business Administration (SBA) formally forgave the Organization's obligation under this PPP Loan for $2,469,000. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's consolidated financial statements.

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 1,833,715	$ 396,859	$ -	$ 2,230,574
Accounts Receivable	516,163	-	-	516,163
Allowance for Credit Losses	(138,512)	-	-	(138,512)
Accounts Receivable - Partial Closing	215,953	-	-	215,953
Prepaid Expenses and Other Assets	667,789	-	-	667,789
Assets Whose Use is Limited, Current	2,054,159	-	-	2,054,159
Due from Affiliates	582,517	-	(582,517)	-
Total Current Assets	5,731,784	396,859	(582,517)	5,546,126
INVESTMENTS	11,569,545	5,837,766	-	17,407,311
ASSETS WHOSE USE IS LIMITED	4,747,326	-	-	4,747,326
NOTE RECEIVABLE FROM COLLINGTON EPISCOPAL LIFE CARE COMMUNITY	-	972,571	(972,571)	-
PROPERTY AND EQUIPMENT				
Land	909,016	-	-	909,016
Land, Building, and Building Improvements	141,706,669	-	-	141,706,669
Furniture and Equipment	11,667,561	-	-	11,667,561
Construction in Progress	601,357	-	-	601,357
Total	154,884,603	-	-	154,884,603
Less: Accumulated Depreciation	(99,764,199)	-	-	(99,764,199)
Property and Equipment, Net	55,120,404	-	-	55,120,404
INTEREST IN NET ASSETS OF COLLINGTON FOUNDATION, INC.	6,711,828	-	(6,711,828)	-
OTHER ASSETS				
Contributions Receivable from Remainder Trust	-	29,200	-	29,200
Total Assets	$ 83,880,887	$ 7,236,396	$ (8,266,916)	$ 82,850,367

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
LIABILITIES AND NET ASSETS (DEFICIENCY)				
CURRENT LIABILITIES				
Current Portion of Long-Term Debt	$ 2,150,000	$ -	$ -	$ 2,150,000
Accounts Payable	2,161,417	-	-	2,161,417
Accrued Salaries and Benefits	771,443	-	-	771,443
Accrued Interest	508,243	-	(57,949)	450,294
Entrance Fees and Deposits from Prospects Payable	842,961	-	-	842,961
Due to Affiliates	-	524,568	(524,568)	-
Total Current Liabilities	6,434,064	524,568	(582,517)	6,376,115
LONG-TERM LIABILITIES				
Long-Term Debt, Net of Current Maturities	51,982,940	-	-	51,982,940
NOTE PAYABLE TO COLLINGTON FOUNDATION, INC.	972,571	-	(972,571)	-
REFUNDABLE ENTRANCE FEE LIABILITY	15,956,929	-	-	15,956,929
DEFERRED REVENUE FROM RESIDENT ENTRANCE FEES	39,225,138	-	-	39,225,138
Total Liabilities	114,571,642	524,568	(1,555,088)	113,541,122
NET ASSETS (DEFICIENCY)				
Net Assets (Deficiency) Without Donor Restrictions	(37,402,583)	(59,617)	2,272,435	(35,189,765)
Net Assets With Donor Restrictions	6,711,828	6,771,445	(8,984,263)	4,499,010
Total Net Assets (Deficiency)	(30,690,755)	6,711,828	(6,711,828)	(30,690,755)
Total Liabilities and Net Assets (Deficiency)	$ 83,880,887	$ 7,236,396	$ (8,266,916)	$ 82,850,367

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
REVENUE				
Net Residential Services Revenue	$ 20,379,955	$ -	$ -	$ 20,379,955
Health Care Revenue	3,856,387	-	-	3,856,387
Amortization of Deferred Entrance Fees	5,543,058	-	-	5,543,058
Ancillary Income	486,777	-	-	486,777
Investment Income and Realized Gains	80,295	46,067	(31,609)	94,753
Contributions	372,170	169,176	(372,170)	169,176
Net Assets Released from Restrictions	-	609,708	-	609,708
Other Income	709,290	-	-	709,290
Total Revenue	31,427,932	824,951	(403,779)	31,849,104
EXPENSES				
General and Administrative	9,627,538	945,374	(372,170)	10,200,742
Plant and Environmental Services	5,008,010	-	-	5,008,010
Health Care	1,133,030	-	-	1,133,030
Dining Services	4,228,470	-	-	4,228,470
Utilities	1,783,051	-	-	1,783,051
Real Estate Taxes	558,914	-	-	558,914
Affiliation and System Fee	1,030,704	-	-	1,030,704
Depreciation	5,642,270	-	-	5,642,270
Interest	2,729,376	-	(31,609)	2,697,767
Provision for Credit Losses	162,272	-	-	162,272
Total Expenses	31,903,635	945,374	(403,779)	32,445,230
LOSS FROM OPERATIONS	(475,703)	(120,423)	-	(596,126)
NET UNREALIZED GAIN ON INVESTMENTS	1,552,660	31,708	-	1,584,368
CHANGE IN NET ASSETS (DEFICIENCY) WITHOUT DONOR RESTRICTIONS	1,076,957	(88,715)	-	988,242
NET ASSETS WITH DONOR RESTRICTIONS				
Increase in Interest in Collington Foundation, Inc.	260,380	-	(260,380)	-
Investment Income and Realized Gains		235,707	-	235,707
Unrealized Gain on Investments	-	516,943	-	516,943
Contributions	-	206,153	-	206,153
Net Assets Released from Donor Restrictions and Used in Operations	-	(609,708)	-	(609,708)
Increase in Net Assets with Donor Restrictions	260,380	349,095	(260,380)	349,095
CHANGE IN NET ASSETS (DEFICIENCY)	1,337,337	260,380	(260,380)	1,337,337
Net Assets (Deficiency) - Beginning of Year	(32,028,092)	6,451,448	(6,451,448)	(32,028,092)
NET ASSETS (DEFICIENCY) - END OF YEAR	$ (30,690,755)	$ 6,711,828	$ (6,711,828)	$ (30,690,755)

COLLINGTON EPISCOPAL LIFE CARE COMMUNITY, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Collington Episcopal Life Care Community	Collington Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets (Deficiency)	$ 1,337,337	$ 260,380	$ (260,380)	$ 1,337,337
Adjustments to Reconcile Change in Net Assets (Deficiency) to Net Cash Provided by Operating Activities:				
Depreciation	5,642,270	-	-	5,642,270
Provision for Credit Losses	162,272	-	-	162,272
Amortization of Resident Entrance Fees	(5,543,058)	-	-	(5,543,058)
Amortization of Deferred Financing Costs	49,097	-	-	49,097
Amortization of Bond Premium	(92,509)	-	-	(92,509)
Proceeds from Nonrefundable Entrance Fees	9,582,085	-	-	9,582,085
Net Unrealized and Realized Gains on Investments and Assets Whose Use is Limited	(1,083,901)	(548,651)	-	(1,632,552)
Increase in Interest in Collington Foundation, Inc.	(260,380)	-	260,380	-
(Increase) Decrease in Assets:				
Accounts Receivable	(61,304)	-	-	(61,304)
Prepaid Expenses and Other Assets	(32,472)	21,550	-	(10,922)
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	(413,530)	-	-	(413,530)
Accrued Interest Payable	13,901	-	(31,958)	(18,057)
Net Change in Due to (from) Affiliates	(417,995)	386,037	31,958	-
Net Cash Provided by Operating Activities	8,881,813	119,316	-	9,001,129
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment	(6,299,655)	-	-	(6,299,655)
Purchases of Investments and Assets Limited as to Use	(2,762,522)	(141,206)	-	(2,903,728)
Sales of Investments and Assets Limited as to Use	3,210,289	(0)	-	3,210,289
Net Cash Used by Investing Activities	(5,851,888)	(141,206)	-	(5,993,094)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Refundable Entrance Fees	2,889,817	-	-	2,889,817
Refunds for Entrance Fees	(3,159,476)	-	-	(3,159,476)
Principal Payments of Long-Term Debt	(2,045,000)	-	-	(2,045,000)
Net Cash Used by Financing Activities	(2,314,659)	-	-	(2,314,659)
NET (INCREASE) DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	715,266	(21,890)	-	693,376
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,118,449	942,367	-	2,060,816
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 1,833,715	$ 920,477	$ -	$ 2,754,192
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash Paid for Interest	$ 2,758,887	$ -	$ 349	$ 2,759,236
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
Cash and Cash Equivalents	$ 1,833,715	$ 396,859	$ -	$ 2,230,574
Restricted Cash	-	523,618	-	523,618
Total Cash and Restricted Cash	$ 1,833,715	$ 920,477	$ -	$ 2,754,192