ACTS Retirement-Life Communities, Inc.
and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2022 and 2021

Independent Auditors' Report

To the Board of Directors of
ACTS Retirement-Life Communities, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of ACTS Retirement-Life Communities, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information for 2022 on pages 28 through 31 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 28, 2023

Consolidated Balance Sheets
December 31, 2022 and 2021
(In Thousands)

	2022	2021
Assets		
Cash and cash equivalents	$ 28,602	$ 27,897
Investments	438,372	511,889
Accounts receivable, entrance fee receivables and other receivables, net	30,439	26,581
Prepaid expenses, inventory and deposits	11,535	13,249
Property and equipment, net	1,739,771	1,609,906
Goodwill	109,464	109,464
Deferred costs, net	11,092	8,759
Total assets	$ 2,369,275	$ 2,307,745
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 88,765	$ 82,129
Resident monthly fees paid in advance	4,301	4,600
Short-term indebtedness	128,242	67,993
Long-term indebtedness	924,714	952,761
Charitable gift annuity obligations	2,332	2,661
Entrance fee deposits	18,323	18,331
Refundable portion of entrance fees	85,678	99,776
Deferred revenue from entrance fees	963,420	874,284
Accumulated loss on investment contracts	2,317	8,049
Due to affiliated organization	31,494	21,460
Total liabilities	2,249,586	2,132,044
Net Assets		
Without donor restrictions	78,342	131,874
With donor restrictions	41,347	43,827
Total net assets	119,689	175,701
Total liabilities and net assets	$ 2,369,275	$ 2,307,745

See notes to consolidated financial statements

ACTS Retirement-Life Communities, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Operating Revenue		
Resident services revenue, net of amortization of entrance fees	$ 414,230	$ 395,635
Patient revenue from third-party payors	50,936	47,765
Investment income	8,758	15,221
Net assets released from restrictions to provide resident services	3,484	2,726
Other revenue	14,347	8,415
Total operating revenue before amortization of entrance fees	491,755	469,762
Amortization of entrance fees	126,118	122,200
Total operating revenue	617,873	591,962
Operating Expenses		
Salaries, wages and benefits	289,384	272,072
Contracted services	90,071	75,097
Utilities	29,849	27,835
Food	28,377	27,605
Supplies	26,492	23,678
Real estate taxes	13,251	12,881
Insurance	8,390	7,863
Other	22,956	18,344
Total operating expenses before depreciation, amortization and interest	508,770	465,375
Depreciation and amortization	91,569	90,661
Interest, net	31,848	30,562
Total operating expenses	632,187	586,598
Operating (loss) income	$ (14,314)	$ 5,364

See notes to consolidated financial statements

ACTS Retirement-Life Communities, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Changes in Net Assets Without Donor Restrictions		
Operating (loss) income	$ (14,314)	$ 5,364
Net unrealized loss on investments and investment contracts	(44,490)	(4,444)
Other valuation adjustments	(1,514)	(2,185)
Net gain on nonoperating events	4,564	1,329
Net operating (loss) income	(55,754)	64
Net assets released from restrictions to acquire property and equipment	2,222	1,637
Reclassification of prior years investment return	-	12,261
Change in net assets without donor restrictions	(53,532)	13,962
Changes in Net Assets With Donor Restrictions		
Contributions	3,980	5,252
Interest and dividend income	446	513
Net unrealized (loss) gain on investments	(1,006)	77
Change in split interest agreements	(169)	110
Change in beneficial interest in the investments of Community Foundation of South Alabama (CFSA)	(25)	19
Net assets released from restrictions to:		
Provide resident services	(3,484)	(2,726)
Acquire property and equipment	(2,222)	(1,637)
Reclassification of prior years investment return	-	(12,261)
Change in net assets with donor restrictions	(2,480)	(10,653)
Change in net assets	(56,012)	3,309
Net Assets, Beginning	175,701	172,392
Net Assets, Ending	$ 119,689	$ 175,701

See notes to consolidated financial statements

ACTS Retirement-Life Communities, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(In Thousands)

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ (56,012)	$ 3,309
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	91,569	90,661
Amortization of entrance fees	(126,118)	(122,200)
Other valuation adjustment	1,514	2,185
Amortization of bond discount and premium, net	(3,898)	(4,108)
Amortization of deferred financing costs	750	704
Entrance fees and deposits from nonrefundable resale contracts	213,819	187,395
Refunds of nonrefundable entrance fees and deposits from resale contracts	(12,424)	(15,265)
Administrative fee included in gross entrance fees	(11,496)	(9,431)
Net realized and unrealized loss (gain) on investments	51,985	4,122
Change in fair value of investment contracts	(5,732)	(2,996)
Net change in due from/to affiliated organizations	10,034	3,524
Increase in deferred costs	(3,644)	(3,482)
Change in beneficial interest in the investments of CFSA	25	(19)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,175)	6,179
Decrease (increase) in prepaid expenses, inventory and deposits	1,714	(1,777)
Decrease in accounts payable and accrued expenses and resident monthly fees paid in advance	(4,575)	(10,727)
Net cash provided by operating activities	146,336	128,074
Cash Flows From Investing Activities		
Purchase of property and equipment	(180,953)	(132,500)
Increase in investments	(11,692)	(15,770)
Net cash used in investing activities	(192,645)	(148,270)
Cash Flows From Financing Activities		
Entrance fees and deposits from initial sale contracts	24,264	16,863
Refunds of entrance fees and deposits from initial sale contracts	(2,128)	(1,643)
Entrance fees from refundable contracts	-	202
Refunds of refundable entrance fees	(14,062)	(9,147)
Payment of accounts payable, construction	(29,281)	(16,934)
Proceeds from short-term indebtedness	107,130	61,416
Increase in charitable gift annuity obligations	380	874
Payments on charitable gift annuity obligations	(709)	(706)
Payments on short-term indebtedness	(46,881)	(40,303)
Payments on long-term indebtedness	(24,899)	(20,935)
Net cash provided by (used in) financing activities	13,814	(10,313)
Net decrease in cash, cash equivalents and restricted cash and cash equivalents	(32,495)	(30,509)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	140,605	171,114
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 108,110	$ 140,605
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	$ 34,620	$ 34,293
Supplemental Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	$ 39,170	$ 29,280
Proceeds from nonrecourse indebtedness to repay other nonrecourse indebtedness	$ -	$ 11,740

See notes to consolidated financial statements

1. Nature of Operations and Organizational Matters

ACTS Retirement Services, Inc. (ARS) is a not-for-profit Pennsylvania corporation that serves as the parent organization providing the highest level of governance and control over all of its controlled entities. The following is a listing of ARS' controlled entities:

ACTS Management Services, Inc. (AMS) is a not-for-profit Pennsylvania corporation providing management, marketing and development services to senior living providers. AMS is the sole member of ACTS Retirement-Life Communities Management, LLC (ARLCM) and ACTS Alliance Management, LLC (AAM), Pennsylvania limited liability companies. ARLCM provides management, marketing and development services to ACTS Retirement-Life Communities, Inc. (ACTS) and the Affiliates (as herein defined). AAM provides management and related services to Willow Valley Communities, a not-for profit Pennsylvania corporation that provides residential, personal care and skilled care services to senior adults in its continuing care retirement community (CCRC), located in Pennsylvania.

ACTS, a not-for-profit Pennsylvania corporation that, along with the Affiliates (as herein defined), provides residential, assisted living and skilled care services to senior adults in its 26 continuing care retirement communities (CCRCs), located in Alabama (2), Delaware (3), Florida (4), Georgia (1), Maryland (4), New Jersey (1), North Carolina (2), Pennsylvania (8) and South Carolina (1). ACTS operates 21 CCRCs as divisions within the legal entity of ACTS, and 5 CCRCs within 2 separate, related legal entities (the Affiliates). On December 31, 2022, The Evergreens (EG), an entity under common control and a not-for-profit New Jersey corporation, merged into ACTS and is operating as one of the 21 CCRCs within the legal entity of ACTS.

ACTS is also the sole member of ACTS Acquisition and Development Company, LLC (AADC), a Florida limited liability company that engages in acquisition and development related activity on behalf of ACTS. AADC is the sole corporate member of the following Affiliates:

Presbyterian Retirement Corporation, Inc. (PRC), a not-for-profit Alabama corporation which operates Westminster Village, a CCRC located in Spanish Fort, Alabama.

Integrace, Inc. d/b/a ACTS Retirement-Life Communities of Maryland (ARLC MD), a not-for-profit Maryland corporation which operates 4 CCRCs, located in Maryland. On December 31, 2022, Heron Point of Chestertown, Inc. (HP), an entity under common control and a not-for-profit Maryland corporation, merged into ARLC MD and is operating as one of the 4 CCRCs within the legal entity of ARLC MD.

On December 31, 2022, ACTS became the sole member of the following entities whose sole member had previously been ARS:

ACTS Signature Community Services, Inc. (ASCS), a not-for-profit Pennsylvania corporation providing home and community-based services to ACTS and the Affiliates.

ACTS Legacy Foundation, Inc. (ALF), a not-for-profit Delaware corporation that provides fundraising, supports all charitable programs and manages the donor restricted funds for ACTS and the Affiliates.

Principles of Consolidation

The consolidated financial statements include the accounts for ACTS, ASCS, ALF, AADC, PRC and ARLC MD, (collectively, the Company). All significant intercompany accounts and transactions have been eliminated.

All of the organizations in the Company with the exception of AADC are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on their exempt income under Section 501(a) of the IRC. AADC, as a single member limited liability company is considered a "disregarded entity" for federal tax purposes. Because ACTS is exempt from federal income tax under Section 501(a) of the IRC, as a charitable organization described in Section 501(c)(3) of the IRC, and because AADC is a disregarded entity for federal tax purposes, AADC is considered exempt under Section 501(a) of the IRC as a charitable organization described in Section 501(c)(3) of the IRC.

2. Summary of Significant Accounting Policies

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include working capital accounts invested in highly liquid instruments purchased with an original maturity of three months or less. The cash and cash equivalents included in investments were comprised of debt related reserves and state reserves. The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported within the consolidated balance sheets that sum to the total of the same such amounts reported in the consolidated statements of cash flows.

	2022	2021
	(In Thousands)	
Cash and cash equivalents	$ 28,602	$ 27,897
Cash and cash equivalents included in investments	79,508	112,708
Total cash, cash equivalents and restricted cash and cash equivalents	$ 108,110	$ 140,605

Investments and Investment Risk

Investments with readily determinable fair values are measured at fair value in the consolidated balance sheets. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in net operating (loss) income in the consolidated statements of operations and changes in net assets unless the income is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

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

Investments include assets without restrictions and assets with restrictions. Assets without restrictions represent assets that are available for the general use and purposes of the Company and assets that are used to meet statutory reserve requirements. Assets with restrictions include amounts held in trust to meet debt related requirements and amounts restricted by donors for specific purposes or time periods.

Accounts Receivable and Entrance Fee Receivables

The Company assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Company has exhausted all collection efforts and accounts are deemed impaired.

Entrance fee receivables are evaluated for collectability prior to residents being admitted to the communities based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Property and Equipment

Property and equipment are stated at cost. Donated assets are recorded at their fair value at the date of donation. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Land improvements	10 to 25 years
Building and improvements	8 to 55 years
Furniture, fixtures and equipment	3 to 10 years

When assets are sold or retired, the asset values and related accumulated depreciation are eliminated from the accounts and any gain or loss is included in the consolidated statements of operations and changes in net assets. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

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

Depreciation expense was $90,258,000 in 2022 and $89,657,000 in 2021.

Interest is capitalized for assets that require a period of time to be constructed or to prepare them for their intended use. The amount of interest capitalized was $6,858,000 in 2022 and $5,740,000 in 2021.

Goodwill

In connection with the recording of the assets and liabilities of PRC and ARLC MD, as part of the affiliations with ACTS, respectively, the fair value of the assets was less than the fair value of the liabilities. As a result, goodwill of $109,464,000 was recorded in connection with those transactions and allocated to each reporting unit prior to 2021. A change in the reporting structure at the ARLC MD level, to integrate HP with ARLC MD resulted in the goodwill in the previously separate reporting unit of HP (of $22,551,000) being assigned to ARLC MD, which management determined in 2022 is one reporting unit at the ARLC MD level for goodwill impairment testing. However, there was no effect on the carrying amount of goodwill in the accompanying 2022 and 2021 consolidated financial statements as a result of that change at the reporting unit level.

The Company evaluates goodwill for impairment on an annual basis. In 2022 and 2021, the Company assessed qualitative factors (events and circumstances) to determine whether it was more likely than not (that is, a likelihood of more than 50%) that the fair value of PRC and ARLC MD was less than their carrying amount, including goodwill (with HP assessed separately in 2021 as what was then a standalone reporting unit). Based on the assessment of qualitative factors, the Company concluded that it was more likely than not that the fair value of PRC and the ARLC MD exceeded their carrying amounts, including goodwill. Therefore, additional testing to identify potential impairment was unnecessary. As such, no impairment losses were recorded in 2022 and 2021.

Deferred Costs

Deferred costs include incremental costs of obtaining agreements that would not have been incurred if the agreements were not obtained and are recorded at cost. Deferred costs are amortized over the estimated life expectancy of the residents using the straight-line method, which approximates the period of time that services are expected to be transferred to residents. Amortization of deferred costs was $1,311,000 in 2022 and $1,004,000 in 2021.

Deferred Financing Costs

Deferred financing costs are amortized straight-line over the terms of the related debt, which approximates using the effective interest method and are classified net with the related debt. Amortization expense, which is included as a component of interest expense, was $750,000 in 2022 and $704,000 in 2021.

Derivative Financial Instruments

The Company uses interest rate swap agreements which are considered derivative financial instruments, to manage its interest rate risk on its long-term debt. The interest rate swap agreements are reported at fair value in the consolidated balance sheets and related changes in fair value are reported on the consolidated statements of operations and changes in net assets as a component of net unrealized loss on investments and investment contracts.

Deferred Revenue From Entrance Fees

Under a continuing care contract (resident agreement) for a residential living unit, the Company receives entrance fee payments in advance. The Company offers both nonrefundable and refundable resident agreements. As of December 31, 2022 and 2021, the majority of the Company's resident agreements are nonrefundable.

Under the majority of nonrefundable resident agreements, residents who terminate their contracts will generally be entitled to a full refund less an administrative fee of up to 5%, and less 1%-2% (based on the resident agreement) of the remaining entrance fee per each month of residency. Under refundable resident agreements, the entrance fee is reduced to no less than the guaranteed refund, as specified in the resident agreement and refunds to residents are generally paid by the Company after a new resident occupies the residential living unit vacated by the former resident.

The nonrefundable portion of entrance fees is amortized to revenue over the actuarially computed life expectancy of the residents using the straight-line method, which approximates the period of time that services under the resident agreements are expected to be transferred to residents and the Company's performance obligation to the residents is satisfied and is classified as deferred revenue from entrance fees on the consolidated balance sheets. Amortization of nonrefundable entrance fees was $126,118,000 in 2022 and $122,200,000 in 2021.

The guaranteed refundable portion of entrance fees is classified as refundable portion of entrance fees on the consolidated balance sheets and is not amortized to revenue.

The gross contractual refund obligations under existing resident agreements were approximately $490,245,000 and $446,343,000 at December 31, 2022 and 2021, respectively.

Under the majority of existing resident agreements, residential living residents are entitled to assisted living or skilled care services, as needed, with no increases in the current monthly service fees as a result of transferring to a higher level of care.

Obligation to Provide Future Services

The Company engages an independent actuary once every three years to calculate the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. Based upon the last calculation performed (as of December 31, 2020), the present value of the net cost of future services and the use of facilities, based on a discount rate of 5%, did not exceed the balance of deferred revenue from entrance fees. Based upon this calculation, and the analysis of management, no liability for the obligation to provide future services has been recorded at December 31, 2022 and 2021.

Charitable Gift Annuity Obligations

The Company entered into arrangements with certain donors whereby the donor contributes assets to the Company and, in return, is entitled to receive a series of annuity payments. Under the terms of the arrangements, the estimated liability is to be held in a segregated fund or account until the death of the donor. Upon receipt, the contribution is recorded as a restricted asset, and the present value of the future annuity payments is recorded as a liability. The difference between the asset and the liability is reported as a contribution with donor restriction or directly to other revenue on the consolidated statements of operations and changes in net assets if the gift is designated for a purpose without donor restriction.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Resident Services and Patient Revenues

Resident services and patient revenues are reported at the amount that reflects the consideration the Company expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Resident services and patient revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for the Company's resident agreements vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident services and patient revenues for recurring and routine monthly services due from self-pay residents are generally billed monthly in advance. Resident services and patient revenues for ancillary services due from self-pay residents are generally billed monthly in arrears. Patient revenues due from Medicare, Medicaid and other third-party payor programs are billed monthly in arrears.

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

The Company receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

Financial Support from Provider Relief Funds

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

The Coronavirus Aid, Relief and Economic Security Act and the American Rescue Plan Act were signed into law and created Provider Relief Funds (PRF) to combat the financial effects of COVID-19. The Company received $2,598,000 in 2022 and $3,075,000 in 2021 related to these Acts.
In accordance with the terms and conditions, the Company could apply the funding against eligible expenses and lost revenues. The Company incurred eligible expenses and lost revenues in accordance with the terms and conditions of the PRF of $2,555,000 in 2022 and $3,075,000 in 2021.

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

During 2022 and 2021, the PRF was reported in the consolidated statements of operations and changes in net assets in the functional line impacted by the lost revenues or eligible expense incurred as set forth in the following table:

	2022	2021
	(In Thousands)	
Resident services revenue	$ -	$ 281
Patient revenue from third-party payors	-	242
Salary, wages and benefits	-	612
Other revenue	2,555	-
Contracted services	-	1,123
Supplies	-	817
Total	$ 2,555	$ 3,075

Income Taxes

ACTS, ASCS, ALF, AADC, PRC and ARLC MD are not-for-profit corporations. Each is exempt from federal income taxes on exempt income under Section 501(a) of the IRC and other income taxes under similar statutes. Accordingly, no provision for income taxes has been recorded in the consolidated financial statements.

Measure of Operations and Performance Indicator

The consolidated statements of operations and changes in net assets include the determination of operating (loss) income and net operating (loss) income (the performance indicator). Operating (loss) income includes only those operating revenues and expenses that are an integral part of the Company's program activities and net assets released from donor restrictions to provide resident services. Net operating (loss) income includes all operating activities, as well as changes in unrealized gains and losses on investments and investment contracts, other valuation adjustments and net gain on nonoperating events.

Changes in net assets without donor restrictions which are excluded from the determination of the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets, if any).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through April 28, 2023, the date the consolidated financial statements were issued.

3. Liquidity and Availability of Resources

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

	2022	2021
	(In Thousands)	
Cash and cash equivalents	$ 28,602	$ 27,897
Accounts receivable, entrance fee receivables and other receivables, net	30,439	26,581
Investments without donor restrictions	247,799	284,285
Total	$ 306,840	$ 338,763

The Company has other assets restricted as to use: state reserves, interest in investments of CFSA, assets held for donor-restricted purposes and debt related reserves. These amounts have been excluded from the amounts above.

As part of the Company's liquidity management, cash in excess of daily requirements is invested in short-term investments and money market funds. The Company may designate a portion of any operating surplus to a general reserve. This fund may be drawn upon to meet unexpected liquidity needs.

Donor-restricted funds of $33,404,000 and $34,594,000 at December 31, 2022 and 2021, respectively, can be made available based on the passage of time or other events specified by the donor. The Company has certain investments without donor restrictions that have been internally designated for long-term purposes of $3,249,000 and $3,551,000 at December 31, 2022 and 2021, respectively, which have been excluded from the amounts above.

Additionally, the Company maintains lines of credit, as discussed in more detail in Note 7.

4. Investments, Fair Value Measurements and Financial Instruments

Investments

The classification of the Company's investments as of December 31 is set forth in the following table:

	2022	2021
	(In Thousands)	
Investments without donor restrictions	$ 251,048	$ 287,836
State reserves	68,244	64,949
Interest in investments of CFSA	190	215
Donor-restricted funds	43,489	46,335
Debt related reserves	64,063	100,674
Debt service reserve funds	6,620	7,162
Real estate held for investment at cost	4,718	4,718
Total	$ 438,372	$ 511,889

Investment (loss) return is as follows:

	2022	2021
	(In Thousands)	
Without donor restrictions:		
Interest and dividend income	$ 9,515	$ 11,841
Net realized gain on investments	(757)	3,380
Total investment income	8,758	15,221
Net unrealized loss on investments	(50,222)	(7,440)
With donor restrictions:		
Interest and dividend income	446	513
Net unrealized (loss) gain on investments	(1,006)	77
Total investment (loss) return	$ (42,024)	$ 8,371

Fair Value Measurements

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

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair value of the Company's investments (including alternative investments and beneficial interest in perpetual trusts) and derivative financial instruments were measured using the following inputs at December 31:

	2022			
	Total	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Other Unobservable Inputs (Level 3)**
	(In Thousands)			
Assets:				
Instruments measured and reported at fair value:				
Investments:				
Money market funds	$ 96,858	$ 96,858	$ -	$ -
U.S. government securities	86,516	-	86,516	-
Mutual and exchange traded funds, fixed income	86,095	86,095	-	-
Corporate debt securities	74,958	-	74,958	-
Equities	34,402	34,402	-	-
Mutual and exchange traded funds, equity	32,427	32,427	-	-
Municipal bonds	6,397	-	6,397	-
Guaranteed investment contracts	6,478	-	-	6,478
Other	5,240	-	5,240	-
Time deposits	1,030	1,030	-	-
Beneficial interest in perpetual trusts	991	-	-	991
Beneficial interest in investments of CFSA	190	-	190	-
Total	$ 431,582	$ 250,812	$ 173,301	$ 7,469
Reconciliation of investments to the consolidated balance sheet:				
Cash and cash equivalents	$ 2,072			
Real estate held for investment at cost	4,718			
Investments measured at fair value	431,582			
Total investments	$ 438,372			
Liabilities:				
Accumulated loss on investment contracts	$ 2,317	$ -	$ 2,317	$ -

	2021			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
	(In Thousands)			
Assets:				
Instruments measured and reported at fair value:				
Investments:				
Money market funds	$ 122,764	$ 122,764	$ -	$ -
U.S. government securities	104,327	-	104,327	-
Mutual and exchange traded funds, fixed income	92,084	92,084	-	-
Corporate debt securities	89,425	-	89,425	-
Equities	38,677	38,677	-	-
Mutual and exchange traded funds, equity	33,693	33,693	-	-
Municipal bonds	7,478	-	7,478	-
Other	7,425	-	7,425	-
Guaranteed investment contracts	6,743	-	-	6,743
Time deposits	1,700	1,700	-	-
Beneficial interest in perpetual trusts	1,189	-	-	1,189
Beneficial interest in investments of CFSA	215	-	215	-
Alternative investments	14	-	-	14
Total	$ 505,734	$ 288,918	$ 208,870	$ 7,946
Reconciliation of investments to the consolidated balance sheet:				
Cash and cash equivalents	$ 1,437			
Real estate held for investment at cost	4,718			
Investments measured at fair value	505,734			
Total investments	$ 511,889			
Liabilities:				
Accumulated loss on investment contracts	$ 8,049	$ -	$ 8,049	$ -

The Company's guaranteed investment contracts decreased $265,000 in 2022 and increased $493,000 in 2021, due to net deposits and withdrawals and the dissolution of certain debt service reserve funds.

Financial Instruments

Money market funds, mutual and exchange traded funds, time deposits and equities are valued based on quoted market prices in active markets, which are considered Level 1 inputs. U.S. government securities, corporate debt securities, other investments and municipal bonds are generally valued using quoted market prices of similar securities, which are considered Level 2 inputs.

The guaranteed investment contracts are reported at contract value, which approximates fair value, based on the ability of the counterparties to pay the guaranteed claims in accordance with the terms of the contracts. The credit ratings of the counterparties as of the measurement date uphold the guaranteed investment contracts ability to meet obligations set forth in the contracts. Contract value is the aggregation of contributions, plus interest, less withdrawals. Contract value approximates a discounted cash flow value calculated using an appropriate risk-adjusted market discount rate which correlates closely with the counterparties historical credit rates. The guaranteed investment contracts have redemption restrictions based on the terms of the underlying contracts. The redemption restrictions do not have a material impact on the contract value of the guaranteed investment contracts.

The Company measures its accumulated loss on investment contracts at fair value based on proprietary models of an independent third-party valuation specialist. The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the derivative financial instruments and considers the credit risk of the counterparty to the agreements and the Company. The method used to determine the fair value calculates the estimated future payments required by the derivative financial instruments and discounts these payments using an appropriate discount rate. The value represents the estimated exit price the Company would pay to terminate the agreements.

5. Accounts Receivable, Entrance Fee Receivables and Other Receivables

Accounts receivable, entrance fee receivables and other receivables are comprised of the following at December 31:

	2022	2021
	(In Thousands)	
Resident monthly fees	$ 5,123	$ 5,412
Resident entrance fees	9,564	6,881
Third-party accounts	18,225	15,704
Other	4,089	3,114
Total receivables	37,001	31,111
Allowance for uncollectible accounts	(6,562)	(4,530)
Accounts receivable, entrance fee receivables and other receivables, net	$ 30,439	$ 26,581

6. Property and Equipment

Property and equipment is comprised of the following at December 31:

	2022	2021
	(In Thousands)	
Land and improvements	$ 134,985	$ 135,005
Building and improvements	2,315,109	2,193,352
Furniture, fixtures and equipment	188,830	177,573
Construction in progress	196,447	127,135
Total property and equipment	2,835,371	2,633,065
Accumulated depreciation	(1,095,600)	(1,023,159)
Property and equipment, net	$ 1,739,771	$ 1,609,906

7. Short-Term Indebtedness

ACTS has an available $85,000,000 revolving line of credit with a financial institution allowing for cash advances. Interest on amounts outstanding on the line of credit was 5.38% at December 31, 2022. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. Borrowings were $52,331,000 and $44,650,000 at December 31, 2022 and 2021, respectively. The line of credit is set to expire in October 2024.

ACTS also has an available $90,000,000 revolving line of credit with another financial institution allowing for cash advances. Interest on amounts outstanding on the line of credit was 5.50% at December 31, 2022. Interest is calculated monthly based on changes to the LIBOR Rate, as defined. Borrowings were $75,911,000 and $23,343,000 at December 31, 2022 and 2021, respectively. The line of credit is set to expire in June 2024.

ACTS' obligations under the line of credit agreements are secured under the terms of a Master Trust Indenture dated December 1, 1996, as supplemented, on a parity basis by a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest in its facilities to the Master Trustee if certain events occur, as defined.

8. Long-Term Indebtedness

The Company's long-term indebtedness has been issued under two separate structures.

ACTS Obligated Group (ACTS OG)

ACTS OG’s long-term indebtedness has been issued under a Master Trust Indenture, dated December 1, 1996, as supplemented, which includes a pledge of gross revenues (as defined), a covenant not to create or allow to exist upon its property any lien except for permitted liens and a promise to deliver mortgages and/or deeds of trust granting liens upon and security interest in its facilities to the Master Trustee if certain events occur, as defined. ACTS OG is required to maintain certain reserves with a trustee. Such reserves are included in investments. ACTS OG includes ACTS, AMS, ARLCM, AAM, ASCS and PRC under the terms of the Master Trust Indenture.

ARLC MD Obligated Group (ARLC MD OG)

ARLC MD OG's long-term indebtedness has been issued under a Master Trust Indenture, dated February 1, 2020, as supplemented, which includes a lien on the underlying property and assignment of pledged revenues, as defined. ARLC OG is also required to meet certain financial covenants. ARLC MD is the only member of the ARLC OG.

The Company's long-term indebtedness consists of the following at December 31:

	2022	2021
	(In Thousands)	
ACTS OG		
Public Finance Authority Retirement Communities Revenue Bonds Series 2020A. The interest rates range from 4% to 5% and principal matures in varying amounts from 2037 through 2041.	$ 48,460	$ 48,460
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2020B. The interest rates range from 4% to 5% and principal of $9,480,000 and $9,880,000 matures in 2041 and 2042, respectively.	19,360	19,360
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2020C. The interest rates range from 4% to 5% and principal matures in varying amounts from 2042 through 2045.	47,290	47,290
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2020D (Taxable). The interest rates range from 2.3% to 3.2% and principal matures in varying amounts through 2029.	82,205	83,275
Public Finance Authority Retirement Communities Revenue Bonds Series 2019A. The interest rate is 5% and principal matures in varying amounts through 2049.	23,845	23,910
Public Finance Authority Retirement Communities Revenue Bond Series 2019B. The interest rate is 2.69% and principal matures in varying amounts through 2039.	21,700	22,690
Special Care Facilities Financing Authority of the City of Daphne Retirement Communities Revenue Bond Series 2019A (Taxable). The interest rate is 4.35% and principal matures in varying amounts through 2043.	16,944	17,452
Public Finance Authority Retirement Communities Revenue Bond Series 2019B. The interest rate is 3.52% and principal matures in varying amounts from 2043 through 2046.	5,100	5,100
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2018A. The interest rate is 5% and principal matures in varying amounts from 2042 through 2045.	46,815	46,815
Delaware Economic Development Authority Retirement Communities Revenue Bonds Series 2018B. The interest rate is 5% and principal of $17,325,000 and $18,450,000 matures in 2047 and 2048, respectively.	35,775	35,775
South Carolina Jobs-Economic Development Authority Retirement Communities Revenue Bonds Series 2018C. The interest rate is 5% and principal matures in varying amounts from 2045 through 2047.	21,540	21,540
Public Finance Authority Retirement Communities Revenue Bonds Series 2018D. The interest rate is 3.51% and resets in June 2025. Principal matures in varying amounts from 2037 through 2040.	32,065	32,065

	2022	2021
	(In Thousands)	
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2018E. The interest rate is 3.51% and resets in June 2025. Principal matures in varying amounts from 2040 through 2042.	$ 31,615	$ 31,615
Montgomery County Industrial Development Authority (PA) Retirement Communities Revenue Bonds Series 2016. The interest rate is 5% and principal matures in varying amounts from 2033 through 2036.	97,165	97,165
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Bonds Series 2016. The interest rates range from 3% to 5% and principal matures in varying amounts through 2032.	78,035	79,150
Gainesville and Hall County Development Authority (GA) Retirement Community Revenue Refunding Bonds Series 2016. The interest rates range from 4% to 5% and principal of $435,000 and $6,755,000 matures in 2032 and 2033, respectively.	7,190	7,190
Taxable Term Loan dated December 19, 2013. The interest rate is 4.07% and resets in December 2023. Principal matures in varying amounts through November 2038.	18,460	19,276
Taxable Term Loan dated December 19, 2013. The interest rate is 5.69% and resets in December 2023. Principal matures in varying amounts through 2038.	10,780	11,520
Palm Beach County Health Facilities Authority (FL) Retirement Communities Revenue Refunding Bonds Series 2012. The interest rate is 5% and principal of $7,595,000 matures in 2023.	7,595	13,330
Gainesville and Hall County Development Authority (GA) Retirement Community Revenue Refunding Bonds Series 2012. The interest rate was 5%.	-	5,115
Delaware Economic Development Authority Variable Rate Demand Revenue Bonds Series 2007A. The interest rate is fixed at 3.32% and resets in December 2023 on $31,015,000 of the bonds, and variable at 4.10% at December 31, 2022 on $12,925,000 of the bonds. Principal matures in varying amounts through 2037.	43,940	46,110
Gainesville and Hall County Development Authority (GA) Senior Living Facility Variable Rate Demand Revenue Bonds Series 2003B. The interest rate was 4.26% at December 31, 2022 and principal matures in varying amounts through 2033. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	25,015	26,280

	2022	2021
	(In Thousands)	
Escambia County Health Facilities Authority (FL) Healthcare Facilities Variable Rate Revenue Refunding Bonds Series 2003B. The interest rate was 4.26% at December 31, 2022 and principal matures in varying amounts through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	$ 14,340	$ 16,100
Montgomery County Industrial Development Authority (PA) Retirement Community Variable Rate Demand Revenue Bonds Series 2002. The interest rate was 4.26% at December 31, 2022 and principal matures in varying amounts through 2029. Security is provided through a bond insurance commitment enhanced by a standby bond purchase agreement.	7,620	8,340
Total ACTS OG	742,854	764,923
ARLC MD OG		
The Town of Chestertown Economic Development Refunding Revenue Bond Series 2018B. The interest rate is 3.7% and principal matures in varying amounts through 2038.	21,430	22,390
Maryland Health and Higher Educational Facilities Authority Revenue Bonds Integrace Issue Series 2020A. The interest rate is 5% and principal matures in varying amounts from 2028 through 2049.	87,110	87,110
Maryland Health and Higher Educational Facilities Authority Taxable Revenue Bonds Integrace Issue Series 2020B. The interest rate is 3.3% and principal matures in varying amounts through 2027.	10,325	12,195
Total ARLC MD OG	118,865	121,695
Total	861,719	886,618
Bond premiums and discounts, net	71,754	75,652
Unamortized deferred financing costs	(8,759)	(9,509)
Total long-term indebtedness	$ 924,714	$ 952,761

Variable rates are determined based on prevailing market rates and general financial conditions. The variable interest rates above include letter of credit and remarketing fees. The letter of credit fees are subject to change if the rating for ACTS OG changes in the future. Certain debt provisions require the maintenance of the standby bond purchase agreements. Any standby bond purchase agreement used as security, if executed, has a five-year repayment term.

Anticipated principal repayments on long-term indebtedness are as follows (in thousands):

Years ending December 31:	
2023	$ 43,642
2024	25,799
2025	26,581
2026	27,391
2027	28,271
2028 - 2032	162,230
2033 - 2037	183,806
2038 - 2042	161,653
2043 - 2047	166,271
2048 - 2049	36,075
Total	$ 861,719

9. Derivative Instruments and Hedging Activities

The Company has interest rate swap agreements with financial institutions that are considered derivative financial instruments. The objective of the swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in the interest rates on variable rate debt. The swap agreements are contracts to exchange variable rate for fixed rate payments over the terms of the swap agreements without the exchange of the underlying notional amount. The notional amount of the swap agreements is used to measure the interest to be paid or received and does not represent the amount of exposure to credit loss. Exposure to credit loss is limited to the receivable amount, if any, which may be generated as a result of the swap agreements. Management believes that losses related to credit risk are remote and that the swap agreements are continuing to function as intended.

The net cash paid or received under the swap agreements is recognized as an adjustment to interest expense. The Company does not utilize interest rate swap agreements or other financial instruments for trading or other speculative purposes.

Changes in fair value of the interest rate swap agreements are recorded as a component of net unrealized loss on investments and investment contracts. The change in fair value was $5,732,000 in 2022 and $2,996,000 in 2021.

At December 31, 2022, the Company had the following interest rate swaps in effect:

Debt Series	Notional Amount	Maturity Date	Effective Interest Rate	Accumulated Unrealized Loss
Series 2002 (PA)	$ 7,620,000	2029	3.64 %	$ 323,000
Series 2003B (GA)	25,015,000	2033	3.54	1,639,000
Series 2003B (FL)	14,340,000	2029	3.35	355,000

The fair value of the Company's interest rate swap agreements was $(2,317,000) and $(8,049,000) at December 31, 2022 and 2021, respectively, and was obtained from an independent third-party valuation specialist.

10. Net Assets

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
	(In Thousands)	
Financial assistance to residents	$ 15,443	$ 15,168
Purchase of property and equipment	8,316	8,256
Resident services	597	940
Other	6,716	7,569
Restricted in perpetuity	10,275	11,894
Total net assets with donor restrictions	$ 41,347	$ 43,827

The income distributions from net assets held in perpetuity are available to fund financial assistance to residents and other donor restricted purposes.

Net assets were released from donor restrictions by incurring costs satisfying the restricted purpose or by occurrence of other events specified by donors.

11. Resident Services and Patient Revenues

The Company disaggregates revenue from contracts with residents and patients by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Resident services and patient revenues consist of the following for the years ended December 31:

	2022			
	Residential Living	Assisted Living	Skilled Care	Total
	(In Thousands)			
Self-pay	$ 314,413	$ 43,830	$ 55,987	$ 414,230
Medicare and other	3,084	2	39,361	42,447
Medicaid	-	-	8,489	8,489
Total resident services and patient revenues	$ 317,497	$ 43,832	$ 103,837	$ 465,166
Amortization of nonrefundable entrance fees				$ 126,118

	2021			
	Residential Living	Assisted Living	Skilled Care	Total
	(In Thousands)			
Self-pay	$ 304,004	$ 41,127	$ 50,504	$ 395,635
Medicare and other	2,827	2	38,030	40,859
Medicaid	-	-	6,906	6,906
Total resident services and patient revenues	$ 306,831	$ 41,129	$ 95,440	$ 443,400
Amortization of nonrefundable entrance fees				$ 122,200

12. Retirement Plans

The Company participates in a 401(k) Plan (the ACTS 401(k) Plan) covering substantially all full-time employees. The ACTS 401(k) Plan allows for qualified employees to voluntarily contribute up to the Internal Revenue Service maximum. In accordance with the terms of the ACTS 401(k) Plan, the Company matches up to 100% of the first 3% of the employee's contribution, plus an additional 50% of the next 2% of the employee's contribution. Plan expense was $5,143,000 in 2022 and $5,001,000 in 2021.

13. Concentrations of Credit Risk

The Company grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily related to providing residential and healthcare related services.

The Company maintains cash accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses resulting from this, and management believes it is not subject to any significant credit risk related to cash accounts.

14. Commitments and Contingencies

Senior Living Services Industry

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance.

Workers Compensation

The Company maintains a self-insured workers compensation program with a per occurrence retention limit of $600,000. As of December 31, 2022 and 2021, the reserve for workers compensation liability claims was $924,000 and $955,000, respectively, and is included in accounts payable and accrued expenses on the consolidated balance sheets. Reserves are based upon fully developed cases and are actuarially determined. These estimates are based on historical loss experience along with certain assumptions about future events. Changes in assumptions for such things as medical costs, as well as changes in actual loss experience could cause these estimates to change in the near term.

Construction Agreements

The Company entered into construction agreements for certain development and renovation activities at various communities. Commitments were approximately $51,383,000 as of December 31, 2022.

Litigation

The Company operates in an industry where various suits and claims arise in the normal course of business. Management is not currently aware of any claims that have been or will be asserted that will, after consideration of applicable insurance coverages, have a material adverse effect on the consolidated financial statements.

15. Related-Party Transactions

The Company and AMS entered into a Management, Marketing and Development Agreements (the Agreements), which are automatically renewable for one year on each anniversary date. Management fees are equal to 4% of gross revenues, plus any out-of-pocket expenses. Marketing fees are equal to 4% of gross entrance fee proceeds, plus any out-of-pocket expenses. Development fees are equal to 4% of project costs for qualified capital projects. In addition, certain key employees of the Company are employees of AMS; the Company reimburses AMS for the related salary and benefit costs. Total fees incurred under the Agreements were $48,182,000 in 2022 and $44,619,000 in 2021. Amounts payable to AMS in connection with the Agreements are included in the consolidated balance sheets as due to affiliated organization. These balances are intended to be settled currently in the normal course of business.

The Company participates with AMS in self-insured workers compensation and health insurance programs. In accordance with the terms of the Agreements, the Company pays AMS a fixed premium for its participation in these programs, which is adjusted from time to time. Premiums paid to AMS in connection with these programs were $29,918,000 in 2022 and $31,907,000 in 2021.

16. Functional Expenses

The Company provides housing, healthcare and other related services to residents within its geographic locations. The consolidated financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other occupancy costs, are allocated to a function based on usage of space. Expenses relating to providing these services are approximately as follows for 2022 and 2021:

	2022		
	Program Services	General and Administrative	Total
Salaries, wages and benefits	$ 275,860	$ 13,524	$ 289,384
Contracted services	86,334	3,737	90,071
Utilities	29,849	-	29,849
Food	27,729	648	28,377
Supplies	19,080	7,412	26,492
Real estate taxes	12,530	721	13,251
Insurance	8,364	26	8,390
Other	12,410	10,546	22,956
Depreciation and amortization	85,935	5,634	91,569
Interest, net	31,848	-	31,848
Total	$ 589,939	$ 42,248	$ 632,187

	2021		
	Program Services	General and Administrative	Total
Salaries, wages and benefits	$ 256,430	$ 15,642	$ 272,072
Contracted services	27,344	47,753	75,097
Utilities	27,833	2	27,835
Food	27,088	517	27,605
Supplies	15,718	7,960	23,678
Real estate taxes	12,156	725	12,881
Insurance	7,857	6	7,863
Other	8,898	9,446	18,344
Depreciation and amortization	85,566	5,095	90,661
Interest, net	30,562	-	30,562
Total	$ 499,452	$ 87,146	$ 586,598

17. Subsequent Event

Mease Life Affiliation

In April 2023, ACTS signed a letter of intent to explore an affiliation with Mease Life (ML). ML is a not-for-profit CCRC in Dunedin, Florida, that is home to approximately 350 residents. Under the proposed agreement, ML would become an ACTS affiliate through its affiliate AADC. A due diligence review is underway; assuming such review is completed successfully, an affiliation would be anticipated to commence in the fall of 2023 subject to board approval.

ACTS Retirement-Life Communities, Inc. and Subsidiaries

Consolidating Balance Sheet Schedule
December 31, 2022
(In Thousands)

	ACTS Retirement-Life Communities, Inc	Presbyterian Retirement Corporation, Inc.	ACTS Retirement-Life Communities of Maryland	ACTS Legacy Foundation, Inc.	ACTS Signature Community Services, Inc	ACTS Acquisition and Development Company, LLC	Eliminations	ACTS Retirement-Life Communities and Subsidiaries
Assets								
Cash and cash equivalents	$ 14,212	$ 1,460	$ 12,232	$ 15	$ 433	$ 250	$ -	$ 28,602
Investments	381,354	314	44,774	36,720	-	-	(24,790)	438,372
Accounts receivable, entrance fee receivables and other receivables, net	20,933	1,527	4,645	-	2,337	997	-	30,439
Prepaid expenses, inventory and deposits	9,789	191	1,427	-	127	1	-	11,535
Property and equipment, net	1,507,685	41,000	194,061	-	-	-	(2,975)	1,739,771
Goodwill	-	4,926	104,538	-	-	-	-	109,464
Deferred costs, net	8,901	806	1,385	-	-	-	-	11,092
Due from affiliated organizations	-	-	-	-	-	-	-	-
Total assets	$ 1,942,874	$ 50,224	$ 363,062	$ 36,735	$ 2,897	$ 1,248	$ (27,765)	$ 2,369,275
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	$ 74,231	$ 2,186	$ 10,401	$ -	$ 1,111	$ 836	$ -	$ 88,765
Resident monthly fees paid in advance	-	-	4,301	-	-	-	-	4,301
Short-term indebtedness	128,242	-	-	-	-	-	-	128,242
Long-term indebtedness	765,378	21,818	137,518	-	-	-	-	924,714
Charitable gift annuity obligations	-	-	70	2,262	-		-	2,332
Entrance fee deposits	16,969	684	670	-	-	-	-	18,323
Refundable portion of entrance fees	8,010	2,917	74,751	-	-	-	-	85,678
Deferred revenue from entrance fees	847,910	20,620	94,890	-	-	-	-	963,420
Accumulated loss on investment contracts	2,317	-	-	-	-	-	-	2,317
Due to affiliated organizations	(9,112)	5,572	16,824	10,074	7,793	343	-	31,494
Total liabilities	1,833,945	53,797	339,425	12,336	8,904	1,179	-	2,249,586
Net Assets (Deficit)								
Without donor restrictions	81,507	(3,886)	10,025	(391)	(6,007)	69	(2,975)	78,342
With donor restrictions	27,422	313	13,612	24,790	-	-	(24,790)	41,347
Total net assets (deficit)	108,929	(3,573)	23,637	24,399	(6,007)	69	(27,765)	119,689
Total liabilities and net assets (deficit)	$ 1,942,874	$ 50,224	$ 363,062	$ 36,735	$ 2,897	$ 1,248	$ (27,765)	$ 2,369,275

ACTS Retirement-Life Communities, Inc. and Subsidiaries

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

	ACTS Retirement-Life Communities, Inc	Presbyterian Retirement Corporation, Inc.	ACTS Retirement-Life Communities of Maryland	ACTS Legacy Foundation, Inc.	ACTS Signature Community Services, Inc	ACTS Acquisition and Development Company, LLC	Eliminations	ACTS Retirement-Life Communities and Subsidiaries
Operating Revenue								
Resident services revenue, net of amortization of entrance fees	$ 335,931	$ 11,527	$ 54,499	$ -	$ 12,607	$ -	$ (334)	$ 414,230
Patient revenue from third-party payors	34,673	1,537	12,675	-	6,005	-	(3,954)	50,936
Investment income	8,303	1	454	-	-	-	-	8,758
Net assets released from restrictions to provide resident services	2,429	7	1,048	-	-	-	-	3,484
Other revenue	6,951	810	2,428	217	4	3,937	-	14,347
Total operating revenue before amortization of entrance fees	388,287	13,882	71,104	217	18,616	3,937	(4,288)	491,755
Amortization of entrance fees	110,863	3,127	12,128	-	-	-	-	126,118
Total operating revenue	499,150	17,009	83,232	217	18,616	3,937	(4,288)	617,873
Operating Expenses								
Salaries, wages and benefits	221,225	8,953	41,327	-	15,714	2,165	-	289,384
Contracted services	75,384	2,667	12,252	217	2,276	1,563	(4,288)	90,071
Utilities	23,979	1,120	4,750	-	-	-	-	29,849
Food	23,878	820	3,671	-	8	-	-	28,377
Supplies	21,715	757	3,176	-	801	43	-	26,492
Real estate taxes	11,955	-	1,296	-	-	-	-	13,251
Insurance	7,285	114	892	-	91	8	-	8,390
Other	17,315	914	3,453	-	1,139	135	-	22,956
Total operating expenses before depreciation, amortization and interest	402,736	15,345	70,817	217	20,029	3,914	(4,288)	508,770
Depreciation and amortization	81,998	2,093	7,554	-	-	-	(76)	91,569
Interest, net	27,117	952	3,779	-	-	-	-	31,848
Total operating expenses	511,851	18,390	82,150	217	20,029	3,914	(4,364)	632,187
Operating (loss) income	(12,701)	(1,381)	1,082	-	(1,413)	23	76	(14,314)

ACTS Retirement-Life Communities, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (Deficit) Schedule (continued)
Year Ended December 31, 2022
(In Thousands)

	ACTS Retirement-Life Communities, Inc	Presbyterian Retirement Corporation, Inc.	ACTS Retirement-Life Communities of Maryland	ACTS Legacy Foundation, Inc.	ACTS Signature Community Services, Inc	ACTS Acquisition and Development Company, LLC	Eliminations	ACTS Retirement-Life Communities and Subsidiaries
Changes in Net Assets (Deficit) Without Donor Restrictions								
Operating (loss) income	$ (12,701)	$ (1,381)	$ 1,082	$ -	$ (1,413)	$ 23	$ 76	$ (14,314)
Net unrealized (loss) gain on investments and investment contracts	(40,937)	4	(3,557)	-	-	-	-	(44,490)
Other valuation adjustments	(130)	-	(1,384)	-	-	-	-	(1,514)
Net gain on nonoperating events	3,322	-	1,242	-	-	-	-	4,564
Net operating (loss) income	(50,446)	(1,377)	(2,617)	-	(1,413)	23	76	(55,754)
Net assets released from restrictions to acquire property and equipment	1,968	13	241	-	-	-	-	2,222
Change in net assets (deficit) without donor restrictions	(48,478)	(1,364)	(2,376)	-	(1,413)	23	76	(53,532)
Changes in Net Assets With Donor Restrictions								
Contributions	150	-	341	3,489	-	-	-	3,980
Investment income	-	-	140	306	-	-	-	446
Net unrealized loss on investments	(9)	-	(752)	(245)	-	-	-	(1,006)
Change in split interest agreements	(294)	-	10	115	-	-	-	(169)
Net assets released from restrictions to:								
Provide resident services	(358)	-	(1,048)	(2,078)	-	-	-	(3,484)
Acquire property and equipment	(72)	-	(241)	(1,909)	-	-	-	(2,222)
Change in beneficial interest in the investments of Community Foundation of South Alabama (CFSA)	-	(25)	-	-	-	-	-	(25)
Change in beneficial interest in the investments of ACTS Legacy Foundation, Inc. (ALF)	(442)	120	-	-	-	-	322	-
Reclassification of prior years investment return	-	-	-	-	-	-	-	-
Change in net assets with donor restrictions	(1,025)	95	(1,550)	(322)	-	-	322	(2,480)
Change in net assets (deficit)	(49,503)	(1,269)	(3,926)	(322)	(1,413)	23	398	(56,012)
Net Assets (Deficit), Beginning	158,432	(2,304)	27,563	24,721	(4,594)	46	(28,163)	175,701
Net Assets (Deficit), Ending	$ 108,929	$ (3,573)	$ 23,637	$ 24,399	$ (6,007)	$ 69	$ (27,765)	$ 119,689

ACTS Retirement-Life Communities, Inc. and Subsidiaries

Consolidating Statement of Cash Flows Schedule
Year Ended December 31, 2022
(In Thousands)

	ACTS Retirement-Life Communities, Inc	Presbyterian Retirement Corporation, Inc.	ACTS Retirement-Life Communities of Maryland	ACTS Legacy Foundation, Inc.	ACTS Signature Community Services, Inc	ACTS Acquisition and Development Company, LLC	Eliminations	ACTS Retirement-Life Communities and Subsidiaries
Cash Flows From Operating Activities								
Change in net assets (deficit)	$ (49,503)	$ (1,269)	$ (3,926)	$ (322)	$ (1,413)	$ 23	$ 398	$ (56,012)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Depreciation and amortization	81,998	2,093	7,554	-	-	-	(76)	91,569
Amortization of entrance fees	(110,863)	(3,127)	(12,128)	-	-	-	-	(126,118)
Other valuation adjustment	130	-	1,384	-	-	-	-	1,514
Amortization of bond discount and premium, net	(3,093)	-	(805)	-	-	-	-	(3,898)
Amortization of deferred financing costs	692	10	48	-	-	-	-	750
Entrance fees and deposits from non-refundable resale contracts	178,559	8,293	26,967	-	-	-	-	213,819
Refunds of nonrefundable entrance fees and deposits from resale contracts	(9,593)	(317)	(2,514)	-	-	-	-	(12,424)
Administrative fee included in gross entrance fees	(9,756)	(385)	(1,355)	-	-	-	-	(11,496)
Net realized and unrealized loss (gain) on investments	47,383	(4)	4,361	245	-	-	-	51,985
Change in fair value of investment contracts	(5,732)	-	-	-	-	-	-	(5,732)
Change in beneficial interest in the investments of ALF	442	(120)	-	-	-	-	(322)	-
Increase in deferred costs	(2,899)	(399)	(346)	-	-	-	-	(3,644)
Change in beneficial interest in the investments of CFSA	-	25	-	-	-	-	-	25
Net change in due from/to affiliated organizations	2,026	770	8,626	(3,200)	1,660	152	-	10,034
Changes in assets and liabilities:								
(Increase) decrease in accounts receivable and other receivables	(690)	391	(22)	-	(107)	(747)	-	(1,175)
Decrease (increase) in prepaid expenses, inventory and deposits	1,356	50	139	-	170	(1)	-	1,714
(Decrease) increase in accounts payable and accrued expenses and resident monthly fees paid in advance	(3,526)	(368)	(1,300)	-	(149)	768	-	(4,575)
Net cash provided by (used in) operating activities	116,931	5,643	26,683	(3,277)	161	195	-	146,336
Cash Flows From Investing Activities								
Purchase of property and equipment	(159,531)	(3,491)	(17,931)	-	-	-	-	(180,953)
(Increase) decrease in investments	(18,641)	4	3,372	3,573	-	-	-	(11,692)
Net cash (used in) provided by investing activities	(178,172)	(3,487)	(14,559)	3,573	-	-	-	(192,645)
Cash Flows From Financing Activities								
Entrance fees and deposits from initial sale contracts	24,264	-	-	-	-	-	-	24,264
Refunds of entrance fees and deposits from initial sale contracts	(2,128)	-	-	-	-	-	-	(2,128)
Refunds of refundable entrance fees	(2,681)	(553)	(10,828)	-	-	-	-	(14,062)
Payment of accounts payable, construction	(27,436)	(258)	(1,587)	-	-	-	-	(29,281)
Proceeds from short-term indebtedness	107,130	-	-	-	-	-	-	107,130
Increase in charitable gift annuity obligations	-	-	5	375	-	-	-	380
Payments on charitable gift annuity obligations	-	-	(23)	(686)	-	-	-	(709)
Payments on short-term indebtedness	(46,881)	-	-	-	-	-	-	(46,881)
Payments on nonrecourse debt	-	-	-	-	-	-	-	-
Payments on long-term indebtedness	(21,561)	(508)	(2,830)	-	-	-	-	(24,899)
Net cash provided by (used in) financing activities	30,707	(1,319)	(15,263)	(311)	-	-	-	13,814
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(30,534)	837	(3,139)	(15)	161	195	-	(32,495)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	112,014	624	27,610	30	272	55	-	140,605
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 81,480	$ 1,461	$ 24,471	$ 15	$ 433	$ 250	$ -	$ 108,110
Supplementary Disclosure of Cash Flow Information								
Interest paid, net of amounts capitalized	$ 29,030	$ 943	$ 4,647	$ -	$ -	$ -	$ -	$ 34,620
Supplemental Disclosure of Noncash Investing and Financing Activities								
Obligations incurred for the acquisition of property and equipment	$ 34,295	$ 701	$ 4,174	$ -	$ -	$ -	$ -	$ 39,170