JULIETTE FOWLER COMMUNITIES, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENT
AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors
Juliette Fowler Communities, Inc. and Affiliates
Dallas, Texas

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Juliette Fowler Communities, Inc. and Affiliates, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statement of operations, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Juliette Fowler Communities, Inc. and Affiliates as of December 31, 2022, and the results of their operations, changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Juliette Fowler Communities, Inc. and Affiliates 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 consolidated 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 Juliette Fowler Communities, Inc. and Affiliates' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Board of Directors
Juliette Fowler Communities, Inc. and Affiliates

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 Juliette Fowler Communities, Inc. and Affiliates' 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 Juliette Fowler Communities, Inc. and Affiliates' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Dallas, Texas
August 17, 2023

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,891,908
Resident Accounts Receivable	492,691
Pledges Receivable	291,219
Other Receivables	1,317,666
Prepaid Expenses	196,365
Total Current Assets	4,189,849
INVESTMENTS	30,470,432
RESTRICTED DEPOSITS	2,680,215
PROPERTY AND EQUIPMENT, NET	47,535,850
OTHER ASSETS	
Pledges Receivable, Long-Term	54,899
Beneficial Interest in Perpetual Trusts	2,575,140
Split-Interest Agreements	839,280
Mineral Interests	9,691,719
Investment in Real Estate	36,719
Investment in Risk Retention Group	671,849
Total Other Assets	13,869,606
Total Assets	$ 98,745,952

See accompanying Notes to Consolidated Financial Statements.

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATED BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current Maturities of Long-term Debt	$ 206,118
Accounts Payable	291,927
Accrued Expenses	579,437
Total Current Liabilities	1,077,482
OTHER LIABILITIES	
Long-term Debt, Net of Current Maturities	14,117,490
Tenant Deposits	85,441
Resident Funds Held in Trust	2,270
Total Other Liabilities	14,205,201
Total Liabilities	15,282,683
NET ASSETS	
Without Donor Restrictions:	
Undesignated	64,452,679
Undesignated: Limited Partnership - Noncontrolling interest	9,811,943
Board Designated	905,461
Total Without Donor Restrictions	75,170,083
With Donor Restrictions:	
Purpose Restrictions	3,146,039
Time Restrictions	3,414,420
Purpose and Time Restrictions	54,899
Perpetual Funds	1,677,828
Total With Donor Restrictions	8,293,186
Total Net Assets	83,463,269
Total Liabilities and Net Assets	$ 98,745,952

See accompanying Notes to Consolidated Financial Statements.

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

REVENUES	
Resident Services Revenues	$ 7,473,136
Rental Revenue	3,211,422
Individual and Foundation Donations	1,170,618
Other Income	921,247
Net Assets Released from Restrictions	270,521
Total Revenues	13,046,944
EXPENSES	
Health Care and Rehabilitation	3,438,901
Assisted Living	2,292,309
Independent Living	1,190,631
Foster and Youth Programs	79,107
Affordable Housing	2,094,417
General and Administrative	3,376,751
Fundraising	608,635
Interest Expense	399,523
Bad Debt Expense	2,860
Depreciation Expense	2,110,369
Expenditures of Specific Donations	114,826
Total Expenses	15,708,329
OPERATING LOSS	(2,661,385)
NONOPERATING INCOME	
Net Investment Income	4,702,414
Loss on Sale of Property and Equipment	(66,725)
Total Nonoperating Income	4,635,689
EXCESS OF REVENUES OVER EXPENSES	$ 1,974,304

See accompanying Notes to Consolidated Financial Statements.

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

EXCESS OF REVENUES OVER EXPENSES	$ 1,974,304
NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE	
Individual and Foundation Donations	54,371
NET ASSETS WITH DONOR RESTRICTIONS - TIME	
Change in Beneficial Interest in Perpetual Trusts and Split Interest Agreements	(798,021)
NET ASSETS WITH DONOR RESTRICTIONS - TIME AND PURPOSE	
Net Assets Released from Restrictions	(270,521)
CHANGE IN NET ASSETS - CONTROLLING INTEREST	$ 960,133

NET ASSETS - BEGINNING OF YEAR	$ 75,420,070
Change in Net Assets - Controlling Interest	960,133
Contributions - Noncontrolling Interest	7,083,066
NET ASSETS - END OF YEAR	$ 83,463,269

See accompanying Notes to Consolidated Financial Statements.

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services								
	Health Care and Rehabilitation	Assisted Living	Independent Living	Foster and Youth Programs	Affordable Housing	Total Program Expenses	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES									
Wages, Taxes and Benefits	$ 1,725,285	$ 1,638,100	$ 479,285	$ -	$ 911,629	$ 4,754,299	$ 2,284,200	$ 349,803	$ 7,388,302
Other Operating Expenses	856,723	42,140	211,258	32,494	328,179	1,470,794	503,573	153,906	2,128,273
Outside Services	599,701	162,381	28,168	-	-	790,250	296,906	76,057	1,163,213
Repairs and Maintenance	142,916	251,776	205,947	45,827	591,573	1,238,039	(106,043)	26,905	1,158,901
Utilities	49,535	134,185	248,888	(89)	263,036	695,555	159,709	(43)	855,221
Insurance	63,133	62,470	15,410	875	-	141,888	235,942	18	377,848
Travel and Training	1,608	1,257	1,675	-	-	4,540	2,464	1,989	8,993
Total Compensation and Related Expenses	3,438,901	2,292,309	1,190,631	79,107	2,094,417	9,095,365	3,376,751	608,635	13,080,751
OTHER EXPENSES									
Interest	-	-	-	-	399,523	399,523	-	-	399,523
Bad Debt Expense	(126,613)	-	-	-	129,473	(126,613)	-	-	2,860
Depreciation Expense	544,225	544,225	204,087	68,028	749,804	2,110,369	-	-	2,110,369
Expenditures of Specific Donations	57,413	-	51,672	5,741	-	114,826	-	-	114,826
Total Other Expenses	475,025	544,225	255,759	73,769	1,278,800	2,498,105	-	-	2,627,578
Total Expenses	$ 3,913,926	$ 2,836,534	$ 1,446,390	$ 152,876	$ 3,373,217	$ 11,593,470	$ 3,376,751	$ 608,635	$ 15,708,329

See accompanying Notes to Consolidated Financial Statements.

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 960,133
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	2,110,369
Bad Debt Expense	2,860
Unrealized and Realized Loss on Investments	4,187,006
Increase in Mineral Interests	(4,822,110)
Change in Assets - (Increase) Decrease:	
Resident Accounts Receivables	557,264
Related Party Receivables	1,996,139
Pledges Receivable	322,395
Other Receivables	(1,276,715)
Prepaid Expenses	(126,947)
Change in Liabilities - Increase (Decrease):	
Accounts Payable	(563,197)
Accrued Expenses	133,728
Resident Funds Held in Trust	(1,149)
Tenant Security Deposits	(2,594,774)
Net Cash Provided by Operating Activities	885,002
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for Property, Equipment, and Construction in Progress	(17,221,378)
Purchase of Investments	(4,535,356)
Change in Beneficial Interest in Perpetual Trusts	628,889
Change in Split-Interest Agreements	169,132
Change in Investment in Risk Retention Group	(60,599)
Net Cash Used by Investing Activities	(21,019,312)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Capital Contribution	16,978,224
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(3,156,086)
Cash and Cash Equivalents And Restricted Cash - Beginning of Year	5,047,994
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 1,891,908
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	$ 359,173
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES	
Proceeds on mortgage payable used to purchase property and equipment	$ 6,636,677

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of Juliette Fowler Communities, Inc. and Affiliates, is to provide dignity of choice, build community, and create beneficial connections for children, youth, and elders. Juliette Fowler Communities, is the primary beneficiary of its affiliates, all located in Dallas, Texas and consists of the following:

Juliette Fowler Communities, Inc. (JFC)

Juliette Fowler Communities, Inc., formerly Juliette Fowler Communities, Inc. prior to 2018, is an operating nonprofit corporation with approximately 130 employees working on the 16-acre campus in Dallas, Texas. JFC provides residential care as a 30-bed skilled and intermediate care nursing facility, a 20-unit assisted living memory care facility, a 40-unit assisted living facility, and a 54-unit independent living facility.

Juliette Fowler Properties, Inc. (JFP)

Juliette Fowler Properties, Inc. is a nonprofit corporation that holds and manages all buildings and real estate on and off the 16-acre campus. JFP collects rent from JFC.

Juliette Fowler Foundation (JFF)

Juliette Fowler Foundation is a nonprofit corporation that manages investments and the mineral and royalty interests. This corporation also handles the investment assets, including stocks and bonds, and makes distributions in the form of grants to JFC and JFP for operating needs.

Juliette Fowler Senior Affordable Housing LP (JFSAH)

Juliette Fowler Senior Affordable Housing LP is a for-profit limited partnership that provides affordable housing to low-income persons. The general partner of JFSAH is JFC.

Fowler Christian Apartments

FCA was organized for the purpose of providing homes for persons who have limited income and are at least 62 years of age, and for persons at least 18 years of age and in need of barrier-free housing or assisted living services. The Project is regulated by the U.S. Department of Housing and Urban Development (HUD).

JFC is the primary beneficiary of the related nonprofit corporations. The consolidated entities are related institutions of the Christian Church (Disciples of Christ) in the United States and Canada, and are so listed in its yearbook under the heading Christian Church (Disciples of Christ) in the Southwest.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

These consolidated financial statements include accounts of JFC, JFP, JFF, JFSAH, and FCAs (collectively referred to as the Organization). All intercompany activity has been eliminated upon consolidation.

Use of Estimates

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

Income Taxes

JFC, JFF, and FCA's have been granted exempt status relative to federal and state income taxes under Section 501(c)(3), and JFP is a 501(c)(2) of the Internal Revenue Code and applicable state codes, and are exempt from federal income taxes under the IRS group ruling #1125 issued to the General Assembly of the Christian Church in July 1951. JFC and JFF have been classified as organizations that are not private foundations under Section 509(a). JFSAH is not a tax paying entity, thus, no provision for income taxes has been recorded in the consolidated financial statements. All tax effects of JFSA is pass through to the partners.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization reports any activities that are subject to tax on unrelated business income or excise or other taxes and files all proper returns related to these activities.

Basis of Accounting

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 – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, board-designated net assets. At December 31, 2022, the governing board has designated $905,461 of net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Net Assets With Donor Restrictions – Include 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. At December 31, 2022, donor-imposed restrictions were perpetual in nature of $1,677,828. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. Management reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Cash and Cash Equivalents

For the purposes of these consolidated statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less as cash equivalents. For each of the year ended December 31, 2022, there were no payments made for interest and taxes.

Concentration of Credit Risk

The Organization maintains the majority of its cash balances in two financial institutions. At various times throughout the year ended December 31, 2022, the Organization may have had balances in excess of the federally insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced credit losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by the Organization and the investment committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization. Management does not believe the solvency of the financial institution is of concern.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Accounts Receivable

The Organization provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Residents participate in a financial verification process before moving into the Organization, however, residents are not required to provide collateral for services rendered. As a result, 100% collection is not always guaranteed. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts past due more than 90 days are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on historical experience of the Organization. When all collection efforts have been exhausted, the account is written off against the related allowance.

Pledges Receivable

Pledges receivable are unconditional promises to give that are expected to be collected within one year at net realizable value and are included as other receivables in the consolidated balance sheets. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of operations and changes in net assets. The allowance for uncollectable pledges is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance was determined necessary for year ended December 31, 2022.

Investments and Investment Income

Net investment income (loss) is reported in the consolidated statements of operations and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, oil and gas royalties, and change in value of mineral interests, less external and internal investment expenses. Net investment income, along with changes in beneficial interest in perpetual trusts and split-interest agreements and loss on sale of property and equipment, is reported as nonoperating activity in the consolidated statements of operations and changes in net assets.

Donated investments are reported at estimated fair value at the date of receipt. Funds are classified as with donor restrictions or without donor restrictions in accordance with the wishes of the donor. The general policy of the Organization is to preserve the corpus of funds in which the donor has imposed perpetual restrictions.

Investment income (expenses) and investment gains (losses) are added to or (subtracted from) all funds unless otherwise instructed by the donor. In the event that such allocations would reduce the balance of any perpetually donor restricted fund below the corpus, such allocation would instead be applied to funds without donor restrictions. Three investment firms manage all significant investments.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost or fair market value at time of the donation. Depreciation is provided for on the straight-line method over the estimated useful lives of the respective assets.

Estimated useful lives used in computing depreciation for consolidated financial statement purposes are as follows:

Buildings and Improvements	5 to 40 Years
Automobiles	4 to 5 Years
Furniture and Equipment	3 to 20 Years

Costs of repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed when incurred. It is the Organization’s policy to capitalize property and equipment over $5,000. Additionally, building improvements over $7,500 are capitalized.

Impairment of Long-Lived Assets

The Organization reviews its property and equipment periodically to determine potential impairment. If determined that the carrying value exceeds the fair market value, an impairment loss is recognized. There was no property and equipment impairment as of December 31, 2022.

Beneficial Interest in Perpetual Trusts and Split-Interest Agreements

The Organization has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of operations and changes in net assets, and a beneficial interest in perpetual trust is recorded in the consolidated balance sheets at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts’ assets in the consolidated balance sheets, with trust distributions and changes in fair value recognized in the consolidated statements of operations and changes in net assets.

Over the years, the Organization has also received, as contributions, various types of split-interest agreements for which the Organization is not the Trustee of the assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Perpetual Trusts and Split-Interest Agreements (Continued)

The fair value of the contribution is measured at the present value of the estimated future cash receipts from the trust's assets, and that value may generally be measured by the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the assets contributed to the trust differs from the present value of the expected future cash flows. Distributions from the trust are reported as investment income that increases the appropriate net asset class. Adjustments to the amount reported as an asset, based on periodic review, are recognized as unrealized gains or losses on beneficial interest in perpetual trusts in net assets with donor restrictions. The discount rates and actuarial assumptions used in calculating present values have been based on IRS guidelines and actuarial tables. Pursuant to FASB ASC 958, *"Financial Statements of Not-for-Profit Entities,"* split-interest agreements held by others, net of expected cash flows, are revalued to fair value at each year-end using a current risk-free rate of return. For 2022, the discount rate utilized was 1.78%.

Mineral Interests

Mineral interests are carried at estimated fair value and as of December 31, 2022 are based on 36 months of undiscounted income based on the most recent 12-month income history as adjusted to remove unusual fluctuations. Unrealized gains and losses are calculated at the estimated current fair value at the end of the year less estimated current fair value at the beginning of the year. Investment income consists of mineral interest royalties net of related expenses.

Investment in Communities of Faith Risk Retention Group

The Organization is a subscriber in the "Communities of Faith Risk Retention Group" (the CFRRG), a voluntary reciprocal association captive insurer organized and existing under the laws of South Carolina, for the purposes of the reciprocal exchange of private contracts of insurance, reinsurance, or indemnity among its subscribers. The CFRRG subscribers include a select group of Texas nonprofit retirement communities and continuing care retirement communities with similar low rates of liability claims. Entrance into the captive required a capital contribution of approximately $75,000. The investment is accounted for by the equity method and is included on the consolidated balance sheets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization follows the *Fair Value Measurements* accounting standard. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurements. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Investments valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

The Organization also adopted the policy of valuing certain financial instruments at fair value. The accounting policy allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value, however, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Tenant Security Deposits

The Project holds in trust, security deposits advanced by the tenants of the Project. The Project accrues simple interest on the deposits from the date of receipt in accordance with statutory requirements for security deposits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The nature of operations of the Organization is to provide residential care to seniors requiring aid for health care and rehabilitation, assisted living, independent living, and foster and youth programs. The Organization, through its faith based foundation, serves children, youth and elders. Older adults live in various settings which include independent living, assisted living, memory care, and skilled nursing and rehabilitation. Children are served through foster care, adoption services and young women at risk for homelessness who have experienced abuse, neglect or abandonment. The Organization has presented these services as four programs on the statements of functional expenses.

The costs of providing program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among program services and supporting services benefited, which includes management and general and fundraising expenses. Such allocations are determined by management on an equitable basis. The consolidated financial statements report certain categories of expenses that are attributed to more than one category or function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include:

1. Insurance, maintenance, utilities, depreciation, and property taxes, which are allocated based upon square footage of the buildings;
2. Purchased services and professional fees, which are allocated on a full time equivalent;
3. All other expenses presented on the consolidated statements of functional expenses, including salaries and wages, employee benefits, and general and administrative expenses, are allocated on the basis of estimates of time and effort.

Resident Services Revenue

Resident services revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors prior or when the services are performed. Revenue is recognized as performance obligations are satisfied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time, generally resident services, is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Organization considers daily services provided to residents of the skilled nursing facility, and monthly rental for housing services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Organization does not believe it is required to provide additional goods or services related to that sale.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s policy and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The Organization participates in the Medicaid program that is administered by the Texas Health and Human Services Commission. Skilled nursing centers that participate in the Medicaid program in the state of Texas are reimbursed based upon prospective rates. The Organization is required to file an annual Medicaid cost report which is subject to audit by the Texas Health and Human Services Commission. Adjustments to the report may prospectively affect payment rates.

Medicare

The Company received reimbursement for the care of certain patients under the federally sponsored Medicare Reimbursement System which uses a patient driven payment model (PDPM). PDPM uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident’s length of stay. SNFs must complete the resident assessments according to a specific time schedule designed for Medicare payment. SNFs that do not comply with this requirement will be paid at a default payment (the lowest of the federal rates) for the days of a patient’s care for which the SNF is not in compliance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined daily rates.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a chance in an implicit price concession impacting transaction price were not significant in 2022.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent charges to the estimate of the transaction price are generally recorded as adjustments to resident services revenue in the period of the change. Additionally revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the year ended December 31, 2022. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, resident) have different reimbursement/payment methodologies
- Length of the resident's service/episode of care
- Geography of the service location
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service (skilled nursing, assisted living, independent living, home health, etc.)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

For the year ended December 31, 2022, the Organization recognized revenue of $7,473,136 from goods and services that transfer to the customer over time. The opening and closing contract balances were as follows:

	Accounts Receivable
Balance as of January 1, 2022	$ 1,052,815
Balance as of December 31, 2022	492,691

Grants Given To Others

Grants made, including unconditional promises to give, are recognized as expenses in the period made at their fair values. Conditional promises to give are recognized when they become unconditional, that is, when conditions are substantially met. Grants are generally unconditional and recognized as expenses of the Foundation in the period made or approved.

Donated Services / In-kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2022.

Performance Indicator

The statement of operations and changes in net assets includes the excess of revenue over expenses, known as the performance indicator. Changes in net assets without donor restriction, which would be excluded from the performance indicator, are contributions of long-lived assets including assets acquired using contributions which by donor restriction were to be used for purposes of acquiring such assets and net asset transfers between related parties.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

As a result of the adoption of the new lease accounting guidance, the Organization does not have a lease material to the consolidated financial statements.

Subsequent Events

The Organization has evaluated subsequent events through August 17, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY OF CASH

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated balance sheet date, comprise the following:

Cash and Cash Equivalents	$ 1,891,908
Accounts Receivable	492,691
Pledges Receivable	291,219
Other Receivables	1,317,666
Investments - Unrestricted	25,646,565
Total Assets Available for General Expenditure	$ 29,640,049

NOTE 2 LIQUIDITY AND AVAILABILITY OF CASH (CONTINUED)

The Organization, as part of its liquidity plan, puts its excess cash into its investments. Investments include money market funds, equity securities, bond securities and mutual funds, which have been invested based upon projected cash needs. The beneficial interests and split interest agreements are not included in financial assets since it is part of the agreements perpetual restrictions. Therefore, only the amount expected to be distributed in the next year is added to the financial assets. Mineral interests and other long term assets are intended to be long term investments, and any distributions are based upon net cash flow and cannot be easily predicted.

JFC's program revenue from health care and rehab, assisted living, and independent living cover their ongoing expenditures as they relate to those particular programs to meet expected cash needs. The foster and youth programs are supported by donations with and without restrictions. Any specific purpose expenditures are only spent if funds have been received. General expenditures include supporting services which are expected to be paid in the subsequent year.

JFF's executive committee meets quarterly, and required by its by-laws to meet annually, to review and approve grant requests for JFC and JFP. Due to this timing, JFF strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31:

Resident Accounts Receivable	$ 522,691
Less: Allowance for Doubtful Accounts	(30,000)
Accounts Receivable, Net	$ 492,691

The percentages of accounts receivable from residents and third-party payors as of December 31 consisted of the following:

Medicare	34%
Medicaid	17%
Private Pay, Insurance, and Other	49%
Total	100%

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of as of December 31:

Net Amounts Due In:		
Less Than One Year	$	291,219
One to Five Years		54,899
Pledges Receivable, Net	$	346,118

Pledges receivable to be received in the next fiscal period are recorded as current assets in on the consolidated balance sheet.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of as of December 31:

Land	$	2,323,486
Building and Improvements		60,842,581
Furniture and Equipment		2,476,749
Automobiles		176,402
Construction in Progress		14,761,800
Total Property and Equipment		80,581,018
Less: Accumulated Depreciation		(33,045,168)
Property and Equipment, Net	$	47,535,850

Depreciation expense for the year ended December 31, 2022 was $2,110,369.

Construction in progress includes JFSAH's construction of The Peak, a 144 apartment community designed for residents 62 years old or greater. Total budgeted construction costs are approximately $17 million, funded through a mortgage (See Note 7) and contributions from the general and limited partners. Construction was completed in March 2023 with a construction costs totaling about $21 million.

NOTE 6 INVESTMENTS

Investments are classified as trading securities and are stated at fair value. Investments are invested in the following at December 31:

Cash and Cash Equivalents	$ 2,044,014
Equity Securities	24,921,359
Fixed Income	3,060,427
Pooled Investment Funds	444,632
Total Investments	$ 30,470,432

Investment income consisted of the following at December 31:

Interest and Dividends	$ 671,010
Oil and Gas Royalties	3,746,745
Change in Value of Mineral Interests	4,821,374
Realized Gains	926,935
Unrealized Losses	(5,113,941)
Total Investment Income	5,052,123
Less: Investment Fees	(349,709)
Net Investment Income	$ 4,702,414

Investments had the following restrictions at December 31:

Unrestricted Investments	$ 25,646,565
Investments with Purpose Donor Restrictions	3,146,039
Investments with Perpetual Donor Restrictions	1,677,828
Total	$ 30,470,432

NOTE 7 LONG-TERM DEBT

The following is a reconciliation of the long-term debt at December 31:

Mortgage Payable (1)	$ 8,335,139
HUD Term Note (2)	6,143,446
Total	14,478,585
Less: Current Portion	(206,118)
Less: Debt Issuance Cost, Net	(154,977)
Long-Term Debt, Net	$ 14,117,490

(1) On June 22, 2021, JFSAH, entered into a mortgage agreement with Mason Joseph Company, Inc. for $8,645,000 with an interest rate of 3.2%. Interest only payments are due until February 1, 2023. Beginning March 1, 2023, payments, including interest, of $31,952 until the earlier of the unpaid balance is paid in full or February 1, 2063. The note is secured by real property. The balance at December 31, 2022 is $8,335,139. As of December 31, 2022, accrued interest was $22,227.

(2) During the year ended December 31, 2018, the Organization entered into a $6,650,000 term note with Lancaster Pollard Mortgage Company, LLC. The note is payable in 420 equal monthly installments of $27,638, including interest, beginning March 1, 2018. The principal balance bears interest at a rate of 3.54% and the note is scheduled to mature February 1, 2053. In the event of prepayment of any of the outstanding principal balance, the Organization is required to pay a prepayment premium equal to a percentage (determined based on the time of the prepayment) of the outstanding note balance. In accordance with the executed regulatory agreement and promissory note, the Organization is required to make monthly insurance, mortgage insurance premium, and replacement reserve deposits. In conjunction with the refinancing, the Organization incurred debt issuance costs, which are presented net of the associated debt. For the year ended December 31, 2022, interest expense on the mortgage totaled $228,150, including $8,843 of noncash debt issuance cost amortization. The balance at December 31, 2022 is $6,143,446. As of December 31, 2022, accrued interest was $18,123.

The carrying basis and accumulated amortization of debt issuance costs was composed of the following at December 31:

Debt Issuance Cost	$ 199,920
Less: Accumulated Amortization	(44,943)
Debt Issuance Costs, Net	$ 154,977

NOTE 7 LONG-TERM DEBT (CONTINUED)

Principal repayments on the long-term debt in each of the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2023	$ 206,118
2024	231,521
2025	239,461
2026	247,674
2027	256,169
Thereafter	13,297,642
Total	$ 14,478,585

Estimated future amortization of the deferred debt issuance costs is as follows:

Year Ending December 31,	Amount
2023	$ 8,680
2024	8,511
2025	8,336
2026	8,155
2027	7,967
Thereafter	113,328
Total	$ 154,977

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to Expenditure for Specific Purpose:	
Youth Resident Care	$ 3,036,596
Special Purpose	21,672
Scholarships for Employees	87,771
Total Subject to Expenditure for Specific Purpose	3,146,039
Subject to Expenditure of Time:	
Beneficial Interest in Perpetual Trusts	2,575,140
Split-Interest Agreements	839,280
Total Subject to Expenditure of Time	3,414,420
Subject to Expenditure of Purpose and Time:	
Pledges Receivable for Frame the Future, Long-Term	54,899
Subject to Perpetual Restriction:	
Aged Resident Care	824,669
Scholarships for Employees	30,535
Care of Garden and Landscaping	38,150
No Specified Purpose	759,474
FCA Restricted Funds	25,000
Total Subject to Perpetual Restriction	1,677,828
Total Net Assets with Donor Restrictions	$ 8,293,186

Net assets subject to perpetual restriction consist of endowment funds restricted by donors for investment in perpetuity. Earnings on endowment funds are available for purposes specified by the donors, or in certain cases, for unrestricted use by the Organization. The perpetually restricted net assets balances, classified by restriction on the use of earnings, are identified above at December 31, 2022.

For the year ended December 31, 2022, net assets of $270,521 was released from restrictions for the satisfaction of purpose restrictions.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds the board has designated for specific use, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of JFF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

As a result of this interpretation, JFF classifies as perpetually restricted assets:

1. The original value of the gift, if known. If the original value cannot be determined, the value in the books and records as of January 1, 2008 is used; and
2. The original value of subsequent gifts to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as subject to expenditure for specific purposes until those amounts are appropriated for expenditure by JFF in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, JFF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of JFF and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of JFF; and
7. The investment policies of JFF.

JFF has adopted investment and spending policies for endowment assets, the objective of which is to preserve and enhance the purchasing power of assets held for the benefit of the Organization while providing a stream of income to provide necessary financial support for those entities as needed.

In order to achieve this objective, JFF selects one or more investment advisors and instructs those advisors as to the proper allocation of the assets under their individual management.

In general, assets are allocated among stocks, exchange traded funds, bonds, and cash or cash equivalents.

JFF has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, JFF considered the long-term expected return on its endowment. This is consistent with JFF’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowment net asset compositions by type of fund were as follows as of December 31:

	With Donor Restrictions	Without Donor Restrictions	Total
Balance - December 31, 2021	$ 1,414,883	$ 394,393	$ 1,809,276
Contributions	262,945	511,068	774,013
Interest and Dividends	315,944	96,620	412,564
Appropriations	(315,944)	(96,620)	(412,564)
Balance - December 31, 2022	$ 1,677,828	$ 905,461	$ 2,583,289

Limited Partnership – Noncontrolling interest

Limited Partnership – Noncontrolling interest represents the limited partner's share of equity in JFSAH. The limited partner for JFSAH is NEF Assignment Corporation (NEF).

Change in consolidated net assets without donor restriction is as follows:

	Controlling Interest	Noncontrolling Interest	Total
Balance - December 31, 2021	$ 63,408,836	$ 2,728,877	$ 66,137,713
Change in Net Assets Without Donor Restriction	1,974,304	-	1,974,304
Net Assets Acquired through Change in Control	(25,000)	-	(25,000)
Capital Contributions	-	7,083,066	7,083,066
Balance - December 31, 2022	$ 65,358,140	$ 9,811,943	$ 75,170,083

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 2,044,014	$ -	$ -	$ 2,044,014
Equity Securities	24,921,359	-	-	24,921,359
Debt Securities	-	3,060,427	-	3,060,427
Pooled Investment Funds	-	-	444,632	444,632
Beneficial Interest in Perpetual Trusts	-	-	2,575,140	2,575,140
Split-Interest Agreements	-	-	839,280	839,280
Mineral Interests	-	-	9,691,719	9,691,719
Real Estate	-	-	36,719	36,719
Investment in Risk Retention Group	-	-	671,849	671,849
Total	$ 26,965,373	$ 3,060,427	$ 14,259,339	$ 44,285,139

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents changes in assets measured at fair value using Level 3 inputs on a recurring basis for the year ended December 31, 2022:

	Pooled Investment Funds	Beneficial Interest in Perpetual Trusts	Split Interest Agreements	Mineral Rights	Real Estate	Investment in Risk Retention Group
Balance- December 31, 2021	$ 545,724	$ 3,204,029	$ 1,008,412	$ 4,869,609	$ 36,719	$ 611,250
Change in Value	(120,369)	(628,889)	(169,132)	4,822,110	-	60,599
Net Investment Earnings	19,277	-	-	-	-	-
Balance- December 31, 2022	$ 444,632	$ 2,575,140	$ 839,280	$ 9,691,719	$ 36,719	$ 671,849

Trading Securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets. Securities valued using Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

The Organization's beneficial interest in assets held by others and the split-interest agreements are value using Level 3 inputs. The beneficial interest in assets held by others is valued based on the allocated portion of the fair value of trusts. The split-interest agreements are valued at discounted expected future cash flows. Gains and losses on the beneficial interest in assets held by others and the split-interest agreements are shown on the consolidated statements of changes in net assets in the respective net asset classifications. The significant unobservable input used in the fair value measurement of the beneficial interest in assets held by others is the timing of distributions. The significant unobservable input used in the fair value measurement of the split-interest agreement is the discount rate. Significant changes in this input could result in a significant change in the fair value measurement.

The Organization's investment is mineral rights is valued using Level 3 inputs. The mineral rights are valued based on 36 months of undiscounted income based on the most recent 12-month income history as adjusted to remove unusual fluctuations. Gains and losses on the mineral rights are shown on the consolidated statements of changes in net assets in the respective net asset classifications. The significant unobservable input used in the fair value measurement of mineral rights is the estimated undiscounted income. Significant changes in this input could result in a significant change in the fair value measurement.

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization's investment in the risk retention group is value using Level 3 inputs. The risk retention group is valued based on the equity method. Gains and losses on the investment in risk retention group asset classifications. The significant unobservable input used in the fair value measurement of the risk retention group is the equity of the company. Significant changes in this input could result in a significant change in the fair value measurement.

Other securities valued using Level 3 inputs include funds held by the Christian Church Foundation in pooled equity investment funds which are recorded at fair value on a recurring basis. Fair value measurement is based on quoted prices, if available. Unrealized gain (loss) and other investment earnings are allocated among the members of the pool on a monthly basis based on percentage of ownership. The Organization values the pooled investment funds using Level 3 inputs as there is no active market for the Organization to sell their interest in the pooled investment funds.

NOTE 10 PENSION PLAN

The Organization has a defined-benefit pension plan (the Plan), which is administered through the Pension Fund of the Christian Church. The pension fund is a church plan as defined in IRS Code 414(e) and in Title 1 of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan has not elected to be subject to ERISA. By virtue of the Plan's inclusion in the group exemption ruling of the General Assembly of the Christian Church (Disciples of Christ), the pension fund is exempt from federal income taxes under IRS Code 501(c)(3).

The pension fund is ordinarily thought of as the insuring instrumentality of the Christian Church (Disciples of Christ), providing contractual pensions and other benefits upon a fully funded and actuarially sound basis. It also serves as the church's unit extending ministerial relief and assistance in times of need for those without contractual benefits or for whom such benefits are low because of low salaries or lack of church support during previous days of active ministry. The pension fund also serves as the Board of Ministerial Relief and Assistance for the Christian Church (Disciples of Christ). The pension fund administers the church wide retirement program on behalf of the Christian Church (Disciples of Christ).

Full-time employees under the age of 65 may enroll in the pension plan after 12 months of employment. The Plan provides for retirement benefits, generally at age 65, based upon such accrued pension credits and includes provisions for early retirement, disability and death benefits. Certain members of the Plan are fully vested immediately while others vest after two years of participation. The cost of this pension plan is 14% of the employee's annual salary. Employees choosing to participate contribute 3% of their annual salary through payroll deductions.

The Organization contributes 11% of the employee's salary for those employees who participate. For the year ended December 31, 2022, the Organization's contributions to the Plan totaled $292,026. According to the Pension Fund of the Christian Church, the Plan is fully funded, which means fund assets exceed the benefit obligations, as of December 31, 2022.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

Litigation

The Organization is subject to asserted and unasserted claims encountered in the normal course of business. The Organization's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment.

In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the Organization's financial condition or results of operations.

Government Regulations

The state of Texas reserves the right to perform field audit examinations of the Organization's records. Any adjustments resulting from such examinations could retroactively adjust Medicaid revenue.

The Medicare intermediary has the authority to audit the skilled nursing facility's records any time within a three-year period after the date the skilled nursing facility receives a final notice of program reimbursement for each cost reporting period. Any adjustments resulting from these audits could retroactively adjust Medicare revenue.

NOTE 12 PARTNERSHIP AGREEMENT REQUIREMENTS

JFC is the General Partner of JFSAH, a limited partnership. The financial results of JFSAH is consolidated in JFC's audited financial statements. In accordance with the partnership agreement, the General Partner is obligated to provide funds for any operating deficits and maintain compliance with the partnership agreement.

The partnership operations are concentrated in the Dallas, Texas real estate market. In addition, the partnership is subject to rules and regulations of federal, state, and local governmental agencies. Changes may occur with little notice or inadequate funding to pay for the related costs to comply with a change.

The partnership housing tax credit is contingent on JFSAH's ability to maintain compliance with applicable sections of IRC Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest.

In addition, such potential noncompliance may require an adjustment to the contributed capital of the Limited Partner.

JFSAH has granted JFC an option to purchase partnership property or purchase the limited partnership interest after the close of the 15-year compliance period for the low-income housing tax credit for the project. JFC has also been granted a right of first refusal to purchase partnership property.

NOTE 13 COVID-19

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had a significant impact on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 has impacted various parts of its 2021 and 2022 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. As a result of the COVID-19 pandemic, management believes it has taken appropriate actions to mitigate the negative impact to the Organization. As a result of the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and various programs have been established to help organizations mitigate the negative impact to their operations and business.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Juliette Fowler Communities, Inc. and Affiliates
Dallas, Texas

We have audited the consolidated financial statements of Juliette Fowler Communities, Inc. and Affiliates as of and for the year ended December 31, 2022, and our report thereon dated August 17, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet, consolidating statement of operations, and consolidating statement of changes in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present financial position and results of operations of the individual companies, and is not 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 consolidating information has been subjected to the auditing procedures applied in the audits 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, which insofar as it relates to Juliette Fowler Communities, Inc. and Affiliates is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Dallas, Texas
August 17, 2023

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	Juliette Fowler Senior Affordable Housing, LP	Juliette Fowler Communities, Inc.	Eliminations	Total Juliette Fowler Communities, Inc.	Juliette Fowler Properties, Inc.	Juliette Fowler Foundation
CURRENT ASSETS						
Cash and Cash Equivalents	$ 271,671	$ 772,077	$ -	$ 1,043,748	$ 60,380	$ 999,827
Resident Accounts Receivable	-	492,691	-	492,691	-	-
Related Party Receivables	-	1,695,683	-	1,695,683	-	2,885,760
Pledges Receivable	-	-	-	-	-	291,219
Other Receivables	164,507	208,318	-	372,825	-	515,301
Prepaid Expenses	2,118,384	172,366	(2,118,384)	172,366	-	-
Total Current Assets	2,554,562	3,341,135	(2,118,384)	3,777,313	60,380	4,692,107
INVESTMENTS	-	-	-	-	-	30,470,432
RESTRICTED DEPOSITS	-	-	-	-	-	-
PROPERTY AND EQUIPMENT, NET	20,353,152	10,351,344	-	30,704,496	9,645,484	-
OTHER ASSETS						
Pledges Receivable, Long-Term	-	-	-	-	-	54,899
Beneficial Interest in Perpetual Trusts	-	-	-	-	-	2,575,140
Split-Interest Agreements	-	-	-	-	-	839,280
Mineral Interests	-	-	-	-	-	9,691,719
Investment in Real Estate	-	-	-	-	36,719	-
Investment in Risk Retention Group	-	618,852	-	618,852	-	-
Total Other Assets	-	618,852	-	618,852	36,719	13,161,038
Total Assets	$ 22,907,714	$ 14,311,331	$ (2,118,384)	$ 35,100,661	$ 9,742,583	$ 48,323,577
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Maturities of Long-term Debt	$ -	$ -	$ -	$ -	$ -	$ -
Accounts Payable	483,091	454,478	-	937,569	-	191,345
Accrued Expenses	22,227	538,016	-	560,243	-	-
Total Current Liabilities	505,318	992,494	-	1,497,812	-	191,345
LONG-TERM LIABILITIES						
Long-term Debt, Net of Current Maturities	10,820,899	-	-	10,820,899	-	-
Tenant Deposits	-	-	-	-	-	-
Resident Funds Held in Trust	-	2,270	-	2,270	-	-
Total Long-Term liabilities	10,820,899	2,270	-	10,823,169	-	-
Total Liabilities	11,326,217	994,764	-	12,320,981	-	191,345
NET ASSETS						
Without Donor Restrictions						
Undesignated	(370,446)	13,609,291	(271,108)	12,967,737	9,742,583	38,958,585
Undesignated: Limited Partnership - Noncontrolling interest	11,951,943	-	(2,140,000)	9,811,943	-	-
Board Designated	-	-	-	-	-	905,461
Total Without Donor Restrictions	11,581,497	13,609,291	(2,411,108)	22,779,680	9,742,583	39,864,046
With Donor Restrictions:						
Purpose Restrictions	-	(292,724)	292,724	-	-	3,146,039
Time Restrictions	-	-	-	-	-	3,414,420
Purpose and Time Restrictions	-	-	-	-	-	54,899
Perpetual Funds	-	-	-	-	-	1,652,828
Total With Donor Restrictions	-	(292,724)	292,724	-	-	8,268,186
Total Net Assets	11,581,497	13,316,567	(2,118,384)	22,779,680	9,742,583	48,132,232
Total Liabilities and Net Assets	$ 22,907,714	$ 14,311,331	$ (2,118,384)	$ 35,100,661	$ 9,742,583	$ 48,323,577

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	Fowler Christian Apartments I, Inc.	Fowler Christian Apartments II, Inc.	Fowler Christian Apartments II, Inc.	Eliminations	Total Juliette Fowler Communities, Inc. and Affiliates
CURRENT ASSETS					
Cash and Cash Equivalents	$ 156,712	$ 1,006	$ 11,078	$ (380,843)	$ 1,891,908
Resident Accounts Receivable	-	-	-	-	492,691
Related Party Receivables	-	-	-	(4,581,443)	-
Pledges Receivable	-	-	-	-	291,219
Other Receivables	48,697	-	-	380,843	1,317,666
Prepaid Expenses	32,852	2,029	-	(10,882)	196,365
Total Current Assets	238,261	3,035	11,078	(4,592,325)	4,189,849
INVESTMENTS	-	-	-	-	30,470,432
RESTRICTED DEPOSITS	2,327,973	177,048	175,194	-	2,680,215
PROPERTY AND EQUIPMENT, NET	3,063,835	817,877	3,304,158	-	47,535,850
OTHER ASSETS					
Pledges Receivable, Long-Term	-	-	-	-	54,899
Beneficial Interest in Perpetual Trusts	-	-	-	-	2,575,140
Split-Interest Agreements	-	-	-	-	839,280
Mineral Interests	-	-	-	-	9,691,719
Investment in Real Estate	-	-	-	-	36,719
Investment in Risk Retention Group	52,997	-	-	-	671,849
Total Other Assets	52,997	-	-	-	13,869,606
Total Assets	$ 5,683,066	$ 997,960	$ 3,490,430	$ (4,592,325)	$ 98,745,952
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Maturities of Long-term Debt	$ 116,051	$ -	$ -	$ 90,067	$ 206,118
Accounts Payable	890,528	130,777	248,273	(2,106,565)	291,927
Accrued Expenses	19,194	-	-	-	579,437
Total Current Liabilities	1,025,773	130,777	248,273	(2,016,498)	1,077,482
LONG-TERM LIABILITIES					
Long-term Debt, Net of Current Maturities	5,872,418	-	-	(2,575,827)	14,117,490
Tenant Deposits	61,086	9,685	14,670	-	85,441
Resident Funds Held in Trust	-	-	-	-	2,270
Total Long-Term liabilities	5,933,504	9,685	14,670	(2,575,827)	14,205,201
Total Liabilities	6,959,277	140,462	262,943	(4,592,325)	15,282,683
NET ASSETS					
Without Donor Restrictions					
Undesignated	(1,301,211)	857,498	3,227,487	-	64,452,679
Undesignated: Limited Partnership - Noncontrolling interest	-	-	-	-	9,811,943
Board Designated	-	-	-	-	905,461
Total Without Donor Restrictions	(1,301,211)	857,498	3,227,487	-	75,170,083
With Donor Restrictions:					
Purpose Restrictions	-	-	-	-	3,146,039
Time Restrictions	-	-	-	-	3,414,420
Purpose and Time Restrictions	-	-	-	-	54,899
Perpetual Funds	25,000	-	-	-	1,677,828
Total With Donor Restrictions	25,000	-	-	-	8,293,186
Total Net Assets	(1,276,211)	857,498	3,227,487	-	83,463,269
Total Liabilities and Net Assets	$ 5,683,066	$ 997,960	$ 3,490,430	$ (4,592,325)	$ 98,745,952

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Juliette Fowler Senior Affordable Housing, LP	Juliette Fowler Communities, Inc.	Eliminations	Total Juliette Fowler Communities, Inc.	Juliette Fowler Properties, Inc.	Juliette Fowler Foundation
REVENUES						
Resident Services Revenues	$ -	$ 7,770,321	$ -	$ 7,770,321	$ -	$ -
Rental Revenue	6,463	-	-	6,463	-	-
Individual and Foundation Donations	-	1,407,000	-	1,407,000	584,520	163,618
Other Income	4,212	842,740	-	846,952	-	(3,985)
Net Assets Released from Restrictions	-	-	-	-	-	270,521
Total Revenues	10,675	10,020,061	-	10,030,736	584,520	430,154
EXPENSES						
Health Care and Rehabilitation	-	3,538,561	-	3,538,561	-	-
Assisted Living	-	2,366,611	-	2,366,611	-	-
Independent Living	-	1,594,160	-	1,594,160	-	-
Foster and Youth Programs	-	79,107	-	79,107	-	-
Affordable Housing	188,531	-	-	188,531	-	-
Grants and Contributions	-	-	-	-	-	(524,520)
General and Administrative	-	2,254,471	(21,616)	2,232,855	524,520	480,270
Fundraising	-	608,635	-	608,635	-	-
Interest Expense	171,373	-	-	171,373	-	-
Bad Debt Expense	-	(126,613)	-	(126,613)	-	-
Depreciation Expense	21,217	955,344	-	976,561	384,004	-
Expenditures of Specific Donations	-	114,826	-	114,826	-	-
Total Expenses	381,121	11,385,102	(21,616)	11,744,607	908,524	(44,250)
OPERATING INCOME (LOSS)	(370,446)	(1,365,041)	21,616	(1,713,871)	(324,004)	474,404
NONOPERATING INCOME						
Net Investment Income	-	149,621	-	149,621	-	4,552,793
Loss on Sale of Property and Equipment	-	(66,725)		(66,725)	-	-
Total Non-Operating Income	-	82,896	-	82,896	-	4,552,793
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	$ (370,446)	$ (1,282,145)	$ 21,616	$ (1,630,975)	$ (324,004)	$ 5,027,197

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Fowler Christian Apartments I, Inc.	Fowler Christian Apartments II, Inc.	Fowler Christian Apartments II, Inc.	Eliminations	Total Juliette Fowler Communities, Inc. and Affiliates
REVENUES					
Resident Services Revenues	$ -	$ -	$ -	$ (297,185)	$ 7,473,136
Rental Revenue	2,704,739	203,868	296,352	-	3,211,422
Individual and Foundation Donations	-	-	-	(984,520)	1,170,618
Other Income	67,549	2,086	8,645	-	921,247
Net Assets Released from Restrictions	-	-	-	-	270,521
Total Revenues	2,772,288	205,954	304,997	(1,281,705)	13,046,944
EXPENSES					
Health Care and Rehabilitation	-	-	-	(99,660)	3,438,901
Assisted Living	893,815	-	-	(968,117)	2,292,309
Independent Living	-	-	-	(403,529)	1,190,631
Foster and Youth Programs	-	-	-	-	79,107
Affordable Housing	1,705,565	286,664	387,682	(474,025)	2,094,417
Grants and Contributions	-	-	-	524,520	-
General and Administrative	-	-	-	139,106	3,376,751
Fundraising	-	-	-	-	608,635
Interest Expense	228,150	-	-	-	399,523
Bad Debt Expense	129,473	-	-	-	2,860
Depreciation Expense	587,880	40,638	121,286	-	2,110,369
Expenditures of Specific Donations	-	-	-	-	114,826
Total Expenses	3,544,883	327,302	508,968	(1,281,705)	15,708,329
OPERATING INCOME (LOSS)	(772,595)	(121,348)	(203,971)	-	(2,661,385)
NONOPERATING INCOME					
Net Investment Income	-	-	-	-	4,702,414
Loss on Sale of Property and Equipment	-	-	-	-	(66,725)
Total Non-Operating Income	-	-	-	-	4,635,689
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	$ (772,595)	$ (121,348)	$ (203,971)	$ -	$ 1,974,304

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Juliette Fowler Senior Affordable Housing, LP	Juliette Fowler Communities, Inc.	Eliminations	Total Juliette Fowler Communities, Inc.	Juliette Fowler Properties, Inc.	Juliette Fowler Foundation
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	$ (370,446)	$ (1,282,145)	$ 21,616	$ (1,630,975)	$ (324,004)	$ 5,027,197
NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE						
Individual and Foundation Donations	-	-		-	-	54,371
NET ASSETS WITH DONOR RESTRICTIONS - TIME						
Change in Beneficial Interest in Perpetual Trusts and Split Interest Agreements	-	-	-	-	-	(798,021)
NET ASSETS WITH DONOR RESTRICTIONS - TIME						
Net Assets Released from Restrictions	-	-	-	-	-	(270,521)
CHANGE IN NET ASSETS - CONTROLLING INTEREST	$ (370,446)	$ (1,282,145)	$ 21,616	$ (1,630,975)	$ (324,004)	$ 4,013,026
NET ASSETS - BEGINNING OF YEAR	$ 4,868,877	$ 14,598,712	$ (2,140,000)	$ 17,327,589	$ 10,066,587	$ 44,119,206
Change in Net Assets - Controlling Interest	(370,446)	(1,282,145)	21,616	(1,630,975)	(324,004)	4,013,026
Contributions - Noncontrolling Interest	7,083,066	-		7,083,066	-	-
NET ASSETS - END OF YEAR	$ 11,581,497	$ 13,316,567	$ (2,118,384)	$ 22,779,680	$ 9,742,583	$ 48,132,232

JULIETTE FOWLER COMMUNITIES, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Fowler Christian Apartments I, Inc.	Fowler Christian Apartments II, Inc.	Fowler Christian Apartments II, Inc.	Eliminations	Total Juliette Fowler Communities, Inc. and Affiliates
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	$ (772,595)	$ (121,348)	$ (203,971)	$ -	$ 1,974,304
NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE					
Individual and Foundation Donations	-	-	-	-	54,371
NET ASSETS WITH DONOR RESTRICTIONS - TIME					
Change in Beneficial Interest in Perpetual Trusts and Split Interest Agreements	-	-	-	-	(798,021)
NET ASSETS WITH DONOR RESTRICTIONS - TIME					
Net Assets Released from Restrictions	-	-	-	-	(270,521)
CHANGE IN NET ASSETS - CONTROLLING INTEREST	$ (772,595)	$ (121,348)	$ (203,971)	$ -	$ 960,133
NET ASSETS - BEGINNING OF YEAR	$ (503,616)	$ 978,846	$ 3,431,458	$ -	$ 75,420,070
Change in Net Assets - Controlling Interest	(772,595)	(121,348)	(203,971)	-	960,133
Contributions - Noncontrolling Interest	-	-	-	-	7,083,066
NET ASSETS - END OF YEAR	$ (1,276,211)	$ 857,498	$ 3,227,487	$ -	$ 83,463,269