

BAPTIST VILLAGE, INC.



FINANCIAL STATEMENTS

for the years ended June 30, 2023 and 2022



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Baptist Village, Inc.  
Waycross, Georgia

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Baptist Village, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Baptist Village, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Baptist Village, 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.

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, Baptist Village, Inc. adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, on July 1, 2022, using a modified retrospective approach. Our opinion is not modified with respect to this matter.

Continued

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## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Baptist Village, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Baptist Village, 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.

Continued

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, on our consideration of Baptist Village, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Baptist Village, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Baptist Village, Inc.'s internal control over financial reporting and compliance.

*Draffin & Tucker, LLP*

Atlanta, Georgia  
October 6, 2023

BAPTIST VILLAGE, INC.

Statements of Financial Position  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,943,814	\$ 3,521,607
Accounts receivable	1,477,551	2,015,310
Prepaid expenses	430,649	402,273
Investments, unrestricted	<u>24,101,778</u>	<u>23,073,075</u>
Total current assets	27,953,792	29,012,265
Investments, restricted	16,692,085	16,049,739
Property and equipment, net	20,364,647	21,450,145
Right-of-use assets, finance leases	117,472	-
Right-of-use assets, operating leases	<u>102,442</u>	<u>-</u>
Total assets	<u>\$ 65,230,438</u>	<u>\$ 66,512,149</u>
<b>Liabilities and Net Assets:</b>		
Current liabilities:		
Accounts payable	\$ 853,677	\$ 824,374
Accrued expenses	550,807	609,850
Finance leases, current portion	36,029	-
Operating leases, current portion	101,129	-
Villas deferred income	<u>221,955</u>	<u>253,652</u>
Total current liabilities	1,763,597	1,687,876
Finance leases, net of current portion	84,178	-
Operating leases, net of current portion	1,313	-
Villas deferred income	<u>2,335,370</u>	<u>2,244,599</u>
Total liabilities	<u>4,184,458</u>	<u>3,932,475</u>
Net assets:		
Without donor restrictions	44,353,895	46,529,935
With donor restrictions	<u>16,692,085</u>	<u>16,049,739</u>
Total net assets	<u>61,045,980</u>	<u>62,579,674</u>
Total liabilities and net assets	<u>\$ 65,230,438</u>	<u>\$ 66,512,149</u>

See accompanying notes to financial statements.

BAPTIST VILLAGE, INC.

Statements of Activities and Changes in Net Assets  
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Changes in Net Assets Without Donor Restrictions:</b>		
Revenues, gains, and other support:		
Resident services	\$ 20,603,893	\$ 20,037,937
Amortization of villas deferred income	213,626	299,136
Other revenue	687,161	464,789
Net assets released from donor restrictions	<u>1,173,698</u>	<u>2,102,385</u>
Total revenues, gains, and other support	<u>22,678,378</u>	<u>22,904,247</u>
Expenses:		
Resident services	13,420,602	12,697,706
Dietary	3,368,805	3,105,084
Laundry, housekeeping, and plant	3,736,773	3,382,583
Administrative and general	4,680,340	4,433,723
Property related expenses	303,865	194,204
Depreciation and amortization	1,512,146	1,474,323
Interest	<u>6,439</u>	<u>-</u>
Total expenses	<u>27,028,970</u>	<u>25,287,623</u>
Operating loss	<u>( 4,350,592)</u>	<u>( 2,383,376)</u>
Nonoperating income (expense):		
Investment income	924,310	976,438
Change in unrealized gains (losses) on investments	799,810	( 3,609,780)
Gifts and contributions	216,173	109,721
Gain on sale of assets	57,780	47,902
Georgia Baptist Mission Board appropriations	77,042	92,690
Net insurance proceeds from property damage	<u>99,437</u>	<u>261,029</u>
Total nonoperating income (loss)	<u>2,174,552</u>	<u>( 2,122,000)</u>
Change in net assets without donor restrictions	<u>( 2,176,040)</u>	<u>( 4,505,376)</u>

Continued

BAPTIST VILLAGE, INC.

Statements of Activities and Changes in Net Assets, Continued  
 Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Changes in Net Assets With Donor Restrictions:</b>		
Investment income	\$ 513,937	\$ 804,717
Change in unrealized gains (losses) on investments	985,037	( 2,867,634)
Gifts and contributions	117,070	141,129
CARES and ARP Act funding	200,000	1,261,268
Net assets released from donor restrictions	( <u>1,173,698</u> )	( <u>2,102,385</u> )
Change in net assets with donor restrictions	<u>642,346</u>	( <u>2,762,905</u> )
Change in net assets	( 1,533,694)	( 7,268,281)
Net assets, beginning of year	<u>62,579,674</u>	<u>69,847,955</u>
Net assets, end of year	\$ <u>61,045,980</u>	\$ <u>62,579,674</u>

See accompanying notes to financial statements.



BAPTIST VILLAGE, INC.

Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$(1,533,694)	\$(7,268,281)
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation and amortization	1,512,146	1,474,323
Operating lease right-of-use assets amortization	96,447	-
Amortization of villas deferred income	( 213,626)	( 299,136)
Change in unrealized (gains) losses on investments	(1,784,847)	6,477,414
Net insurance proceeds from property damage	( 99,437)	( 261,029)
Gain on sale of assets	( 57,780)	( 47,902)
Changes in:		
Accounts receivable	537,759	( 379,400)
Prepaid expenses	( 28,376)	7,876
Accounts payable	29,303	199,153
Accrued expenses	( 59,043)	( 383,394)
Medicare accelerated payments	-	( 472,585)
Operating lease liabilities	( 96,447)	-
Net cash used by operating activities	<u>(1,697,595)</u>	<u>( 952,961)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	( 415,422)	( 662,062)
Net sales (purchases) of investments	311,707	( 823,761)
Net insurance proceeds from fire damage	99,437	261,029
Proceeds from sale of assets	<u>83,650</u>	<u>80,000</u>
Net cash provided (used) by investing activities	<u>79,372</u>	<u>(1,144,794)</u>
<b>Cash flows from financing activities:</b>		
Payments on finance leases	( 34,361)	-
Proceeds from new villa contracts	375,000	755,000
Refunds of villa contracts	<u>( 102,300)</u>	<u>( 119,372)</u>
Net cash provided by financing activities	<u>238,339</u>	<u>635,628</u>
Net change in cash and cash equivalents	(1,379,884)	(1,462,127)
Cash and cash equivalents, beginning of year	<u>4,111,546</u>	<u>5,573,673</u>
Cash and cash equivalents, end of year	<u>\$ 2,731,662</u>	<u>\$ 4,111,546</u>

Continued

BAPTIST VILLAGE, INC.

Statements of Cash Flows, Continued  
Years Ended June 30, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>Reconciliation of cash and cash equivalents to the statement of financial position:</b>		
Cash and cash equivalents	\$ 1,943,814	\$ 3,521,607
Cash and cash equivalents in unrestricted investments	541,873	307,596
Cash and cash equivalents in restricted investments	<u>245,975</u>	<u>282,343</u>
Total cash and cash equivalents	\$ <u>2,731,662</u>	\$ <u>4,111,546</u>
<b>Supplemental disclosures of cash flow information:</b>		
Right-of-use assets acquired through leases	\$ <u>353,457</u>	\$ <u>-</u>

See accompanying notes to financial statements.

# BAPTIST VILLAGE, INC.

## Notes to Financial Statements June 30, 2023 and 2022

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### 1. Description of Reporting Entity and Summary of Significant Accounting Policies

*Reporting entity.* Baptist Village, Inc. (Organization) is a Georgia not-for-profit corporation. The Organization's vision is "Serving God by providing excellence in retirement living" and the Organization's motto is "Making life better for senior adults and their families." The Organization has the following mission:

- Honor God in everything we do
- Faithfully represent Georgia Baptists in ministry to the elderly
- Provide a continuum of services that includes retirement housing for independent living, personal care, and skilled nursing care
- Provide the opportunity for all residents to function at the highest level possible in physical, social, and spiritual life

The Organization's sole member is the Executive Committee of the Baptist Convention of the State of Georgia (d/b/a Georgia Baptist Mission Board). The Organization's board of trustees is elected by the Georgia Baptist Mission Board.

The Organization operates the following facilities:

- J. Olan Jones Healthcare Center - skilled nursing facility in Waycross, GA
- Village Lake Suites - personal care home in Waycross, GA
- Plantation Suites - personal care home in Macon, GA
- The Villas at Waycross - independent residences in Waycross, GA
- Plantation Villas - independent residences in Macon, GA

*Basis of presentation.* The financial statements, which are prepared on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

*Use of estimates.* The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.* Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

*Investments.* Investments in debt and equity securities are measured at fair value in the balance sheet. Investment income or loss (including interest, dividends, and gains and losses, both realized and unrealized) is reported as an increase or decrease in net assets without donor restrictions unless the income is restricted by donor or law.

*Inventories.* The Organization has elected to expense all goods at the time of purchase.

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BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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**1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued**

*Property and equipment.* Property and equipment acquisitions are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful life of the asset using American Hospital Association guidelines. The Organization's policy is to capitalize items in excess of \$5,000.

Gifts of long-lived assets such as land, buildings, or equipment are reported as increases in net assets without donor restrictions, 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 increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

*Impairment of long-lived assets.* The Organization evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Organization has not recorded any impairment charges in the accompanying statements of activities and changes in net assets for the years ended June 30, 2023 and 2022.

*Refundable advance.* A refundable advance arises when assets are recognized before revenue recognition criteria have been satisfied. CARES and ARP Act advance payments are reported as a refundable advance until donor conditions such as qualifying expenditures have been substantially met. See Note 17 for additional information.

*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* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Board of Trustees has discretionary control over these resources. All revenue not restricted by donors is accounted for in net assets without donor restrictions. The board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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**1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued**

*Net assets, continued.*

- *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. Generally, the donors of assets permit the Organization to use all or part of the income earned on related investments for general activities of the Organization. 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.

*Resident services revenue.* The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. 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. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments under reimbursement arrangements with third-party payors. Retroactive adjustments are included in the determination of the estimated transaction price and adjusted in future periods as settlements are determined.

*Donor restricted gifts.* Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

*Endowments.* Endowments are provided to the Organization on a voluntary basis by individuals, churches, and private organizations. Certain endowments require that the principal or purchasing power of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize expenditure the net appreciation of the investments of endowment funds. Endowment funds consist of the following:

- *Revocable trust agreements* - Revocable trust agreements are board-designated investment accounts held by the Georgia Baptist Foundation, Inc. (Foundation) and other investment brokerages. The Organization is entitled to the income earned on the investments and may encroach on the principal as determined by the Board of Trustees.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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**1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued**

*Endowments, continued.*

- *Irrevocable trust agreements* - Irrevocable trust agreements are donor-restricted investment accounts held by trustees, including the Foundation and other investment brokerages. The Organization is entitled to the income earned on the investments.
- *Partial-interest trust agreements* - Partial-interest trust agreements are donor-restricted investment accounts at the Foundation. The Organization is entitled to a partial-interest in the investments and related income earned on the investments.

*Income taxes.* The Organization is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Organization's tax positions and has concluded the Organization has taken no uncertain tax positions that would require recognition or disclosure in the financial statements.

*Subsequent event.* In preparing these financial statements, Baptist Village, Inc. has evaluated events and transactions for potential recognition or disclosure through October 6, 2023, the date the financial statements were available to be issued.

*Recently adopted accounting pronouncement.* In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is a new comprehensive lease accounting model. The new standard clarifies the definition of a lease and requires lessees to recognize right-to-use assets and related lease liabilities for all leases with terms greater than twelve months. As part of the transition to the new standard, the Organization was required to measure and recognize leases that existed at July 1, 2022 using a modified retrospective approach. The Organization applied the new standard at the adoption date. The Organization elected the package of practical expedients permitted under the new standard that allowed it to carry forward historical lease classification. The Organization also elected the practical expedient that allowed it to not separate nonlease components from the associated lease components. At July 1, 2022, the impact of adoption on the financial statements was an increase in noncurrent assets to record the right-to-use assets and an increase in current and noncurrent liabilities to record lease liabilities of approximately \$353,000, representing the present value of remaining lease payments.

**2. Resident Services Revenue**

The Organization recognizes revenue from personal care homes and independent residences in accordance with the provisions of ASC 842, *Leases*. The Organization recognizes revenue from its skilled nursing facility in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers*. Resident services revenue is reported at the amount that reflects the consideration the Organization expects to receive in exchange for providing services. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Resident services revenue is recognized as performance obligations are satisfied.

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## BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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### 2. Resident Services Revenue, Continued

Performance obligations are determined based on the nature of the services. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the skilled nursing facility. The Organization measures the performance obligation from admission into the skilled nursing facility to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge. These services are considered to be a single performance obligation, which is satisfied over time.

For skilled nursing facility services, the Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to residents in accordance with the Organization's policy, or implicit price concessions provided to residents who qualify for benevolent care. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of residents.

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:

- *Medicaid.* Skilled nursing facility services rendered to Medicaid program beneficiaries are paid based on a prospectively determined per diem. The per diem is determined based on the facility's historical allowable operating costs adjusted for case mix index, certain incentives, and inflation factors.

Medicaid pays a supplemental quality incentive (SQI) payment to skilled nursing facilities that meet one of four quality metrics. The Organization met two of four quality metrics in both 2023 and 2022. The Organization received SQI payments of \$97,740 and \$204,360 in 2023 and 2022, respectively.

- *Medicare.* Skilled nursing facility services rendered to Medicare program beneficiaries are paid at prospectively determined rates based on clinical, diagnostic, and other factors.
- *Other arrangements.* Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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**2. Resident Services Revenue, Continued**

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretations. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable considerations 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 the transaction price were not significant in 2023 and 2022.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured 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 changes to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense. Bad debt expense in 2023 and 2022 was not significant.

Residents who meet the Organization's criteria for benevolent care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as benevolent care are not reported as revenue.

Continued



BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**2. Resident Services Revenue, Continued**

Resident services revenue, including amortization of villas deferred income, by payor and level of care for 2023 and 2022 follows:

	2023			
	<u>Skilled Nursing Facility</u>	<u>Personal Care Homes</u>	<u>Independent Residences</u>	<u>Total</u>
Private pay	\$ 2,414,791	\$ 1,704,861	\$ 1,198,611	\$ 5,318,263
Medicaid	11,241,133	-	-	11,241,133
Medicare	2,306,706	-	-	2,306,706
Medicare Advantage	1,107,492	-	-	1,107,492
Other	<u>843,925</u>	<u>-</u>	<u>-</u>	<u>843,925</u>
Total	<u>\$ 17,914,047</u>	<u>\$ 1,704,861</u>	<u>\$ 1,198,611</u>	<u>\$ 20,817,519</u>
	2022			
	<u>Skilled Nursing Facility</u>	<u>Personal Care Homes</u>	<u>Independent Residences</u>	<u>Total</u>
Private pay	\$ 2,847,520	\$ 1,553,056	\$ 1,357,472	\$ 5,758,048
Medicaid	10,330,372	-	-	10,330,372
Medicare	2,467,332	-	-	2,467,332
Medicare Advantage	1,185,041	-	-	1,185,041
Other	<u>596,280</u>	<u>-</u>	<u>-</u>	<u>596,280</u>
Total	<u>\$ 17,426,545</u>	<u>\$ 1,553,056</u>	<u>\$ 1,357,472</u>	<u>\$ 20,337,073</u>

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**3. Investments**

The composition of investments as of June 30, 2023 and 2022 is set forth in the following table.

	<u>2023</u>	<u>2022</u>
Unrestricted:		
Cash	\$ 541,873	\$ 307,596
Pooled investments	16,654,149	15,820,257
Market index-linked certificates of deposit	-	205,861
Corporate obligations	3,110,598	3,349,017
Municipal bonds	816,093	757,305
U.S. Government debt obligations	1,532,740	1,362,730
Equity mutual funds	1,369,047	1,195,555
Life insurance contract	<u>77,278</u>	<u>74,754</u>
Total unrestricted	<u>24,101,778</u>	<u>23,073,075</u>
Restricted:		
Cash	122,893	119,818
Money market (cash equivalent)	123,082	162,525
Pooled investments	8,881,180	8,501,530
Corporate obligations	660,498	712,242
U.S. Government debt obligations	738,279	760,676
Fixed income mutual funds	504,143	500,066
Equity mutual funds	725,984	718,548
Domestic equities	3,052,535	2,763,814
International equities	984,980	890,997
Liquid alternative mutual funds	<u>898,511</u>	<u>919,523</u>
Total restricted	<u>16,692,085</u>	<u>16,049,739</u>
Total investments	<u>\$ 40,793,863</u>	<u>\$ 39,122,814</u>

The Organization's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying financial statements.

Continued

## BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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### 4. Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- *Level 2:* Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- *Level 3:* Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

- *Money market:* Valued at the closing price reported by the fund sponsor.
- *Pooled investments:* Valued at net asset value (NAV) of the shares held in a common investment pool managed by the Foundation. Net appreciation (depreciation) of the pool is recorded based on the Organization's proportionate share of the aggregate amount of appreciation (depreciation) reported by the Foundation. It includes the Organization's share of interest and dividend income, realized and unrealized gains and losses on security transactions, and ordinary expenses. The investment objective of the pool is to provide a dividend of 4.0% to 5.5% annually and to generate enough additional growth of principal to maintain the purchasing power of the income dollar. The specific performance goal of the pool is to have a portfolio that has a high probability of providing a 5-year average return of 7.5% over a full market cycle. All investments held by the Foundation require a redemption notice of 30 days and are redeemable at fair value of the underlying investments.
- *Market index-linked certificates of deposit:* Valued based upon a matrix or model pricing method.
- *Corporate obligations, U.S. Government debt obligations, municipal bonds:* Valued based on prices obtained from sources that may include pricing vendors, brokers/dealers who clear through National Financial Services, and/or other sources.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**4. Fair Value Measurements, Continued**

- *Fixed income mutual funds, equity mutual funds, domestic equities, international equities, and liquid alternative mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Life insurance contract:* Valued at the cash surrender value of the policy which approximates fair value.

The fair values of investments measured on a recurring basis at June 30, 2023 and 2022 are as follows:

	2023			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 123,082	\$ 123,082	\$ -	\$ -
Corporate obligations	3,771,096	-	3,771,096	-
Municipal bonds	816,093	-	816,093	-
U.S. Government debt obligations	2,271,019	-	2,271,019	-
Fixed income mutual funds	504,143	504,143	-	-
Equity mutual funds	2,095,031	2,095,031	-	-
Domestic equities	3,052,535	3,052,535	-	-
International equities	984,980	984,980	-	-
Liquid alternative mutual funds	898,511	898,511	-	-
Life insurance contract	<u>77,278</u>	<u>-</u>	<u>-</u>	<u>77,278</u>
	14,593,768	\$ <u>7,658,282</u>	\$ <u>6,858,208</u>	\$ <u>77,278</u>
Pooled investments at NAV	25,535,329			
Cash	<u>664,766</u>			
Total	\$ <u>40,793,863</u>			

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

4. Fair Value Measurements, Continued

	2022			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market	\$ 162,525	\$ 162,525	\$ -	\$ -
Market index-linked certificates of deposit	205,861	-	205,861	-
Corporate obligations	4,061,259	-	4,061,259	-
Municipal bonds	757,305	-	757,305	-
U.S. Government debt obligations	2,123,406	-	2,123,406	-
Fixed income mutual funds	500,066	500,066	-	-
Equity mutual funds	1,914,103	1,914,103	-	-
Domestic equities	2,763,814	2,763,814	-	-
International equities	890,997	890,997	-	-
Liquid alternative mutual funds	919,523	919,523	-	-
Life insurance contract	<u>74,754</u>	<u>-</u>	<u>-</u>	<u>74,754</u>
	14,373,613	\$ <u>7,151,028</u>	\$ <u>7,147,831</u>	\$ <u>74,754</u>
Pooled investments at NAV	24,321,787			
Cash	<u>427,414</u>			
Total	\$ <u>39,122,814</u>			

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2023 and 2022:

<u>Life Insurance Contract</u>	<u>2023</u>	<u>2022</u>
Beginning fair value	\$ 74,754	\$ 72,245
Increase in cash value of life insurance	<u>2,524</u>	<u>2,509</u>
Ending fair value	\$ <u>77,278</u>	\$ <u>74,754</u>

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**5. Property and Equipment**

A summary of property and equipment at June 30, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,495,667	\$ 1,495,667
Land improvements	3,006,611	3,006,611
Buildings and improvements	40,139,684	40,066,565
Fixed equipment	2,760,478	2,619,612
Major movable equipment	1,123,642	1,079,563
Transportation equipment	<u>332,220</u>	<u>385,104</u>
	48,858,302	48,653,122
Less accumulated depreciation	<u>28,640,097</u>	<u>27,373,015</u>
	20,218,205	21,280,107
Construction-in-progress	<u>146,442</u>	<u>170,038</u>
Property and equipment, net	\$ <u>20,364,647</u>	\$ <u>21,450,145</u>

Depreciation expense for 2023 and 2022 was \$1,475,050 and \$1,474,323, respectively.

**6. Leases**

The Organization has finance leases and operating leases for equipment. The Organization determines if an arrangement is a lease at inception of a contract. Leases with an initial term of twelve months or less are not recorded on the statement of financial position.

The Organization has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component. For leases that commenced before the effective date of ASU 2016-02, the Organization elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Right-of-use assets represent the Organization's right to use an underlying asset during the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. The Organization's lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The Organization's operating leases do not provide an implicit rate, therefore the Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Organization considers recent debt issuances, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rate. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease amortization expense are recognized on a straight-line basis over the lease term.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**6. Leases, Continued**

Finance and operating lease right-of-use assets and lease liabilities as of June 30, 2023 were as follows:

	<u>2023</u>
Finance leases:	
Right-of-use assets:	
Finance lease right-of-use assets	\$ <u>117,472</u>
Lease liabilities:	
Current portion	\$ 36,029
Long-term	<u>84,178</u>
Total finance lease liabilities	\$ <u>120,207</u>
Operating leases:	
Right-of-use assets:	
Operating lease right-of-use assets	\$ <u>102,442</u>
Lease liabilities:	
Current portion	\$ 101,129
Long-term	<u>1,313</u>
Total operating lease liabilities	\$ <u>102,442</u>

Operating expenses for the lease activity of the Organization as the lessee for the year ended June 30, 2023 are as follows:

<u>Lease Type</u>	<u>2023</u>
Operating lease cost	\$ 103,393
Finance lease interest	6,439
Finance lease amortization	<u>37,096</u>
Total lease cost	\$ <u>146,928</u>

Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30, 2023 are as follows:

	<u>2023</u>
Operating cash flows from operating leases	\$ 96,447
Operating cash flows from finance leases	6,439
Financing cash flows from finance leases	<u>34,361</u>
Total	\$ <u>137,247</u>

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**6. Leases, Continued**

The aggregate future payments on finance and operating leases as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Finance</u>	<u>Operating</u>
2024	\$ 40,800	\$103,393
2025	40,800	1,320
2026	40,800	-
2027	<u>6,800</u>	<u>-</u>
Total undiscounted cash flows	129,200	104,713
Less present value discount	( <u>8,993</u> )	( <u>2,271</u> )
Total lease liabilities	\$ <u>120,207</u>	\$ <u>102,442</u>

Average lease terms and discount rates at June 30, 2023 were as follows:

	<u>2023</u>
Weighted-average remaining lease term (years):	
Operating leases	1.02
Finance leases	3.17
Weighted-average discount rate:	
Operating leases	4.75%
Finance leases	4.75%

Continued



BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**7. Deferred Income Villas**

Certain residents entering The Villas at Waycross independent residences execute a Residency Agreement which requires payment of prepaid rent. The prepaid rent is amortized to income over the estimated remaining life expectancy of each resident. The prepaid rent, less a processing fee or early termination fee, is refundable upon termination of the Residency Agreement during the first ten years of occupancy on a straight-line amortization basis. For residents occupying the villas for more than ten years, the remaining unamortized prepaid rent is recorded as revenue upon the death of the resident or surrender of the villa. Below is a summary of activity related to deferred income villas during 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 2,498,251	\$ 2,161,759
Rent received	375,000	755,000
Rent refunded	( 102,300)	( 119,372)
Amortization to income	<u>( 213,626)</u>	<u>( 299,136)</u>
Ending balance	\$ <u>2,557,325</u>	\$ <u>2,498,251</u>

**8. Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Investments held in perpetuity:		
Thomas N. Beach and Mildred N. Beach Foundation Trust D for Baptist Village, Inc.	\$ 5,871,105	\$ 5,596,409
William Sanders Bazemore Trust for Baptist Village, Inc.	1,832,926	1,835,251
Irrevocable trusts maintained by Georgia Baptist Foundation, Inc. as trustee	7,306,677	6,976,885
Partial-interest trust agreements maintained by Georgia Baptist Foundation, Inc. as trustee	<u>1,681,377</u>	<u>1,641,194</u>
	\$ <u>16,692,085</u>	\$ <u>16,049,739</u>

The Organization receives the income from the investments held in the above trusts to use for resident services.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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**9. Endowments**

The Organization's endowment consists of various investments some of which are donor-restricted funds and others board-designated (unrestricted) endowment funds established to carry out the ministry of the Organization. As required by generally accepted accounting principles (GAAP), net assets with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restrictions (a) the original value of the gift when donated as restricted (b) the original value of subsequent gifts when donated as restricted (c) accumulations or required reinvestments to the endowment made in accordance with donor instructions as restricted. The remaining portion of the donor-restricted endowment fund in excess of the original fair value that is classified as net assets with donor restrictions will remain restricted until appropriated by the Organization for expenditures consistent with the standard of prudence as prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in managing the funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The Organization's endowment has many of its funds both restricted by donors and unrestricted managed by trust agreements with trustees having their own investment policies. The Organization does not have the authority to select investments as the trustees manage those funds based on their investment policies. As such, the Organization does not have an investment policy for these funds and has adopted the investment policy of the trustee. For example, the Organization has adopted the investment policy of the Georgia Baptist Foundation, Inc. for the funds that it manages. The Organization follows any restrictions set by the donors in appropriating funds for expenditures of all its endowment funds.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**9. Endowments, Continued**

The Organization has other funds not managed by a trustee and has adopted investment and spending policies that attempt to provide preservation of principal while providing reasonable returns and utilizing the income to fund operations. Any investments would look to minimize risk of large losses and exceed the rate of inflation to preserve the purchasing power of assets and generate rate of returns to fund the operations. Also, as board directed, the principal of the funds could be utilized to help fund capital project needs or other operational needs. The rate-of-return strategy objectives rely on a total return strategy that is conservative in nature by primarily investing in fixed income producing investments. The Organization does not have a fixed percentage spending policy in relation to its endowment earnings.

Earnings on donor-restricted funds are expended on a yearly basis according to donor intent and UPMIFA. Typically, earnings on investments are used to fund operations of the Organization. At certain times, the fair value of restricted funds may fall below the level required by the donor or UPMIFA to maintain a fund of perpetual duration. As of June 30, 2023 and 2022, there were no such deficiencies of this nature.

Changes in endowment net assets for 2023 and 2022 are as follows:

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Beginning of year	\$ 23,073,075	\$ 16,049,739	\$ 39,122,814
Investment return	1,723,704	1,514,477	3,238,181
Contributions	63,682	-	63,682
Appropriation for expenditure	<u>( 758,683)</u>	<u>( 872,131)</u>	<u>( 1,630,814)</u>
End of year	<u>\$ 24,101,778</u>	<u>\$ 16,692,085</u>	<u>\$ 40,793,863</u>
	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Beginning of year	\$ 26,440,731	\$ 18,722,644	\$ 45,163,375
Investment return	( 2,633,540)	( 2,047,591)	( 4,681,131)
Contributions	295,199	27,302	322,501
Appropriation for expenditure	<u>( 1,029,315)</u>	<u>( 652,616)</u>	<u>( 1,681,931)</u>
End of year	<u>\$ 23,073,075</u>	<u>\$ 16,049,739</u>	<u>\$ 39,122,814</u>

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**10. Concentrations of Credit Risk**

The Organization grants credit without collateral to residents of its skilled nursing facility, most of whom are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at June 30, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicaid	51%	61%
Medicare	16%	13%
Medicare Advantage	8%	12%
Other	16%	7%
Private pay	<u>9%</u>	<u>7%</u>
Total	<u>100%</u>	<u>100%</u>

The Organization maintains deposits at major financial institutions which exceed the \$250,000 Federal Deposit Insurance Corporation limit. Management believes the credit risks related to these deposits are minimal.

**11. Retirement Plans**

The Organization sponsors a 403(b)(9) defined contribution retirement plan for eligible employees. The Organization makes a non-matching contribution of 5% of each employee's compensation. Retirement expense related to the plan was \$549,057 and \$482,784 in 2023 and 2022, respectively.

The Organization also sponsors a 457(b) deferred compensation plan for certain employees. The Organization may make matching and non-matching contributions. Retirement expense related to the plan was \$64,464 and \$60,962 in 2023 and 2022, respectively.

**12. Liquidity and Availability**

Financial assets available for general expenditure, without donor restrictions limiting their use, within one year of the statement of financial position comprise the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,943,814	\$ 3,521,607
Accounts receivable	1,477,551	2,015,310
Investments, unrestricted	<u>24,101,778</u>	<u>23,073,075</u>
	<u>\$ 27,523,143</u>	<u>\$ 28,609,992</u>

Also, the income on donor restricted investments is released from restrictions and used for operations each year.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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**13. Related Party Transactions**

The Georgia Baptist Mission Board provides appropriations to the Organization through its Cooperative Program. Appropriations to the Organization during 2023 and 2022 totaled \$77,042 and \$92,690, respectively. The Georgia Baptist Mission Board also receives contributions from churches which are designated by the donor to be contributed to the Organization. During 2023 and 2022, contributions from churches totaling \$50,170 and \$37,852, respectively, were passed through the Georgia Baptist Mission Board to the Organization.

Georgia Baptist Foundation, Inc. (Foundation), a related party, provides investment services for the Organization. At June 30, 2023 and 2022, the Foundation managed investments totaling \$25,535,329 and \$24,321,787, respectively, for the Organization. During 2023 and 2022, the Organization paid investment fees to the Foundation totaling \$81,204 and \$85,860, respectively.

Georgia Baptist Health Care Ministry Foundation, Inc. (GBHCMF), a related party, provided grants of \$107,413 and \$93,827 in 2023 and 2022, respectively, to the Organization.

**14. Insurance**

*General and professional liability.* The Organization has claims-made insurance coverage for general and professional liability insurance. The insurance policy has limits of \$1,000,000 per occurrence and \$3,000,000 annual aggregate. No provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the insurance coverage or will have a material adverse effect on the financial statements.

*Property and business income.* The Organization maintains a property and business income insurance policy. During 2023, the Organization received \$99,437 in insurance proceeds related to water damage to a building. In May 2022, a fire caused interior damage to some of the Organization's buildings. In 2022, the Organization received \$261,029 in insurance proceeds related to the damage. The insurance proceeds, net of damage losses, are recognized in the statements of activities and changes in net assets as net insurance proceeds from fire damage.

*Other.* The Organization also has insurance plans which cover directors and officers, workers' compensation, and employee health.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**15. Functional Expenses**

The Organization provides retirement living services to residents within its geographic location. Expenses related to providing these services are as follows:

	2023			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,752,866	\$ 1,661,113	\$ 7,031	\$ 12,421,010
Payroll taxes	780,187	90,090	404	870,681
Health insurance	1,492,911	125,191	561	1,618,663
Retirement benefits	474,972	137,930	619	613,521
Other employee benefits	234,455	8,726	39	243,220
Contract nursing labor	2,393,297	-	-	2,393,297
Ancillary services	275,297	-	-	275,297
Pharmacy services	355,222	-	-	355,222
Rehabilitation services	600,476	-	-	600,476
Supplies-resident services	743,448	-	-	743,448
Supplies-food	1,194,312	-	-	1,194,312
Supplies-dining services	256,478	-	-	256,478
Supplies-environmental	156,746	-	-	156,746
Supplies-plant/grounds	974,629	-	-	974,629
Supplies-administrative	93,964	51,982	87	146,033
Contract services	863,780	48,618	4,269	916,667
Utilities	722,429	69,409	-	791,838
Insurance-liability/ D&O/EPL	258,337	3,165	-	261,502
Advertising	2,387	-	4,148	6,535
Telephone	31,271	32,418	-	63,689
Travel, meetings and education	13,491	37,084	3,940	54,515
Other administrative	109,116	121,858	17,767	248,741
Depreciation and amortization	1,456,770	55,376	-	1,512,146
Interest related to property	-	6,439	-	6,439
Insurance-property/auto	185,441	-	-	185,441
Leases and taxes	<u>109,075</u>	<u>9,349</u>	<u>-</u>	<u>118,424</u>
Total	<u>\$ 24,531,357</u>	<u>\$ 2,458,748</u>	<u>\$ 38,865</u>	<u>\$ 27,028,970</u>

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**15. Functional Expenses, Continued**

	2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,306,539	\$ 1,568,015	\$ 6,750	\$ 11,881,304
Payroll taxes	700,386	75,283	324	775,993
Health insurance	1,585,808	112,919	486	1,699,213
Retirement benefits	412,540	130,644	562	543,746
Other employee benefits	249,021	15,912	68	265,001
Contract nursing labor	2,015,902	-	-	2,015,902
Ancillary services	239,603	-	-	239,603
Pharmacy services	362,981	-	-	362,981
Rehabilitation services	597,623	-	-	597,623
Supplies-resident services	758,988	-	-	758,988
Supplies-food	1,030,135	-	-	1,030,135
Supplies-dining services	219,806	-	-	219,806
Supplies-environmental	134,961	76	-	135,037
Supplies-plant/grounds	722,021	-	1,962	723,983
Supplies-administrative	93,930	68,413	95	162,438
Contract services	757,292	47,786	1,213	806,291
Utilities	700,661	66,595	-	767,256
Insurance-liability/ D&O/EPL	248,590	55	-	248,645
Advertising	1,144	200	2,295	3,639
Telephone	29,290	31,644	-	60,934
Travel, meetings and education	12,207	34,051	5,743	52,001
Other administrative	76,882	104,106	87,589	268,577
Depreciation	1,452,127	22,196	-	1,474,323
Insurance-property/auto	145,910	-	-	145,910
Leases and taxes	<u>26,314</u>	<u>21,980</u>	<u>-</u>	<u>48,294</u>
Total	<u>\$ 22,880,661</u>	<u>\$ 2,299,875</u>	<u>\$ 107,087</u>	<u>\$ 25,287,623</u>

Natural expenses attributable to more than one functional expense category are allocated using various cost allocation techniques such as time and effort.

**16. Contingencies**

*Litigation.* The Organization is subject to litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that any matters would be resolved without material adverse effect on the Organization's future financial position or results from operations.

Continued

## BAPTIST VILLAGE, INC.

### Notes to Financial Statements, Continued June 30, 2023 and 2022

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#### 16. Contingencies, Continued

*Healthcare reform.* There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms, and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Organization.

*COVID-19.* As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local, state, and federal governments, and impact on the Organization's residents, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Organization's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

#### 17. CARES and ARP Act Funding

On March 27, 2020, the *Coronavirus, Aid, Relief, and Economic Security Act* was passed, on April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed, and on March 11, 2021, the *American Rescue Plan Act* was passed (collectively, CARES and ARP Act). Certain provisions of the CARES and ARP Act provide relief funds to healthcare providers. The funding is to be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services (HHS) began distributing funds in April 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to remain open. The Organization has received the following CARES and ARP Act funding:

- \$30 Billion Provider Relief Fund (PRF) General Distribution (1<sup>st</sup> round) - On April 10, 2020, HHS distributed \$30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Organization received \$198,984 in funding from this distribution.
- \$20 Billion PRF General Distribution (2<sup>nd</sup> round) - On April 24, 2020, HHS distributed \$20 billion to Medicare fee-for-service providers based on revenues from cost report data or revenue submissions. The Organization received \$163,462 in funding from this distribution.
- \$4.9 Billion PRF Allocation to Skilled Nursing Facilities (SNFs) - On May 22, 2020, HHS distributed \$4.9 billion to over 13,000 certified SNFs on a fixed payment of \$50,000 plus \$2,500 per certified bed. The Organization received \$685,000 in funding from this distribution.

Continued



BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

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**17. CARES and ARP Act Funding, Continued**

- \$2.9 Billion PRF Allocation to Nursing Homes (NHs) for Infection Control - On August 27, 2020, HHS distributed \$2.9 billion to NHs on a fixed payment of \$10,000 plus \$1,450 per certified bed. The Organization received \$378,300 in funding from this distribution.
- \$2.25 Billion PRF Allocation to Nursing Homes for the Quality Incentive Payment (QIP) Program - HHS allocated \$2.25 billion to NHs that pass two initial gateway qualification tests on both their rate of infection and rate of mortality. Payments were made monthly in October 2020 through January 2021 based on the previous month's performance with an additional payment made in February 2021 based on the aggregate performance period. The Organization received \$262,311 in funding from this allocation.
- \$5.98 Billion PRF Phase 2 General Distribution - In September 2020, HHS distributed \$5.98 billion to 60,832 eligible providers that included participants in state Medicaid/Children's Health Insurance Program/Medicaid managed care plans, certain Medicare providers, assisted living facilities, and some dentists. The Organization received \$65,707 in funding from this distribution.
- \$150 Billion Coronavirus Relief Fund (CRF) - HHS distributed \$150 billion to state, local, and tribal governments through the CRF. The State of Georgia received \$3.5 billion in CRF funds. The State of Georgia allocated \$77.8 million of the CRF funds to nursing homes. The Organization was allocated \$603,900 in CRF funds from the State of Georgia. The Organization must submit expenses for reimbursement to the State of Georgia to receive the funds. The State of Georgia had additional funds and was able to reimburse the Organization a total of \$815,551.
- \$8.5 Billion ARP Rural Payments - In November 2021, HHS distributed \$8.5 billion to rural healthcare providers. The Organization received \$514,228 in funding from this distribution.
- \$17 Billion PRF Phase 4 General Distribution - In December 2021, HHS distributed \$17 billion to eligible providers that included participants in state Medicaid/Children's Health Insurance Program/Medicaid managed care plans, certain Medicare providers, assisted living facilities, and some dentists. The Organization received \$305,341 in funding from this distribution.
- \$350 Billion ARP State Fiscal Recovery Fund (SFRF) - HHS distributed \$350 billion to state, local, and tribal governments to support their response to and recovery from the COVID-19 public health emergency. The State of Georgia was allocated \$4.8 billion. The State of Georgia then allocated \$165,000 to each nursing home in the state. The Organization received \$165,000 in funding from this distribution. The State of Georgia also allocated \$100,000 to each personal care home in the state. The Organization received \$200,000 in funding from this distribution.

Continued

BAPTIST VILLAGE, INC.

Notes to Financial Statements, Continued  
June 30, 2023 and 2022

**17. CARES and ARP Act Funding, Continued**

The CARES and ARP Act funding is a conditional contribution and is accounted for as a refundable advance until conditions have been substantially met or explicitly waived by the grantor. Because the use of the funds is limited to the purposes stated in the terms and conditions, the contributions are grantor restricted.

CARES and ARP Act funding may be subject to audits. While the Organization currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility that payments could be recouped based on changes in reporting requirements or audit results.

Below is a schedule of the CARES and ARP Act funds recognized as revenue by year.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PRF:				
General round 1	\$ -	\$ -	\$ -	\$ 198,984
General round 2	-	-	83,167	80,295
SNFs	-	-	685,000	-
Nursing homes	-	-	378,300	-
QIP	-	-	262,311	-
Phase 2	-	-	65,707	-
Phase 4	-	305,341	-	-
ARP:				
Rural	-	514,228	-	-
SFRF-Nursing home	-	165,000	-	-
SFRF-Personal care homes	200,000	-	-	-
CRF	<u>-</u>	<u>276,699</u>	<u>538,852</u>	<u>-</u>
Total	<u>\$ 200,000</u>	<u>\$ 1,261,268</u>	<u>\$ 2,013,337</u>	<u>\$ 279,279</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
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ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Baptist Village, Inc.  
Waycross, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Baptist Village, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Baptist Village, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baptist Village, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Baptist Village, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Continued

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Baptist Village, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Baptist Village, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Baptist Village, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Draffin & Tucker, LLP*

Atlanta, Georgia  
October 6, 2023