The Evergreens

Financial Statements

December 31, 2021 and 2020

Independent Auditors' Report

To the Board of Directors of
The Evergreens

Opinion

We have audited the financial statements of The Evergreens, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Evergreens as of December 31, 2021 and 2020, 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.

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 Financial Statements section of our report. We are required to be independent of The Evergreens 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 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 Evergreens' 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 Evergreens' 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.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
May 26, 2022

The Evergreens

Balance Sheets
December 31, 2021 and 2020
(In Thousands)

	2021	2020
Assets		
Cash and cash equivalents	$ 1,996	$ 2,726
Investments	40,142	40,540
Accounts receivable and other receivables, net	725	681
Prepaid expenses, inventory and deposits	340	196
Property and equipment, net	56,857	54,468
Deferred costs, net	294	155
Total assets	$ 100,354	$ 98,766
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 3,128	$ 2,937
Long-term indebtedness	49,066	49,432
Entrance fee deposits	148	109
Refundable portion of entrance fees	4,756	6,026
Deferred revenue from entrance fees	25,817	24,400
Due to affiliated organization	415	189
Total liabilities	83,330	83,093
Net Assets		
Without donor restrictions	13,686	12,050
With donor restrictions	3,338	3,623
Total net assets	17,024	15,673
Total liabilities and net assets	$ 100,354	$ 98,766

See notes to financial statements

The Evergreens

Statements of Operations and Changes in Net Assets
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Operating Revenue		
Resident services revenue, net of amortization of entrance fees	$ 13,446	$ 13,497
Patient revenue from third-party payors	1,488	950
Investment income	1,702	1,050
Net assets released from restrictions to provide resident services	271	346
Other revenue	196	190
Total operating revenue before amortization of entrance fees	17,103	16,033
Amortization of entrance fees	4,137	3,817
Total operating revenue	21,240	19,850
Operating Expenses		
Salaries, wages and benefits	8,194	8,049
Contracted services	2,820	2,487
Utilities	925	922
Food	705	758
Supplies	572	534
Real estate taxes	814	744
Insurance	293	202
Other	834	838
Total operating expenses before depreciation, amortization and interest	15,157	14,534
Depreciation and amortization	2,739	2,577
Interest, net	1,555	1,523
Total operating expenses	19,451	18,634
Operating income	1,789	1,216

See notes to financial statements

Statements of Operations and Changes in Net Assets (continued)
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Changes in Net Assets Without Donor Restrictions		
Operating income	$ 1,789	$ 1,216
Net unrealized (loss) gain on investments	(243)	739
Other valuation adjustment	(351)	(567)
Net operating income	1,195	1,388
Reclassification of prior years investment return	398	-
Net assets released from restrictions to acquire property and equipment	43	33
Change in net assets without donor restrictions	1,636	1,421
Changes in Net Assets With Donor Restrictions		
Contributions	281	74
Interest and dividend income	6	70
Net unrealized gain on investments	139	122
Change in split interest agreements	1	-
Net assets released from restriction to:		
Provide resident services	(271)	(346)
Acquire property and equipment	(43)	(33)
Reclassification of prior years investment return	(398)	-
Change in net assets with donor restrictions	(285)	(113)
Increase in net assets	1,351	1,308
Net Assets, Beginning	15,673	14,365
Net Assets, Ending	$ 17,024	$ 15,673

See notes to financial statements

Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	$ 1,351	$ 1,308
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,739	2,577
Amortization of entrance fees	(4,137)	(3,817)
Other valuation adjustment	351	567
Accretion of bond premium	(84)	(81)
Amortization of deferred financing costs	28	28
Net realized and unrealized gain on investments	(860)	(1,465)
Entrance fees and deposits from nonrefundable resale contracts	6,795	6,191
Refunds of nonrefundable entrance fees and deposits from resale contracts	(980)	(578)
Administrative fee included in gross entrance fees	(297)	(254)
Increase in deferred costs	(172)	(73)
Net change in due to affiliated organization	226	(366)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and other receivables	(44)	360
Increase in prepaid expenses, inventory and deposits	(144)	(38)
(Decrease) increase in accounts payable and accrued expenses	(440)	34
Net cash provided by operating activities	4,332	4,393
Cash Flows From Investing Activities		
Purchase of property and equipment	(3,700)	(3,274)
(Increase) decrease in investments	(492)	209
Net cash used in investing activities	(4,192)	(3,065)
Cash Flows From Financing Activities		
Refunds of refundable entrance fees	(1,573)	(1,932)
Payment of accounts payable, construction	(737)	(733)
Payments on long-term indebtedness	(310)	-
Net cash used in financing activities	(2,620)	(2,665)
Net decrease in cash, cash equivalents and restricted cash and cash equivalents	(2,480)	(1,337)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	12,351	13,688
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 9,871	$ 12,351
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	$ 1,612	$ 1,576
Supplemental Disclosure of Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	$ 1,395	$ 737

See notes to financial statements

1. Organization

The Evergreens (the Company) is a not-for-profit New Jersey corporation, of which ACTS Retirement-Life Communities, Inc. (ACTS), a Pennsylvania not-for-profit corporation (through its wholly-owned subsidiary ACTS Acquisition and Development Company, LLC), is the sole member.

ACTS Management Services, Inc. (AMS), a related party under common control of ACTS Retirement Services, Inc. (ARS), is a not-for-profit Pennsylvania corporation that provides management, marketing and development services to the Company. ACTS Legacy Foundation, Inc. (ALF), a related party under common control of ARS, is a not-for-profit Pennsylvania corporation that provides fundraising, supports all charitable programs and manages the donor restricted funds for the Company.

The Company operates a continuing care retirement community located in Moorestown, New Jersey, and is organized to provide residential, assisted living and skilled care services to senior adults. The Company is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC).

2. Summary of Significant Accounting Policies

Cash, Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the 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 balance sheets that sum to the total of the same such amounts reported in the statements of cash flows.

	2021	2020
	(In Thousands)	
Cash and cash equivalents	$ 1,996	$ 2,726
Cash and cash equivalents included in investments	7,875	9,625
Total cash, cash equivalents and restricted cash and cash equivalents	$ 9,871	$ 12,351

Investments and Investment Risk

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

The Company's investments are comprised of a variety of financial instruments. The fair values reported in the 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 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

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.

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 50 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 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 $2,706,000 in 2021 and $2,546,000 in 2020.

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 $223,000 in 2021 and $262,000 in 2020.

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. Contract 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 $33,000 in 2021 and $31,000 in 2020.

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 $28,000 in 2021 and 2020.

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, 2021 and 2020, 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 5%, and less 2% 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 balance sheets. Amortization of nonrefundable entrance fees was $4,137,000 in 2021 and $3,817,000 in 2020.

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

The gross contractual refund obligations under existing resident agreements were approximately $17,663,000 and $18,555,000 at December 31, 2021 and 2020, 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, 2021 and 2020.

Beneficial Interest in Perpetual Trusts

The Company has been designated the beneficiary under two perpetual trusts. A perpetual trust is held by a third party and is an arrangement in which the donor establishes and funds a trust to exist in perpetuity that is administered by an individual or organization other than the beneficiary. The Company has the irrevocable right to receive the income earned on the trust's assets but will never receive the assets themselves. Under perpetual trust arrangements, the Company recorded the asset and recognized contributions with donor restrictions at the fair market value of the Company's beneficial interest in the trust assets. Income earned on the trust assets and distributed to the Company is recorded as other revenue in the statements of operations and changes in net assets, unless otherwise restricted by the donor. Subsequent changes in fair values are recorded as net unrealized gain on investments in net assets with donor restrictions.

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 and other third-party payor programs are billed monthly in arrears.

Resident services and patient revenues are primarily comprised of skilled nursing, assisted living and independent 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 nursing, assisted living and independent 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 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 $33,000 in 2021 and $616,000 in 2020 related to these Acts. In accordance with the terms and conditions, the Company could apply the funding first against eligible expenses, and then lost revenues. The Company incurred eligible expenses in accordance with the terms and conditions of the PRF as of $33,000 in 2021 and of $616,000 in 2020.

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 financial statements were issued.

During 2021 and 2020, the PRF was reported in the statements of operations and changes in net assets in the functional line impacted by the eligible expense incurred as set forth in the following table:

	2021	2020
	(In Thousands)	
Salary, wages and benefits	$ -	$ 516
Supplies	33	133
Total	$ 33	$ 649

Income Taxes

The Company is a not-for-profit corporation and is exempt from federal income taxes 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 financial statements.

Measure of Operations and Performance Indicator

The statements of operations and changes in net assets include the determination of operating income and net operating income (the performance indicator). Operating 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 income includes all operating activities, as well as changes in unrealized gains and losses on investments and other valuation adjustment.

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 financial statements and the reported amounts of revenues 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 May 26, 2022, the date the 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 balance sheets, consisting of the following:

	2021	2020
	(In Thousands)	
Cash and cash equivalents	$ 1,996	$ 2,726
Accounts receivable and other receivables, net	725	681
Investments without donor restrictions	24,211	22,575
Total	$ 26,932	$ 25,982

The Company has other assets restricted as to use: debt related reserves, state reserves, real estate held for investment and assets held for donor-restricted purposes. 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 $2,143,000 and $2,573,000 at December 31, 2021 and 2020, respectively, can be made available based on the passage of time or other events specified by the donor.

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:

	2021	2020
	(In Thousands)	
Investments without donor restrictions	$ 24,211	$ 22,575
Debt related reserves	7,602	9,209
State reserves	273	415
Real estate held for investment	4,718	4,718
Donor-restricted funds	3,338	3,623
Total	$ 40,142	$ 40,540

Investment performance is as follows:

	2021	2020
	(In Thousands)	
Without donor restrictions:		
Interest and dividend income	$ 599	$ 446
Net realized gain on investments	1,103	604
Total investment income	1,702	1,050
Net unrealized (loss) gain on investments	(243)	739
With donor restrictions:		
Interest and dividend income	6	70
Net unrealized gain on investments	139	122
Total investment return	$ 1,604	$ 1,981

Fair Value Measurements

The Company measures its investments 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 of 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. 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 through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, 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 were measured using the following inputs at December 31:

	2021			
	Total	**Quoted Prices in Active Markets (Level 1)**	**Other Observable Inputs (Level 2)**	**Other Unobservable Inputs (Level 3)**
	(In Thousands)			
Instruments measured and reported at fair value:				
Investments:				
Money market funds	$ 8,297	$ 8,297	$ -	$ -
Corporate debt securities	7,033	-	7,033	-
Mutual funds, equity	7,010	7,010	-	-
U.S. government securities	4,957	-	4,957	-
Mutual and exchange traded funds, fixed income	4,530	4,530	-	-
Municipal bonds	1,908	-	1,908	-
Beneficial interest in perpetual trusts	1,189	-	-	1,189
Other	487	-	487	-
Total investments at fair value	$ 35,411	$ 19,837	$ 14,385	$ 1,189
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 13			
Real estate held for investment at cost	4,718			
Investments measured at fair value	35,411			
Total investments	$ 40,142			

	2020			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
	(In Thousands)			
Instruments measured and reported at fair value:				
Investments:				
Money market funds	$ 9,925	$ 9,925	$ -	$ -
Corporate debt securities	8,400	-	8,400	-
U.S. government securities	7,505	-	7,505	-
Mutual funds, equity	6,627	6,627	-	-
Mutual and exchange traded funds, fixed income	2,307	2,307	-	-
Beneficial interest in perpetual trusts	1,050	-	-	1,050
Total investments at fair value	$ 35,814	$ 18,859	$ 15,905	$ 1,050
Reconciliation of investments to the balance sheet:				
Cash and cash equivalents	$ 8			
Real estate held for investment at cost	4,718			
Investments measured at fair value	35,814			
Total investments	$ 40,540			

Financial Instruments

Mutual and exchange traded funds and money market funds are valued based on quoted market prices in active markets, which are considered Level 1 inputs. U.S. government securities and corporate debt securities are generally valued using quoted market prices of similar securities, which are considered Level 2 inputs.

The beneficial interest in perpetual trusts is valued using unobservable inputs (Level 3) in accordance with the authoritative guidance on fair value measurements, which takes into consideration the underlying investments and the Company's interest in the trusts. This approximates the present value of the future distributions expected to be received.

Changes to the beneficial interest in perpetual trusts are as follows:

	2021	2020
	(In Thousands)	
Beginning balance	$ 1,050	$ 978
Valuation gain	139	72
Ending balance	$ 1,189	$ 1,050

5. Accounts Receivable and Other Receivables

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

	2021	2020
	(In Thousands)	
Resident monthly fees	$ 332	$ 201
Third-party accounts	608	463
Other	84	126
Total receivables	1,024	790
Allowance for uncollectible accounts	(299)	(109)
Accounts receivable and other receivables, net	$ 725	$ 681

6. Property and Equipment

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

	2021	2020
	(In Thousands)	
Land and land improvements	$ 4,158	$ 4,158
Building and improvements	53,211	50,963
Furniture, fixtures and equipment	4,116	3,728
Construction in progress	4,932	2,473
Total	66,417	61,322
Accumulated depreciation	(9,560)	(6,854)
Property and equipment, net	$ 56,857	$ 54,468

7. Long-Term Indebtedness

The Company's long-term indebtedness has been issued under a Master Trust Indenture, dated August 1, 2019, which includes a Deed of Trust Agreement including a lien on the underlying property and assignment of pledged revenues, as defined. The Company is also required to meet certain financial covenants.

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

	2021	2020
	(In Thousands)	
Public Finance Authority Retirement Communities Revenue Bonds Series 2019A. The interest rate is 5% and principal matures in varying amounts through 2049 (yield to maturity 4.49% at December 31, 2021).	$ 23,910	$ 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.	22,690	23,000
Total	46,600	46,910
Bond premium, net	3,102	3,186
Unamortized deferred financing costs	(636)	(664)
Total long-term indebtedness	$ 49,066	$ 49,432

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

Years ending December 31:	
2022	$ 1,055
2023	1,085
2024	1,115
2025	1,150
2026	1,185
2027 - 2031	6,450
2032 - 2036	7,455
2037 - 2041	8,615
2042 - 2046	10,700
2047 - 2049	7,790
Total	$ 46,600

8. Net Assets

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

	2021	2020
	(In Thousands)	
Financial assistance to residents	$ 1,607	$ 2,210
Purchase of property and equipment	50	86
Other	486	277
Restricted in perpetuity	1,195	1,050
Total net assets with donor restrictions	$ 3,338	$ 3,623

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.

9. 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 2021 and 2020:

	2021			
	Independent Living	Assisted Living	Skilled Nursing	Total
	(In Thousands)			
Self-pay	$ 9,628	$ 2,417	$ 1,401	$ 13,446
Medicare and other	205	-	1,283	1,488
Total resident services and patient revenues	$ 9,833	$ 2,417	$ 2,684	$ 14,934
Amortization of entrance fees				$ 4,137

	2020			
	Independent Living	Assisted Living	Skilled Nursing	Total
	(In Thousands)			
Self-pay	$ 9,548	$ 2,405	$ 1,544	$ 13,497
Medicare and other	121	1	828	950
Total resident services and patient revenues	$ 9,669	$ 2,406	$ 2,372	$ 14,447
Amortization of entrance fees				$ 3,817

10. 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 $158,000 in 2021 and $161,000 in 2020.

11. Concentrations of Credit Risk

The Company grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, 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.

12. 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.

Construction Agreements

The Company entered into construction agreements for certain development and renovation activities. Commitments were approximately $3,121,000 as of December 31, 2021.

Statutory Requirement

Under the provisions of the New Jersey Continuing Care Retirement Community Regulation and Financial Disclosure Act (the Act), the Company must maintain a statutory minimum liquid reserve as of year-end that is equal to or exceeds the greater of the total of all principal and interest payments due during the next 12 months or 15% of total projected operating expenses, exclusive of depreciation and amortization, for the following fiscal year. The statutory minimum liquid reserve requirement at December 31, 2021 and 2020 was $2,654,000 and $2,584,000, respectively. At December 31, 2021, total cash and cash equivalents and investments without donor restrictions were $26,207,000.

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 financial statements.

COVID-19

The spread of COVID-19 around the world has caused volatility in the U.S. market, supply chains, businesses and communities. The Company's evaluation of the effects of these events is ongoing as of the date the accompanying financial statements were issued. COVID-19 may impact various parts of the Company's 2022 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

13. Related-Party Transactions

The Company and AMS entered into a Management, Marketing and Development Agreement (the Agreement), which is 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 Agreement were $1,541,000 in 2021 and $1,503,000 in 2020. Amounts payable to AMS in connection with the Agreement are included in the 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 Agreement, 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 $880,000 in 2021 and $1,027,000 in 2020.

14. Functional Expenses

The Company provides housing, healthcare and other related services to residents within its geographic location. The 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 2021 and 2020:

	2021		
	Program Services	**General and Administrative**	**Total**
		(In Thousands)	
Salaries, wages and benefits	$ 7,719	$ 475	$ 8,194
Contracted services	1,216	1,604	2,820
Utilities	925	-	925
Food	683	22	705
Supplies	427	145	572
Real estate taxes	814	-	814
Insurance	293	-	293
Other	381	453	834
Depreciation and amortization	2,706	33	2,739
Interest, net	1,555	-	1,555
Total	$ 16,719	$ 2,732	$ 19,451

	2020		
	Program Services	General and Administrative	Total
		(In Thousands)	
Salaries, wages and benefits	$ 7,600	$ 449	$ 8,049
Contracted services	855	1,632	2,487
Utilities	922	-	922
Food	741	17	758
Supplies	350	184	534
Real estate taxes	744	-	744
Insurance	202	-	202
Other	274	564	838
Depreciation and amortization	2,546	31	2,577
Interest, net	1,523	-	1,523
Total	$ 15,757	$ 2,877	$ 18,634