Baptist Retirement Communities of Georgia, Inc.

FINANCIAL STATEMENTS

December 31, 2022

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REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Baptist Retirement Communities of Georgia, Inc.
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of Baptist Retirement Communities of Georgia, Inc. (the Communities), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baptist Retirement Communities of Georgia, Inc. as of December 31, 2022, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Communities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 16 to the financial statements, in 2022, the Board of Trustees of both the Communities and Clairmont Crest, Inc. transferred ownership of Clairmont Crest Inc. location in exchange for a contribution for early redemption of the Communities' bonds payable. Our opinion is not modified with respect to this matter.

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 the 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 the Communities' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the 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 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 generally accepted 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 made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 the Communities' 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 the Communities' 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
April 19, 2023

FINANCIAL STATEMENTS

Baptist Retirement Communities of Georgia, Inc.
Statement of Financial Position

December 31,		2022
Assets		
Cash and cash equivalents	$	506,688
Restricted cash		1,101,375
Rent receivable, net		13,839
Accrued interest and investment income receivable		51,165
Inventories		3,848
Property and equipment, net		29,349,104
Operating lease right-of-use asset, net		17,260
Finance lease right-of-use asset, net		160,020
Other assets		
Escrows and reserves		10,090
Real estate not used in operations		4,825
Long-term investments		35,580
Revocable trust agreements		61,856
Irrevocable trust agreements		4,327,859
Beneficial interest in trust held by others		225,755
Total other assets		4,665,965
Total assets	$	35,869,264
Liabilities and Net Assets		
Accounts payable	$	178,935
Accrued expenses		130,222
Operating lease right-of-use liability		17,260
Finance lease right-of-use liability		171,645
Refundable advance		500,000
Long-term debt, less unamortized debt issuance costs		3,287,190
Accrued retirement gratuity		96,649
Contract liabilities		477,056
Total liabilities		4,858,957
Net assets		
Without donor restrictions		26,600,168
With donor restrictions		
Purpose restrictions		20,424
Perpetual in nature		4,389,715
Total net assets with donor restrictions		4,410,139
Total net assets		31,010,307
Total liabilities and net assets	$	35,869,264

The accompanying notes are an integral part of these financial statements.

Baptist Retirement Communities of Georgia, Inc.
Statement of Activities

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Rental and dining fees	$ 4,096,336	$ -	$ 4,096,336
Entrance fees	48,174	-	48,174
Contributions, net of write-offs:			
Georgia Baptist Convention	120,837	-	120,837
Other sources	22,140	-	22,140
Investment income from endowments, net of fees	197,234	12,858	210,092
Other income	50,301	-	50,301
Contribution to redeem bonds payable	33,537,720	-	33,537,720
Gain on debt forgiveness	160,489	-	160,489
Interest and dividend income	3,870	-	3,870
Net assets released from restrictions	195,689	(195,689)	-
Total revenue and other support	38,432,790	(182,831)	38,249,959
Expenses			
Program services			
Housing	4,245,073	-	4,245,073
Resident services	1,537,918	-	1,537,918
Total program services	5,782,991	-	5,782,991
Supporting services			
General and administrative	1,301,820	-	1,301,820
Fundraising	76,648	-	76,648
Total supporting services	1,378,468	-	1,378,468
Total expenses	7,161,459	-	7,161,459
Other Changes in Net Assets			
Net change in irrevocable trusts	-	(841,205)	(841,205)
Net change in revocable trusts	-	(12,153)	(12,153)
Loss on debt extinguishment	(3,697,385)	-	(3,697,385)
Unrealized gain on long-term investments	9,828	-	9,828
Total other changes in net assets	(3,687,557)	(853,358)	(4,540,915)
Change in net assets	27,583,774	(1,036,189)	26,547,585
Net assets (deficit) at beginning of year	(983,606)	5,446,328	4,462,722
Net assets at end of year	$ 26,600,168	$ 4,410,139	$ 31,010,307

The accompanying notes are an integral part of these financial statements.

For the year ended December 31, 2022

	Program Services			Supporting Services		
	Housing	Resident Services	Programs subtotal	General & Administrative	Fundraising	Total
Personnel costs	$ 338,917	$ 286,355	$ 625,272	$ 996,661	$ -	$ 1,621,933
Interest	1,544,898	-	1,544,898	3,406	-	1,548,304
Depreciation and amortization	1,206,345	-	1,206,345	12,185	-	1,218,530
Dining room expense	-	1,160,864	1,160,864	-	-	1,160,864
Repairs and maintenance	712,375	-	712,375	6,320	-	718,695
Utilities	314,409	-	314,409	3,718	-	318,127
Office expense	-	-	-	143,865	-	143,865
Insurance	128,129	-	128,129	7,245	-	135,374
Professional fees	-	-	-	119,905	-	119,905
Supplies and other	-	90,699	90,699	8,515	-	99,214
Marketing and promotion	-	-	-	-	76,648	76,648
Total	$ 4,245,073	$ 1,537,918	$ 5,782,991	$ 1,301,820	$ 76,648	$ 7,161,459

Baptist Retirement Communities of Georgia, Inc.
Statement of Cash Flows

For the year ended December 31,	2022
Operating Activities	
Change in net assets	$ 26,547,585
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Net change in irrevocable trusts	841,205
Net change in revocable trusts	12,153
Net unrealized gain on long-term investments	(9,828)
Depreciation and amortization	1,218,530
Amortization of right-of-use assets	18,413
Interest expense representing change in bond issuance costs and original issue discount	149,812
Contribution to redeem bonds payable	(33,537,720)
Gain on debt forgiveness	(160,489)
Loss on debt extinguishment	3,697,385
Change in operating assets and liabilities	
Pledge receivable	100,000
Receivables	(11,500)
Accrued income receivable	2,314
Prepaid expenses and other	36,500
Accounts payable	94,821
Accrued expenses	(1,536,942)
Operating lease liabilities	(18,413)
Accrued retirement gratuity	4,571
Security and other deposits	177,499
Net cash provided by (used in) operating activities	(2,374,104)
Investing Activities	
Purchases of property and equipment	(162,513)
Advances from related party	573,511
Net cash provided by (used in) investing activities	410,998
Financing Activities	
Long-term debt proceeds	3,500,000
Payments on long-term debt	(3,689,666)
Debt issuance costs	(212,810)
Refundable advance	500,000
Payments on finance lease liabilities	(82,500)
Net cash provided by (used in) financing activities	15,024
Net change in cash, cash equivalents and restricted cash	(1,948,082)

(Continued)

The accompanying notes are an integral part of these financial statements.

For the year ended December 31,		2022
Net change in cash, cash equivalents and restricted cash (*from previous page)*		(1,948,082)
Cash, cash equivalents and restricted cash at beginning of year		3,566,235
Cash, cash equivalents and restricted cash at end of year	$	1,618,153
Presented on Statement of Financial Position as:		
Cash and cash equivalents	$	506,688
Restricted cash		1,101,375
Escrows and reserves		10,090
Cash and cash equivalents, at end of year	$	1,618,153
Schedule of Noncash Transactions		
Assumption of Clairmont Crest, Inc. bonds payable and related interest payable and cost for intercompany debt forgiveness:		
Accrued interest	$	(93,808)
Bonds payable		(7,257,554)
Bond issuance costs, net		240,373
Forgivess of intercompany payable		6,733,941
Escrows and reserves		537,537
Total	$	160,489
Payoff of bonds payable and related interest payable:		
Bonds payable	$	27,542,998
Accrued interest payable		819,104
Total	$	28,362,102
Lease liabilities arising from obtaining operating right-of-use assets	$	21,109
Schedule of Certain Cash Flow Information		
Cash paid for interest	$	1,505,691

Note 1: DESCRIPTION OF THE ORGANIZATION

Baptist Retirement Communities of Georgia, Inc. (the Communities), provides housing and ministries to senior adults, which currently includes two facilities: Baptist Manor in Palmetto, Georgia, and Hiawassee Park, located in Hiawassee, Georgia.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Program Services

The Communities' program service consist of the following:

Housing - the Communities provides housing services to senior adults.

Resident services- the Communities provides dining, ministries and other services to senior adults.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Restricted Cash

Restricted cash included on the statement of financial position represents funds received related to a long-term financing arrangement which includes contractual stipulations made by the lender.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Communities provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of residents to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Communities' policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for doubtful accounts as of December 31, 2022.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. During the year ended December 31, 2022, the Communities collected $100,000 of promises to give. There were no promises to give as of December 31, 2022.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

Property and Equipment

All acquisitions of property and equipment in excess of $2,500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Leases

The Communities acquire equipment and vehicles under various contracts and determines if an arrangement is a lease at inception.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Communities use its' risk free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Communities will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Communities report investments in equity securities with readily determinable fair values at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Revocable and Irrevocable Trust Agreements

Revocable and irrevocable trust agreements represent agreements whereby the Communities are entitled to the income earned on investments, which are maintained in trust by others.

Beneficial Interest in Trust Held by Others

Accounting standards require that the following instruments be recorded as contributions and net assets at the present value of the Communities' ultimate interest:

Beneficial interest in trust held by others – Donors have established and funded trusts under which specified distributions are to be made to designated beneficiaries in the form of annuity payments over the donors' lifetime. After all required annuity payments are made, 100% of the principal and undistributed income shall be distributed outright to the Communities. The trusts are held at the Georgia Baptist Foundation, Inc. (the Foundation). No contributions were made during the year ended December 31, 2022. Beneficial interest in trust held by others is recorded at present value of amount expected to be received and totaled $220,564 as of December 31, 2022.

Accrued Sick Leave

The Communities maintain a sick leave policy in which earned sick leave not taken during the year is payable in cash to the employee after the year end in which the leave was earned. As of December 31, 2022, accrued sick leave payable under this policy was approximately $31,000, which is included in accrued expenses in the statement of financial position.

Net Assets

The Communities report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Communities, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

Revenue Recognition

Revenue from dues and fees, member services, and payments under various contracts is recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate. These amounts are included in performance obligation liabilities within the statements of financial position.

Revenue from rental fees is accounted for in accordance with the provisions of ASC Topic 842, *Leases* (ASC 842). Dining and entrance fees are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with residents are satisfied. Other income is recognized as revenue at the time of sale or when the service is provided.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has removed the conditions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets with donor restrictions and are reclassified to net assets without donor restrictions when the donor imposed restriction has been fulfilled or the stipulated time period has elapsed.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Communities. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses, which are allocated, are based on estimates of time and purpose. Other expenses that are common to several functions, such as utilities, insurance, interest and depreciation, are allocated among the program and supporting activities based on estimates of time spent or asset usage.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Communities use advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended December 31, 2022, advertising costs totaled $76,648.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Communities are exempt from taxes on income other than unrelated business income. The Communities had no unrelated business income during the year ended December 31, 2022.

The Communities utilize the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2022, the Communities have no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued April 19, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Communities maintain their financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Communities’ expenditures come due. The following reflects the Communities’ financial assets as of the statement of financial positon date, reduced by amounts not available for general use within one year of the statement of financial positon date because of contractual or donor-imposed restrictions.

Total assets at year end	$ 35,869,264
Less non-financial assets	
Accrued interest and investment income receivable	(51,165)
Inventories	(3,848)
Property and equipment, net	(29,349,104)
Operating lease right-of-use asset, net	(17,260)
Finance lease right-of-use asset, net	(160,020)
Real estate not used in operations	(4,825)
Financial assets at year-end	6,283,042
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	
Restricted cash	(1,101,375)
Net assets with donor restrictions	(4,410,139)
Less net assets with purpose restrictions which can be met in less than a year	20,424
Financial assets not available to be used within one year	(5,491,090)
Endowment spending-rate distributions and appropriations	209,000
Financial assets available to meet cash needs for general expenditures within one year	$ 1,000,952

Part of the Communities' liquidity management policy has structured its financial assets to be available for its general expenditures and other obligations that come due. The Communities have certain donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Communities also have cash accounts with a financial institution which are limited to use for their specified purposes based on the note agreement (Note 11), and therefore are not available for general expenditure within the next year. Endowments are donor-restricted and are comprised of the revocable and irrevocable trust agreements. A majority of the income from the donor-restricted endowments is not restricted and a 3-year average amount is included above as available to meet general expenditures within one year.

Note 4: PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2022, are as follows:

	Estimated Useful Lives (in years)	
Land improvements	10-20	$ 5,253,715
Building and improvements	5 - 40	31,358,488
Furniture, fixtures and equipment	5 - 25	1,211,824
Total depreciable property and equipment		37,824,027
Less accumulated depreciation		(10,065,063)
Total depreciable property and equipment, net		27,758,964
Land		1,587,277
Construction in progress		2,863
Total property and equipment, net		$ 29,349,104

Depreciation expense for the year ended December 31, 2022 amounted to $1,147,997.

Note 5: LEASES

The Communities have operating and finance leases for vehicles and equipment. The leases have remaining lease terms of 2 to 4 years. As of December 31, 2022, assets recorded under finance leases were $336,871, and accumulated depreciation associated with finance leases was $176,851.

The components of lease expense consist of the following:

For the year ended December 31,	2022
Operating lease cost	$ 18,867
Finance lease cost	
Amortization of right-of-use assets	$ 70,533
Interest on lease liabilities	20,050
Total finance lease cost	$ 90,583

Note 5: LEASES (Continued)

Weighted average remaining lease term and discount rates consist of the following:

For the year ended December 31,	2022
Weighted average remaining lease term	
Operating leases	2.4 years
Finance leases	2.1 years
Weighted average discount rate	
Operating leases	9.9%
Finance leases	9.8%

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

For the years ending December 31,	Operating Leases	Finance Leases
2023	$ 8,055	$ 94,445
2024	8,055	86,592
2025	3,356	18,561
Total future minimum lease payments	19,466	199,598
Less imputed interest	(2,206)	(27,953)
Present value of lease liabilities	$ 17,260	$ 171,645
Reported as of December 31, 2022		
Lease liabilities	$ 17,260	$ 171,645
Total	$ 17,260	$ 171,645

Note 6: LONG-TERM INVESTMENTS

Long-term investments are presented in the financial statements at market value. Included in long-term investments are corporate stocks (see Note 15) and unrestricted investments in the general endowment pool, administered by the Georgia Baptist Foundation, Inc. (the Foundation), of $6,601 at December 31, 2022.

Note 7: REVOCABLE TRUST AGREEMENTS

Revocable trust agreements are presented in the financial statements at fair value. Revocable trust agreements are investment accounts that are held in the general endowment pool administered by the Foundation. Fair value is based upon information provided by the trustee. The fair value of the revocable trust agreements for the year ended December 31, 2022, was $61,856. There was an unrealized loss on these investments of $12,153 for the year ended December 31, 2022.

The trustee charges a fee for administering the trusts. The fees, which are based on a percentage of the fair market value of the trusts' assets, totaled $215 for the year ended December 31, 2022.

Note 8: IRREVOCABLE TRUST AGREEMENTS

Irrevocable trust agreements are presented in the financial statements at fair value. Irrevocable trust agreements are investment accounts that are held in the general endowment pool administered by the Foundation. Fair value is based upon information provided by the trustee. The fair value of the irrevocable trust agreements for the year ended December 31, 2022, was $4,327,859. At December 31, 2022, the principal book value of the irrevocable trusts was $3,448,259. For the year ended December 31, 2022, the Communities recognized $220,564 of income and $841,205 of unrealized loss in fair value from these trusts, respectively.

The trustee charges a fee for administering the trusts. The fees, which are based on a percentage of the fair value of the trusts' assets, totaled $15,010 for the year ended December 31, 2022.

Note 9: REAL ESTATE NOT USED IN OPERATIONS

At December 31, 2022, the Communities owned five Westview Cemetery plots, in Atlanta, Georgia, that are not used in operations.

Note 10: REFUNDABLE ADVANCE

During the year ended December 31, 2022, the Communities received a refundable advance from Georgia Baptist Foundation in the amount of $500,000 to be used for the Communities' early bond redemption (see Note 16). The refundable advance has no set payment terms and does not accrue interest.

Note 11: LONG-TERM DEBT

Long-term debt at December 31, 2022, consists of the following:

Note payable to financial institution, monthly variable principal payments including interest at the greater of .25% above the Wall Street Journal Prime Rate or 5.5% (7.75% at December 31, 2022), original maturity of 2025 with an option to extend through 2047 which was elected before year end.	$	3,500,000
Less unamortized debt issuance costs		(212,810)
Total	$	3,287,190

Maturities of long-term debt subsequent to December 31, 2022, consists of the following:

For the years ending December 31,		
2023	$	47,673
2024		50,753
2025		55,636
2026		60,104
2027		64,931
Thereafter		3,220,903
Total	$	3,500,000

As of December 31, 2022, assets of the Communities securing the financial institution, debt obligation included real property, improvements, equipment, and furniture and fixtures. Also included in the pledged collateral, are all security deposits, rents, and other income of the Communities.

As part of the note payable, the lender requires the Communities to maintain a portion of the funds received in a separate bank account. These funds are to be used for stipulated purposes as disclosed in the security agreement and are included in restricted cash in the statement of financial position.

At December 31, 2022, the Communities were in compliance with all loan covenants for the note payable.

During the year ended December 31, 2022, the Communities obtained a contribution from a third-party investor to pay down its bonds payable balance of $33,745,000 (see Note 16). Total interest expense during the year ended December 31, 2022 was approximately $1,374,000.

Debt Issuance Costs

Expenditures incurred in December 2022 for debt issuance costs totaled $212,810. The costs were capitalized and are being amortized over the life of the loan. Unamortized debt issuance costs are netted with the associated long-term debt, and are being amortized to interest expense over the term of the loan using the straight-line method.

Note 11: LONG-TERM DEBT (Continued)

Debt Issuance Costs (continued)

At December 31, 2022, future estimated amortization of debt issuance costs are as follows:

For the years ending December 31,		
2023	$	8,512
2024		8,512
2025		8,512
2026		8,512
2027		8,512
Thereafter		170,250
Total	$	212,810

Debt issuance costs related to the bonds payable that were redeemed during the year ended December 31, 2022 incurred amortization to interest expense of debt issuance costs totaled $149,812 during the year ended December 31, 2022.

Note 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with purpose restrictions are available for the following purposes:

Subject to expenditure for specified purpose:		
Hiawassee activity center	$	17,321
Assistance to retired Southern Baptist Convention ministers and missionaries		3,006
Other stipulated purposes		97
Total	$	20,424

Net assets with donor restrictions, perpetual in nature, are also maintained in investments of the Communities. On the Communities' statement of financial position at December 31, 2022, net assets with donor restrictions, perpetual in nature, are included in irrevocable trust agreements and various long-term investments.

These funds are restricted to investments in perpetuity, the income from which is expendable to support the following:

Endowments:		
Any activity of the Communities	$	4,122,627
Assistance to retired Southern Baptist Convention ministers and missionaries		265,342
Other stipulated purposes		1,746
Total	$	4,389,715

Note 12: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2022:

Satisfaction of purpose restrictions:	
Hiawassee activity center	$ 182,679
Assistance to retired Southern Baptist Convention missionaries	12,605
Assistance to retired ministers or their widows	319
Maintenance of the bulb and flower garden	86
Total	$ 195,689

Note 13: REVENUE

Under the Communities' residency agreements, which are generally for a duration of one year, the Communities provide basic housing to residents for a stated monthly fee. The Communities recognize revenue for housing services under residency agreements with the provisions of ASC Topic 842, *Leases* (ASC 842) where revenue is recognized in the month in which rent is provided.

At the Baptist Manor location, a portion of the residency agreement fees include dining services provided by the Communities. The dining fees are recognized when performance obligations under the terms of the contracts with residents are satisfied in accordance with ASC 606.

Other income consists of purchases made at the Communities' facilities, guest rentals, and other miscellaneous items. The performance obligation for these items relates to the good or service provided, and is typically considered to be provided and satisfied at the point in time in which the sale occurs.

Entrance fees are non-refundable upfront fees paid by a resident in order to move into the Communities. The Communities account for these fees as contract liabilities and amortize the balance using the straight-line method over the estimated length of a resident's stay, 6 years, in accordance with ASC 606 (Note 2). The contract liabilities related to the entrance fees as of December 31, 2022, totaled $118,683.

Note 13: REVENUE (Continued)

Disaggregated Revenue

Approximately 96% of revenue earned from contracts with customers was at a point in time consisting of dining fees and other income. The remaining 4% was recognized over time and consisted of amortization of non-refundable entrance fees.

A summary of disaggregated revenue information follows:

For the year ended December 31,	2022
Rental fees	$ 3,070,336
Revenue from contracts with customers	
Recognized at a point of time - dining fees	1,026,000
Recognized at a point of time - other income	50,301
Recognized over time - entrance fees	48,174
Total revenue from contracts with customers	1,124,475
Contributions	142,977
Contribution to redeem bond payable	33,537,720
Gain on debt forgiveness	160,489
Investment income from endowments, net of fees	210,092
Interest and dividend income	3,870
Total revenue	$ 38,249,959

The Communities' customers are primarily senior citizens located in the Southeastern United States.

Contract Balances

Contract liabilities consist of deferred revenue related to security deposits, prepaid rent, and non-refundable entrance fees.

December 31,	2022
Contract liabilities, beginning of year	$ 299,557
Contract liabilities, end of year	$ 477,056
Contract receivable, beginning of year	$ 2,339
Contract receivable, end of year	$ 13,839

Note 14: ENDOWMENTS

The Communities' endowments consist of several individual funds established for a variety of purposes. Its endowment includes donor-restricted funds to function as endowments. No funds designated by the Board of Trustees function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Trustees of the Communities has interpreted Georgia's 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. As a result of this interpretation, the Communities retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Communities in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Communities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Communities, and (7) the Communities' investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Communities' net assets with donor restrictions consist primarily of trust agreements more fully described in Notes 7 and 8. Consequently, the Communities do not have the authority to select the types of investments for which they are considered a beneficiary. As such, the Communities do not have investment policies associated with these investments but have adopted the investment policy of the Foundation, the custodian of the assets (See Note 15 – *General Endowment Pool*). The Communities follow the restrictions set by each donor in appropriating funds for expenditures.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Communities has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with generally accepted accounting principles, there were no deficiencies of this nature that are reported in net assets without donor restrictions for the year ended December 31, 2022.

Endowment net asset composition by type of fund follows as of December 31, 2022:

Endowment funds, purpose restrictions	$	3,103
Endowment funds, perpetual in nature		4,389,715
Total	$	4,392,818

Note 14: ENDOWMENTS (Continued)

Changes in endowment net assets with donor restrictions for the year ended December 31, 2022, are as follows:

For the year ended December 31, 2022	Net assets with donor restrictions (purpose restrictions)	Net assets with donor restrictions (perpetual in nature)	Total
Endowment net assets, beginning of year	$ 3,255	$ 5,243,073	$ 5,246,328
Investment income	12,858	-	12,858
Net depreciation	-	(853,358)	(853,358)
Appropriation of endowment net assets for expenditure	(13,010)	-	(13,010)
Total	$ 3,103	$ 4,389,715	$ 4,392,818

The Communities received $13,010 in unrestricted investment income from the endowment during the year ended December 31, 2022.

Note 15: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (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. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Note 15: FAIR VALUE MEASUREMENTS (Continued)

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 December 31, 2022.

Common/Corporate Stocks – Valued at the closing price reported on the active market on which the individual securities are traded.

General Endowment Pool – Investments in revocable and irrevocable trust agreements, as well as some long-term investments, are invested in the General Endowment Pool held by the Foundation, a sister organization of the Communities within the Georgia Baptist Convention (the Convention). The General Endowment Pool is a common investment pool. The Communities use the Net Asset Value (NAV) to determine the fair value of the investments monthly. Net appreciation (depreciation) of the trusts is recorded based on the Communities' proportionate share of the aggregate amount of appreciation (depreciation) reported by the Foundation. It includes the Communities' share of interest and dividend income, realized and unrealized gains and losses on security transactions, and ordinary expenses. The investment objective is primarily for investment income and secondarily for capital appreciation with a goal of a 5% investment income rate and a 3.5% reinvestment rate. All investments held by the Foundation require a redemption notice of 30 days and are redeemable at fair value of the underlying investments.

Assets measured at fair value on a recurring basis are summarized for the year ended December 31, 2022:

December 31, 2022	Level 1	Level 2	Level 3	Total
Corporate stocks	$ 28,979	$ -	$ -	$ 28,979
Beneficial interest in trust held by others	-	-	225,755	225,755
Georgia Baptist Foundation general endowment pool [(A)]	-	-	-	6,601
Investments, irrevocable and revocable trusts, measured at net asset value [(A)]	-	-	-	4,396,316
Total	$ 28,979	$ -	$ 225,755	$ 4,657,651

([A]) Investments that are measured at fair value using the net asset value per share have been excluded from the fair value hierarchy leveling.

The following is a reconciliation of the change in fair value for the year ended December 31, 2022 for Level 3:

For the year ended December 31,	2022
Beneficial interest in trust held by others	
Balance, beginning of year	$ 225,755
Balance, end of year	$ 225,755

Note 15: FAIR VALUE MEASUREMENTS (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2022, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 16: EARLY REDEMPTION OF BONDS PAYABLE AND SALE OF CLAIRMONT CREST, INC.

Beginning in March 2020, the Communities were adversely impacted by the COVID-19 pandemic which affected the overall economy. As a result, the Communities incurred a significant loss during the year ended December 31, 2021, which caused the Communities to fail their debt covenants related to the bonds payable.

As the Communities were at risk of being in default on their bonds, the Board of Trustees of both the Communities and Clairmont Crest, Inc. location sought out and obtained a donation from a third-party, who subsequent to the donation named a new board of trustees of Clairmont Crest, Inc. This new governing board is independent of the Communities and the Georgia Baptist Convention and the assets of each organization are no longer jointly encumbered by any third party obligations. In order to facilitate this transfer on November 25, 2022, the bond holders agreed to an early pay off of the bonds at a 2% premium funded in large part to the aforementioned donation.

The total use and sources of funds during the closing process are as follows:

For the year ended December 31,		2022
Sources of funds:		
Purchase price (net of rents/taxes)	$	32,287,720
Deposits from investor		1,250,000
Refundable advance		500,000
Long-term debt		3,500,000
Funds on hand (net of trustee/counsel fees)		2,861,726
Total sources of funds	$	40,399,446
Uses of funds:		
Early redemption of bond series 2019 (2% premium)	$	37,609,081
Closing costs		1,075,088
Facilities contracts		81,623
Additional proceeds - cash retained by the Communities		1,633,654
Total uses of funds	$	40,399,446

Note 16: EARLY REDEMPTION OF BONDS PAYABLE AND SALE OF CLAIRMONT CREST, INC. (Continued)

As a result of the sale, the Communities obtained a contribution from the third-party investor to redeem the bonds payable in the amount of $33,537,720.

Over the years, an intercompany due to/from balance accumulated between Baptist Retirement Communities and Clairmont Crest. During the closing process, Clairmont Crest forgave the intercompany balance owed from Baptist Retirement Communities of approximately $6,734,000 in exchange for Baptist Retirement Communities assuming the bonds payable balance from Clairmont Crest. The Communities' total gain resulting from the exchange was $160,489.

During the early redemption of the bonds payable, the Communities incurred a loss on debt extinguishment totaling $3,697,385. Total loss on debt extinguishment consists of the following:

For the year ended December 31,		2022
Amortization of remaining loan issuance costs	$	1,752,166
Closing costs		1,075,088
2% premium on bonds payable		774,218
Escrow payments		95,913
Loss on debt extinguishment	$	3,697,385

Note 17: CONCENTRATIONS

The Communities maintain cash with a financial institution which fluctuates in excess of the FDIC limit of $250,000 throughout the year.

Note 18: COMMITMENTS

In January 2022, the Communities entered into a 5 year management agreement with an independent contractor who manages and operates services for the Communities' residents, employees, visitors, and guests. The management fee is variable dependent upon several factors such as cost of goods and wages. Either party may terminate the contract by providing 60 days written notice at which point the Communities would pay a fee as described in the agreement. During the year ended December 31, 2022, the Communities paid the contractor approximately $975,000 for services provided.

Note 19: RETIREMENT PLAN

The Communities have a defined contribution plan covering substantially all full-time employees with at least one year of service. The Communities match participants' contributions to the plan up to 5% of the individual participant's compensation. Total contributions made by the Communities for the year ended December 31, 2022, were $41,362.

Note 20: GRATUITY PLAN

For employees with ten years of service or greater, the Communities provide a retirement gratuity of 25% of the employees' final annual salary, plus $100 for each year in excess of ten years of service. In order to be eligible for the gratuity, an employee must have attained the age of 55. Payments to employees are made in lump sums. Costs of this gratuity are accrued over the service period. Going forward, the plan is phasing out and only members employed prior to January 1, 2020 will be eligible for the retirement gratuity.

Total gratuity costs for the year ended December 31, 2022, were $96,649.

Note 21: RELATED PARTIES

One officer of the Convention serves as a board member of the Communities' Board of Trustees. The other twelve members of the Board are elected by the Convention.

The 2022 total related party contributions accrued for or received by the Communities include $120,837 from the Georgia Baptist Convention.

The Foundation holds the assets of various irrevocable trust agreements for the Communities' benefit. The Communities have also placed the assets of certain revocable trusts and other long-term investments with the Foundation.