FSL, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

December 31, 2021 and 2020

Independent Auditors' Report

To the Board of Directors of
FSL, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of FSL, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 25 through 27 is presented for purposes of additional analysis of the consolidated financial statements and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
May 12, 2022

FSL, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 3,694,123	$ 2,556,836
Investments	53,146,337	45,991,734
Assets whose use is limited, current portion	7,348,587	14,185,180
Accounts receivable, net	3,510,850	3,127,707
Pledges receivable, current portion	115,000	100,000
Supplies and other current assets	1,319,690	2,186,202
Total current assets	69,134,587	68,147,659
Pledges Receivable	723,706	814,300
Noncurrent Assets Whose Use is Limited	3,091,357	4,169,155
Property and Equipment, Net	126,913,739	114,196,210
Long-Term Deposits	80,929	80,929
Total assets	$ 199,944,318	$ 187,408,253
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 3,215,429	$ 4,011,395
Accrued interest payable	1,854,226	1,883,526
Deferred grant revenue	31,716	4,147,700
Current portion of long-term debt	3,127,093	2,606,690
Total current liabilities	8,228,464	12,649,311
Refundable Waiting List Deposits	190,053	293,531
Refundable Advance Entrance Fees	28,644,090	18,502,904
Deferred Revenue From Advance Entrance Fees	16,605,193	16,924,515
Deferred Revenue for Renovations	736,496	854,335
Long-Term Debt, Net	91,472,452	93,578,892
Total liabilities	145,876,748	142,803,488
Net Assets		
Without donor restrictions	51,057,882	42,129,401
With donor restrictions	3,009,688	2,475,364
Total net assets	54,067,570	44,604,765
Total liabilities and net assets	$ 199,944,318	$ 187,408,253

See notes to consolidated financial statements

FSL, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Revenue:		
Resident services, including amortization of advance entrance fees of $7,050,855 in 2021 and $7,560,711 in 2020	$ 24,780,034	$ 24,747,889
Patient revenue from nonresidents	6,606,170	6,844,301
Home and community based services, including amortization of advance entrance fees of $99,384 in 2021 and $108,374 in 2020	8,632,812	8,543,042
Other revenues	5,220,845	4,434,435
Contributions	61,588	-
Investment Income	2,532,994	1,741,834
PPP loan forgiveness revenue	4,147,700	-
COVID-19 grant income	-	1,172,797
Net assets released from restrictions	42,562	140,374
Total revenue	52,024,705	47,624,672
Expenses:		
Salaries and benefits	23,640,793	24,373,378
Contracted services	5,970,996	5,344,965
Supplies and other	8,808,620	8,684,720
Interest and amortization, net	2,346,418	2,493,880
Depreciation	5,570,734	5,315,096
Provision for bad debt	390,281	186,245
Total expenses	46,727,842	46,398,284
Income from operations before accelerated depreciation	5,296,863	1,226,388
Accelerated Depreciation	140,141	1,124,243
Income from operations	5,156,722	102,145
Loss on Disposal of Property and Equipment	(104,604)	(147,133)
Net Change in Unrealized Gains on Investments	3,876,363	1,363,874
Excess of revenues over expenses and increase in net assets without donor restrictions	8,928,481	1,318,886
Net Assets With Donor Restrictions		
Contributions	576,886	1,243,497
Investment loss, net	-	(109,677)
Net change in unrealized losses on investments	-	(105,277)
Net assets released from restriction	(42,562)	(140,374)
Increase in net assets with donor restrictions	534,324	888,169
Increase in net assets	9,462,805	2,207,055
Net Assets, Beginning	44,604,765	42,397,710
Net Assets, Ending	$ 54,067,570	$ 44,604,765

See notes to consolidated financial statements

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	$ 9,462,805	$ 2,207,055
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Cash received from advance entrance fees and waiting list deposits, net	11,874,833	7,380,587
Amortization of advance entrance fees	(7,150,239)	(7,669,085)
Amortization of deferred revenue for renovations	(117,839)	(117,839)
Amortization of deferred financing costs	51,443	51,674
Amortization of bond premium	(392,507)	(412,000)
Loss on disposal of property and equipment	104,604	147,133
Contributions restricted for long-term purposes	-	(814,300)
Depreciation	5,710,875	6,439,339
Net change in unrealized gain on investments	(3,876,363)	(1,258,597)
Changes in operating assets and liabilities:		
Accounts receivable	(383,143)	1,080,213
Pledges receivable	(24,406)	(100,000)
Supplies and other current assets	866,512	(927,720)
Accounts payable and accrued expenses	(795,966)	342,718
Accrued interest payable	(29,300)	1,770,403
Deferred grant revenue	(4,115,984)	4,147,700
Net cash provided by operating activities	11,185,325	12,267,281
Cash Flows From Investing Activities		
Net purchases of investments and assets whose use is limited	(3,780,657)	(3,060,772)
Acquisition of property and equipment	(18,192,605)	(20,525,360)
Net cash used in investing activities	(21,973,262)	(23,586,132)
Cash Flows From Financing Activities		
Proceeds received for renovations	-	393,415
Pledge payments received	100,000	-
Cash received from refundable advance entrance fees	4,993,792	1,936,143
Principal payments of long-term debt	(1,585,376)	(116,778)
Net cash used in financing activities	3,508,416	2,212,780
Net decrease in cash and cash equivalents and restricted cash and cash equivalents	(7,279,521)	(9,106,071)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	19,047,898	28,153,969
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 11,768,377	$ 19,047,898
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	$ 3,694,123	$ 2,556,836
Under trust indenture	7,348,587	16,185,394
Wait list and entrance fee deposits	358,617	182,265
Assets with donor restrictions	367,050	123,403
Total cash and cash equivalents and restricted cash and cash equivalents	$ 11,768,377	$ 19,047,898
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 2,716,544	$ 2,009,093
Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	$ 1,363,516	$ 1,023,113
Forgiveness of Paycheck Protection Program loan	$ 4,147,700	$ -

See notes to consolidated financial statements

1. Organization and Summary of Significant Accounting Policies

FSL, Inc. d/b/a Fellowship Senior Living, Inc. (FSL) was formed in September 2021 for the purpose of providing care to aging and elderly through wholly owned subsidiary corporations of various senior living housing, services and programs, home and community based services, and ancillary services related thereto. The following organizations are wholly owned subsidiaries of FSL:

- Fellowship Village, Inc. (FV), formerly known as Fellowship Senior Living, Inc. through September 2021 and a subsidiary of FSL, is a tax-exempt, not-for-profit organization, which operates a continuing care retirement community in Basking Ridge, New Jersey, consisting of 257 residential homes, a community building and a health center consisting of 54 long-term care beds, 64 assisted living beds, 17 memory care beds, a rehabilitation and wellness center and a medical center. FV commenced operations on May 1, 1996.

- Fellowship Foundation, Inc. (the Foundation) was incorporated under the provisions of the New Jersey Nonprofit Corporation Act as a tax-exempt, not-for-profit organization. The Foundation has one member, Fellowship Village, Inc. The Foundation was formed to plan and oversee charitable fundraising development-related programs and activities for FV. In conjunction with operations beginning in 2020, FV contributed assets whose use is limited of $1,496,359. For the year ending December 31, 2021, FV paid for expenses on behalf of the Foundation in the amount of $146,614, which included salaries and benefits, contracted services and supplies and other.

On December 9, 2021, FSL signed an asset purchase agreement with Friends Home at Woodstown, Inc. (Friends Home), a continuing care retirement community in Woodstown, NJ, wherein Friends Home has agreed to transfer substantially all assets and liabilities to FSL. The transaction is anticipated to close during 2022, subject to regulatory and bondholder approvals. Additionally, Friends Home signed a management agreement with FSL which became effective on January 25, 2022 to engage FSL as the sole and exclusive manager of the daily operations of Friends Home.

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidation of the individual financial statements of FV and the Foundation (collectively referred to as the Organization). FSL has legal control over FV and the Foundation. Inter-organization transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity 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 as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For the purpose of the consolidated balance sheets and consolidated statements of cash flows, cash and cash equivalents and restricted cash and cash equivalents consist of cash balances and investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable

Accounts receivable include receivables for residential and health care services. FSL 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 revenue for changes in resident credit worthiness. The allowances are estimated based on general factors such as payor mix, aging of the receivables and historical collection experience. Accounts are written off through bad debt expense when FSL has exhausted all collection efforts and accounts are deemed impaired.

Investments and Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under bond indenture agreements; waiting list and entrance fee deposits held in escrow and assets with donor restrictions.

Marketable securities included within investments and assets whose use is limited are recorded at fair value. The fair value of these investments is determined by reference to quoted market prices.

Alternative investments consist of investments in marketable hedging instruments and limited partnership interests. The marketable hedging instruments are recorded at fair value. The fair value of these investments is determined by reference to quoted market prices. The limited partnership interest investments are reported in the accompanying consolidated balance sheets based upon net asset values derived from the application of the equity method of accounting. Generally, net asset value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. Individual investment holdings of the limited partnerships may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of the nonmarketable securities are determined by the investment managers or general partner of the funds. These values may be based on historical cost, appraisals or other estimates that require varying degrees of judgment. The investments may indirectly expose FSL to securities lending, short sales of securities and trading in futures and forward contracts, options and other derivative products. FSL's risk is limited to its carrying value of the limited partnerships. Such investments are subject to notification periods to divest ranging from 1 to 30 days. The financial statements of the investees are audited annually by independent auditors, although the timing for reporting the results of such audits may not coincide with the Organization's annual consolidated financial statement reporting.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in excess of revenue over expenses unless the income is restricted by donor or law.

Supplies

Supplies are carried at the lower of cost or net realizable value. Cost is defined by using the first-in, first-out method of accounting.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets (ranging from 3 to 40 years) or the term of the related lease.

Deferred Financing Costs

Deferred financing costs are costs incurred to obtain financings. Deferred financing costs are amortized using the effective interest method over the terms of the indebtedness.

Refundable Advance Entrance Fees

Refundable advance entrance fees consist of deposits received from prospective residents who have entered into a Residency and Care Agreement. Advance entrance fees received prior to occupancy (generally 10 percent of the total advance entrance fees) are accounted for as partially refundable deposits in accordance with the terms of the Residency and Care Agreement. These deposit amounts are held in escrow and interest earned is deducted from the remaining advance entrance fees payment (generally 90 percent of the total advance entrance fees) which is payable upon occupancy. The advance entrance fee deposits are refundable to the residents upon termination of the residency agreement and prior to establishing residency. After residency is established and after a 90 day probationary period, the fees are refundable to the residents according to the terms of the specific contract.

FV offers residents either a 90 percent refund plan or a traditional refund plan. Under the 90 percent refund plan 90 percent of the entrance fee is refundable subject to reoccupancy. Under the traditional refund plan refunds are due on a declining basis ranging from 2 percent to 4 percent per month.

Deferred Revenue From Advance Entrance Fees

Fees paid by a resident upon entering into a continuing care contract, net of the portion that is refundable to the resident, are recorded as deferred revenue from advance entrance fees and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

Obligation to Provide Future Services

FV calculates, every two years, the present value (using a discount rate of 5.0 percent) 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 advance entrance fees. At December 31, 2021 and 2020, deferred revenue from advance entrance fees exceeded the present value of the net cost of future services as determined. Therefore, an additional liability for an obligation to provide future services and use of facilities was not required.

Deferred Revenue for Renovations

Deferred revenue for renovations relates to funds advanced for renovations. The unamortized balance is amortized into revenue over the applicable contract terms.

Pledges Receivable

The Organization records unconditional pledges at the time the promise is received. Pledges to be received after one year are discounted using the U.S. Treasury rate for the applicable period. Amortization of the discount is recorded as additional contribution revenue.

Net Assets

Net assets, revenue, 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 - 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 revenue 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.

Net Service Revenues

Net service revenues is reported at the amount that reflects the consideration FV 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. Net service revenues are recognized as performance obligations are satisfied.

Payment terms and conditions for FV's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net service revenues for recurring and routine monthly services are generally billed monthly in advance. Net service revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Entrance fees collected from residents in advance are recognized as deferred revenue from advance entrance fees until the performance obligations are satisfied and are included in deferred revenue from entrance fees in the accompanying consolidated balance sheets. FV recognized amortization income of $7,150,239 and $7,669,085 in 2021 and 2020, respectively. FV applies the practical expedient in Accounting Standards Codification (ASC) No. 606 and, therefore, does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable advance entrance fees in the accompanying consolidated balance sheets.

For residents with Type B contracts, revenue from advance entrance fees other than refundable advance entrance fees received are recognized through amortization using the straight-line method over annually adjusted estimated life expectancies of the residents, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents.

Net service revenues is primarily comprised of the following revenue streams:

Independent Living: Independent living revenue is primarily derived from providing housing and personal care services to residents at a stated monthly fee. FV has determined that the services included in the monthly service fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, independent living monthly fees are recognized on a month-to-month basis.

Skilled Nursing: Skilled nursing revenue is primarily derived from providing nursing services to residents at a stated daily fee, net of any explicit and implicit price concessions. FV has determined that skilled nursing services are considered one performance obligation which is satisfied over time as services are provided. Therefore, skilled nursing revenue is recognized on a daily basis as services are rendered.

Assisted Living: Assisted living revenue is primarily derived from providing housing and personal care services to residents at a stated monthly fee. FV has determined that the services included in the monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided. Therefore, assisted living and personal care revenue is recognized on a month-to-month basis.

Home and Community Based Services: Home and community based services revenue is primarily derived from providing both on-site and at home care to patients and residents at a stated fee, net of any explicit and implicit price concessions. FV has determined that Home and community based services are considered one performance obligation, which is satisfied over time as services are provided. Therefore, home community based service revenue is recognized as performance obligations are satisfied, typically on an hourly or daily basis.

FV receives revenue for services under third-party payor programs, including Medicare, Medicaid for Hospice services 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. FV 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.

Performance Indicator

The consolidated statements of operations and changes in net assets include the excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the excess of revenue over expenses, 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).

Transactions deemed by management to be ongoing, major or central to the provision of residential and health care services are reported within income from operations.

General and Professional Liability

The Organization maintains claims made based professional and general liability coverage through a commercial insurance carrier.

Income Taxes

FSL, FV and the Foundation are not-for-profit corporations as described under Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on its exempt income under Section 501(a) of the IRC. FSL, FV and the Foundation are also exempt from state and local income taxes under similar statutes. The Organization accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met.

Reclassification of Prior Year Amounts

Certain amounts from the prior year have been reclassified to conform to the current year presentation and did not affect changes in net assets or total net assets.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through May 12, 2022, the date the consolidated financial statements were issued.

2. Investments and Assets Whose Use is Limited

Investments consist of the following at December 31:

	2021	2020
Cash and money market funds	$ 4,455,150	$ 2,455,601
Equities	27,716,247	25,522,500
Fixed income	14,410,148	13,241,714
Alternative investments	6,564,792	4,771,919
Total	$ 53,146,337	$ 45,991,734

Assets whose use is limited consist of the following:

	2021	2020
Bond indenture agreements, held by trustees:		
Cash and cash equivalents	$ 7,348,587	$ 16,185,394
Total	7,348,587	16,185,394
Waiting list and entrance fee deposits:		
Cash and cash equivalents	358,909	182,560
Equities	263,673	283,620
Fixed income	21,442	22,390
Total	644,024	488,570
Assets with donor restrictions:		
Cash and cash equivalents	371,050	127,522
Equities	1,590,594	1,101,614
Fixed income	485,689	451,235
Total	2,447,333	1,680,371
Total assets whose use is limited	10,439,944	18,354,335
Less assets whose use is limited, current portion	7,348,587	14,185,180
Noncurrent assets whose use is limited	$ 3,091,357	$ 4,169,155

Assets held by trustees under bond indenture agreements, are maintained for the following purposes at December 31:

	2021	2020
Project fund	$ 3,848,814	$ 12,836,687
Principal fund	-	1,465,000
Interest fund	1,854,329	1,883,707
Sinking fund	1,645,444	-
Total	$ 7,348,587	$ 16,185,394

Investment income, net of investment fees, included in investment income and other revenue consists of the following for the years ended December 31:

	2021	2020
Interest and dividend income	$ 1,844,471	$ 1,498,607
Investment fees	(9,810)	(17,562)
Net realized gains	698,333	260,789
Total	$ 2,532,994	$ 1,741,834

3. Liquidity and Availability of Resources

As of December 31, 2021 and 2020, the Organization has financial assets available for general expenditure within one year of the consolidated balance sheet dates, consisting of the following:

	2021	2020
Cash and cash equivalents	$ 3,694,123	$ 2,556,836
Accounts receivable, net	3,510,850	3,127,707
Assets whose use is limited	276,351	119,307
Investments	53,146,337	45,991,734
Total	$ 60,627,661	$ 51,795,584

The Organization has investments which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. The Organization has other assets limited to use held by trustee under bond indenture agreements. Additionally, certain other debt service funds are designated for long-term purposes. These investments, which are more fully described in Note 2, are not available for general expenditure within the next year and are not reflected in the amounts above.

The Organization designated a portion of its investments "reserved" to comply with state and lender liquid reserve requirements. Although the Organization does not intend to utilize the required liquid reserves for general expenditures as part of its annual budget and approval process, amounts designated for state and lender required liquid reserves could be made available as necessary.

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. As of December 31, 2021, FSL has unrestricted cash and investments to cover 516 days of operating expenses. The Organization's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

4. Pledges Receivable, Net

Pledges receivable include all unconditional promises to give. Pledges are recorded at the present value of their expected future cash flows, net of reserve for doubtful accounts. The discount rate was 0.9 percent.

Pledges receivable at December 31, 2021 and 2020 are as follows:

	2021	2020
Due within one year	$ 115,000	$ 100,000
Due between one and five years	410,000	400,000
Due in more than five years	400,000	500,000
Total pledges	925,000	1,000,000
Less discount to present value	(86,294)	(85,700)
Pledges receivable, net	$ 838,706	$ 914,300

5. Fair Value Measurements

The Organization measures its investments, assets whose use is limited and derivative financial instruments at fair value on a recurring basis in accordance with U.S. GAAP.

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

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to FSL 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 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 following tables present the financial instruments carried at fair value as of December 31, 2021 and 2020 by caption on the consolidated balance sheets and within the valuation hierarchy levels defined above:

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Reported at Fair Value				
Assets without donor restrictions:				
Investments:				
Equities:				
Common stock	$ 19,527,074	$ -	$ -	$ 19,527,074
Structured products	3,316,330	-	-	3,316,330
Closed end funds and exchange traded products	2,233,895	-	-	2,233,895
Mutual funds	1,599,324	-	-	1,599,324
Other equity investments	333,040	-	-	333,040
Unit investment trusts	706,584	-	-	706,584
Total equities	27,716,247	-	-	27,716,247
Fixed income:				
Corporate bonds and notes	-	8,588,143	-	8,588,143
Preferred securities	-	667,715	-	667,715
Municipal securities	-	713,307	-	713,307
Closed end funds and exchange traded products	2,710,060	-	-	2,710,060
Structured products	-	400	-	400
Mutual funds	1,730,523	-	-	1,730,523
Total fixed income	4,440,583	9,969,565	-	14,410,148
Nontraditional:				
Mutual funds	338,445	-	-	338,445
Other investments	-	773,230	-	773,230
Total nontraditional	338,445	773,230	-	1,111,675
Total assets without donor restrictions in the fair value hierarchy	$ 32,495,275	$ 10,742,795	$ -	43,238,070
Cash and cash equivalents				4,455,150
Investments measured at net asset value (a)				5,453,117
Total investments				$ 53,146,337

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments.

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets whose use is limited:				
Equities:				
Common stock	$ 1,146,487	$ -	$ -	$ 1,146,487
Closed end funds and exchange traded products	398,035	-	-	398,035
Other equity investments	58,212	-	-	58,212
Unit investment trusts	110,883	-	-	110,883
Mutual funds	140,650	-	-	140,650
Total equities	1,854,267	-	-	1,854,267
Fixed income:				
Corporate bonds and notes	-	349,797	-	349,797
Closed end funds and exchange traded products	125,440	-	-	125,440
Mutual funds	31,894	-	-	31,894
Total fixed income	157,334	349,797	-	507,131
Total assets whose use is limited	$ 2,011,601	$ 349,797	$ -	2,361,398
Cash and cash equivalents				8,078,546
Total				$ 10,439,944

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Reported at Fair Value				
Assets without donor restrictions:				
Investments:				
Equities:				
Common stock	$ 19,072,477	$ -	$ -	$ 19,072,477
Structured products	3,055,754	-	-	3,055,754
Closed end funds and exchange traded products	1,910,666	-	-	1,910,666
Mutual funds	491,963	-	-	491,963
Other equity investments	702,001	-	-	702,001
Unit investment trusts	289,639	-	-	289,639
Total equities	25,522,500	-	-	25,522,500
Fixed income:				
Corporate bonds and notes	-	8,130,407	-	8,130,407
Preferred securities	-	208,062	-	208,062
Municipal securities	-	1,272,818	-	1,272,818
Closed end funds and exchange traded products	2,148,986	-	-	2,148,986
Mutual funds	1,481,441	-	-	1,481,441
Total fixed income	3,630,427	9,611,287	-	13,241,714
Nontraditional:				
Mutual funds	313,664	-		313,664
Other investments	-	415,150	-	415,150
Total nontraditional	313,664	415,150	-	728,814
Total assets without donor restrictions in the fair value hierarchy	$ 29,466,591	$ 10,026,437	$ -	39,493,028
Cash and cash equivalents				2,455,601
Investments measured at net asset value (a)				4,043,105
Total investments				$ 45,991,734

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value is presented to reconcile to total investments.

	Assets at Fair Value as of December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets whose use is limited:				
Equities:				
Common stock	$ 960,481	$ -	$ -	$ 960,481
Structured products	31,250	-	-	31,250
Closed end funds and exchange traded products	327,980	-	-	327,980
Mutual funds	65,523	-	-	65,523
Total equities	1,385,234	-	-	1,385,234
Fixed income:				
Corporate bonds and notes	-	329,809	-	329,809
Closed end funds and exchange traded products	78,236	-	-	78,236
Mutual funds	65,580	-	-	65,580
Total fixed income	143,816	329,809	-	473,625
Total assets whose use is limited	$ 1,529,050	$ 329,809	$ -	1,858,859
Cash and cash equivalents				16,495,476
Total				$ 18,354,335

The following is a description of the valuation methodologies used for assets measured at fair value and for financial instruments disclosed at fair value. There have been no changes in methodologies used at December 31, 2021 and 2020:

Mutual funds, equities, unit investment trusts, closed end funds and exchange traded funds are valued at fair value based on quoted market prices which are considered Level 1 inputs.

Corporate bonds and notes, preferred securities and municipal securities, are valued using quoted market prices of similar securities, which are considered Level 2 inputs.

The nontraditional investments are comprised of limited partnerships that invest primarily in securities that are traded in active markets. Remaining commitments for nontraditional investments were $653,615 as of December 31, 2021.

Certain investments are measured at net asset value as a practical expedient. The investments have monthly redemption notices from one to fifteen days.

	2021 Fair Value	2020 Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Nineteen77 Global Merger Arbitrage LTD (a)	$ 904,731	$ 869,155	Monthly	15 days
AlphaKeys Rise Fund (b)	627,747	431,896	Daily	None
ARES Hi Income CR OPP Fund II ((Cayman) LP (c)	594,432	519,673	Daily	None
CIBUS Eleanor Fund LP (d)	914,969	550,949	Daily	None
Stepstone Tactical Growth Fund II Offshore LP (e)	545,661	282,941	Daily	None
MAN-AHL (f)	755,880	679,839	Monthly	10 days
Grant Park Global I (g)	390,556	360,310	Monthly	None
Other investments valued at NAV	719,141	349,342	Various	Various

(a) Pursues a merger arbitrage strategy, seeking to invest primarily in securities of entities involved in announced mergers, acquisitions, or contests for control (including by shorting such securities); however, the fund may make investments in entities involved in other types of restructuring or corporate events when, in the investment managers opinion, attractive opportunities exist.

(b) Invests in early and growth stage businesses that have an articulable and measurable positive social impact inherent in their operations.

(c) Invests exclusively in collateralized loan obligation securities. The fund actively manages the assets and seeks to deliver low-mid-teens net returns to investors over an anticipated horizon of 4 to 6 years. Strategy returns include a targeted annual dividend of approximately 10 percent, subject to available income.

(d) Invests in start up and early stage food companies.

(e) Invests in venture capital and growth equity opportunities primarily in small capital efficient companies.

(f) Seeks high to medium-term capital growth, independent of the movement of the stock and bond markets, through speculative trading, directly and indirectly, of physical commodities, future contracts spot and forward contracts, swaps and options on the foregoing, exchanges of futures for physical transactions and other investments on domestic and international exchange and markets.

(g) The fund is a multi-advisor commodity pool organized to pool assets of investors for the purpose of trading in the U.S. and international spot and derivatives markets for currencies, interest rates, stock indices, agriculture and energy products, precious and base metals and other commodities.

6. Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Land	$ 6,838,577	$ 6,400,000
Land improvements	1,478,260	1,145,422
Buildings	151,201,522	146,325,544
Furnishings and equipment	28,520,197	27,670,744
	188,038,556	181,541,710
Less accumulated depreciation and amortization	86,764,145	81,526,031
	101,274,411	100,015,679
Construction in progress	25,639,328	14,180,531
Total	$ 126,913,739	$ 114,196,210

Interest costs capitalized were $1,021,206 and $925,028 during 2021 and 2020, respectively.

During 2017, FV commenced a new construction and renovation project (the Project). Payments to the general contractor are approved by the financial institutions managing the bond proceeds. A construction retainage of 10 percent is withheld as payment from each requisition and is payable to the general contractor upon completion of each phase of the project. This retainage is recorded as a long-term liability and is also included in construction in progress. As of December 31, 2021 and 2020, the retainage payable is $1,363,516 and $1,023,113, respectively. At December 31, 2021, the cost to complete the project was approximately $3,600,000 (exclusive of retainage payable) and will be funded by the remaining project funds including interest earned.

FV has recorded accelerated depreciation on fixed assets that are being replaced and/or renovated as part of the new construction phase of the Project. Assets with a remaining net book value as of April 19, 2017, the commencement of construction, are being depreciated over the expected duration of the project, 36 months. Due to project delays, the duration of the project will extend an additional 18 months and, therefore, remaining accelerated depreciation in subsequent periods will be adjusted to coincide with the revised schedule. For the years ended December 31, 2021 and 2020, the portion of depreciation expense that is classified as accelerated is $140,141 and $1,124,243, respectively.

7. Long-Term Debt

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

	2021	2020
Series 2019AB Public Finance Authority (the Authority), Revenue and Refunding Bonds due in varying installments through 2052 plus interest ranging from 4.000% - 5.000%. The Bonds are collateralized by a mortgage, the assignment of leases and rent and a security agreement	$ 87,040,000	$ 88,505,000
Construction retainage payable	1,363,516	1,023,113
Note payable, vendor (interest free)	744,480	864,856
Total debt	89,147,996	90,392,969
Unamortized bond premium	7,002,250	7,394,757
Less current portion	(3,127,093)	(2,606,690)
Less deferred financing costs	(1,550,701)	(1,602,144)
Total	$ 91,472,452	$ 93,578,892

On December 19, 2019, the Authority issued on behalf of FV, $88,805,000 of public bonds, Series 2019AB (the Series 2019 Bonds). The net proceeds were used by FV as follows: (a) advance refund of all of the outstanding Series 2013 A bonds in the amount of $32,027,666 and 2013 Series B bonds in the amount of $33,513,092; (b) financing for Phase III of the health center expansion and renovation project; (c) pay associated costs with the issuance of the Series 2019 Bonds, including the termination of related rate swap agreement; and (d) recover a portion of equity contributions as specified under the 2013 Series A agreement for Phases I and II. Under the terms of the 2019 bonds, FV is subject to various covenants, which include the achievement of certain pre-established financial indicators.

Approximate principal payments on long-term debt for the next five years follow for the years ending December 31:

	Note Payable	2019 Bonds	Construction Retainage	Total
2022	$ 118,577	$ 1,645,000	$ 1,363,516	$ 3,127,093
2023	118,577	1,710,000	-	1,828,577
2024	118,577	1,780,000	-	1,898,577
2025	118,577	1,850,000	-	1,968,577
2026	118,577	1,925,000	-	2,043,577
Thereafter	151,595	78,130,000	-	78,281,595
Total	$ 744,480	$ 87,040,000	$ 1,363,516	$ 89,147,996

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2021	2020
Health and medical fund	$ 73,283	$ 32,720
Fellowship promise fund	407,432	232,825
Team member fund	42,487	24,800
Life enrichment fund	1,625,180	1,270,719
Theater endowment fund	22,600	-
Pledges receivable	838,706	914,300
Total	$ 3,009,688	$ 2,475,364

9. Functional Expenses

The Organization provides residential, health care and home and community based services to residents and other patients within its geographic location. The consolidated financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other costs, are allocated to general and administrative. Other costs relating to specific functions, including plant operations and maintenance, grounds and security are allocated based on statistics related to total meals served. For the years ended December 31, 2021 and 2020, expenses relating to providing these services are approximately as follows:

	2021				
	Resident Services	Health Care Services	Home and Community Based Services	General and Administrative	Total
Salaries and benefits	$ 2,364,450	$ 8,521,541	$ 7,598,800	$ 5,156,002	$ 23,640,793
Contracted services	2,412,959	2,344,248	266,468	947,321	5,970,996
Supplies and other	2,391,187	2,041,616	514,857	3,860,960	8,808,620
Depreciation	-	-	-	5,710,875	5,710,875
Interest and amortization, net	-	-	-	2,346,418	2,346,418
Provision for bad debt	-	-	-	390,281	390,281
Total	$ 7,168,596	$ 12,907,405	$ 8,380,125	$ 18,411,857	$ 46,867,983

	2020				
	Resident Services	Health Care Services	Home and Community Based Services	General and Administrative	Total
Salaries and benefits	$ 1,830,800	$ 8,759,891	$ 7,915,184	$ 5,867,503	$ 24,373,378
Contracted services	2,373,975	2,141,425	129,113	700,452	5,344,965
Supplies and other	2,170,899	2,405,121	439,881	3,668,819	8,684,720
Depreciation	-	-	-	6,439,339	6,439,339
Interest and amortization, net	-	-	-	2,493,880	2,493,880
Provision for bad debt	-	-	-	186,245	186,245
Total	$ 6,375,674	$ 13,306,437	$ 8,484,178	$ 19,356,238	$ 47,522,527

10. Net Service Revenues

FV 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. Net resident service fees revenue consist of the following for the years ended December 31, 2021 and 2020:

	2021				
	Independent Living	Assisted Living	Skilled Nursing	Home Community Based Services	Total
Lifecare	$ 20,917,204	$ 2,297,000	$ 1,007,897	$ -	$ 24,222,101
Private pay	-	3,189,125	1,917,254	6,816,699	11,923,078
Medicare and other	-	-	2,057,724	1,816,113	3,873,837
Total	$ 20,917,204	$ 5,486,125	$ 4,982,875	$ 8,632,812	$ 40,019,016

	2020				
	Independent Living	Assisted Living	Skilled Nursing	Home Community Based Services	Total
Lifecare	$ 21,087,694	$ 2,340,964	$ 832,671	$ -	$ 24,261,329
Private pay	-	2,724,016	2,808,903	7,257,177	12,790,096
Medicare and other	-	-	1,797,942	1,285,865	3,083,807
Total	$ 21,087,694	$ 5,064,980	$ 5,439,516	$ 8,543,042	$ 40,135,232

Other revenues of $5,282,433 during 2021 and $4,434,435 during 2020, are primarily comprised of therapy, medical group and other ancillary services. Revenues are recognized on a daily or monthly basis as services are rendered.

FV has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the principal payment arrangements with the third-party payors follows:

Medicare and other: Skilled nursing and ancillary services provided by Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors and the reimbursement methodology is subject to various limitations and adjustments. Reimbursement for therapy services is provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges.

Services related to hospice beneficiaries are paid based on a published fee schedule and subject to an annual cap per patient. These rates may vary depending on the period of time a patient is receiving services as well as the level of intensity of services.

The Corporation has also entered into payment arrangements with certain managed care and commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes predetermined contractual rates, discounts from established charges and retrospectively determined daily rates.

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 FV's clinical assessment of its residents. FV is required to clinically assess its resident at predetermined intervals during the resident's stay which are subject to review and adjustment by the respective program.

FV also entered into payment agreements with certain commercial insurance carriers and others. The basis for payment under these agreements includes prospectively determined rates per day or discounts from established charges.

11. Contingencies

New Jersey Liquid Reserves

FV is regulated by the New Jersey Department of Community Affairs (DCA) pursuant to the Continuing Care Retirement Community Regulation and Financial Disclosures Act (the Act). The Act requires, among other things, that FSL establish an escrow account into which substantially all advance entrance fees must be deposited until certain conditions are satisfied and, upon issuance of a certificate of authority by the DCA, FV must establish and maintain liquid reserves which generally are equal to 15 percent of the projected operating expenses (excluding depreciation) related to contract residents. FV has complied with those requirements at December 31, 2021 and 2020.

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 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 has continued 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.

COVID-19

As a result of the spread of the COVID-19 coronavirus during 2021, economic uncertainties have arisen as of the date of the consolidated financial statements. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the impact on the residents and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

12. Retirement Plan

FV sponsors a 401(k) defined contribution plan (the Plan). Under the Plan, FV makes annual matching contributions to the Plan of 100 percent of the first 1 percent plus 50.0 percent of the next 5.0 percent of compensation that a participant contributes to the Plan not to exceed 3.5 percent of compensation, as defined by the Plan. Employees are eligible to participate in the Plan upon completion of at least 1,000 hours of service. Employees become 100.0 percent vested in employee contributions immediately upon their participation. The employer matching contributions are subject to a five-year vesting schedule. Pension expense for FV under the Plan was approximately $385,000 and $392,000 for the years ended December 31, 2021 and 2020, respectively.

13. Concentrations

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts.

FV grants credit without collateral to its residents, primarily related to providing residential and healthcare related services.

14. Government Funding and Revenue Related to COVID-19 Pandemic

FV has received emergency financial assistance under several federal and state government sponsored programs. Revenue from federal Provider Relief Funds include amounts received from federal funding sources related to the COVID-19 pandemic. FV accounts for this funding in accordance with the FASB ASC No. 958-605 guidance for conditional contributions and, accordingly, revenue is measured and recognized when barriers are substantially met, which occurs when FV complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Funds to provide financial support for certain healthcare providers. FV received approximately $1.12 million in 2020 related to this funding which was included in investment income and other revenue, net, in the consolidated statement of operations and changes in net assets. In accordance with the terms and conditions, FV applied the funding against eligible expenses.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Provider Relief Funds payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these consolidated financial statements were issued. In addition, it is unknown whether there will be further developments in regulatory guidance.

15. Paycheck Protection Program

On April 20, 2020, the Organization received proceeds in the amount of $4,147,700 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act and is administered through the Small Business Administration (SBA). The PPP provided loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintained its payroll levels and used the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during 2021. Legal release was received during June of 2021, therefore, the Organization recorded other revenue of $4,147,700 within its statement of operations for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

FSL, Inc. and Subsidiaries

Schedule I - Consolidating Balance Sheet
December 31, 2021

	Fellowship Village, Inc.	Fellowship Foundation, Inc.	Elimination	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 3,655,417	$ 38,706	$ -	$ 3,694,123
Investments	53,146,337	-	-	53,146,337
Assets whose use is limited, current portion	7,348,587	-	-	7,348,587
Accounts receivable, net	3,510,850	-	-	3,510,850
Pledges receivable, current portion		115,000	-	115,000
Due from related party	17,443	-	(17,443)	-
Supplies and other current assets	1,315,697	3,993	-	1,319,690
Interest in net assets of Fellowship Foundation, Inc.	3,292,295	-	(3,292,295)	-
Total current assets	72,286,626	157,699	(3,309,738)	69,134,587
Pledges Receivable	-	723,706	-	723,706
Noncurrent Assets Whose Use is Limited	644,024	2,447,333	-	3,091,357
Property and Equipment, Net	126,913,739	-	-	126,913,739
Long-Term Deposits	80,929	-	-	80,929
Total assets	$ 199,925,318	$ 3,328,738	$ (3,309,738)	$ 199,944,318
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$ 3,196,429	$ 19,000	$ -	$ 3,215,429
Accrued interest payable	1,854,226	-	-	1,854,226
Due to related party	-	17,443	(17,443)	-
Deferred grant revenue	31,716	-	-	31,716
Current portion of long-term debt	3,127,093	-	-	3,127,093
Total current liabilities	8,209,464	36,443	(17,443)	8,228,464
Refundable Waiting List Deposits	190,053	-	-	190,053
Refundable Advance Entrance Fees	28,644,090	-	-	28,644,090
Deferred Revenue From Advance Entrance Fees	16,605,193	-	-	16,605,193
Deferred Revenue for Renovations	736,496	-	-	736,496
Long-Term Debt, Net	91,472,452	-	-	91,472,452
Total liabilities	145,857,748	36,443	(17,443)	145,876,748
Net Assets				
Without donor restrictions	50,775,275	282,607	-	51,057,882
With donor restrictions	3,292,295	3,009,688	(3,292,295)	3,009,688
Total net assets	54,067,570	3,292,295	(3,292,295)	54,067,570
Total liabilities and net assets	$ 199,925,318	$ 3,328,738	$ (3,309,738)	$ 199,944,318

FSL, Inc. and Subsidiaries

Schedule II - Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2021

	Fellowship Village, Inc.	Fellowship Foundation, Inc.	Eliminations	Total
Net Assets Without Donor Restrictions				
Revenue:				
Resident services, including amortization of advance entrance fees of $7,050,855	$ 24,780,034	$ -	$ -	$ 24,780,034
Patient revenue from nonresidents	6,606,170	-	-	6,606,170
Home and community based services, including amortization of advance entrance fees of $99,384	8,632,812	-	-	8,632,812
Other revenues	5,220,845	-	-	5,220,845
Contributions	-	61,588		61,588
Investment Income	2,481,161	51,833	-	2,532,994
PPP loan forgiveness revenue	4,147,700	-	-	4,147,700
Net assets released from restrictions	-	42,562	-	42,562
Total revenue	51,868,722	155,983	-	52,024,705
Expenses:				
Salaries and benefits	23,467,471	173,322	-	23,640,793
Contracted services	5,948,442	22,554	-	5,970,996
Supplies and other	8,646,807	161,813	-	8,808,620
Interest and amortization, net	2,346,418	-	-	2,346,418
Depreciation	5,570,734	-	-	5,570,734
Provision for bad debt	390,281	-	-	390,281
Total expenses	46,370,153	357,689	-	46,727,842
Income (loss) from operations before accelerated depreciation	5,498,569	(201,706)	-	5,296,863
Accelerated Depreciation	140,141	-	-	140,141
Income (loss) from operations	5,358,428	(201,706)	-	5,156,722
Loss on Disposal of Property and Equipment	(104,604)	-	-	(104,604)
Net Change in Unrealized Gains on Investments	3,658,478	217,885	-	3,876,363
Excess of revenue over expenses	8,912,302	16,179	-	8,928,481
Equity Transfer	(146,614)	146,614	-	-
Increase in net assets without donor restrictions	8,765,688	162,793	-	8,928,481
Net Assets With Donor Restrictions				
Gross contributions	-	576,886	-	576,886
Investment loss, net	-	-	-	-
Net change in unrealized losses on investments	-	-	-	-
Net assets released from restriction	-	(42,562)	-	(42,562)
Change in interest of net assets of Fellowship Foundation, Inc.	697,117	-	(697,117)	-
Increase in net assets with donor restrictions	697,117	534,324	(697,117)	534,324
Increase in net assets	9,462,805	697,117	(697,117)	9,462,805
Net Assets, Beginning	44,604,765	2,595,178	(2,595,178)	44,604,765
Net Assets, Ending	$ 54,067,570	$ 3,292,295	$ (3,292,295)	$ 54,067,570

FSL, Inc. and Subsidiaries

Schedule III - Consolidating Statement of Cash Flows
Year Ended December 31, 2021

	Fellowship Village, Inc.	Fellowship Foundation, Inc.	Eliminations	Total
Cash Flows From Operating Activities				
Increase in net assets	$ 9,462,805	$ 697,117	$ (697,117)	$ 9,462,805
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Cash received from advance entrance fees and waiting list deposits, net	11,874,833	-	-	11,874,833
Amortization of advance fees	(7,150,239)	-	-	(7,150,239)
Amortization of deferred revenue for renovations	(117,839)	-	-	(117,839)
Amortization of deferred financing costs	51,443	-	-	51,443
Amortization of bond premium	(392,507)	-	-	(392,507)
Loss on disposal of property and equipment	104,604	-	-	104,604
Contributions restricted for long-term purposes	-	-	-	-
Depreciation	5,710,875	-	-	5,710,875
Net change in unrealized gains on investments	(3,658,478)	(217,885)	-	(3,876,363)
Net change in interest in Fellowship Foundation, Inc.	(697,117)	-	697,117	-
Changes in operating assets and liabilities:				
Accounts receivable	(383,143)	-	-	(383,143)
Pledges receivable	-	(24,406)	-	(24,406)
Due to (from) related party	(8,980)	8,980	-	-
Supplies and other current assets	870,505	(3,993)	-	866,512
Accounts payable and accrued expenses	(797,966)	2,000	-	(795,966)
Accrued interest payable	(29,300)	-	-	(29,300)
Deferred grant revenue	(4,115,984)	-	-	(4,115,984)
Net cash provided by operating activities	10,723,512	461,813	-	11,185,325
Cash Flows From Investing Activities				
Net purchases of investments and assets whose use is limited	(3,475,227)	(305,430)	-	(3,780,657)
Acquisition of property and equipment	(18,192,605)	-	-	(18,192,605)
Net cash used in investing activities	(21,667,832)	(305,430)	-	(21,973,262)
Cash Flows From Financing Activities				
Pledge payments received	-	100,000	-	100,000
Cash received from refundable advance entrance fees	4,993,792	-	-	4,993,792
Principal payments on long-term debt	(1,585,376)	-	-	(1,585,376)
Net cash used in financing activities	3,408,416	100,000	-	3,508,416
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(7,535,904)	256,383	-	(7,279,521)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	18,898,525	149,373	-	19,047,898
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 11,362,621	$ 405,756	$ -	$ 11,768,377
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents				
Cash and cash equivalents	$ 3,655,417	$ 38,706	$ -	$ 3,694,123
Under trust indenture	7,348,587	-	-	7,348,587
Wait list and entrance fee deposits	358,617	-	-	358,617
Assets with donor restrictions	-	367,050	-	367,050
Total cash and cash equivalents and restricted cash and cash equivalents	$ 11,362,621	$ 405,756	$ -	$ 11,768,377
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest, net of amounts capitalized	$ 2,716,544	$ -	$ -	$ 2,716,544