

**New England Deaconess
Association - Abundant Life
Communities, Inc. and Affiliates**

Consolidated Financial Statements and
Supplementary Information

December 31, 2022 and 2021

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

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Independent Auditors' Report

To the Board of Directors of
New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates (the Corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net deficit 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 Corporation as of December 31, 2022 and 2021, and the results of its operations, changes in its net deficit 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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that 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 the Corporation'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 Corporation'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 28 to 33 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
May 3, 2023

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 19,198,957	\$ 20,978,185
Assets whose use is limited	99,031	71,825
Accounts receivable:		
Residents, net	2,322,803	2,532,350
Employee retention credit	5,220,607	-
Entrance fees	1,088,550	319,971
Prepaid expenses and other current assets	810,278	966,979
Total current assets	28,740,226	24,869,310
Assets Whose Use is Limited	1,038,466	1,039,167
Investments	56,787,029	65,662,922
Property and Equipment, Net	74,458,802	76,025,186
Derivative Financial Instruments	2,248,439	-
Beneficial Interest in Perpetual Trusts	639,762	824,076
Gift Annuities Receivable	400,460	591,979
Other Assets	587,017	50,849
Total assets	<u>\$ 164,900,201</u>	<u>\$ 169,063,489</u>
Liabilities and Net Deficit		
Current Liabilities		
Current maturities of long-term debt	\$ 1,275,000	\$ 1,205,000
Line of credit	4,973,961	2,473,961
Accounts payable	1,292,288	267,687
Entrance fee refunds payable	499,793	3,231,786
Accrued expenses	3,048,488	3,590,874
Current portion of gift annuities payable	52,740	63,045
Total current liabilities	11,142,270	10,832,353
Long-Term Debt	37,396,942	38,598,416
Refundable Fees and Deposits	121,449,152	117,760,724
Deferred Revenues From Entrance Fees	7,569,419	7,708,270
Gift Annuities Payable	59,781	119,801
Derivative Financial Instruments	-	2,179,256
Other Liabilities	536,163	-
Total liabilities	178,153,727	177,198,820
Net (Deficit) Assets		
Without donor restrictions	(20,059,009)	(17,372,570)
With donor restrictions	6,805,483	9,237,239
Total net deficit	(13,253,526)	(8,135,331)
Total liabilities and net deficit	<u>\$ 164,900,201</u>	<u>\$ 169,063,489</u>

See notes to consolidated financial statements

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Consolidated Statements of Operations
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Net resident service revenues	\$ 41,197,318	\$ 38,077,551
Amortization of entrance fees	1,510,047	1,459,422
Other revenues	182,160	111,392
Employee Retention Credit revenue	5,220,607	-
COVID grant revenue	444,847	106,011
Net assets released from restrictions used for operations	<u>1,087,133</u>	<u>652,920</u>
Total operating revenues	<u>49,642,112</u>	<u>40,407,296</u>
Operating Expenses		
Salaries and wages	23,856,470	23,063,629
Employee benefits	5,161,684	4,994,774
Supplies and expenses	13,914,309	12,487,897
Depreciation	4,469,827	4,405,817
Interest	<u>1,509,945</u>	<u>1,440,595</u>
Total operating expenses	<u>48,912,235</u>	<u>46,392,712</u>
Operating income (loss)	<u>729,877</u>	<u>(5,985,416)</u>
Nonoperating (Losses) Gains		
Investment return	(7,664,241)	3,923,999
Unrestricted contributions	42,686	246,112
Change in fair value of derivative financial instruments	<u>4,427,695</u>	<u>2,019,180</u>
Total nonoperating (losses) gains	<u>(3,193,860)</u>	<u>6,189,291</u>
Revenues (less than) in excess of expenses and change in net deficit from continuing operations	(2,463,983)	203,875
Loss from discontinued operations	<u>(222,456)</u>	<u>(343,570)</u>
Change in net deficit without donor restrictions	<u><u>\$ (2,686,439)</u></u>	<u><u>\$ (139,695)</u></u>

See notes to consolidated financial statements

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

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

	<u>2022</u>	<u>2021</u>
Change in Net Deficit Without Donor Restrictions	<u>\$ (2,686,439)</u>	<u>\$ (139,695)</u>
Change in Net Assets With Donor Restrictions		
Contributions	134,179	194,491
Investment return	(1,294,488)	662,256
Net assets released from restrictions for operations	(1,087,133)	(652,920)
Valuation (loss) gain, beneficial interest in perpetual trusts	<u>(184,314)</u>	<u>58,474</u>
Change in net assets with donor restrictions	<u>(2,431,756)</u>	<u>262,301</u>
Change in net deficit	(5,118,195)	122,606
Net Deficit, Beginning	<u>(8,135,331)</u>	<u>(8,257,937)</u>
Net Deficit, Ending	<u><u>\$ (13,253,526)</u></u>	<u><u>\$ (8,135,331)</u></u>

See notes to consolidated financial statements

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

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

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net deficit	\$ (5,118,195)	\$ 122,606
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments	10,028,373	(3,778,909)
Valuation loss (gain), beneficial interest in perpetual trusts	184,314	(58,474)
Depreciation	4,475,802	4,442,123
Provision for doubtful accounts	735,083	291,899
Interest component of amortization of debt issuance costs	73,526	69,572
Change in fair value of derivative financial instruments	(4,427,695)	(2,019,180)
Loss on disposal of property and equipment	129,926	51,808
Proceeds from nonrefundable entrance fees	1,300,558	1,617,907
Amortization of entrance fees	(1,510,047)	(1,459,422)
Change in value of split-interest agreements	121,194	115,884
Changes in assets and liabilities:		
Accounts receivable, residents, net	(525,536)	(590,027)
Employee retention credit	(5,220,607)	-
Prepaid expenses and other assets	(386,808)	(101,192)
Accounts payable	1,024,601	(599,048)
Accrued expenses	(542,386)	799,839
Other liabilities	536,163	-
Net cash provided by (used in) operating activities	<u>878,266</u>	<u>(1,094,614)</u>
Cash Flows From Investing Activities		
Net (purchases) sale of investments	(1,152,480)	4,200,480
Proceeds from sale of property and equipment	1,500,000	-
Purchase of property and equipment	<u>(4,532,003)</u>	<u>(1,962,464)</u>
Net cash (used in) provided by investing activities	<u>(4,184,483)</u>	<u>2,238,016</u>
Cash Flows From Financing Activities		
Repayment of long-term debt	(1,205,000)	(1,140,000)
Proceeds from line of credit	2,500,000	2,473,961
Proceeds from refundable entrance fees and deposits	14,851,408	16,358,538
Refunds of refundable entrance fees	<u>(14,592,914)</u>	<u>(13,948,010)</u>
Net cash provided by financing activities	<u>1,553,494</u>	<u>3,744,489</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	<u>(1,752,723)</u>	<u>4,887,891</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>22,089,177</u>	<u>17,201,286</u>
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 20,336,454</u>	<u>\$ 22,089,177</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 1,422,747</u>	<u>\$ 1,375,273</u>
Reconciliation of Cash and Restricted Cash to Balance Sheets		
Cash and cash equivalents	\$ 19,198,957	\$ 20,978,185
Assets whose use is limited	<u>1,137,497</u>	<u>1,110,992</u>
Total cash and restricted cash	<u>\$ 20,336,454</u>	<u>\$ 22,089,177</u>

See notes to consolidated financial statements

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

New England Deaconess Association - Abundant Life Communities, Inc. (DALC) is a not-for-profit corporation organized to provide administrative support, supervisory, strategic planning and other related services to its affiliates, for which it is the sole corporate member or sole trustee. DALC and its affiliates provide services and facilities that meet the changing needs of older adults. DALC strives to achieve the highest standards of excellence and leadership as it enriches and enhances the quality of life for those within DALC's care. DALC's commitment to assisting older adults also goes beyond the residential settings to include seminars and speaking engagements to help community groups and agencies, as well as churches, to better care for their constituents. The following is a brief description of each of the controlled entities:

- New England Deaconess Association (NEDA) is a not-for-profit corporation that owns and operates a continuing care retirement community (CCRC) in Concord, Massachusetts. The CCRC includes a skilled nursing facility (Rivercrest Long-Term Care Facility), a memory support neighborhood (the Gardens) and independent living units (Newbury Court). NEDA also operates an independent living, assisted living and residential care facility (Rockridge) located in Northampton, Massachusetts and an independent living senior retirement community (Wesley Woods) located in Gilford, New Hampshire.
- Seashore Point - Deaconess, Inc. (Seashore Point) is a not-for-profit corporation that operated a skilled nursing facility and independent living units in Provincetown, Massachusetts until 2019 when DALC sold Seashore Point to an unrelated third-party and discontinued the operations (Note 3).
- The Leland Home (Leland) is a not-for-profit corporation that owns and operated a facility in Waltham, Massachusetts until September 2020 when DALC discontinued the operations of the facility (Note 3). The facility had a 40-person residential care capacity. The facility was sold in February 2022 to an unrelated third-party (Note 3).

Collectively, the consolidated entities represent the accounts of DALC, NEDA, Seashore Point and Leland (collectively, the Corporation). All significant inter-corporate transactions and balances have been eliminated in consolidation.

The Corporation is an active contributor to local community life. The Corporation's facilities are often utilized as meeting locations for community groups and educational programs for local healthcare professionals. In addition, the Corporation and its residents provide service to local community schools, student scholarships and internship placement for local college students. The Corporation also donates used furnishings and equipment to community organizations and provides meals and volunteer time to community residents in need of assistance. Such local community participation is consistent with the Corporation's mission of caring for its residents and the needs of its local community.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited and investments. For the purposes of the statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents, include cash on hand and other highly liquid, short-term investments with maturities of 90 days or less at acquisition, including assets whose use is limited.

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Notes to Consolidated Financial Statements
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Accounts Receivable, Resident, Net

The Corporation 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 revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Corporation has exhausted all collection efforts and accounts are deemed impaired. The allowance for doubtful accounts for accounts receivable, residents was approximately \$2,928,000 and \$2,188,000 at December 31, 2022 and 2021, respectively.

Assets Whose Use Is Limited

Assets whose use is limited includes entrance fee deposits paid by prospective residents, amounts held in trust to meet the requirements of the New Hampshire Insurance Department for Wesley Woods and resident funds held in trust. Amounts available to meet current liabilities are classified as current assets in the consolidated balance sheets.

Investments and Investment Risk

Investments primarily include assets available for the general use and purposes of the Corporation, assets whose use by the Corporation has been limited by donors to specific purposes and assets restricted by donors to be held by the Corporation in perpetuity.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. The Corporation's investments valued at net asset value are measured based on the fair value of the underlying securities. Investment return (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues (less than) in excess of expenses and change in net deficit from continuing operations unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in consolidated balance sheets are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheets could change materially in the near term.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$4,469,827 in 2022 and \$4,405,817 in 2021.

Depreciation expense was \$5,975 in 2022 and \$36,306 in 2021 for Leland. There was no depreciation expense for Seashore Point in 2022 and 2021. These amounts are included in the loss from discontinued operations in the accompanying consolidated statements of operations.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Impairment of Property and Equipment

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. No impairment losses were recognized in 2022 and 2021.

Beneficial Interest in Perpetual Trusts

NEDA has been designated the beneficiary under several perpetual trusts. A perpetual trust is held by a third-party and is an arrangement in which the donor establishes and funds a trust to exist in perpetuity that is administered by an individual or organization other than the beneficiary. NEDA has the irrevocable right to receive the income earned on the trust assets but will never receive the assets themselves. NEDA recorded the assets and recognized permanently restricted contribution revenue at the fair market value of the NEDA's beneficial interest in the trust assets, which approximates the present value of estimated future cash flows to be received from the trusts. Income earned on the trust assets and distributed to NEDA is recorded as investment return in the consolidated statements of operations, unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation (loss) gain, beneficial interest in perpetual trusts in the net asset with donor restriction class.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized over the terms of the related debt using the straight-line method, which approximates the effective interest method. Amortization expense, which is included as a component of interest expense, was \$73,526 in 2022 and \$69,572 in 2021.

Entrance Fees

Under entrance fee plans for certain independent living units at Newbury Court, Wesley Woods and for certain independent living and assisted living units at Rockridge, the Corporation receives payments in advance. Current residents under these entrance fee plans are primarily under a guaranteed refundable plan, which has a guaranteed refund component equal to 90% of the entrance fee.

Refunds to Newbury Court and Rockridge residents are generally paid in two installments: (1) the first installment is equal to the entrance fee less 1% of the entrance fee per month of occupancy in the independent living or assisted living unit and is paid within 180 or 120 days (depending on when the Residency Agreement was executed) of the effective date of termination of the Residency Agreement and (2) the second installment is equal to the balance of the entrance fee refund due and is paid within 30 days following occupancy of the independent living or assisted living unit by a new resident. The Residency Agreement is not considered to be terminated until a resident permanently leaves the communities. Refunds to Wesley Woods residents are generally paid within 30 days after receipt of proceeds from the resale and occupancy of the independent living unit.

At December 31, 2022 and 2021, the gross amount of contractual refund obligations under existing Residency Agreements approximates the balance of refundable fees and deposits on the consolidated balance sheets.

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable fees and deposits in the consolidated balance sheets. Revenue from nonrefundable entrance fees received are recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining 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. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees was \$1,510,047 in 2022 and \$1,459,422 in 2021.

Amounts refundable to residents who terminated their Residency Agreements were \$499,793 and \$3,231,786 at December 31, 2022 and 2021, respectively. These amounts are classified as entrance fee refunds payable in the consolidated balance sheets.

Under existing Residency Agreements, independent living residents are entitled to assisted living or nursing care, as needed, at a 20% discount from standard per diem rates at NEDA's Concord campus and were at a 10% discount from standard per diem rates at Seashore Point.

Obligation to Provide Future Services

The Corporation engages an actuary 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 revenues from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds deferred revenues from entrance fees, a liability is recorded (estimated obligation to provide future services and use of facilities) with the corresponding charge to income. At December 31, 2022 and 2021, the balance of deferred revenues from entrance fees exceeded the present value of the net cost of future services and the use of facilities; accordingly, no obligation was recorded.

Split-Interest Agreements

NEDA previously received charitable gift annuities as contributions. Under these agreements, NEDA records the assets at fair value, which is presented as a receivable due to United Methodist Foundation of New England (UMFNE) holding the assets and the liabilities to the donor or their beneficiaries at the present value of the estimated future payments to be distributed by UMFNE to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as contributions without donor restrictions.

Derivative Financial Instruments

NEDA entered into interest rate swap agreements, which are considered derivative financial instruments, to manage the variable rate interest payments due on its long-term debt (Note 8). The interest rate swap agreements are reported at fair value in the consolidated balance sheets and related changes in fair value are reported in the consolidated statements of operations.

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Net (Deficit) Assets

Net (deficit) 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 Deficit Without Donor Restrictions - net deficit 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 deficit without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues 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 Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation 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 resident service revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of skilled nursing, assisted living, independent living and home care revenue streams, which are primarily derived from providing housing, skilled nursing, assisted living, independent living and home care services to residents at a stated daily, monthly or hourly fee, net of any explicit or implicit price concessions. The Corporation has determined that the services included in the stated daily, monthly or hourly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Corporation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, assisted living, independent living and home care revenues are recognized on a daily, month-to-month or hourly basis as services are rendered.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medicaid 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 Corporation 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.

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

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COVID Grant Revenue

COVID grant revenue includes amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporation accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Corporation complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. In accordance with the terms and conditions of PRF, the Corporation could apply the funding against lost revenues and eligible expenses not reimbursed from other sources. The Corporation received PRF payments of \$35,915 in 2021. No amounts were received during 2022.

The Corporation has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the PRF in excess of the funding received and \$35,915 was recognized during 2021 and included in COVID grant revenue in the accompanying consolidated statement of operations. No amounts were recognized during 2022.

Additionally, the Corporation received \$444,847 and \$381,031 in 2022 and 2021, respectively, of relief funding provided by the State of Massachusetts, which was applied to eligible expenses and therefore recognized the funding which is included in COVID grant revenue in the accompanying consolidated statements of operations.

Also included in COVID grant revenue in 2021 is \$310,935 related to the unforgiven portion of the Corporation's Paycheck Protection Program Loan received in 2020. The Corporation received legal release in 2021 for all amounts received with the exception of this unforgiven portion.

The majority of the funding received is subject to future reporting and audit requirements. Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. An estimate of the possible effects of these matters cannot be made as of the date these consolidated financial statements were issued.

Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the CARES Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA), and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Corporation qualified for the ERC as it experienced a significant decline in gross receipts (for 2021, defined as a 20% decline in gross receipts when compared to the same quarter in 2019). The Corporation averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a small employer during 2021. As a small employer in 2021 all of the Corporation's otherwise qualified wages were eligible. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

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The Corporation accounts for this federal funding in accordance with FASB ASC 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. The Corporation claimed credits of \$5,220,607 on timely filed forms 941 which are included in ERC receivable and revenue in the accompanying consolidated balance sheet and statement of operations as of and for the year ended December 31, 2022.

Income Taxes

DALC, NEDA, Seashore Point and Leland are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on their exempt income under Section 501(a) of the IRC.

Measure of Operations

The Corporation's operating income (loss) includes operating revenues and expense that are an integral part of its program and supporting services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be more unusual and nonrecurring in nature.

Revenues (Less Than) in Excess of Expenses and Changes in Net Deficit from Continuing Operations

The consolidated statements of operations include the determination of revenues (less than) in excess of expenses from continuing operations as the performance indicator. Amounts excluded from of revenues (less than) in excess of expenses and changes in net deficit from continuing operations, 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).

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.

Charity Care

The Corporation maintains records to identify and monitor the level of uncompensated care it provides. The estimated costs of providing uncompensated care are based upon the direct and indirect costs identified with the specific uncompensated care services provided.

The Corporation provided charity care, subsidies and other support of those in need to many of the programs and individuals it serves. Uncompensated care totaled \$2,007,162 and \$1,713,904 in 2022 and 2021, respectively, including services provided to Medicaid residents whose costs exceeded Medicaid reimbursement.

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Accounting Standards

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions that reference London Interbank Offer Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2024. The Corporation elected the optional practical expedient that allowed for a modification to the reference rate in the Corporation's line of credit agreement (Note 9) to be accounted for as if the modification was not substantial and therefore would not be account for as a debt extinguishment. The adoption of the optional practical expedient has not and is not expected to have a material effect on the consolidated financial statements.

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, respectively, the FASB also issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*; ASU No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*; ASU No. 2019-05, *Targeted Transition Relief*; ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*; and ASU No. 2020-03, *Codification Improvements to Financial Instruments*. ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The Corporation is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated financial statements.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through May 3, 2023, the date the consolidated financial statements were available to be issued.

2. Liquidity and Availability of Resources

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

	2022	2021
Cash and cash equivalents	\$ 19,198,957	\$ 20,978,185
Accounts receivable	8,631,960	2,852,321
Total	<u>\$ 27,830,917</u>	<u>\$ 23,830,506</u>

The Corporation has long-term investments that are not available for general expenditure within the next year and are not reflected in the amounts above. However, certain long-term investments could be made available, if necessary.

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As a part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Corporation invests excess cash in short-term investments.

3. Discontinued Operations

In July 2019, DALC entered into an Asset Purchase Agreement (the Agreement) to sell the property and equipment of Seashore Point to an unrelated third-party. In accordance with the Agreement, the buyer assumed obligations related to entrance fee deposits for existing residents of Seashore Point. On October 31, 2019, DALC closed on the sale and is no longer providing services in Provincetown, Massachusetts. Based on this, the Corporation determined that the operations of Seashore Point met the criteria for presentation as discontinued operations in accordance with generally accepted accounting principles.

In September 2020, the Corporation ceased operation of Leland and is no longer providing services in that market. Based on this, the Corporation determined that the operations of Leland met the criteria for presentation as discontinued operations in accordance with generally accepted accounting principles. In February 2022, the Corporation sold the property and equipment of Leland to an unrelated third-party for \$1,500,000 resulting in a loss on the sale of \$129,926 included in other nonoperating (loss) gain below in 2022.

The following amounts related to discontinued operations are included in the loss from discontinued operations in the accompanying consolidated statements of operations:

	<u>2022</u>	<u>2021</u>
Total operating revenues	\$ 20	\$ -
Total operating expenses	(87,424)	(346,426)
Other nonoperating (loss) gain	(135,052)	2,856
Loss from discontinued operations	<u>\$ (222,456)</u>	<u>\$ (343,570)</u>

4. Net Resident Service Revenues

The Corporation 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 revenues consist of the following for the years ended December 31:

	2022					
	Independent Living	Nursing	Assisted Living	Home Care	Other	Total
Private pay	\$ 16,083,994	\$ 4,578,774	\$ 8,371,072	\$ 8,351,523	\$ 688,167	\$ 38,073,530
Medicaid	-	1,668,949	-	-	-	1,668,949
Medicare	-	1,262,762	-	-	-	1,262,762
Other	-	192,077	-	-	-	192,077
Total	\$ 16,083,994	\$ 7,702,562	\$ 8,371,072	\$ 8,351,523	\$ 688,167	\$ 41,197,318

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	2021					
	Independent Living	Nursing	Assisted Living	Home Care	Other	Total
Private pay	\$ 14,593,709	\$ 3,337,070	\$ 8,621,976	\$ 8,186,866	\$ 269,526	\$ 35,009,147
Medicaid	-	1,513,577	-	-	-	1,513,577
Medicare	-	1,095,048	-	-	-	1,095,048
Other	-	459,779	-	-	-	459,779
Total	<u>\$ 14,593,709</u>	<u>\$ 6,405,474</u>	<u>\$ 8,621,976</u>	<u>\$ 8,186,866</u>	<u>\$ 269,526</u>	<u>\$ 38,077,551</u>

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

Medicaid - Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. Residential care services provided to Medicaid program beneficiaries at Rockridge are also paid at prospectively determined rates per day.

Medicare - Nursing and ancillary services provided to 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.

As described above, the Medicaid and Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on clinical assessments of residents. The Corporation is required to clinically assess their residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicaid and Medicare programs.

The Corporation has 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.

5. Assets Whose Use is Limited and Investments

Assets Whose Use is Limited

The composition of assets whose use is limited is set forth in the following table:

	2022	2021
Cash equivalents	\$ 1,137,497	\$ 1,110,992
Less amounts available to meet current liabilities	<u>99,031</u>	<u>71,825</u>
Noncurrent portion of assets whose use is limited	<u>\$ 1,038,466</u>	<u>\$ 1,039,167</u>

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Assets whose use is limited includes the following:

	2022	2021
Entrance fee deposits, prospective residents	\$ 888,466	\$ 889,167
Wesley Woods funds held in trust	150,000	150,000
Resident funds held in trust	99,031	71,825
Total	<u>\$ 1,137,497</u>	<u>\$ 1,110,992</u>

Investments

The composition of investments is set forth in the following table:

	2022	2021
Multiple asset fund	\$ 38,667,690	\$ 46,524,800
Pooled investment funds:		
Fixed income	1,353,666	1,490,948
Money market	8,017	8,017
Stock	2,937,632	3,691,136
U.S. and other government obligations	182,214	227,681
Money market	11,441,094	11,274,830
Mutual funds:		
Equity	1,182,991	1,399,750
Fixed income	205,854	242,305
Cash equivalents	293,769	257,308
Corporate bonds	228,880	261,253
Certificates of deposit	285,222	284,894
Total	<u>\$ 56,787,029</u>	<u>\$ 65,662,922</u>

Investment Return

Investment return without donor restrictions is comprised of the following:

	2022	2021
Interest and dividends	\$ 1,193,289	\$ 985,303
Net realized gains on sales of investments	1,124	906,510
Change in net unrealized gains and losses on investments	(8,581,202)	2,327,136
Investment fees	(277,452)	(294,950)
Total	<u>\$ (7,664,241)</u>	<u>\$ 3,923,999</u>

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Investment return with donor restrictions is comprised of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 200,676	\$ 166,772
Net realized gains on sales of investments	295	152,845
Change in net unrealized gains and losses on investments	(1,448,598)	392,418
Investment fees	(46,861)	(49,779)
Total	<u>\$ (1,294,488)</u>	<u>\$ 662,256</u>

Investment return for Leland was (\$608) in 2022 and \$873 in 2021, for Seashore Point was (\$4,518) in 2022 and \$1,983 in 2021. These amounts are included in the loss from discontinued operations in the accompanying consolidated statements of operations.

6. Fair Value Measurements and Financial Instruments

Fair Value Measurements

The Corporation measures its investments, beneficial interest in perpetual trusts and derivative financial instruments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

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 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the instrument through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

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The fair value of the Corporation's investments, beneficial interest in perpetual trusts and derivative financial instruments were determined using the following inputs at December 31, 2022 and 2021:

2022				
	Total	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
U.S. and other government obligations	\$ 182,214	\$ -	\$ 182,214	\$ -
Money market	11,441,094	11,441,094	-	-
Mutual funds:				
Equity	1,182,991	1,182,991	-	-
Fixed income	205,854	205,854	-	-
Corporate bonds	228,882	-	228,882	-
Certificates of deposit	285,222	-	285,222	-
 Total investments measured at fair value	 \$ 13,526,257	 \$ 12,829,939	 \$ 696,318	 \$ -
 Beneficial interest in perpetual trusts	 \$ 639,762	 \$ -	 \$ -	 \$ 639,762
 Derivative financial instruments	 \$ 2,248,439	 \$ -	 \$ 2,248,439	 \$ -
 Reconciliation of investments to the consolidated balance sheet:				
Cash equivalents	\$ 293,767			
Investments measured at net asset value (a)	42,967,005			
Investments measured at fair value	13,526,257			
 Total investments	 \$ 56,787,029			

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	2021			
	Total	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
U.S. and other government obligations	\$ 227,681	\$ -	\$ 227,681	\$ -
Money market	11,274,830	11,274,830	-	-
Mutual funds:				
Equity	1,399,750	1,399,750	-	-
Fixed income	242,305	242,305	-	-
Corporate bonds	261,253	-	261,253	-
Certificates of deposit	284,894	-	284,894	-
Total investments measured at fair value	<u>\$ 13,690,713</u>	<u>\$ 12,916,885</u>	<u>\$ 773,828</u>	<u>\$ -</u>
Beneficial interest in perpetual trusts	<u>\$ 824,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 824,076</u>
Liabilities:				
Derivative financial instruments	<u>\$ 2,179,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,179,256</u>
Reconciliation of investments to the consolidated balance sheet:				
Cash equivalents	\$ 257,308			
Investments measured at net asset value (a)	51,714,901			
Investments measured at fair value	<u>13,690,713</u>			
Total investments	<u>\$ 65,662,922</u>			

- (a) In accordance with generally accepted accounting principles, certain investments that were measured at net asset value per share have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments in the consolidated balance sheets.

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Financial Instruments

Money market funds and mutual funds are valued based on quoted market prices in active markets. U.S. government and other obligations, corporate bonds and certificates of deposit are generally valued using quoted market prices of similar securities. The beneficial interest in perpetual trusts is valued at fair value based on NEDA's interest in the fair values of the underlying assets, which approximate the present value of estimated future cash flows to be received from the trusts.

The pooled investment funds are managed by United Methodist Foundation of New England and are valued at net asset value (as a practical expedient), which is based on the fair value of the underlying securities. The fund's investment strategy consists of an allocation of the underlying funds, primarily consisting of Fixed Income Equity Funds. There are no unfunded commitments or withdrawal restrictions for the pooled investment funds. Pooled investment funds were \$4,299,315 and \$5,190,101 as of December 31, 2022 and 2021, respectively.

The multiple asset fund is managed by Wespath Investment Management, a division of the General Board of Pension and Health Benefits of The United Methodist Church and is valued at net asset value (as a practical expedient), which is based on the fair value of the underlying securities. The fund's investment strategy consists of a prespecified allocation of the underlying funds, which consists of Fixed Income Fund, Inflation Protection Fund, International Equity Fund and U.S. Equity Fund, that closely adheres to the long-term strategic asset allocation established by the fund's board of directors. The fund is rebalanced back to the prespecified mix when the actual holdings fall outside of a prespecified range. All funds under Wespath's supervision are held in the Wespath Funds Trust, a Delaware statutory trust. Each of the funds available to investors is a series of the Wespath Funds Trust. UMC Benefit Board, Inc. (Benefit Board), a not-for-profit subsidiary of Wespath, is the trustee and investment adviser for the P Series funds. Wespath Institutional Investments (WII), a not-for-profit subsidiary of Wespath, is the trustee and investment adviser for the I Series funds. There are no unfunded commitments or withdrawal restrictions for the multiple asset fund. The multiple asset fund was \$38,667,690 and \$46,524,800 as of December 31, 2022 and 2021, respectively.

Derivative Financial Instruments

The Corporation entered into two interest rate swap agreements for \$22,735,000 (Swap A) with a current notional amount of \$20,635,000 and \$21,225,000 (Swap B) with a current notional amount of \$19,135,000 of the Revenue A and B Bonds that expire June 1, 2041 and July 1, 2027, respectively. The variable rate on Swap A is based on the One-Month USD-LIBOR Rate (4.40% at December 31, 2022) plus 1.1424% and the fixed rate is 3.5265%. The variable rate on Swap B is based on the One-Month USD-LIBOR Rate plus 1.3% and the fixed rate is 3.243%. Payments to or from the counterparty are classified as a component of interest expense. Changes in the fair value of the agreements are included in revenues (less than) in excess of expenses and change in net deficit from continuing operations since the agreements are not designated as hedging instruments.

NEDA measures its derivative financial instruments (interest rate swap agreements) at fair value using information provided by a third-party. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price NEDA would pay to terminate the agreements. The amount is classified as derivative financial instruments in the accompanying consolidated balance sheets.

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7. Property and Equipment

Property and equipment consists of the following:

	2022	2021
Land and land improvements	\$ 4,426,454	\$ 5,389,124
Building and building improvements	121,028,603	121,107,471
Furniture and equipment	12,390,036	11,714,933
Automobiles	399,371	399,371
Total	138,244,464	138,610,899
Less accumulated depreciation	67,281,248	63,246,809
Total	70,963,216	75,364,090
Construction-in-progress	3,495,586	661,096
Property and equipment, net	<u>\$ 74,458,802</u>	<u>\$ 76,025,186</u>

Construction in progress includes expenditures related to various ongoing renovation projects at December 31, 2022 and 2021.

8. Long-Term Debt

Long-term debt consists of the following:

	2022	2021
Revenue A Bonds	\$ 20,030,000	\$ 20,635,000
Revenue B Bonds	20,035,000	20,635,000
Total	40,065,000	41,270,000
Less:		
Current maturities	1,275,000	1,205,000
Cost of issuance, net	1,393,058	1,466,584
Long-term debt	<u>\$ 37,396,942</u>	<u>\$ 38,598,416</u>

In August 2014, the Massachusetts Development Finance Agency (the Agency) issued a \$25,025,000 Revenue Bond (Revenue A Bonds), which was purchased by the Citizens Bank, National Association (the Bank). The proceeds from the Revenue A Bonds were used by the Agency to repay the outstanding balance of the 2011 Series A Bonds. The Revenue A Bonds are scheduled to be repaid in varying annual installments through June 2041 and is subject to mandatory tender on August 1, 2028 and each seventh anniversary thereafter (each, a Purchase Date) unless, in each case, such tender is waived by the Bank not less than 180 days prior to the Purchase Date.

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In July 3, 2017, the Agency issued a \$22,725,000 Revenue Bond (Revenue B Bonds), which was purchased by Manufacturers and Traders Trust Company (M&T Bank). The proceeds from the Revenue B Bonds were used by the Agency to repay the outstanding balance of the 2011 Series B Bonds. The Revenue Bonds are scheduled to be repaid in varying annual installments through June 2041 and is subject to mandatory tender on June 13, 2027, unless such tender is waived by M&T Bank not less than 180 days prior to the Purchase Date.

On August 30, 2018, NEDA entered into a Fourth Amendment to the Loan and Trust Agreement between the Agency, NEDA and U.S. Bank National Association, as Trustee (the Fourth Amendment) which amended certain definitions of the agreement to adjust the interest rates on the Revenue A Bond and Revenue B Bond. The Revenue A Bonds interest rate is equal to 78% of the sum of the adjusted LIBOR plus 1.1424% per annum (4.37% at December 31, 2022). The Revenue B Bonds rate is equal to 79% of the adjusted LIBOR plus 1.30% per annum (4.55% at December 31, 2022). The variable interest rates were synthetically converted to fixed rate interest rates of 3.53% and 3.24%, respectively, using interest rate swap agreements (Note 6).

NEDA's obligation to repay the outstanding balance of the Revenue A and B Bonds are secured by a first mortgage lien on and security interest in NEDA's property and equipment and substantially all other assets of NEDA. The Revenue A and B Bonds are subject to trust indentures which impose various covenants on the Corporation the most restrictive of which are occupancy, liquidity and debt service coverage ratios.

Scheduled principal payments on long-term debt are as follows:

Years ending December 31:	
2023	\$ 1,275,000
2024	1,345,000
2025	1,425,000
2026	1,510,000
2027	1,595,000
Thereafter	<u>32,915,000</u>
Total	<u>\$ 40,065,000</u>

9. Line of Credit

In March 2021, NEDA entered into a line of credit agreement with M&T Bank for \$10,000,000. The interest rate was based on the daily LIBOR rate through November 2022. The agreement was then amended to modify the interest rate to be variable at a rate of 1.62 percentage points above the greater of the variable loan rate as defined in the agreement of 0.00%, the index floor (5.92% at December 31, 2022). Interest shall be due and payable monthly in arrears and the outstanding principal together with all accrued and unpaid interest and fees are due and payable on the October 31, 2023, the termination date. The line of credit is secured by a security interest in the money, securities and other property of NEDA and DALC, the guarantor. The outstanding balance was \$4,973,961 and \$2,473,961 at December 31, 2022 and 2021, respectively.

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10. Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended December 31, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Endowment gains restricted under Massachusetts law	\$ 1,903,445	\$ 4,120,101
Other specific purposes	704,921	735,707
Investments to be held in perpetuity	3,557,355	3,557,355
Beneficial interest in perpetual trusts	639,762	824,076
Total	<u>\$ 6,805,483</u>	<u>\$ 9,237,239</u>

11. Endowment Funds

The Board has interpreted Massachusetts General Law as requiring realized and unrealized gains and interest and dividend income of net assets to be held in perpetuity and retained in net asset with donor restriction classification until appropriated by the Board and expended. Massachusetts General Law allows the Board to appropriate for expenditure or accumulate so much of an endowment fund as the Corporation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the Corporation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and shall consider, if relevant, the following factors: the duration and preservation of the endowment fund; the purposes of the Corporation and the endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the Corporation and the investment policy of the Corporation.

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets in perpetuity. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for a donor-specified period.

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy with prudent investment management in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation targets a 70% equity allocation and 30% fixed income allocation.

Changes in endowment net assets with donor restrictions for the years ended December 31, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 7,677,456	\$ 7,547,569
Investment (loss) return, including interest, dividends and realized and unrealized gains and losses	(1,294,480)	662,256
Earnings released from restriction for operations	(922,176)	(532,369)
Endowment net assets, end of year	<u>\$ 5,460,800</u>	<u>\$ 7,677,456</u>

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12. Retirement Plan

The Corporation sponsors a 401(k) retirement plan. Plan expense was \$788,004 in 2022 and \$776,567 in 2021.

13. Medical Malpractice Claims Coverage

The Corporation maintains professional liability coverage on a claims-made basis. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the Corporation's insurance coverages or will have a material adverse effect on the consolidated financial statements.

14. Commitments and Contingency

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 continues 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; however, the possible future financial effects of this matter on the Corporation, if any, are not presently determinable.

15. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicaid, Medicare and various commercial insurance companies.

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

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

16. Functional Expenses

The Corporation provides housing, healthcare and other related services to residents. Expenses relating to providing these services are as follows:

2022			
	Resident Services	Management and General	Total
Salaries and wages	\$ 18,936,085	\$ 4,920,385	\$ 23,856,470
Employee benefits	4,143,091	1,018,593	5,161,684
Supplies and expenses	10,310,193	3,604,116	13,914,309
Depreciation	4,469,827	-	4,469,827
Interest	1,509,945	-	1,509,945
Total	\$ 39,369,141	\$ 9,543,094	\$ 48,912,235

2021			
	Resident Services	Management and General	Total
Salaries and wages	\$ 18,118,768	\$ 4,944,861	\$ 23,063,629
Employee benefits	3,960,342	1,034,432	4,994,774
Supplies and expenses	9,808,863	2,679,034	12,487,897
Depreciation	4,405,817	-	4,405,817
Interest	1,440,595	-	1,440,595
Total	\$ 37,734,385	\$ 8,658,327	\$ 46,392,712

The Corporation also incurred housing, healthcare and other services to residents that were included in loss from discontinued operations in the consolidated statements of operations. Expenses for Leland and Seashore Point included in the loss from discontinued operations were comprised of the following:

2022			
	Resident Services	Management and General	Total
Employee benefits	\$ -	\$ 142	\$ 142
Supplies and expenses	18,750	62,557	81,307
Depreciation	5,975	-	5,975
Total	\$ 24,725	\$ 62,699	\$ 87,424

New England Deaconess Association - Abundant Life Communities, Inc. and Affiliates

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

	2021		
	Resident Services	Management and General	Total
Salaries and wages	\$ -	\$ 13,659	\$ 13,659
Employee benefits	31,120	4,192	35,312
Supplies and expenses	61,912	399,229	461,141
Depreciation	36,306	-	36,306
Total	<u>\$ 129,338</u>	<u>\$ 417,080</u>	<u>\$ 546,418</u>

Management fees charged to Leland of \$199,992 in 2021 are excluded from the loss from discontinued operations, as these expenses will remain a component of continuing operations. There were no management fees charged during 2022.

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

Consolidating Schedule, Balance Sheet
December 31, 2022

	NEDA	Seashore Point Deaconess	The Leland Home	DALC	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 17,889,981	\$ 9,276	\$ 7,931	\$ 1,291,769	\$ -	\$ 19,198,957
Assets whose use is limited	92,224	6,807	-	-	-	99,031
Accounts receivable:						
Residents, net	2,308,107	14,353	343	-	-	2,322,803
Employee retention credit	5,220,607	-	-	-	-	5,220,607
Entrance fees	1,088,550	-	-	-	-	1,088,550
Prepaid expenses and other current assets	806,325	1,006	2,946	1	-	810,278
Total current assets	27,405,794	31,442	11,220	1,291,770	-	28,740,226
Assets Whose Use is Limited	1,038,450	16	-	-	-	1,038,466
Investments	56,735,607	47,771	3,651	-	-	56,787,029
Property and Equipment, Net	74,458,802	-	-	-	-	74,458,802
Derivative Financial Instruments	2,248,439	-	-	-	-	2,248,439
Due From Affiliate	2,334,479	-	143,175	-	(2,477,654)	-
Beneficial Interest in Perpetual Trusts	639,762	-	-	-	-	639,762
Gift Annuities Receivable	400,460	-	-	-	-	400,460
Other Assets	587,017	-	-	-	-	587,017
Total assets	<u>\$ 165,848,810</u>	<u>\$ 79,229</u>	<u>\$ 158,046</u>	<u>\$ 1,291,770</u>	<u>\$ (2,477,654)</u>	<u>\$ 164,900,201</u>
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$ 1,275,000	\$ -	\$ -	\$ -	\$ -	\$ 1,275,000
Line of credit	4,973,961	-	-	-	-	4,973,961
Accounts payable	1,292,288	-	-	-	-	1,292,288
Entrance fee refunds payable	499,793	-	-	-	-	499,793
Accrued expenses	2,857,858	3,052	2,072	185,506	-	3,048,488
Current portion of gift annuities payable	52,740	-	-	-	-	52,740
Total current liabilities	10,951,640	3,052	2,072	185,506	-	11,142,270
Long-Term Debt	37,396,942	-	-	-	-	37,396,942
Refundable Fees and Deposits	121,449,152	-	-	-	-	121,449,152
Deferred Revenues From Entrance Fees	7,569,419	-	-	-	-	7,569,419
Gift Annuities Payable	59,781	-	-	-	-	59,781
Other Liabilities	536,163	-	-	-	-	536,163
Due to Affiliate	-	462,692	-	2,014,962	(2,477,654)	-
Total liabilities	177,963,097	465,744	2,072	2,200,468	(2,477,654)	178,153,727
Net (Deficit) Assets						
Without donor restrictions	(18,685,727)	(476,444)	11,860	(908,698)	-	(20,059,009)
With donor restrictions	6,571,440	89,929	144,114	-	-	6,805,483
Total net (deficit) assets	(12,114,287)	(386,515)	155,974	(908,698)	-	(13,253,526)
Total liabilities and net (deficit) assets	<u>\$ 165,848,810</u>	<u>\$ 79,229</u>	<u>\$ 158,046</u>	<u>\$ 1,291,770</u>	<u>\$ (2,477,654)</u>	<u>\$ 164,900,201</u>

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2022

	NEDA	Seashore Point Deaconess	The Leland Home	DALC	Eliminations	Total
Operating Revenues						
Net resident service revenues	\$ 41,197,318	\$ -	\$ -	\$ -	\$ -	\$ 41,197,318
Amortization of entrance fees	1,510,047	-	-	-	-	1,510,047
Other revenues	182,160	20	-	-	(20)	182,160
Employee Retention Credit revenue	5,220,607	-	-	-	-	5,220,607
COVID grant revenue	444,847	-	-	-	-	444,847
Net assets released from restrictions used for operations	1,087,133	-	-	-	-	1,087,133
Total operating revenues	49,642,112	20	-	-	(20)	49,642,112
Operating Expenses						
Salaries and wages	23,856,470	-	-	-	-	23,856,470
Employee benefits	5,161,684	-	142	-	(142)	5,161,684
Supplies and expenses	12,871,385	2,004	79,303	1,042,924	(81,307)	13,914,309
Depreciation	4,469,827	-	5,975	-	(5,975)	4,469,827
Interest	1,509,945	-	-	-	-	1,509,945
Total operating expenses	47,869,311	2,004	85,420	1,042,924	(87,424)	48,912,235
Operating income (loss)	1,772,801	(1,984)	(85,420)	(1,042,924)	87,404	729,877
Nonoperating Gains (Losses)						
Investment return	(7,664,241)	(4,518)	(608)	-	5,126	(7,664,241)
Unrestricted contributions	42,686	-	-	-	-	42,686
Change in fair value of derivative financial instruments	4,427,695	-	-	-	-	4,427,695
Total nonoperating (losses) gains	(3,193,860)	(4,518)	(608)	-	5,126	(3,193,860)
Revenues (less than) in excess of expenses and change in net (deficit) assets from continuing operations	(1,421,059)	(6,502)	(86,028)	(1,042,924)	92,530	(2,463,983)
Loss from discontinued operations	-	-	(129,926)	-	(92,530)	(222,456)
Change in net (deficit) assets without donor restrictions	\$ (1,421,059)	\$ (6,502)	\$ (215,954)	\$ (1,042,924)	\$ -	\$ (2,686,439)

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

Consolidating Schedule, Statement of Changes in Net (Deficit) Assets
Year Ended December 31, 2022

	NEDA	Seashore Point Deaconess	The Leland Home	DALC	Eliminations	Total
Change in Net (Deficit) Assets Without Donor Restrictions	<u>\$ (1,421,059)</u>	<u>\$ (6,502)</u>	<u>\$ (215,954)</u>	<u>\$ (1,042,924)</u>	<u>\$ -</u>	<u>\$ (2,686,439)</u>
Change in Net Assets With Donor Restrictions						
Contributions	134,179	-	-	-	-	134,179
Investment return	(1,294,488)	-	-	-	-	(1,294,488)
Net assets released from restrictions for operations	(1,087,133)	-	-	-	-	(1,087,133)
Valuation loss, beneficial interest in perpetual trusts	<u>(184,314)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,314)</u>
Change in net assets with donor restrictions	<u>(2,431,756)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,431,756)</u>
Change in net (deficit) assets	(3,852,815)	(6,502)	(215,954)	(1,042,924)	-	(5,118,195)
Net (Deficit) Assets, Beginning	<u>(8,261,472)</u>	<u>(380,013)</u>	<u>371,928</u>	<u>134,226</u>	<u>-</u>	<u>(8,135,331)</u>
Net (Deficit) Assets, Ending	<u><u>\$ (12,114,287)</u></u>	<u><u>\$ (386,515)</u></u>	<u><u>\$ 155,974</u></u>	<u><u>\$ (908,698)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (13,253,526)</u></u>

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

Consolidating Schedule, Balance Sheet
December 31, 2021

	NEDA	Seashore Point Deaconess	The Leland Home	DALC	Eliminations	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 20,799,374	\$ 11,180	\$ 11,631	\$ 156,000	\$ -	\$ 20,978,185
Assets whose use is limited	64,945	6,880	-	-	-	71,825
Accounts receivable:						
Residents, net	2,517,653	14,354	343	-	-	2,532,350
Entrance fees	319,971	-	-	-	-	319,971
Prepaid expenses and other current assets	963,531	1,006	2,442	-	-	966,979
Total current assets	24,665,474	33,420	14,416	156,000	-	24,869,310
Assets Whose Use is Limited	1,039,151	16	-	-	-	1,039,167
Investments	65,606,353	52,298	4,271	-	-	65,662,922
Property and Equipment, Net	74,398,290	-	1,626,896	-	-	76,025,186
Due From Affiliate	1,485,061	-	2,165	-	(1,487,226)	-
Beneficial Interest in Perpetual Trusts	824,076	-	-	-	-	824,076
Gift Annuities Receivable	591,979	-	-	-	-	591,979
Other Assets	50,849	-	-	-	-	50,849
Total assets	<u>\$ 168,661,233</u>	<u>\$ 85,734</u>	<u>\$ 1,647,748</u>	<u>\$ 156,000</u>	<u>\$ (1,487,226)</u>	<u>\$ 169,063,489</u>
Liabilities and Net Assets						
Current Liabilities						
Current maturities of long-term debt	\$ 1,205,000	\$ -	\$ -	\$ -	\$ -	\$ 1,205,000
Line of credit	2,473,961	-	-	-	-	2,473,961
Accounts payable	267,183	-	504	-	-	267,687
Entrance fee refunds payable	3,231,786	-	-	-	-	3,231,786
Accrued expenses	3,315,263	3,056	272,509	46	-	3,590,874
Current portion of gift annuities payable	63,045	-	-	-	-	63,045
Total current liabilities	10,556,238	3,056	273,013	46	-	10,832,353
Long-Term Debt	38,598,416	-	-	-	-	38,598,416
Refundable Fees and Deposits	117,760,724	-	-	-	-	117,760,724
Deferred Revenues From Entrance Fees	7,708,270	-	-	-	-	7,708,270
Gift Annuities Payable	119,801	-	-	-	-	119,801
Derivative Financial Instruments	2,179,256	-	-	-	-	2,179,256
Due to Affiliate	-	462,691	1,002,807	21,728	(1,487,226)	-
Total liabilities	176,922,705	465,747	1,275,820	21,774	(1,487,226)	177,198,820
Net (Deficit) Assets						
Without donor restrictions	(17,264,668)	(469,942)	227,814	134,226	-	(17,372,570)
With donor restrictions	9,003,196	89,929	144,114	-	-	9,237,239
Total net (deficit) assets	(8,261,472)	(380,013)	371,928	134,226	-	(8,135,331)
Total liabilities and net (deficit) assets	<u>\$ 168,661,233</u>	<u>\$ 85,734</u>	<u>\$ 1,647,748</u>	<u>\$ 156,000</u>	<u>\$ (1,487,226)</u>	<u>\$ 169,063,489</u>

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

Consolidating Schedule, Statement of Operations
Year Ended December 31, 2021

	NEDA	Seashore Point Deaconess	The Leland Home	DALC	Eliminations	Total
Operating Revenues						
Net resident service revenues	\$ 38,077,551	\$ -	\$ -	\$ -	\$ -	\$ 38,077,551
Amortization of entrance fees	1,459,422	-	-	-	-	1,459,422
Other revenues	111,392	-	-	199,992	(199,992)	111,392
COVID grant revenue	106,011	-	-	-	-	106,011
Net assets released from restrictions used for operations	652,920	-	-	-	-	652,920
Total operating revenues	40,407,296	-	-	199,992	(199,992)	40,407,296
Operating Expenses						
Salaries and wages	23,063,629	-	13,659	-	(13,659)	23,063,629
Employee benefits	4,994,774	30,701	4,611	-	(35,312)	4,994,774
Supplies and expenses	11,958,081	24,712	436,429	529,816	(461,141)	12,487,897
Depreciation	4,405,817	-	36,306	-	(36,306)	4,405,817
Interest	1,440,595	-	-	-	-	1,440,595
Total operating expenses	45,862,896	55,413	491,005	529,816	(546,418)	46,392,712
Operating (loss) income	(5,455,600)	(55,413)	(491,005)	(329,824)	346,426	(5,985,416)
Nonoperating Gains (Losses)						
Investment return	3,923,999	1,983	873	-	(2,856)	3,923,999
Unrestricted contributions	246,112	-	-	-	-	246,112
Change in fair value of derivative financial instruments	2,019,180	-	-	-	-	2,019,180
Total nonoperating gains (losses)	6,189,291	1,983	873	-	(2,856)	6,189,291
Revenues in excess of (less than) expenses and change in net (deficit) assets from continuing operations	733,691	(53,430)	(490,132)	(329,824)	343,570	203,875
Loss from discontinued operations	-	-	-	-	(343,570)	(343,570)
Change in net (deficit) assets without donor restrictions	\$ 733,691	\$ (53,430)	\$ (490,132)	\$ (329,824)	\$ -	\$ (139,695)

**New England Deaconess Association - Abundant Life Communities, Inc.
and Affiliates**

Consolidating Schedule, Statement of Changes in Net (Deficit) Assets
Year Ended December 31, 2021

	NEDA	Seashore Point Deaconess	The Leland Home	DALC	Eliminations	Total
Change in Net (Deficit) Assets Without Donor Restrictions	<u>\$ 733,691</u>	<u>\$ (53,430)</u>	<u>\$ (490,132)</u>	<u>\$ (329,824)</u>	<u>\$ -</u>	<u>\$ (139,695)</u>
Change in Net Assets With Donor Restrictions						
Contributions	194,491	-	-	-	-	194,491
Investment return	662,256	-	-	-	-	662,256
Net assets released from restrictions for operations	(652,920)	-	-	-	-	(652,920)
Valuation gain, beneficial interest in perpetual trusts	58,474	-	-	-	-	58,474
Change in net assets with donor restrictions	<u>262,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,301</u>
Change in net (deficit) assets	995,992	(53,430)	(490,132)	(329,824)	-	122,606
Net (Deficit) Assets, Beginning	<u>(9,257,464)</u>	<u>(326,583)</u>	<u>862,060</u>	<u>464,050</u>	<u>-</u>	<u>(8,257,937)</u>
Net (Deficit) Assets, Ending	<u>\$ (8,261,472)</u>	<u>\$ (380,013)</u>	<u>\$ 371,928</u>	<u>\$ 134,226</u>	<u>\$ -</u>	<u>\$ (8,135,331)</u>