

# **Bishop Gadsden Episcopal Retirement Community**

Financial Statements

December 31, 2023 and 2022

# **Bishop Gadsden Episcopal Retirement Community**

---

Table of Contents

December 31, 2023 and 2022

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7

## **Independent Auditors' Report**

To the Board of Trustees of  
Bishop Gadsden Episcopal Retirement Community

### **Opinion**

We have audited the financial statements of Bishop Gadsden Episcopal Retirement Community (Bishop Gadsden), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, 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 Bishop Gadsden as of December 31, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (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 Financial Statements section of our report. We are required to be independent of the Bishop Gadsden 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bishop Gadsden'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 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 Bishop Gadsden's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bishop Gadsden'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.

*Baker Tilly US, LLP*

Tysons, Virginia  
April 17, 2024

# Bishop Gadsden Episcopal Retirement Community

Balance Sheets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 16,230,653	\$ 11,997,688
Resident receivables, net	1,405,284	323,544
Other receivables and deposits	53,130	1,806,057
Pledges receivable	-	67,760
Prepaid expenses and other current assets	1,087,381	862,215
Total current assets	18,776,448	15,057,264
<b>Investments</b>	45,894,774	37,585,828
<b>Assets Whose Use is Limited, Net</b>	24,134,762	21,039,294
<b>Derivative Financial Instruments</b>	6,081,943	6,715,375
<b>Property and Equipment, Net</b>	214,597,663	212,278,361
Total assets	<u>\$ 309,485,590</u>	<u>\$ 292,676,122</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 4,049,256	\$ 3,905,012
Accounts payable, trade	1,170,917	812,701
Accrued expenses	2,193,134	1,484,806
Accrued interest	773,924	884,538
Liability under charitable gift annuities, current	48,081	56,206
Total current liabilities	8,235,312	7,143,263
<b>Accounts Payable, Construction</b>	2,199,165	2,617,510
<b>Refundable Deposits</b>	2,604,650	1,258,160
<b>Refundable Entrance Fees</b>	41,507,207	40,108,989
<b>Deferred Revenue From Entrance Fees</b>	59,376,408	56,354,704
<b>Liability Under Charitable Gift Annuities</b>	213,973	247,739
<b>Long-Term Debt, Net</b>	133,524,652	129,086,740
<b>Other Liabilities</b>	4,598,754	545,091
Total liabilities	<u>252,260,121</u>	<u>237,362,196</u>
<b>Net Assets</b>		
Without donor restrictions	42,798,548	41,670,258
With donor restrictions	14,426,921	13,643,668
Total net assets	<u>57,225,469</u>	<u>55,313,926</u>
Total liabilities and net assets	<u>\$ 309,485,590</u>	<u>\$ 292,676,122</u>

See notes to financial statements

# Bishop Gadsden Episcopal Retirement Community

## Statements of Operations

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Revenues, Gains and Other Support</b>		
Resident services	\$ 46,937,660	\$ 34,679,268
Amortization of entrance fees	9,761,140	8,635,828
Interest, dividends, and realized gains and losses on investments	2,066,261	1,050,966
Net assets released from restrictions, operations	1,904,681	5,608,325
Contributions	52,106	763,000
Other	2,471,872	298,520
	<u>63,193,720</u>	<u>51,035,907</u>
<b>Operating Expenses</b>		
Residential services	21,253,197	14,719,696
Dietary	7,703,216	5,915,018
Plant operations	5,854,877	7,827,591
General and administrative	10,905,633	9,598,314
Social services and activities	2,085,262	1,882,998
Housekeeping and laundry	1,476,577	1,138,837
Marketing	787,888	581,416
Information technology	1,196,642	1,285,662
Fundraising	259,585	177,445
Interest	4,262,398	2,807,444
Depreciation	10,890,779	9,048,260
	<u>66,676,054</u>	<u>54,982,681</u>
Total operating expenses	<u>66,676,054</u>	<u>54,982,681</u>
Operating loss	<u>(3,482,334)</u>	<u>(3,946,774)</u>
<b>Other Revenues and Expenses</b>		
Unrealized gains and losses on investments	4,609,115	(9,847,478)
Fair value adjustment of derivative financial instruments	(633,432)	7,431,612
Change in value of split-interest agreements	(6,191)	(9,506)
Loss on disposal of property and equipment	(6,130)	(19,939)
	<u>3,963,362</u>	<u>(2,445,311)</u>
Total other revenues and expenses	<u>3,963,362</u>	<u>(2,445,311)</u>
Revenues in excess of (less than) expenses	481,028	(6,392,085)
<b>Other Changes in Net Assets Without Donor Restrictions</b>		
Net assets released from restrictions, capital purchases	647,262	3,763,000
Change in net assets without donor restrictions	<u>\$ 1,128,290</u>	<u>\$ (2,629,085)</u>

See notes to financial statements

## Bishop Gadsden Episcopal Retirement Community

### Statements of Changes in Net Assets

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Net Assets Without Donor Restrictions</b>		
Revenues in excess of (less than) expenses	\$ 481,028	\$ (6,392,085)
Net assets released from restrictions, capital purchases	<u>647,262</u>	<u>3,763,000</u>
Change in net assets without donor restrictions	<u>1,128,290</u>	<u>(2,629,085)</u>
<b>Net Assets With Donor Restrictions</b>		
Contributions	1,497,093	2,609,387
Interest and dividends	372,147	333,938
Unrealized gains and losses on investments	1,465,956	(2,785,235)
Net assets released from restrictions	<u>(2,551,943)</u>	<u>(9,371,325)</u>
Change in net assets with donor restrictions	<u>783,253</u>	<u>(9,213,235)</u>
Change in net assets	1,911,543	(11,842,320)
<b>Net Assets, Beginning</b>	<u>55,313,926</u>	<u>67,156,246</u>
<b>Net Assets, Ending</b>	<u>\$ 57,225,469</u>	<u>\$ 55,313,926</u>

See notes to financial statements

# Bishop Gadsden Episcopal Retirement Community

## Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,911,543	\$ (11,842,320)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,890,779	9,048,260
Loss on disposal of property and equipment	6,130	19,939
Amortization of deferred financing costs and bond premium, net	6,693	43,133
Realized gains on investments, net	(2,018)	(18,774)
Unrealized gains and losses on investments	(6,075,071)	12,632,713
Fair value adjustment of derivative financial instruments	633,432	(7,431,612)
Amortization of entrance fees	(9,761,140)	(8,635,828)
Proceeds from nonrefundable entrance fees, existing units	16,782,184	11,808,300
Restricted contributions	(1,497,093)	(2,609,387)
Changes in assets and liabilities:		
Receivables and deposits	671,187	96,074
Pledges receivable	67,760	355,996
Prepaid expenses and other current assets	(225,166)	(361,889)
Accounts payable, accrued expenses, accrued interest and other liabilities	5,009,593	287,478
Refundable deposits	1,346,490	132,019
Liability under charitable gift annuities	(41,891)	(50,449)
Net cash provided by operating activities	<u>19,723,412</u>	<u>3,473,653</u>
<b>Cash Flows From Investing Activities</b>		
Net (purchases) sales of investments and assets whose use is limited	(4,602,675)	10,285,944
Purchase of property and equipment	<u>(13,634,556)</u>	<u>(25,288,654)</u>
Net cash used in investing activities	<u>(18,237,231)</u>	<u>(15,002,710)</u>
<b>Cash Flows From Financing Activities</b>		
Refunds of entrance fees	(2,601,122)	(1,242,260)
Restricted contributions	1,497,093	2,609,387
Payments for deferred financing costs	(530,187)	-
Proceeds from issuance of long-term debt	9,024,677	17,167,918
Principal payments on long-term debt	<u>(3,919,027)</u>	<u>(3,899,562)</u>
Net cash provided by financing activities	<u>3,471,434</u>	<u>14,635,483</u>
Net change in cash and cash equivalents and restricted cash and cash equivalents	4,957,615	3,106,426
<b>Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning</b>	<u>17,412,416</u>	<u>14,305,990</u>
<b>Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending</b>	<u>\$ 22,370,031</u>	<u>\$ 17,412,416</u>
<b>Supplementary Cash Flows Information</b>		
Interest paid, net of capitalized interest	<u>\$ 4,307,902</u>	<u>\$ 2,868,066</u>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Accounts payable, construction	<u>\$ 2,199,165</u>	<u>\$ 2,617,510</u>
Net assets released from restrictions, capital purchases	<u>\$ 647,262</u>	<u>\$ 3,763,000</u>
<b>Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 16,230,653	\$ 11,997,688
Assets under trust indenture, held by trustee	<u>6,139,378</u>	<u>5,414,728</u>
	<u>\$ 22,370,031</u>	<u>\$ 17,412,416</u>

See notes to financial statements



# **Bishop Gadsden Episcopal Retirement Community**

---

Notes to Financial Statements

December 31, 2023 and 2022

## **1. Organization**

Bishop Gadsden Episcopal Retirement Community (Bishop Gadsden) is a tax-exempt not-for-profit corporation that provides housing, healthcare and other related services to residents through the operation of a life plan community located in Charleston, South Carolina. Bishop Gadsden, incorporated in South Carolina, is affiliated with The Episcopal Church (USA) and exists for the purpose of providing a faith-based retirement community and ministry to older adults. Bishop Gadsden seeks to provide continuing care, in accordance with the terms of governmental licenses and restrictions, to the extent of its resources and facilities, which currently includes 268 independent living units, 79 assisted living units, 32 memory care units and 100 licensed skilled nursing beds (of which 32 are post-acute short-term rehab beds).

During 2019, Bishop Gadsden began development related to a new healthcare facility and assisted living renovations, which resulted in additional short-term rehab units, skilled nursing beds, memory care units and assisted living units. The healthcare facility opened July 12, 2022 and assisted living renovations completed in August 2022. The healthcare facility and assisted living renovations resulted in 24 additional assisted living units, 13 additional memory care units and 50 additional licensed skilled nursing beds (of which 32 are post-acute short-term rehab beds). During 2022, Bishop Gadsden began construction of 15 new independent living units. The construction is expected to be completed during 2024.

## **2. Summary of Significant Accounting Policies**

### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents and Restricted Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less. Bishop Gadsden maintains its cash and cash equivalents accounts at various financial institutions. Bishop Gadsden has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents and restricted cash and cash equivalents which may at times, exceed federally insured limits.

### **Resident and Other Receivables**

Bishop Gadsden assesses collectability on all resident accounts prior to providing services. An allowance for expected credit losses is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. Bishop Gadsden charges current operations and establishes reserve allowances for expected credit losses based on prior experience. An evaluation of the collectability of receivables is performed on a regular basis by evaluating the age of the receivable and the financial condition of the resident or entity from which the receivable is due, among other factors. The allowance for expected credit losses amounted to approximately \$25,000 and \$20,000 as of December 31, 2023 and 2022, respectively.

# **Bishop Gadsden Episcopal Retirement Community**

---

Notes to Financial Statements  
December 31, 2023 and 2022

## **Investments, Investment Risk and Assets Whose Use is Limited**

Bishop Gadsden's investments are comprised of a variety of financial instruments and are managed by third-party investment advisors. The fair values reported in the accompanying 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 in the balance sheets could change materially in the near term.

Assets whose use is limited primarily includes designated assets set aside by the Board of Trustees, assets held by the trustees as required under trust indenture, and assets held due to donor restrictions.

Investments in equity and debt securities with readily determinable fair values are measured at fair value based on quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest, dividends, and capital gain distributions) is included in the determination of revenues in excess of (less than) expenses 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.

## **Property and Equipment**

Property and equipment, including construction in progress, are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the underlying assets. The general range of estimated useful lives is 8 years to 15 years for land improvements, 20 years to 40 years for buildings, 5 years to 20 years for building improvements and furniture and equipment and 5 years to 20 years for vehicles.

Gifts of long-lived assets such as land, buildings or equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If the expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

## **Bishop Gadsden Episcopal Retirement Community**

---

Notes to Financial Statements

December 31, 2023 and 2022

### **Derivative Financial Instruments**

Bishop Gadsden entered into interest rate swap agreements, which are considered derivative financial instruments, to manage its interest rate risks on its long-term debt. The interest rate swaps are reported at fair value in the balance sheets and related adjustments to fair value are reported in the statements of operations.

### **Refundable Entrance Fees and Deferred Revenue From Entrance Fees**

Under the terms of Bishop Gadsden's Residence and Services Agreement, each independent living resident pays an entrance fee. The agreement requires a deposit of 10% of the entrance fee when the Residence and Services Agreement is signed, with the balance of the fee to be paid prior to occupancy. Entrance fees received upon occupancy, along with monthly service fees, pay for the cost of services provided to residents.

Bishop Gadsden offers a nonrefundable and two types of refundable contract options to its residents. The nonrefundable portion of the entrance fees are amortized at a contractual rate of 2% per month for 50 months. A refund, if any, is determined based on the number of months occupied, less an administration fee and is paid no later than 60 days after the unit is vacated. Under the refundable contract options, residents may elect to pay additional incremental entrance fees. Under these options, 50% or 90% of the original entrance fees are refundable depending on the contract option elected. The contract provides for payment of the refundable fees after the unit is vacated and a new resident occupies the unit and pays the entrance fee in effect at the time of occupancy or one year, whichever is first.

Under the nonrefundable contract option, once a unit is occupied, entrance fees are recorded as deferred revenue from entrance fees and are recognized as amortization income of entrance fees over the actuarially determined life expectancy of the resident, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The refundable portion, if any, and other refundable deposits are recorded in the refundable entrance fees and deposits on the accompanying balance sheets and are not amortized into income. Amortization of nonrefundable entrance fees on independent living revenues was \$9,761,140 in 2023 and \$8,635,828 in 2022. The remaining life expectancy of the residents is adjusted annually based on actuarial information. Refundable entrance fees on the balance sheets is presented at the contractually refundable obligation.

Deposits paid, less an administration charge, are refundable to individuals canceling their residency contract prior to occupying a unit at Bishop Gadsden. No administrative charge is assessed for cancellation resulting from death or from physical or mental impairment.

### **Estimated Obligation to Provide Future Services to Continuing Care Residents**

Bishop Gadsden annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount to the balance of deferred revenue from entrance fees. Bishop Gadsden utilizes a discount rate of 5.5%. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No obligation existed as of December 31, 2023 and 2022.

# Bishop Gadsden Episcopal Retirement Community

---

Notes to Financial Statements  
December 31, 2023 and 2022

## Charitable Gift Annuities

Bishop Gadsden records assets received under charitable gift annuity agreements at the fair market value of the assets when the assets are received by Bishop Gadsden. In conjunction with these gifts, Bishop Gadsden has recorded a liability equal to the present value of future cash flows expected to be paid to the beneficiaries based upon the actuarial expected lives of the beneficiaries.

## 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 Service Revenues

Resident service revenues are reported at the amount that reflects the consideration Bishop Gadsden 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 service revenues are recognized as performance obligations are satisfied.

Resident service revenues are primarily comprised of skilled nursing, assisted living, independent living, homecare agency services and other resident service streams, which are primarily derived from providing housing, skilled nursing, assisted living, homecare and other services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. Bishop Gadsden 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, Bishop Gadsden 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, independent living, homecare agency services and other resident services are recognized on a daily or month-to-month basis as services are rendered.

Bishop Gadsden 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. Bishop Gadsden 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.

## **Bishop Gadsden Episcopal Retirement Community**

---

Notes to Financial Statements  
December 31, 2023 and 2022

### **Charitable Care**

Bishop Gadsden has a charitable care assistance policy to identify residents/patients who are unable to pay and uses designated charitable care funds to subsidize amounts owed for entrance fees and monthly/daily service fees related to the services provided by Bishop Gadsden to those individuals. Such individuals are identified based on financial information obtained at admission and subsequent reviews and analysis. Bishop Gadsden maintains records to identify the cost of providing charitable care assistance based upon the direct and indirect costs identified with the specific charitable care services provided. The costs associated with charitable care assistance are estimated based on the difference in daily service cost as calculated in the annual cost report and the amount of payment/reimbursement received for charitable care services provided.

In addition to meeting charitable care assistance needs, Bishop Gadsden's designated charitable fund also contributes to needs in the greater Charleston community through area charities selected by a resident non-profit selection committee.

Bishop Gadsden's policy is to annually release from its charitable care funds, (i) all of the charitable care assistance provided to residents and patients, which for the years ended December 31, 2023 and 2022 amounted to approximately \$229,000 and \$41,000, respectively, and (ii) funds distributed to selected charities, which for the years ended December 31, 2023 and 2022 amounted to approximately \$419,000 and \$316,000, respectively. Annual amounts authorized and released from the charitable fund to support community needs is generally the excess of the total charitable care contributions received for the year and the amount released for charitable care assistance provided to residents and patients.

### **Donated Services**

Individuals volunteer their time and perform a variety of tasks that assist Bishop Gadsden with specific assistance programs, campaign solicitations and various committee assignments. No amounts have been reflected in the financial statements for these donated services for the years ended December 31, 2023 and 2022.

### **Employee Retention Credit (ERC)**

The Employee Retention Credit (ERC), which was included as part of the CARES Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA), and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer.

Bishop Gadsden qualified for the ERC as its operations were partially suspended during the first through third quarters of 2021 due to orders from local government and healthcare regulators limiting certain of its activities due to COVID-19. Bishop Gadsden averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a small employer during 2021. As a small employer, all of Bishop Gadsden's otherwise qualified wages were eligible for the ERC. For 2021, the ERC equaled 70% of an employee's qualified wages up to \$10,000 per employee per calendar quarter with a maximum annual credit of \$21,000 for each employee.

# **Bishop Gadsden Episcopal Retirement Community**

---

Notes to Financial Statements

December 31, 2023 and 2022

Bishop Gadsden accounts for this federal funding in accordance with FASB ASC 958-605 guidance for conditional contributions, and accordingly, revenues are measured and recognized when barriers are substantially met. Bishop Gadsden claimed credits of approximately \$3,926,000 on amended 2021 second and third quarter Form 941s. Bishop Gadsden received the claimed credits funds during 2023. As of December 31, 2023, Bishop Gadsden has reserved for the second and third quarter claimed credits of approximately \$3,926,000, as it was determined that barriers for revenue recognition have not substantially been met under ASC 958-605. The reserve is included in other liabilities on the accompanying balance sheet as of December 31, 2023. As of December 31, 2022, Bishop Gadsden had an ERC receivable of approximately \$1,841,000, included in other receivables and deposits on the accompanying balance sheet related to its first quarter of 2021 claimed credit, which was received in 2023.

## **Income Tax Status**

Bishop Gadsden is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a).

## **Performance Indicator**

The statements of operations includes a performance indicator labeled revenues in excess of (less than) expenses. Changes in net assets without donor restrictions which are excluded from revenues in excess of (less than) expenses, consistent with industry practice, include net assets released from restrictions for capital purchases and 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).

## **New Accounting Standard**

### **Reference Rate Reform**

During March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. Bishop Gadsden has elected the optional expedients and exceptions included in ASU No. 2020-04 as of December 31, 2023. The adoption of ASU No. 2020-04 did not and is not expected to have a material impact on its financial statements.

## **Subsequent Events**

Bishop Gadsden has evaluated subsequent events through April 17, 2024, which is the date the financial statements were issued.

## **3. Resident Service Revenue**

Bishop Gadsden disaggregates revenue from contracts with customers 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.

# Bishop Gadsden Episcopal Retirement Community

Notes to Financial Statements

December 31, 2023 and 2022

Resident services revenue consist of the following for the years ended December 31, 2023 and 2022:

	2023					Total
	Skilled Nursing	Assisted Living	Independent Living	Homecare Agency	Other Resident Services	
Self-pay	\$ 7,904,719	\$ 11,597,976	\$ 20,379,246	\$ 1,733,991	\$ 1,092,252	\$ 42,708,184
Medicare	4,229,476	-	-	-	-	4,229,476
Total	<u>\$ 12,134,195</u>	<u>\$ 11,597,976</u>	<u>\$ 20,379,246</u>	<u>\$ 1,733,991</u>	<u>\$ 1,092,252</u>	<u>\$ 46,937,660</u>

  

	2022					Total
	Skilled Nursing	Assisted Living	Independent Living	Homecare Agency	Other Resident Services	
Self-pay	\$ 4,711,744	\$ 7,687,584	\$ 18,822,646	\$ 1,552,826	\$ 717,691	\$ 33,492,491
Medicare	1,186,777	-	-	-	-	1,186,777
Total	<u>\$ 5,898,521</u>	<u>\$ 7,687,584</u>	<u>\$ 18,822,646</u>	<u>\$ 1,552,826</u>	<u>\$ 717,691</u>	<u>\$ 34,679,268</u>

Payment terms and conditions for Bishop Gadsden's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying balance sheets. In 2023 and 2022, Bishop Gadsden recognized approximately \$8,822,000 and \$8,179,000, respectively, of revenue that was included in the deferred revenue from entrance fees balance as of January 1, 2023 and 2022, respectively. Bishop Gadsden applies the practical expedient in ASC 606, and therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

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

As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on Bishop Gadsden's clinical assessment of its residents. Bishop Gadsden is required to clinically assess its residents at predetermined time periods throughout the year. Therapy services provided to Medicare Part B beneficiaries are paid at the letter of a published fee schedule or actual charges. The documented assessments are subject to review and adjustment by the Medicare program.

#### 4. Fair Value Measurements, Investments, Assets Whose Use is Limited and Other Financial Instruments

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

## Bishop Gadsden Episcopal Retirement Community

Notes to Financial Statements  
December 31, 2023 and 2022

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to Bishop Gadsden for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs. Bishop Gadsden has no level 3 investments.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of Bishop Gadsden reported at fair value on a recurring basis as of December 31:

	<b>2023</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>
Reported at fair value:			
Investments and assets whose use is limited:			
Mutual funds:			
Equity funds	\$ 33,658,741	\$ 33,658,741	\$ -
Fixed income funds	27,995,557	27,995,557	-
International funds	374,201	374,201	-
Total investments and assets whose use is limited measured at fair value	<u>\$ 62,028,499</u>	<u>\$ 62,028,499</u>	<u>\$ -</u>
Derivative financial instrument	<u>\$ 6,081,943</u>	<u>\$ -</u>	<u>\$ 6,081,943</u>
	<b>2022</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>
Reported at fair value:			
Investments and assets whose use is limited:			
Mutual funds:			
Equity funds	\$ 29,613,994	\$ 29,613,994	\$ -
Fixed income funds	20,555,276	20,555,276	-
International funds	101,262	101,262	-
Total investments and assets whose use is limited measured at fair value	<u>\$ 50,270,532</u>	<u>\$ 50,270,532</u>	<u>\$ -</u>
Derivative financial instrument	<u>\$ 6,715,375</u>	<u>\$ -</u>	<u>\$ 6,715,375</u>

The following provides a reconciliation of the amounts included in fair value hierarchy to the amounts reported in the accompanying balance sheets at December 31:

	<b>2023</b>	<b>2022</b>
Assets whose use is limited, net and investments:		
Cash and cash equivalents	\$ 8,001,037	\$ 8,354,590
Assets measured at fair value	<u>62,028,499</u>	<u>50,270,532</u>
Total	<u>\$ 70,029,536</u>	<u>\$ 58,625,122</u>



# Bishop Gadsden Episcopal Retirement Community

Notes to Financial Statements  
December 31, 2023 and 2022

## Valuation Methodologies

Mutual funds are valued at closing price reported in active markets for the same or similar securities.

The fair value of the interest rate swap takes into consideration the prevailing interest rate environment and the specific terms and conditions of the interest rate swaps and considers the credit risk of Bishop Gadsden. The method used to determine the fair value calculates the estimated future payments required by the interest rate swap and discounts these payments using an appropriate discount rate. The value represents the estimated exit price Bishop Gadsden would be paid to terminate the interest rate swap agreements.

## 5. Liquidity and Availability of Resources

The following table reflects Bishop Gadsden's financial assets available for general expenditures within one year of the balance sheets date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of: (a) assets whose use is limited by board designations, regulatory bodies, under trust indenture and other agreements; and (b) donor purpose-restricted funds and permanent endowments.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 16,230,653	\$ 11,997,688
Resident receivable, net	1,405,284	323,544
Other receivables and deposits	53,130	1,806,057
Investments	<u>45,894,774</u>	<u>37,585,828</u>
Total	<u>\$ 63,583,841</u>	<u>\$ 51,713,117</u>

As part of Bishop Gadsden's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Bishop Gadsden invests cash in excess of daily requirements in short-term investments. Certain of the donor purpose restricted funds may be utilized as the restrictions are satisfied.

Additionally, Bishop Gadsden maintains a \$5,000,000 line of credit, as further discussed in Note 7.

## 6. Property and Equipment

Major classifications of property and equipment are summarized below as of December 31:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 18,751,183	\$ 17,746,531
Building and building improvements	242,153,615	243,407,200
Furniture and equipment	33,658,549	34,189,232
Vehicles	853,747	1,029,613
Construction in progress	<u>10,885,587</u>	<u>4,036,221</u>
	306,302,681	300,408,797
Less accumulated depreciation	<u>(91,705,018)</u>	<u>(88,130,436)</u>
Total	<u>\$ 214,597,663</u>	<u>\$ 212,278,361</u>

Substantially all the construction in progress balances above related to the construction of the 15 new independent living units as further described in Note 1.

## Bishop Gadsden Episcopal Retirement Community

Notes to Financial Statements

December 31, 2023 and 2022

### 7. Line of Credit

Bishop Gadsden has an unsecured \$5,000,000 revolving line of credit with Truist Bank with no set expiration. Borrowings under the line of credit bear interest at Secured Overnight Financing Rate (SOFR) plus 1.55% (6.93% and 5.89% as of December 31, 2023 and 2022, respectively). Interest is due and payable on a monthly basis. There were no borrowings on the line of credit as of December 31, 2023 or 2022.

### 8. Long-Term Debt

Long-term debt, net consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
South Carolina Jobs – Economic Development Authority Revenue Bonds Series 2023A	\$ 1,000	\$ -
South Carolina Jobs – Economic Development Authority Revenue Bonds Series 2023B	7,592,568	-
South Carolina Jobs - Economic Development Authority Revenue Bonds Series 2019A	50,555,000	50,555,000
South Carolina Jobs - Economic Development Authority Revenue Bonds Series 2019B	50,000,000	48,568,891
South Carolina Jobs - Economic Development Authority Refunding Revenue Bonds Series 2017	5,165,006	6,379,062
South Carolina Jobs - Economic Development Authority Refunding Revenue Bonds Series 2016	4,400,677	5,456,841
South Carolina Jobs - Economic Development Authority Revenue Bonds Series 2014	<u>17,039,002</u>	<u>18,723,155</u>
Total	134,753,253	129,682,949
Plus bond premium, net	4,956,243	5,073,804
Less unamortized debt issuance costs	<u>(2,135,588)</u>	<u>(1,765,001)</u>
	137,573,908	132,991,752
Less current portion	<u>(4,049,256)</u>	<u>(3,905,012)</u>
Total	<u>\$ 133,524,652</u>	<u>\$ 129,086,740</u>

In January 2023, the South Carolina Jobs - Economic Development Authority (the Authority) issued direct purchase bank revenue bonds, Series 2023A and Series 2023B (the Series 2023A and 2023B Bonds), to be advanced on a drawdown basis, which is not to exceed \$17,200,000 and \$12,000,000, respectively. The Series 2023A and 2023B Bonds were issued for the purpose of constructing and equipping an expansion of the community with 15 new independent living units. The Series 2023A and 2023B Bonds bear interest at 79% of the SOFR plus 1.185% (5.44% as of December 31, 2023). Interest on the Series 2023A and 2023B Bonds is payable monthly beginning February 1, 2023. Principal payments on the Series 2023B Bonds are to be paid from initial entrance fees of the 15 new independent living units and if not paid in full prior to such date, are set to mature on January 1, 2028. The Series 2023A are set to mature on January 1, 2053. The amount of interest capitalized was approximately \$144,000 in 2023 related to these bonds.

## Bishop Gadsden Episcopal Retirement Community

---

Notes to Financial Statements

December 31, 2023 and 2022

In December 2019, the Authority issued, at a premium, \$50,555,000 of tax-exempt bonds, Series 2019A, on behalf of Bishop Gadsden at a fixed interest rate ranging from 4.00% to 5.00%. Interest on the Series 2019A Bonds is payable semi-annually beginning April 1, 2020. Principal payments on the Series 2019A Bonds are to be paid annually beginning on April 1, 2028 with a final maturity on April 1, 2054. The bond premiums are being amortized over the life of the 2019A Bonds using the effective interest method.

In addition, in December 2019, the Authority issued tax-exempt, direct purchase bank revenue bonds, Series 2019B, to be advanced on a drawdown basis, which is not to exceed \$50,000,000. Interest is payable monthly on the drawn portion of the Series 2019B Bonds at a variable rate based on the SOFR plus 70 basis points (6.08% as of December 31, 2023). Principal payments on the Series 2019B Bonds are to be paid annually beginning on April 1, 2028 with a final maturity on April 1, 2046. The first drawdown on the Series 2019B occurred in June 30, 2021 and cumulative drawdown totaled \$50,000,000 and \$48,568,891 as of December 31, 2023 and 2022, respectively.

Proceeds from the Series 2019A and Series 2019B Bonds were deposited into a project fund, which was used to pay construction costs associated with a repositioning project; used to fund various debt service reserve, interest and liquidity accounts, as required by the bond documents; and used to fund transactions costs associated with the issuance of the Series 2019 Bonds. There was no interest capitalized in 2023 and approximately \$1,453,000 capitalized in 2022 related to these bonds. Amortization of such amounts commenced upon project completion.

On April 1, 2017, Bishop Gadsden issued a note to evidence its obligation to the Authority arising from the loan to Bishop Gadsden of the proceeds of the Economic Development Revenue Refunding Bonds (Bishop Gadsden Episcopal Retirement Community) Series 2017 (the Series 2017 Bonds) in the amount of \$12,015,486. The Series 2017 Bonds are payable in annual installments ranging from \$1,214,056 in April 2023 to \$1,339,247 in April 2027. Interest is payable semi-annually at an annual rate of 2.98%.

On July 1, 2016, Bishop Gadsden issued a note to evidence its obligation to the Authority arising from the loan to Bishop Gadsden of the proceeds of the Economic Development Refunding Revenue Bonds (Bishop Gadsden Episcopal Retirement Community) Series 2016 (the Series 2016 Bonds) in the amount of \$11,162,500. The Series 2016 Bonds are payable in annual installments ranging from \$1,058,114 in April 2023 to \$1,120,744 in April 2027. Interest is payable semi-annually at an annual rate of 2.34%.

On May 7, 2014, Bishop Gadsden issued a note to evidence its obligation to the Authority arising from the loan to Bishop Gadsden of the proceeds of the Economic Development Revenue Bonds (Bishop Gadsden Episcopal Retirement Community) Series 2014A (the Series 2014A Bonds) in the amount of \$27,100,000, Series 2014B (the Series 2014B Bonds) in the amount of \$16,051,346 and Series 2014C (the Series 2014C Bonds) in the amount of \$13,411,863, (collectively, the Series 2014 Bonds). The Series 2014A Bonds were repaid in full during 2016 with proceeds from initial entrance fee contracts related to the Quay project. The Series 2014B Bonds are payable in annual installments ranging from \$585,975 in April 2023 to \$959,802 in April 2039. Interest is payable semi-annually at an annual rate of 3.09%. Effective April 1, 2024, the Series 2014B Bonds were amended to adjust the interest rate to 79% of Term SOFR plus 1.422% and adjust the repayment terms to commence monthly principal and interest payments in May 2024. The Series 2014C Bonds are payable in annual installments ranging from \$1,096,228 in April 2023 to \$1,237,745 in April 2027. Interest is payable semi-annually at an annual rate of 3.04%.

The Bonds are secured by a first mortgage lien on and security interest in Bishop Gadsden's property and equipment and a security interest in Bishop Gadsden's gross revenues, as defined in the applicable agreements.

Interest expense as reported on the accompanying statements of operations includes approximately \$6,000 and \$43,000 related to deferred financing costs and bond premium net amortization for the years ended December 31, 2023 and 2022, respectively.

## Bishop Gadsden Episcopal Retirement Community

Notes to Financial Statements

December 31, 2023 and 2022

Scheduled principal repayments on bonds payable for the next five years and thereafter in the aggregate as of December 31, 2023, are as follows:

Years ending December 31:	
2024	\$ 4,049,256
2025	4,158,910
2026	4,261,980
2027	4,360,632
2028	2,768,965
Thereafter	<u>115,153,510</u>
Total	<u>\$ 134,753,253</u>

Bishop Gadsden is subject to certain financial covenants relating to the bonds payable. The covenants consist of a minimum debt service coverage ratio and a minimum liquidity requirement.

### Interest Rate Swap Agreements

In October 2019, Bishop Gadsden entered into an interest rate swap agreement on the 2019B Bonds which is scheduled to expire in October 2034. According to the terms of the swap agreement, if 81% of the SOFR plus 0.11448%, plus 0.7776% (the 2019B Swap Rate) (5.23% and 4.39% at December 31, 2023 and 2022, respectively) is less than the fixed rate of 2.11%, Bishop Gadsden must make a monthly payment to the counterparty to the agreement. Conversely, if the 2019B Swap Rate is more than the fixed rate, the counterparty to the swap agreement must make a monthly payment to Bishop Gadsden. The monthly payments are calculated by multiplying the notional amount (\$50,000,000 at December 31, 2023 and 2022) by the difference between the 2019B Swap Rate and the fixed rate.

In December 2022, Bishop Gadsden entered into an interest rate swap agreement on the Series 2023A Bonds which is scheduled to expire in October 2034. According to the terms of the swap agreement, if 79% of the Chicago Mercantile Exchange (CME) Term SOFR plus 1.185% (the 2023A Swap Rate) (5.38% at December 31, 2023) is less than the fixed rate of 3.88%, Bishop Gadsden must make a monthly payment to the counterparty to the agreement. Conversely, if the 2023A Swap Rate is more than the fixed rate, the counterparty to the swap agreement must make a monthly payment to Bishop Gadsden. The monthly payments are calculated by multiplying the notional amount (\$6,184,472 at December 31, 2023) by the difference between the 2023A Swap Rate and the fixed rate. The initial notional amount under the Swap Agreement was \$2,049,439 effective October 1, 2023 and increases each month to \$17,200,000 on October 1, 2024.

The fair value of the swap agreements are estimated to be the amount Bishop Gadsden would receive or pay to terminate the swap agreements. These amounts are classified as derivative financial instruments on the balance sheets.

Changes in the fair value of the derivative financial instruments are included in revenues in excess of (less than) expenses on the statements of operations since the agreements are not designated as a hedging instrument. The change in the fair value of the derivative financial instruments was (\$633,432) and \$7,431,612 in 2023 and 2022, respectively.

## Bishop Gadsden Episcopal Retirement Community

---

Notes to Financial Statements

December 31, 2023 and 2022

### 9. Net Assets With Donor Restrictions

Net asset presentation on the balance sheets with expanded disclosure for the amount and purpose of restrictions is as follows:

	<u>2023</u>	<u>2022</u>
Purpose restricted for operations	\$ 9,522,482	\$ 8,793,922
Restricted in perpetuity	<u>4,904,439</u>	<u>4,849,746</u>
Total	<u>\$ 14,426,921</u>	<u>\$ 13,643,668</u>

### 10. Endowment Funds

*Interpretation of Relevant Law* - The state of South Carolina adopted the South Carolina Prudent Management of Institutional Funds Act (the Act) effective May 29, 2008. The Board of Trustees of Bishop Gadsden has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Bishop Gadsden classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment restricted in perpetuity and (2) the original value of subsequent gifts to the endowment restricted in perpetuity.

The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as donor purpose restricted until those amounts are appropriated for expenditure by Bishop Gadsden in a manner consistent with the standard of prudence prescribed in the Act. In accordance with the Act, Bishop Gadsden considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- The duration and preservation of the fund
- The purposes of Bishop Gadsden and the endowment fund with donor restrictions
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Bishop Gadsden
- The investment policy of Bishop Gadsden

## Bishop Gadsden Episcopal Retirement Community

Notes to Financial Statements

December 31, 2023 and 2022

The following is the reconciliation of endowment net assets as of and for the years ended December 31, 2023 and 2022:

	<b>With Donor Restriction</b>		<b>Total</b>
	<b>Purpose Restricted</b>	<b>Restricted in Perpetuity</b>	
Endowed net assets, January 1, 2022	\$ 2,532,938	\$ 4,783,338	\$ 7,316,276
Investment income	85,172	-	85,172
Unrealized gains and losses on investments	(843,962)	-	(843,962)
Contributions	-	66,408	66,408
Releases from restrictions	(8,250)	-	(8,250)
Endowed net assets, December 31, 2022	1,765,898	4,849,746	6,615,644
Investment income	92,151	-	92,151
Unrealized gains and losses on investments	381,863	-	381,863
Contributions	-	54,693	54,693
Releases from restrictions	(817,038)	-	(817,038)
Endowed net assets, December 31, 2023	<u>\$ 1,422,874</u>	<u>\$ 4,904,439</u>	<u>\$ 6,327,313</u>

*Funds With Deficiencies* - It is Bishop Gadsden's policy to maintain the corpus amounts of each individual endowment fund with donor restrictions received. If the fair value of assets associated with individual donor-restricted endowment funds were to fall below the level that the donor or the Act requires, Bishop Gadsden is to maintain the corpus as a fund of perpetual duration, in accordance with U.S. GAAP. Deficiencies of this nature are reported in net assets without donor restrictions. There were no deficiencies as of December 31, 2023 and 2022.

*Return Objectives and Risk Parameters* - Bishop Gadsden has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets with donor-restricted funds that Bishop Gadsden must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

*Strategies Employed for Achieving Objectives* - To satisfy its long-term rate-of-return objectives, Bishop Gadsden relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management targets a diversified asset allocation that meets Bishop Gadsden's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

*Spending Policy and How the Investment Objectives Relate to Spending Policy* - Bishop Gadsden's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

## Bishop Gadsden Episcopal Retirement Community

Notes to Financial Statements

December 31, 2023 and 2022

### 11. Expenses by Both Nature and Function

Bishop Gadsden's expenses for resident services (including residential services, dietary, housekeeping and laundry, social services and plant operations), general and administrative (including general and administrative, marketing and information technology) and fundraising are as follows for the years ended December 31, 2023 and 2022:

	<b>2023</b>			
	<b>Resident Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 22,798,986	\$ 5,101,136	\$ 174,587	\$ 28,074,709
Employee benefits and payroll taxes	1,685,253	2,927,879	12,549	4,625,681
Supplies and other expenses	3,332,952	597,715	9,950	3,940,617
Healthcare service	-	285	-	285
Food	3,626,639	157,251	8,664	3,792,554
Repairs and maintenance	2,826,878	754,933	37,110	3,618,921
Utilities	2,602,321	-	-	2,602,321
Professional services	1,366,253	602,051	10,373	1,978,677
Advertising and marketing	-	317,733	6,352	324,085
Insurance	-	2,565,027	-	2,565,027
Depreciation	10,590,413	300,366	-	10,890,779
Interest	4,262,398	-	-	4,262,398
Total	<u>\$ 53,092,093</u>	<u>\$ 13,324,376</u>	<u>\$ 259,585</u>	<u>\$ 66,676,054</u>
	<b>2022</b>			
	<b>Resident Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 16,857,731	\$ 3,557,785	\$ 122,188	\$ 20,537,704
Employee benefits and payroll taxes	1,348,964	1,998,589	12,971	3,360,524
Supplies and other expenses	2,394,948	790,938	20,216	3,206,102
Healthcare service	-	3,453,192	-	3,453,192
Food	3,183,071	115,006	10,190	3,308,267
Repairs and maintenance	2,933,226	821,666	6,252	3,761,144
Utilities	1,774,884	-	-	1,774,884
Professional services	1,030,279	617,393	3,013	1,650,685
Advertising and marketing	-	307,542	2,615	310,157
Insurance	-	1,764,318	-	1,764,318
Depreciation	8,728,803	319,457	-	9,048,260
Interest	2,807,444	-	-	2,807,444
Total	<u>\$ 41,059,350</u>	<u>\$ 13,745,886</u>	<u>\$ 177,445</u>	<u>\$ 54,982,681</u>

## **Bishop Gadsden Episcopal Retirement Community**

---

Notes to Financial Statements  
December 31, 2023 and 2022

### **12. Retirement Plans**

#### **Pension**

Bishop Gadsden has a qualified defined contribution retirement plan in which employees are eligible after completing six months of eligible service and upon reaching age 18. The Plan excludes leased employees, nonresident aliens and employees covered by a collective bargaining agreement, if any. Employees are eligible for a safe harbor contribution equal to 100% of employee deferrals up to 2% of compensation plus an additional 50% safe harbor matching contribution of employee deferrals in excess of 2% of compensation not to exceed a maximum matching contribution of 4% of compensation. At Bishop Gadsden's discretion it may make a profit sharing contribution. No profit sharing contribution was made for the years ended December 31, 2023 and 2022. Bishop Gadsden contributions to the plan are approximately \$693,000 and \$538,000 for the years ended December 31, 2023 and 2022, respectively.

#### **457(b) Plan**

Bishop Gadsden has a 457(b) retirement plan eligible for select employees. Contributions of up to the maximum amount permitted under the Internal Revenue Code are made on behalf of the select employees.

### **13. Commitments and Contingencies**

Bishop Gadsden is subject to legal proceedings and claims which arise in the ordinary course of business. Bishop Gadsden maintains liability insurance coverage for claims made during the policy year. Under a claims-made policy, determination of coverage is triggered by the date the insured first becomes aware and notifies the insurer of a claim or potential claim. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations and administrative directives 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; however, the possible future effects of this matter on Bishop Gadsden, if any, are not determinable.