Baptist Retirement Communities of Georgia, Inc.

FINANCIAL STATEMENTS

December 31, 2023

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REPORT

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INDEPENDENT AUDITOR'S 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. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses 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. (the Communities) as of December 31, 2023, 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 Auditor's 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.

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.

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 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 17, 2024

FINANCIAL STATEMENTS

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

December 31,	2023
Assets	
Cash and cash equivalents	$ 1,036,286
Restricted cash	500,000
Rent receivable, net	5,473
Accrued interest and investment income receivable	51,711
Property and equipment, net	28,317,848
Operating lease right-of-use asset, net	10,610
Finance lease right-of-use asset, net	91,366
Employee Retention Credit receivable	562,828
Real estate not used in operations	4,825
Long-term investments	31,993
Irrevocable trust agreements	4,683,101
Other assets	66,331
Beneficial interest in trusts held by others	494,892
Total assets	$ 35,857,264
Liabilities and Net Assets	
Accounts payable	$ 163,427
Accrued expenses	54,361
Operating lease right-of-use liability	10,610
Finance lease right-of-use liability	93,320
Refundable advance	500,000
Long-term debt, less unamortized debt issuance costs	3,308,282
Accrued retirement gratuity	142,017
Performance obligation liabilities	559,017
Total liabilities	4,831,034
Net assets	
Without donor restrictions	25,769,998
With donor restrictions	
Time restrictions	494,892
Purpose restrictions	11,908
Perpetual in nature	4,749,432
Total net assets with donor restrictions	5,256,232
Total net assets	31,026,230
Total liabilities and net assets	$ 35,857,264

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Rental, tech and dining fees	$ 4,834,117	$ -	$ 4,834,117
Entrance fees	38,029	-	38,029
Contributions, net of write-offs:			
Georgia Baptist Convention	70,550	-	70,550
Contributions to beneficial interest	-	157,019	157,019
Other sources	39,324	44,475	83,799
Investment income from endowments, net of fees	188,197	21,429	209,626
Other income	49,595	-	49,595
Interest and dividend income	48,908	-	48,908
Net assets released from restrictions	29,945	(29,945)	-
Total revenue and other support	5,298,665	192,978	5,491,643
Expenses			
Program services			
Housing	3,065,677	-	3,065,677
Resident services	1,704,412	-	1,704,412
Total program services	4,770,089	-	4,770,089
Supporting services			
General and administrative	1,621,429	-	1,621,429
Fundraising	70,803	-	70,803
Total supporting services	1,692,232	-	1,692,232
Total expenses	6,462,321	-	6,462,321
Other Changes in Net Assets			
Employee retention credit	562,828	-	562,828
Net change in irrevocable trusts	-	315,242	315,242
Change in value of beneficial interest	-	112,118	112,118
Unrealized loss on long-term investments	(3,587)	-	(3,587)
Total other changes in net assets	559,241	427,360	986,601
Change in net assets	(604,415)	620,338	15,923
Net assets at beginning of year	26,374,413	4,635,894	31,010,307
Net assets at end of year	$ 25,769,998	$ 5,256,232	$ 31,026,230

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

Baptist Retirement Communities of Georgia, Inc.
Statement of Functional Expenses

For the year ended December 31, 2023

	Program Services			Supporting Services		
	Housing	Resident Dining Services	Programs subtotal	General & Administrative	Fundraising	Total
Personnel costs	$ 383,218	$ 264,555	$ 647,773	$ 1,212,117	$ -	$ 1,859,890
Advertising, marketing and promotion	-	-	-	-	70,803	70,803
Depreciation and amortization	1,215,067	63,969	1,279,036	10,193	-	1,289,229
Dining room expense	-	1,236,698	1,236,698	-	-	1,236,698
Insurance	111,492	6,530	118,022	13,575	-	131,597
Interest	290,879	15,314	306,193	2,440	-	308,633
Office expense	-	-	-	210,499	-	210,499
Professional fees	-	-	-	138,987	-	138,987
Repairs and maintenance	660,776	34,578	695,354	1,543	-	696,897
Supplies and other	1,271	82,768	84,039	27,293	-	111,332
Utilities	402,974	-	402,974	4,782	-	407,756
Total	$ 3,065,677	$ 1,704,412	$ 4,770,089	$ 1,621,429	$ 70,803	$ 6,462,321

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

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

For the year ended December 31,		2023
Operating Activities		
Change in net assets	$	15,923
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net change in irrevocable trusts		(315,242)
Contributions to irrevocable trusts		(40,000)
Contributions to beneficial interest		(157,019)
Change in value of beneficial interest		(112,118)
Net unrealized loss on long-term investments		3,587
Gain on sale of property and equipment		(510)
Depreciation and amortization		1,289,229
Amortization of operating right-of-use assets		6,650
Change in operating assets and liabilities		
Rent receivable, net		8,366
Employee retention credit receivable		(562,828)
Inventory		3,848
Accrued interest and investment income receivable		(546)
Other assets		(4,475)
Accounts payable		(15,508)
Accrued expenses		(75,861)
Operating lease liability		(6,650)
Accrued retirement gratuity		45,368
Performance obligation liabilities		81,961
Net cash provided by (used in) operating activities		164,175
Investing Activities		
Purchases of property and equipment		(117,875)
Net cash provided by (used in) investing activities		(117,875)
Financing Activities		
Payments on long-term debt		(49,842)
Payments on finance lease liability		(78,325)
Net cash provided by (used in) financing activities		(128,167)
Net change in cash, cash equivalents and restricted cash		(81,867)
Cash, cash equivalents and restricted cash at beginning of year		1,618,153
Cash, cash equivalents and restricted cash at end of year	$	1,536,286

(Continued)

For the year ended December 31,		2023
Presented on Statement of Financial Position as:		
Cash and cash equivalents	$	1,036,286
Restricted cash		500,000
Cash and cash equivalents, at end of year	$	1,536,286
Schedule of Certain Cash Flow Information		
Cash paid for interest	$	308,633

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

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. The Communities conducts the following programs:

Housing - The Communities provides housing services to senior adults.

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

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. Estimates that are particularly susceptible to significant change in the near term are related to allocation of functional expenses and valuation of investments, trusts and beneficial interests.

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. The restriction will lapse as the funds are used for capital improvements for the Hiawassee Park location.

Accounts Receivable

Rent receivable represents amounts owed to the Communities which are expected to be collected within twelve months and are presented in the statement of financial position net of the allowance for credit losses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing resident relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in income as received. There was no allowance for credit losses as of December 31, 2023.

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.

Right-of-use (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.

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.

Irrevocable Trust Agreements

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Trusts 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 trusts 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). During the year ended December 31, 2023, there were contributions made to trusts in the amount of $157,019. Beneficial interest in trusts held by others is recorded at present value of amount expected to be received and totaled $494,892 as of December 31, 2023. Beneficial interest in trusts held by others was not reported as donor restricted on the Communities' previously issued financial statements, however this has been applied to the opening balance on the statement of activities and the net asset disclosures for the year ended June 30, 2023. This change did not have an effect on previously reported total net assets, however the allocation between with and without donor restrictions changed by the December 31, 2022 balance of beneficial interest in trusts held by others of $225,755.

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, 2023, accrued sick leave payable under this policy was approximately $36,000, 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.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue from dining, tech and other miscellaneous fees 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 statement 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 costs, 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 and amortization, are allocated among the program and supporting activities based on estimates of time spent or asset usage.

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, 2023, advertising costs totaled $70,803.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023.

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, 2023, 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 17, 2024, 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.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments- Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which is essentially the final rule on use of the so-called CECL model, or current expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The Communities adopted ASU 2016-13 on January 1, 2023. Please refer to accounts receivables policy. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

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 position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Total assets at year end	$ 35,857,264
Less non-financial assets	
Accrued interest and investment income receivable	(51,711)
Property and equipment, net	(28,317,848)
Operating lease right-of-use asset, net	(10,610)
Finance lease right-of-use asset, net	(91,366)
Real estate not used in operations	(4,825)
Financial assets at year-end	7,380,904
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	
Employee retention credit receivable	(562,828)
Restricted cash	(500,000)
Net assets with donor restrictions	(5,256,232)
Less net assets with purpose restrictions which can be met in less than a year	11,908
Financial assets not available to be used within one year	(6,307,152)
Endowment spending-rate distributions and appropriations	228,000
Financial assets available to meet cash needs for general expenditures within one year	$ 1,301,752

Part of the Communities' liquidity management policy includes structuring 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 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.

The Internal Revenue Service has placed a moratorium upon Employee Retention Credit (ERC) claims as of December 31, 2023, therefore, income related to the ERC may not be available to use during the next fiscal year as a result of timing of the receipt of funds (Note 10).

Note 4: PROPERTY AND EQUIPMENT

The components of property and equipment consist of the following at December 31, 2023:

	Estimated Useful Lives (in years)	
Land improvements	10-20	$ 5,258,050
Building and improvements	5 - 40	31,401,644
Furniture, fixtures and equipment	5 - 25	1,257,975
Total depreciable property and equipment		37,917,669
Less accumulated depreciation		(11,187,098)
Total depreciable property and equipment, net		26,730,571
Land		1,587,277
Total property and equipment, net		$ 28,317,848

Depreciation expense for the year ended December 31, 2023, amounted to $1,149,642.

Note 5: LEASES

The Communities have operating and finance leases for vehicles and equipment. The leases have remaining lease terms of 1 to 2 years. As of December 31, 2023, assets recorded under finance leases were $336,871, and accumulated depreciation associated with finance leases was $245,505.

The components of lease expense consist of the following:

For the year ended December 31,	2023
Operating lease cost	$ 6,650
Finance lease cost	
Amortization of right-of-use assets	$ 68,654
Interest on lease liabilities	13,117
Total finance lease cost	$ 81,771

Note 5: LEASES (Continued)

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

For the year ended December 31,	2023
Weighted average remaining lease term	
Operating leases	1.4 years
Finance leases	1.1 years
Weighted average discount rate	
Operating leases	9.9%
Finance leases	10.0%

Future minimum lease payments under non-cancellable leases as of December 31, 2023, were as follows:

For the years ending December 31,	Operating Leases	Finance Leases
2024	$ 8,055	$ 83,588
2025	3,356	15,558
Total future minimum lease payments	11,411	99,146
Less imputed interest	(801)	(5,826)
Present value of lease liabilities	$ 10,610	$ 93,320

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 $7,079 at December 31, 2023.

Note 7: 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, 2023 was $4,683,101. At December 31, 2023, the principal book value of the irrevocable trusts was $3,488,259. For the year ended December 31, 2023, the Communities recognized $220,823 of income and $315,242 of unrealized gain 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 $17,846 for the year ended December 31, 2023.

Note 8: REAL ESTATE NOT USED IN OPERATIONS

At December 31, 2023, the Communities owned five Westview Cemetery plots totaling $4,825, in Atlanta, Georgia, that are not used in operations.

Note 9: 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 which occurred during the year ended December 31, 2022. The refundable advance is due during the year ended December 31, 2024.

Note 10: EMPLOYEE RETENTION CREDIT

In March 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Securities (CARES) Act in response to the economic fall out of the Covid-19 pandemic. The Employee Retention Credit (ERC) under the CARES Act encouraged business to keep employees on their payroll through a refundable payroll tax credit.

The ERC is a percentage of qualified wages an eligible employers pays to employees after March 12, 2020, and before October 1, 2021. During the year ended December 31, 2023, the Communities filed for the ERC in the amount of $562,828. As of December 31, 2023, the ERC is recognized as a receivable on the statement of financial position. For the year ended December 31, 2023, the ERC is recognized in other changes in net assets in the statement of activities.

Note 11: LONG-TERM DEBT

Long-term debt consists of the following:

December 31,	2023
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% (8.75% at December 31, 2023), original maturity of 2025 with an option to extend through 2047.	$ 3,450,158
Less unamortized debt issuance costs	(141,876)
Total	$ 3,308,282

Interest expense related to this loan was $308,633 for the year ended December 31, 2023.

As of December 31, 2023, 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.

Note 11: LONG-TERM DEBT (Continued)

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, 2023, management believes the Communities were in compliance with all loan covenants for the note payable.

Maturities of long-term debt subsequent to December 31, 2023, consists of the following:

For the years ending December 31,	
2024	$ 50,753
2025	3,399,405
Total	$ 3,450,158

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.

At December 31, 2023, future estimated amortization of debt issuance costs are as follows:

For the years ending December 31,	
2024	$ 70,936
2025	70,940
Total	$ 141,876

Amortization to interest expense of bond issuance costs totaled $70,934 during the year ended December 31, 2023. Accumulated amortization of bond issuance costs totaled $70,934 at December 31, 2023.

Note 12: NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to time restrictions:		
Beneficial interest in trusts held by others	$	494,892
Subject to expenditure for specified purpose:		
Assistance to retired Southern Baptist Convention ministers and missionaries		3,006
Other stipulated purposes		8,902
Total net assets with donor restrictions - time and purpose	$	506,800

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, 2023, 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	$	4,463,023
Convention ministers and missionaries		284,537
Other stipulated purposes		1,872
Total net assets with donor restrictions - perpetual	$	4,749,432

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31, 2023:

Satisfaction of purpose restrictions:		
Hiawassee activity center	$	17,321
Assistance to retired Southern Baptist Convention missionaries		12,230
Assistance to retired ministers or their widows		83
Maintenance of the bulb and flower garden		311
Total net assets released from restrictions	$	29,945

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.

Note 13: REVENUE (Continued)

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 performance obligation liabilities related to the entrance fees as of December 31, 2023, totaled $115,353.

Disaggregated Revenue

Approximately 97% of revenue earned from contracts with customers was at a point in time consisting of dining fees and other income. The remaining 3% 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,	2023
Rental fees	$ 3,697,368
Revenue from contracts with customers	
Recognized at a point of time - dining fees	1,053,000
Recognized at a point of time - tech fees	83,749
Recognized at a point of time - other income	49,595
Recognized over time - entrance fees	38,029
Total revenue from contracts with customers	1,224,373
Contributions	311,368
Investment income from endowments, net of fees	209,626
Interest and dividend income	48,908
Total revenue	$ 5,491,643

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

Note 13: REVENUE (Continued)

Contract Balances

Contract assets and liabilities related to security deposits, prepaid rent, and non-refundable entrance fees consists of the following:

December 31,		2023
Contract assets		
Accounts receivable, beginning of year	$	13,839
Accounts receivable, end of year	$	5,473
Contract liabilities		
Performance obligation liabilities, beginning of year	$	477,056
Performance obligation liabilities, end of year	$	559,017

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 Note 7. 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.

Note 14: ENDOWMENTS (Continued)

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, 2023.

Endowment net asset composition by type of fund follows as of December 31, 2023:

Endowment funds, purpose restrictions	$ 3,113
Endowment funds, perpetual in nature	4,749,432
Total	$ 4,752,545

Changes in endowment net assets with donor restrictions for the year ended December 31, 2023, are as follows:

For the year ended December 31, 2023	Net assets with donor restrictions (purpose restrictions)	Net assets with donor restrictions (perpetual in nature)	Total
Endowment net assets, beginning of year	$ 3,108	$ 4,389,715	$ 4,392,823
Investment income	12,629	-	12,629
Change in fair market value	-	359,717	359,717
Appropriation of endowment net assets for expenditure	(12,624)	-	(12,624)
Total	$ 3,113	$ 4,749,432	$ 4,752,545

The Communities received $12,629 in unrestricted investment income from the endowment during the year ended December 31, 2023.

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.

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, 2023.

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

Beneficial interest in trusts held by others – valued at the fair value of the Communities' share of the investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The beneficial interest in assets in trusts held by the Foundation is not redeemable by the Communities.

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.

Note 15: FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Communities believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets measured at fair value on a recurring basis are summarized for the year ended December 31, 2023:

	Level 1	Level 2	Level 3	Total
Corporate stocks	$ 24,914	$ -	$ -	$ 24,914
Beneficial interest in trust held by others	-	-	494,892	494,892
Georgia Baptist Foundation general endowment pool [(A)]	-	-	-	7,079
Investments, irrevocable trusts, measured at net asset value [(A)]	-	-	-	4,690,180
Total	$ 24,914	$ -	$ 494,892	$ 5,217,065

([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, 2023 for Level 3:

For the year ended December 31,	2023
Beneficial interest in trust held by others	
Balance, beginning of year	$ 225,755
Contributions to beneficial interest	157,019
Change in value of beneficial interest	112,118
Balance, end of year	$ 494,892

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, 2023, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 15: FAIR VALUE MEASUREMENTS (Continued)

Fair Value of Investments that Calculate Net Asset Value

General endowment pool funds are maintained by investment companies and hold investments in accordance with a stated set of fund objectives. General endowment pool trusts measured at fair value based on NAV per share consists of the following.

Year-end	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period
December 31, 2023	$ 4,690,180	$ -	Monthly	30 days

The irrevocable trusts are not redeemable by the Communities.

Note 16: CONCENTRATIONS

The Communities maintain cash deposits with financial institutions at December 31, 2023, in excess of federally insurance limits of approximately $1,196,000.

Note 17: COMMITMENTS

During the year ended December 31, 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, 2023, the Communities paid the contractor approximately $1,460,000 for services provided. As of December 31, 2023, there was approximately $122,000 due to the contractor.

Note 18: 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, 2023, were $57,867.

Note 19: 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, 2023, were $142,017.

Note 20: 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 2023 total related party contributions accrued for or received by the Communities include $70,550 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 other long-term investments, with the Foundation. Additionally, the Foundation holds various trusts in which the Communities have a beneficial interest.