

Audited  
Consolidated  
Financial  
Statements

December 31,  
2023

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Masonic Villages  
of the Grand Lodge  
of Pennsylvania

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## ***INDEPENDENT AUDITOR'S REPORT***

Board of Directors  
Masonic Villages of the  
Grand Lodge of Pennsylvania  
Elizabethtown, Pennsylvania

### ***Opinion***

We have audited the accompanying consolidated financial statements of Masonic Villages of the Grand Lodge of Pennsylvania (a not-for-profit organization) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Pennsylvania Acacia Insurance Company, Ltd, a wholly-owned subsidiary, which statements reflect total assets of \$ 16,438,980 and \$ 14,474,796 as of December 31, 2023 and 2022, respectively, and total revenues of \$ 2,086,677 and (\$ 2,311,721), respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pennsylvania Acacia Insurance Company, Ltd, is based solely on the report of the other auditors.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the 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 Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 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 Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries' 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 Masonic Villages of the Grand Lodge of Pennsylvania and subsidiaries' 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.

*Smith Elliott Ream & Company, LLC*

Camp Hill, Pennsylvania

April 26, 2024

**MASONIC VILLAGES OF THE  
GRAND LODGE OF PENNSYLVANIA  
CONSOLIDATED BALANCE SHEETS**

**December 31, 2023 and 2022**

	<b>2023</b>		<b>2022</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents (Note 3)	\$ 18,408,843	\$	11,815,694
Assets whose use is limited and that are required for current liabilities (Note 8)	966,080		910,193
Resident accounts receivable, net of estimated uncollectibles of \$ 1,254,233 in 2023 and \$ 891,612 in 2022 (Note 4)	7,588,861		5,672,135
Accounts receivable:			
Grand Lodge	-		3,337
Investment income receivable	1,930,675		2,043,581
Inventory	3,607,011		3,287,741
Other current assets	2,862,070		3,575,307
Notes receivable (Note 6)	650,938		-
Contributions receivable (Note 5)	157,218		224,023
	36,171,696		27,532,011
Contributions receivable, net of current portion (Note 5)	963,055		1,040,715
Minimum liquid reserve requirement (Notes 7, 23)	20,745,508		20,005,714
Investments (Note 7)	884,824,873		811,570,133
Property and equipment, net (Note 9)	365,175,772		378,740,792
Other Assets:			
Other long-term assets	2,323		2,323
Total other assets	2,323		2,323
Total assets	\$ 1,307,883,227	\$	1,238,891,688

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities:		
Current installments of long-term debt (Note 12)	\$ 10,385,000	\$ 10,665,000
Accrued expenses	17,974,311	17,905,695
Accounts payable:		
Trade	6,300,461	5,331,081
Grand Lodge	3,542	-
Grand Lodge of Pennsylvania Charity Foundation	4,634	4,653
Deferred revenue from estates and trusts	56,709	97,713
Deposits - Residents	791,704	921,615
Deposits on unoccupied units	1,844,460	1,529,580
Annuities payable	1,216,905	1,229,081
Total current liabilities	38,577,726	37,684,418
Annuities payable, net of current portion	10,082,867	9,901,680
Refundable fees	106,582,904	105,419,123
Deferred revenue from entrance fees	131,923,308	130,258,005
Interest rate swap agreements (Note 11)	3,249,177	3,623,909
Long-term debt, net (Note 12)	132,155,546	142,731,583
Total liabilities	422,571,528	429,618,718
Net Assets		
Without donor restrictions	504,110,928	457,163,355
With donor restrictions	381,200,771	352,109,615
Total net assets	885,311,699	809,272,970
Total liabilities and net assets	\$ 1,307,883,227	\$ 1,238,891,688

*The accompanying notes are an integral part of these consolidated financial statements.*

**MASONIC VILLAGES OF THE  
GRAND LODGE OF PENNSYLVANIA  
CONSOLIDATED STATEMENTS OF OPERATIONS**

**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Resident service revenue (Note 17)	\$ 161,528,609	\$ 151,569,339
Provision for bad debts	(464,412)	(379,182)
Net resident service revenue	161,064,197	151,190,157
Amortization of entrance fees	16,235,298	14,754,631
Other operating revenue	5,264,377	6,403,271
Investment income	14,777,525	12,259,922
Total operating revenues	197,341,397	184,607,981
Operating expenses:		
Wages, salaries, and benefits	120,885,848	122,366,121
Supplies	30,208,525	27,518,441
Purchased services	27,122,860	24,290,434
Energy and utilities	9,387,397	9,758,064
Depreciation and amortization	29,804,118	29,995,000
Interest	5,127,563	5,586,442
Other operating expenses	6,470,205	6,416,214
Loss on refunding of long-term debt	78,502	138,201
COVID-19 pandemic expenses	-	69,599
Total operating expenses	229,085,018	226,138,516
Loss from operations before change in fair value of derivative financial instruments	(31,743,621)	(41,530,535)
Unrealized appreciation on interest rate swap agreements	374,732	11,648,264
Loss from operations	(31,368,889)	(29,882,271)
Nonoperating gains (losses):		
Contributions, gifts, and bequests	5,142,834	4,692,061
Contributions from Grand Lodge of Pennsylvania Charity Foundation	-	400,000
Contributions from Grand Lodge net assets with donor restrictions	-	3,000
Income from perpetual trusts held by third parties	2,318,622	2,153,381
Realized gains on sale of investments	14,549,130	7,598,338
Adjustment of actuarial liabilities of split-interest agreements	(1,237,720)	(57,412)
Gain on disposal of property and equipment	71,352	64,573
Total nonoperating gains	20,844,218	14,853,941
Deficiency of revenues and gains over expenses and losses	(10,524,671)	(15,028,330)
Net assets released from restrictions:		
Satisfaction of program restrictions - Operations	12,749,030	26,099,915
Satisfaction of program restrictions - Purchase of property and equipment	1,082,841	529,636
Total net assets released from restrictions	13,831,871	26,629,551
Net unrealized appreciation (depreciation) on investments	43,640,373	(95,755,360)
Increase (decrease) in net assets without restrictions	\$ 46,947,573	\$ (84,154,139)

**MASONIC VILLAGES OF THE  
GRAND LODGE OF PENNSYLVANIA  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2023 and 2022**

	2023			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Wages, salaries, and benefits	\$ 103,594,991	\$ 16,287,684	\$ 1,003,173	\$ 120,885,848
Supplies	29,839,379	361,251	7,895	30,208,525
Purchased services	18,670,859	8,259,892	192,109	27,122,860
Energy and utilities	9,188,197	198,014	1,186	9,387,397
Depreciation and amortization	28,114,342	1,689,549	227	29,804,118
Interest	4,950,712	176,851	-	5,127,563
Other operating expenses	5,738,100	605,458	126,647	6,470,205
Loss on refunding of long-term debt	78,502	-	-	78,502
<b>Total operating expenses</b>	<b>\$ 200,175,082</b>	<b>\$ 27,578,699</b>	<b>\$ 1,331,237</b>	<b>\$ 229,085,018</b>

	2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Wages, salaries, and benefits	\$ 104,621,178	\$ 16,604,444	\$ 1,140,499	\$ 122,366,121
Supplies	27,126,240	375,013	17,188	27,518,441
Purchased services	16,813,208	7,257,223	220,003	24,290,434
Energy and utilities	9,399,105	357,329	1,630	9,758,064
Depreciation and amortization	28,379,667	1,615,106	227	29,995,000
Interest	5,395,662	190,780	-	5,586,442
Other operating expenses	5,803,196	455,252	157,766	6,416,214
Loss on refunding of long-term debt	138,201	-	-	138,201
COVID-19 pandemic expenses	36,943	32,656	-	69,599
<b>Total operating expenses</b>	<b>\$ 197,713,400</b>	<b>\$ 26,887,803</b>	<b>\$ 1,537,313</b>	<b>\$ 226,138,516</b>



**MASONIC VILLAGES OF THE  
GRAND LODGE OF PENNSYLVANIA  
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

**Years Ended December 31, 2023 and 2022**

	2023			2022		
	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenues and Gains:						
Total operating revenues	\$ 197,341,397	\$ 197,341,397	\$ -	\$ 184,607,981	\$ 184,607,981	\$ -
Unrealized appreciation on interest rate swap agreements	374,732	374,732	-	11,648,264	11,648,264	-
Nonoperating investment income	1,078,403	-	1,078,403	830,972	-	830,972
Realized gains on sale of investments	24,584,350	14,549,130	10,035,220	16,349,227	7,598,338	8,750,889
Gain on disposal of property and equipment	71,352	71,352	-	64,573	64,573	-
Contributions, gifts, and bequests	6,788,630	5,142,834	1,645,796	7,971,728	4,692,061	3,279,667
Contribution from Grand Lodge of Pennsylvania Charity Foundation	-	-	-	400,000	400,000	-
Contributions from Grand Lodge net assets with donor restrictions	-	-	-	3,000	3,000	-
Income from perpetual trusts held by third parties	2,469,536	2,318,622	150,914	2,285,411	2,153,381	132,030
<b>Total revenues and gains</b>	<b>232,708,400</b>	<b>219,798,067</b>	<b>12,910,333</b>	<b>224,161,156</b>	<b>211,167,598</b>	<b>12,993,558</b>
Expenses and Losses:						
Operating expenses	229,085,018	229,085,018	-	226,138,516	226,138,516	-
Loss on repayment of restricted contributions	-	-	-	100,000	-	100,000
Adjustment of actuarial liabilities of split-interest agreements	1,216,542	1,237,720	(21,178)	33,353	57,412	(24,059)
<b>Total expenses and losses</b>	<b>230,301,560</b>	<b>230,322,738</b>	<b>(21,178)</b>	<b>226,271,869</b>	<b>226,195,928</b>	<b>75,941</b>
Excess (deficiency) of revenue and gains over expenses and losses	2,406,840	(10,524,671)	12,931,511	(2,110,713)	(15,028,330)	12,917,617
Net assets released from restrictions						
Satisfaction of program restrictions						
For use in operations	-	12,749,030	(12,749,030)	-	26,099,915	(26,099,915)
For capital purchases	-	1,082,841	(1,082,841)	-	529,636	(529,636)
<b>Total expenses and losses</b>	<b>-</b>	<b>13,831,871</b>	<b>(13,831,871)</b>	<b>-</b>	<b>26,629,551</b>	<b>(26,629,551)</b>
Net unrealized appreciation (depreciation) on investments	73,631,889	43,640,373	29,991,516	(171,631,808)	(95,755,360)	(75,876,448)
Increase (decrease) in net assets	76,038,729	46,947,573	29,091,156	(173,742,521)	(84,154,139)	(89,588,382)
Net assets at January 1	809,272,970	457,163,355	352,109,615	983,015,491	541,317,494	441,697,997
<b>Net assets at December 31</b>	<b>\$ 885,311,699</b>	<b>\$ 504,110,928</b>	<b>\$ 381,200,771</b>	<b>\$ 809,272,970</b>	<b>\$ 457,163,355</b>	<b>\$ 352,109,615</b>

**MASONIC VILLAGES OF THE  
GRAND LODGE OF PENNSYLVANIA  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities and Nonoperating Gains:		
Increase (decrease) in net assets	\$ 76,038,729	\$ (173,742,521)
Adjustments to reconcile increase in net assets to net cash provided by operating activities and nonoperating gains:		
Depreciation and amortization	29,804,118	29,995,000
Amortization of deferred financing costs	110,026	114,406
Loss on refunding of long-term debt	78,502	138,201
Bad debts	464,412	379,182
Bond premium amortization	(432,924)	(449,726)
Bond discount amortization	8,595	-
(Gain) on disposal of property and equipment	(71,352)	(64,573)
Amortization of entrance fees	(16,235,298)	(14,754,631)
Initial contributions recognized from split-interest agreements	(413,365)	(1,199,634)
Actuarial adjustments for split-interest agreements	1,216,542	33,353
Contributions restricted for long-term investments	(1,796,710)	(3,411,698)
Net realized and unrealized (gains) losses on long-term investments	(98,216,239)	155,282,582
Increase in fair value of interest rate swap agreements	(374,732)	(11,648,264)
(Increase) decrease in receivables	(2,120,430)	(2,047,389)
(Increase) decrease in other current assets and inventory	393,967	86,998
Increase (decrease) in accounts payable and accrued expenses	1,041,519	526,132
Increase (decrease) in other current and noncurrent liabilities	143,965	(234,081)
Proceeds from entrance fees and deposits	29,916,417	33,844,289
Net cash provided by operating activities and nonoperating gains	<hr/> 19,555,742	<hr/> 12,847,626
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(16,167,746)	(14,210,152)
Decrease (increase) in assets whose use is limited	(55,887)	1,949,138
Decrease (increase) in notes receivable	(650,938)	636,830
Proceeds from the sale of investments	52,494,562	50,145,358
Purchases of investments	(28,272,855)	(46,283,083)
Net cash provided by (used in) investing activities	<hr/> 7,347,136	<hr/> (7,761,909)

**MASONIC VILLAGES OF THE  
GRAND LODGE OF PENNSYLVANIA  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Financing Activities:		
Refunds of entrance fees and deposits	(10,852,037)	(13,092,301)
Proceeds from contributions restricted for long-term investments	1,796,710	3,411,698
Proceeds from contributions under split-interest agreement	667,413	3,390,121
Net payments made on split-interest agreements	(1,301,579)	(1,450,485)
Payment of deferred financing fees	(498,327)	(272,920)
Proceeds from issuance of bonds	26,733,091	47,870,000
Principal payments on long-term debt	(36,855,000)	(52,755,000)
Net cash (used in) financing activities	(20,309,729)	(12,898,887)
Net increase (decrease) in cash and cash equivalents	6,593,149	(7,813,170)
Cash and cash equivalents - Beginning of year	11,815,694	19,628,864
Cash and cash equivalents - End of year	\$ 18,408,843	\$ 11,815,694
<b>Unrestricted and Restricted Cash and Cash Equivalents:</b>		
Unrestricted cash and cash equivalents	\$ 15,828,713	\$ 8,650,755
Restricted cash and cash equivalents	2,580,130	3,164,939
Total cash and cash equivalents	\$ 18,408,843	\$ 11,815,694
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 5,499,224	\$ 5,624,765
Cash paid during the year for income taxes	-	-

**MASONIC VILLAGES OF THE  
GRAND LODGE OF PENNSYLVANIA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2023 and 2022**

**NOTE 1: Summary of Significant Accounting Policies**

Organization

Masonic Villages of the Grand Lodge of Pennsylvania (Masonic Villages) is a Pennsylvania not-for-profit corporation. The Grand Lodge of Free and Accepted Masons of Pennsylvania (Grand Lodge) is the sole member of Masonic Villages. Prior to January 1, 2013, Masonic Villages operated as an unincorporated unit of Grand Lodge known as Masonic Homes of the Grand Lodge of Free and Accepted Masons of Pennsylvania (Masonic Homes). Masonic Villages is considered the successor organization to Masonic Homes and has continued to operate Masonic Homes' services since January 1, 2013. Masonic Villages provides various services in Pennsylvania at its campuses located in Elizabethtown, Warminster, Sewickley, Lafayette Hill, and Dallas. These campuses are referred to, collectively and individually, as "Masonic Villages" for marketing and business purposes.

Services provided at the Elizabethtown campus as of December 31, 2023, include a 453 bed nursing facility providing nursing care (Nursing Home), 1,109 units of Retirement Living consisting of apartments and cottages, a 135 bed personal care facility (Personal Care), and an 8 bed Residential care program (Residential Care) for developmentally disabled individuals. In addition to these residential services, the Elizabethtown location also offers an Outreach program, and hospice, home health care and home care services. The Elizabethtown location also includes meeting and conference facilities and a farm.

As of December 31, 2023, services provided at the Warminster campus include a 43 bed nursing facility and 19 beds of personal care.

As of December 31, 2023, services provided at the Sewickley campus include a 128 bed nursing facility, 64 beds of personal care, and 282 units of Retirement Living Apartments and Villas. In addition to these residential services, the Sewickley campus also offers home care services.

As of December 31, 2023, services provided at the Lafayette Hill campus include a 60 bed nursing facility, 38 beds of personal care, and 158 units of Retirement Living Apartments.

As of December 31, 2023, services provided at the Dallas campus include 83 units of Retirement Living Apartments and Cottages.

In addition to the services provided at its campuses, Masonic Villages includes the following subsidiaries:

The Masonic Children's Home operates a 40 bed home for disadvantaged children on the Elizabethtown campus where children between the ages of 7 and 18 are offered the security and support necessary for healthy growth and development. The Masonic Children's Home was operated as a program of Masonic Villages until January 1, 2023. Effective January 1, 2023, the Masonic Children's Home was divided out of Masonic Villages into a newly formed Pennsylvania limited liability company. Masonic Villages is the sole member of the Masonic Children's Home. Pursuant to its limited liability company operating agreement, management of the Masonic Children's Home is vested in a board of managers.

## NOTE 1: Summary of Significant Accounting Policies - Continued

### Organization - Continued

The Masonic Library and Museum of Pennsylvania (Masonic Library and Museum) was established as a Pennsylvania not-for-profit corporation in 1990 to maintain and operate the library and museum located at the Masonic Temple, Philadelphia, Pennsylvania. In 2003, Grand Lodge transferred to Masonic Library and Museum the functions of Masonic education and the maintenance and operation of the Masonic Temple. Grand Lodge was the sole member of the Masonic Library and Museum until January 1, 2020. Effective January 1, 2020, Masonic Villages replaced Grand Lodge as the sole member of Masonic Library and Museum. Effective January 1, 2023, the Masonic Library and Museum was converted from a Pennsylvania not-for-profit corporation to a Pennsylvania sole member limited liability corporation (LLC). Masonic Villages is the sole member of the LLC.

The Pennsylvania Masonic Youth Foundation (Foundation) was established as a Pennsylvania not-for-profit corporation in 1982 for the purpose of guiding youth in Pennsylvania in their mental, physical and religious or spiritual development through programs in the fields of physical education, sportsmanship, citizenship, morality, public speaking, and the arts, all designed to develop and promote an awareness of the principles of good citizenship, sportsmanship, respect for parents and fellowmen, and generally to assist in the development of a life philosophy that will sustain them in the future. Grand Lodge was the sole member of the Foundation until January 1, 2020. Effective January 1, 2020, Masonic Villages replaced Grand Lodge as the sole member of the Foundation. Effective January 1, 2023, the Foundation was converted from a Pennsylvania not-for-profit corporation to a Pennsylvania sole member limited liability corporation (LLC). Masonic Villages is the sole member of the LLC.

The Pennsylvania Acacia Insurance Company, Ltd. (PAIC), was established in December 2002 as a Vermont corporation for the purpose of insuring certain healthcare and professional liability risks of Masonic Villages through its operation as a captive insurance company. PAIC is exempt from federal income tax as a charitable organization under Section 501(c)(3) of the Internal Revenue Code. Masonic Villages is the sole member of PAIC.

Ashlar Home Health and Hospice Services, LLC (Ashlar), was established as a Pennsylvania sole member limited liability company to provide home care, home health care, hospice care, and palliative care services to residents of the Masonic Village at Elizabethtown and surrounding communities. Masonic Villages is the sole member of Ashlar, which is a disregarded entity for federal tax purposes.

On May 21, 2021, Ashlar Creative Solutions, LLC's, a wholly-owned subsidiary of Masonic Villages, board of directors approved a resolution giving consent to dissolve and liquidate Ashlar Creative Solutions, LLC. The Company ceased operations in May 2021 and on February 22, 2022, the Pennsylvania Department of State approved the dissolution and liquidation of the remaining assets to Masonic Villages.

On October 2, 2022, Acacia Services, LLC, a wholly- owned subsidiary of Masonic Villages, ceased restaurant operations at the Dallas campus. On December 1, 2022, Acacia Services, LLC's board of directors approved a resolution to dissolve Acacia Services, LLC and on June 29, 2023, the Pennsylvania Department of State approved the dissolution and liquidation of the remaining assets to Masonic Villages.

## NOTE 1: Summary of Significant Accounting Policies - Continued

### Principles of Consolidation

The consolidated financial statements include the financial statements of Masonic Villages and its wholly-owned subsidiaries, Pennsylvania Acacia Insurance Company, Ltd., Acacia Services, LLC, Ashlar Creative Solutions, LLC, Ashlar Home Health and Hospice Services, LLC, Masonic Children's Home, The Masonic Library and Museum of Pennsylvania, and Pennsylvania Masonic Youth Foundation after elimination of all significant interrelated balances and transactions.

### Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under an indenture agreement.

### Recently Adopted Accounting Standards (Current Expected Credit Losses (CECL))

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016 – 13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (ASU 2016-13). Providing financial statement users with more decision-useful information, the update requires recognition of allowance(s) for expected credit losses on financial instruments and other commitments to extend credit held by Masonic Villages. Masonic Villages determined its resident accounts receivable, notes receivable and investments represent financial instruments under ASU 2016-13. In evaluating credit loss, consideration was given to historical experience, current conditions and reasonable and supportive forecasts relative to each type of financial asset. Additional disclosures about expected credit losses associated with each financial instrument are included with the applicable section of the Summary of Significant Accounting Policies. Masonic Villages implemented ASU 2016-13 for the year ended December 31, 2023 under the modified retrospective approach which allows for a cumulative effect adjustment to opening net assets. Masonic Villages determined that the adoption of ASU 2016-13 did not require an adjustment to net assets as of January 1, 2022.

### Resident Accounts Receivable

Accounts receivable for services provided to residents consists of amounts owed directly from residents on a private pay basis and amounts owed from third-party payors on behalf of residents and are generally due 30 days after billed. Receivables from third-party payors are recorded at established rates, net of contractual adjustments specific to each payor. Receivables from private pay residents are recorded at established rates. Receivables are considered to be past due when payments have not been received by Masonic Villages within 90 days of their contractually stated due date. The provision for uncollectible private pay resident accounts receivable is based on management's assessment of the collectability of individual receivables and the aggregate aging of all of the private pay resident accounts receivable. Masonic Villages references an aging schedule segregated by payer and location to estimate expected credit losses relative to resident accounts receivable. The basis for this is expected credit losses for resident accounts receivable may be determined by the length of time a receivable has been outstanding. This is particularly true with payers requiring claim submissions within a specific period or look back period for eligibility. Each payer and location are carefully examined, noting accounts with greater risk of credit loss because of timeframe, challenges with county assistance office, non-responsiveness from guarantors, etc. An estimated reserve is associated with such accounts which is aggregated into a total specific reserve. The total specific reserve was removed from the aging schedule totals. A general reserve is applied to the net aging schedule totals based on qualitative factors for economic, environmental, and other factors. Expected credit losses relative to resident accounts receivable include the specific reserve and the general reserve. Losses are charged against the allowance for uncollectible private pay resident accounts receivable when management believes the lack of collectibility of a receivable is confirmed.

## NOTE 1: Summary of Significant Accounting Policies - Continued

### Inventory

Inventory consists of medical supplies and pharmaceutical products, livestock, and maintenance supplies and is valued at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis.

### Notes Receivable and Allowance for Uncollectible Notes Receivable

Masonic Villages has provided short-term loans to residents entering its Retirement Living facilities. These loans are evidenced by a note which authorizes a judgment against the resident's property to effect loan satisfaction, and are recorded at the gross amount of the loan proceeds, reduced by an allowance for uncollectible notes receivable. Interest income from notes receivable is accrued on the straight-line method. Notes are considered to be due one year from the date of the note.

Nonaccrual notes receivable are those on which accrual of interest has ceased and where all previously accrued but not collected interest is reversed. Notes are placed on nonaccrual status when, in the opinion of management, full collection is doubtful. Interest accrued but not collected as of the date of placement on nonaccrual status is reversed and charged against current income. While a note receivable is on nonaccrual status, subsequent cash payments received are either applied to outstanding principal balance or recorded as interest income, depending on management's assessment of the ultimate collection of principal and interest.

The allowance for uncollectible notes receivable is evaluated on a regular basis by management and is based on historical experience, the nature and volume of the notes receivable portfolio, adverse conditions that may affect the borrower's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Notes are considered to be past due when principal and interest payments have not been received by Masonic Villages within 90 days of their contractually stated due date. Losses are charged against the allowance for uncollectible notes receivable when management believes the uncollectability of a note is confirmed.

Because of the limited number of notes receivable on the books, Masonic Villages examined each note and evaluated its collectability based on financial profile of resident as well as timeframe for repayment (i.e., closing scheduled for sale of home). It was determined no credit losses are expected on the notes receivable at December 31, 2023. Additionally throughout the years, Masonic Villages has not experienced credit losses which were materially in excess of our estimates.

### Contributions Receivable

Contributions receivable recorded by Masonic Villages consist of charitable lead trusts and promises to give.

Masonic Villages will be the recipient of specified funds over the terms of several charitable lead trusts upon the death of the beneficiaries. Contributions receivable are recorded at the net present value of the expected trust assets to be received based on the fair value of the trust assets, the contractual or risk-free rate of return (which ranges from 1.52% to 4.25%), and the life expectancy of the current beneficiary or term of the trust.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

## NOTE 1: Summary of Significant Accounting Policies - Continued

### Contributions Receivable - Continued

Conditional promises to give are not included as support until the conditions are substantially met.

### Investments and Investment Income

Masonic Villages carries investments at fair value. When available, fair value of the investments is determined using quoted market prices of a national securities exchange. In other instances, fair value is determined using other observable market data or Masonic Villages' own assumptions. Contributed investments are initially valued at the quoted fair value on the date received, which is then treated as cost.

Investment income on borrowed funds held by a trustee and investment income from all other investments without donor restrictions are reported as operating revenues. Investment income and gains (losses) on investments with donor restrictions are added to (deducted from) the appropriate net assets with donor restrictions.

Masonic Villages reviews the investment portfolios performances at least quarterly, including evaluation of any available for sale debt securities in an unrealized loss position for possible impairment. A debt security is deemed impaired if the fair value of the investment is less than its amortized cost. In this evaluation, consideration is given to the issuer of the securities and their creditworthiness, any changes to the rating of the security and any adverse conditions specifically related to the security, among other factors. Also, the business and financial outlook of the issuer, as well as broader economic performance indicators, may be evaluated. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized as unrealized losses in the consolidated statements of operations and changes in net assets. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the available for sale debt security is confirmed as uncollectible or when there is an intent or requirement to sell the security. Masonic Villages has elected to exclude accrued interest receivable on available for sale debt securities from the allowance for credit losses calculation. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days past due. The receivable for interest income that is accrued but not collected is reversed against interest income when the debt security is placed on nonaccrual status.

Estimating expected credit losses relative to our investments required a detailed analysis of the underlying investments, in particular debt securities. As of December 31, 2023, Masonic Villages reviewed each debt security holding in the portfolio, specifically noting the applicable rating of the issuer. This data was then summarized and ranked. Of the total portfolio, 98.98% of the debt securities were rated B or better; 96.58% were rated BB or better; and 86.05% were BBB or better. Based on this evaluation, Masonic Villages does not have any available for sale debt securities it considers to be impaired at December 31, 2023, which would require an allowance for credit losses.



## **NOTE 1: Summary of Significant Accounting Policies - Continued**

### Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value at the date of receipt. Masonic Villages reviews all disbursements greater than \$ 1,000 for capitalization as property and equipment. Expenditures for repairs which extend the useful life of the assets are capitalized and routine maintenance and repair costs are expensed as incurred.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Estimated useful lives are: land improvements - 10 to 20 years, buildings and improvements - 20 to 40 years, and equipment - 3 to 20 years.

### Deferred Financing Costs

Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method.

### Collections

Masonic Villages, directly or through its subsidiaries, including Masonic Library and Museum, owns or manages collections of Masonic memorabilia, paintings, antique furniture, farm equipment, and other artifacts related to the history of Masonic Villages and Freemasonry. These collections are located at the Elizabethtown, Pennsylvania campus and at the Masonic Temple in Philadelphia, Pennsylvania. The collections, which were primarily acquired through contributions since Masonic Villages' inception, are not recognized as assets in the consolidated balance sheets. Contributed collection items are not recognized as revenue in the consolidated statements of changes in net assets.

### Retirement Living - Entrance Fee Units

Entrance Fees - Fees paid by a resident upon entering into a resident agreement for Retirement Living, net of the portion thereof that is expected to be refundable to the resident based on refundable contract choice (refundable fees), are recorded as deferred revenue and are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the resident. Contingent contracts are those that provide a minimum refund percentage greater than zero and state that re-occupancy is required prior to the payment of a refund. The refundable portion of a contingent contract is not amortized to revenue but remains as a liability until withdrawal. Some of Masonic Villages' Retirement Living resident agreements are contingent contracts because they include certain minimum guaranteed refund amounts to the residents.

Contractually Refundable Fees - Masonic Villages offers two types of contracts at its Elizabethtown, Dallas, Sewickley, and Lafayette Hill campuses. Under the terms of the first contract type, amounts refundable equal the contract amount less 5% for the first month of occupancy and 1% for each month of occupancy thereafter. As of January 1, 2014, new contracts for the Sewickley campus define amounts refundable as the contract amount less 6% for the first month of occupancy and 2% for each month of occupancy thereafter. As of January 1, 2023, new contracts for the Elizabethtown and Lafayette Hill campuses define amounts refundable as the contract amount less 6% for the first month of occupancy and 2% for each month of occupancy thereafter. Under the terms of the second contract type, amounts refundable equal 90% of the original contract amount whenever the resident chooses to permanently leave retirement living or the facility. In addition, a variation of the refundable contract type is available at the Dallas campus providing an annual 1% increase in the refundable percentage. At December 31, 2023 and 2022, entrance fees of approximately \$ 106,582,904 and \$ 105,419,123 respectively, were refundable to residents (excluding deposits on unoccupied units) under the terms of the refundable contracts.

## **NOTE 1: Summary of Significant Accounting Policies - Continued**

### Retirement Living - Entrance Fee Units - Continued

Obligation to Provide Future Services - Masonic Villages annually calculates the present value of the net cost of future services to be provided to Retirement Living residents. Costs of future services for Retirement Living residents at the Elizabethtown and Lafayette Hill campuses include the meals, housekeeping, maintenance, and facility costs that are provided under the terms of the Elizabethtown and Lafayette Hill contracts. Costs of future services for Retirement Living residents at the Sewickley campus who qualify for life care include the health care services, meals, housekeeping, maintenance, and facility costs that are provided under the terms of the Sewickley contract. Costs of future services for Retirement Living residents at the Dallas campus include the housekeeping, maintenance, and facility costs that are provided under the terms of the Dallas contract. The aggregate cost of future services is compared with the balance of deferred revenue from entrance fees. If the present value of the net cost for future services and use of facilities exceeds the deferred revenue from entrance fees, a liability will be recorded with a corresponding charge to expenses. Management's calculation resulted in an estimate of no liability for future services to be provided as of either December 31, 2023 or 2022, using a discount rate of 5% for 2023 and 2022.

These agreements are regulated by the Commonwealth of Pennsylvania Department of Insurance. Masonic Villages is required to maintain liquid reserves to cover the future costs associated with these agreements.

### Resident Personal Funds

Masonic Villages receives and holds personal funds of certain residents as an agent of those residents. Cash and cash equivalents include resident personal funds totaling \$ 791,704 and \$ 921,615 as of December 31, 2023 and 2022, respectively.

### Worker's Compensation Claims

For the year ended December 31, 2023, Masonic Villages was insured for workers compensation claims in a large risk-large deductible program with a \$ 400,000 deductible for each injury/disease and a \$ 2,200,000 aggregate for each injury/disease. For the year ended December 31, 2022, Masonic Villages was insured for workers compensation claims in a large risk-large deductible program with a \$ 500,000 deductible for each injury/disease and a \$ 1,900,000 aggregate for each injury/disease. Premiums paid, net of any performance-based refunds, are recorded in wages, salaries, and benefits in the consolidated statements of operations.

### Professional and General Liability Insurance Claims

For the years ended December 31, 2023 and 2022, Masonic Villages was insured for general and professional liability insurance claims under a healthcare liability umbrella policy with varying policy limits as determined by level of service and location. Under the primary policy, premiums are assessed retrospectively based upon terms of the policy. Retrospective premiums assessed on prospective losses are recorded as prepaid insurance until claims are fully settled at which time the premium is recorded in purchased services in the consolidated statements of operations.

### Annuities Payable

Masonic Villages has several charitable gift annuity and charitable remainder unitrust arrangements with donors. Annuities payable are recorded at the net present value of the expected annuity payments based upon the amount of the contribution, the contractual rate of return (which ranges from 3% to 8%), and the life expectancy of the beneficiary of the annuity.

## **NOTE 1: Summary of Significant Accounting Policies - Continued**

### Bond Discount/Premium

Bond discount/premium is amortized over the period the related long-term debt obligation is outstanding using the effective interest method.

### Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those available for use in general operations and may be used at the discretion of management and the Board of Directors. The Board of Directors may designate net assets to fulfill certain purposes and remove designations from net assets at their discretion.

Net assets with donor restrictions include donor restrictions that may be temporary or where the donor has specified that resources be maintained in perpetuity. Net assets with temporary donor restrictions may be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the stipulated purpose for which the resource has been restricted has been fulfilled, when a stipulated time has elapsed, or both.

### Support

Contributions received are measured at their fair values and are reported as an increase in net assets. Masonic Villages reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Gifts of goods and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Masonic Villages reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Masonic Villages is the beneficiary under various wills and trust agreements. Amounts received from such sources are recorded when clear title is established, and the proceeds are measurable.

### Donated Services

A significant number of volunteers annually donate their services to Masonic Villages. Because the services provided do not require specialized skills, the value of these donated services is not reflected in the consolidated financial statements.

### Resident Service Revenue

Resident service revenue is reported at the amount that reflects the consideration Masonic Villages expect to receive in exchange for the services provided. These amounts are due from residents or third-party payors, including health insurers and government programs, and may include variable consideration for retroactive revenue adjustments under reimbursement programs. This consideration is recorded initially at Masonic Villages' established rates for the services, reduced when appropriate by contractual adjustments and charity allowances, to arrive at resident service revenue reported in the consolidated statements of operations.

## NOTE 1: Summary of Significant Accounting Policies - Continued

### Resident Service Revenue - Continued

Performance obligations are determined based on the nature of the services provided. Resident service fee revenue is recognized as performance obligations are satisfied. The performance obligations inherent within the services Masonic Villages provides are typically satisfied within specific measurable time periods or through the delivery of a service that is immediately consumed by a customer.

Nursing care, personal care, retirement living, and the residential care program for developmentally disabled individuals are considered to be senior living residency services. Under the senior living residency agreements, services are provided to residents for a stated daily or monthly fee. Masonic Villages has determined that the senior living services included under the daily or 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.

In addition to senior living residency services, Masonic Villages also offers several ancillary service programs which include home care, home health care and hospice services. Masonic Villages enters into contracts to provide these ancillary services. Each service provided under these contracts is capable of being distinct. Accordingly, these services are considered individual and separate performance obligations which are satisfied as services are provided and revenue is recognized as services are provided.

Masonic Villages also provides goods and services to residents and non-residents that do not require specific contracts. This includes certain medical ancillary services, pharmacy, wellness center, beauty and barber services, meals, laundry, transportation, parking, and communications services. These goods and services are typically provided in a retail setting, where the performance obligations are satisfied, and the revenue recognized once the goods and services have been delivered to or consumed by the customer.

Masonic Villages' admissions process for senior living residency services includes a credit assessment of the prospective resident and obtaining an understanding of available third-party reimbursement from health insurers and government programs for the prospective resident. These evaluations typically occur prior to the provision of services. Acceptance of the prospective resident's credit status and applicable coverage from third party payors may require Masonic Villages to accept discounts from established billing rates. These discounts for senior living residency services represent explicit price concessions to the transaction price and are recorded as a reduction from resident service revenue.

Masonic Villages receives a significant portion of its revenue from Medicare, Medicaid and other third-party payors that receive discounts from established billing 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 services. Masonic Villages estimates the transaction price based on terms of the contract with the payor, correspondence with the payor, and historical payment trends. Retroactive adjustments are recognized in future periods as final settlements are determined. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2023 and 2022. Laws and regulations governing Medicare, Medicaid, and other third-party programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

## NOTE 1: Summary of Significant Accounting Policies - Continued

### *Financing Component*

Masonic Villages has elected the practical expedient allowed under generally accepted accounting principles for revenue recognition and does not adjust the promised amount of consideration from residents or third-party payors for the effects of a significant financing component due to Masonic Villages' expectation that the period between the time the service is provided to a resident and the time the resident or third-party payor pays for the service will be one year or less. Masonic Villages also enters into Retirement Living contracts which provide for payments at the time of inception and are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the individual contract holders. In these instances, the financing component is not deemed to be significant to the contract.

### *Contract Costs*

Masonic Villages has applied the practical expedient allowed under generally accepted accounting principles for contracts with residents. As a result, all incremental contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that Masonic Villages would have recognized is one year or less.

Balances of assets and liabilities for contracts with residents consisted for the following:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>		<u>January 1, 2022</u>
Contract Receivables	\$ 7,588,861	\$	5,672,135	\$	4,733,745
Refundable Fee Liabilities	\$ 106,582,904	\$	105,419,123	\$	103,227,497
Deferred Fee Revenue from Entrance Fee Liabilities	\$ 131,923,308	\$	130,258,005	\$	126,452,274

### Charity Care

Charity care is provided to residents who have demonstrated the inability to pay and who are not eligible for third party reimbursement. Residents who meet Masonic Villages' criteria for charity care are provided services without charge or at amounts less than established rates. Certain residents qualify for charity care upon admission or when their financial resources are depleted. Therefore, Masonic Villages has determined it has provided implicit price concessions to these residents. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to residents and the amounts Masonic Villages expects to collect based on its collection history with those residents. These implicit price concessions are recorded as charity care allowances. Because Masonic Villages provides charity care to residents who are unable to pay for these services, it is not reported as resident service revenue.

### Consolidated Statements of Operations Earnings Measurements

Masonic Villages' consolidated statements of operations includes two performance indicators to measure operating earnings. The loss from operations before change in fair value of derivative financial instruments serves as an intermediate performance indicator. The loss from operations before change in fair value of derivative financial instruments includes all revenue without donor restrictions from the provision of health care and residential services, operating revenue from incidental activities such as the farm, investment income, and expenses incurred in the performance of these activities. Unrealized appreciation (depreciation) on interest rate swap agreements and non-operating gains and losses are excluded from this intermediate performance indicator.

## **NOTE 1: Summary of Significant Accounting Policies - Continued**

### Consolidated Statements of Operations Earnings Measurements - Continued

The final performance indicator is the loss from operations. The loss from operations includes all revenue without donor restrictions from the provision of health care and residential services, operating revenue from incidental activities such as the farm, investment income, expenses incurred in the performance of these activities, and changes in the fair value of derivative financial instruments. Non-operating gains and losses are excluded from the loss from operations.

### Consolidated Statements of Changes in Net Assets Earnings Measurement

Masonic Villages utilizes the excess (deficiency) of revenues and gains over expenses and losses to measure its annual earnings. The excess (deficiency) of revenues and gains over expenses and losses includes revenues and expenses from program activities, contributions, investment income, realized gains (losses) from the sale of investments, and changes in the fair value of derivative instruments. The net unrealized appreciation (depreciation) on investments is excluded from the excess (deficiency) of revenues and gains over expenses and losses.

### Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments (i.e. money market funds) with original maturities of three months or less, excluding amounts classified as assets whose use is limited.

### Leases

Masonic Villages has entered into leasing arrangements for a parcel of land at the Dallas campus and the use of equipment at several locations. Masonic Villages made payments totaling \$ 498,651 and \$ 508,056 under leasing arrangements for the years ended December 31, 2023 and 2022, respectively. These payments are reported in purchased services expense in the consolidated statements of operations.

### Income Taxes

Masonic Villages is a not-for-profit entity as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 509(a) of the Code and files a Form 990, "Return of Organization Exempt from Income Tax". Pennsylvania Acacia Insurance Company, Ltd. is a single member, tax-exempt corporation. The Foundation, Masonic Library and Museum, and Ashlar are all single member, limited liability corporations and are disregarded entities for income tax purposes. Acacia Services, LLC and Ashlar Creative Solutions, LLC, are both single member, for-profit limited liability organizations which have been fully dissolved and have no impact on income tax.

Generally accepted accounting principles require organizations to disclose significant tax positions that are subject to uncertainty about the merits of the position taken or the amount of the position that may ultimately be sustained upon examination by the taxing authorities. The effects of tax positions are recognized in financial statements if, in the opinion of management, the tax position would more likely than not be sustained upon an examination by the taxing authorities, including the resolution of any applicable appeals or litigation. Masonic Villages' most significant tax position is that it is exempt from payment of federal and state income taxes. Accordingly, Masonic Villages has not reported any income tax expense in the consolidated statements of operations and the consolidated statements of changes in net assets for the years ended December 31, 2023 and 2022. Masonic Villages has not recorded liabilities for income taxes or unrecognized income tax benefits in the consolidated balance sheets as of December 31, 2023 and 2022. Masonic Villages' Form 990 is generally subject to examination for a period of three years after the returns are filed.

## NOTE 1: Summary of Significant Accounting Policies - Continued

### Use of Estimates

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

### Derivative Financial Instruments

Derivative financial instruments used by Masonic Villages consist of pay-fixed, receive variable interest rate swap agreements. The purpose of these interest rate swap agreements is to limit Masonic Villages' exposure to interest rate changes on its variable-rate debt.

### Disclosure about Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, short-term investments, investment securities, resident accounts receivable, notes receivable, deposits, long-term debt, and interest rate swaps.

The fair value of cash and cash equivalents are deemed to be the same as their carrying value. The fair value of resident accounts receivable equals their carrying value, since they are stated net of estimated uncollectible amounts. The fair value of the long-term debt is determined based on the quoted market price of the long-term debt at the consolidated balance sheet date. The fair values of interest rate swap agreements are based on quoted market prices if available or valuation techniques which consider the present value of estimated expected future cash flows. Disclosure of additional fair values is contained in the following notes.

### Reclassifications

Certain reclassifications have been made to prior period balances to conform to the current year presentation.

## NOTE 2: Liquidity and Availability

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents Available for Operations	\$ 15,828,713	\$ 8,650,755
Investment Income Receivable without Donor Restrictions	1,063,638	990,160
Resident Accounts Receivable	7,588,861	5,672,135
Accounts Receivable - Grand Lodge	-	3,337
Notes Receivable	650,938	-
Investments without Donor Restrictions	515,230,785	472,252,955
	<u>\$ 540,362,935</u>	<u>\$ 487,569,342</u>

Under Masonic Villages' liquidity management strategy, financial assets are structured to be available as expenditures, liabilities and other obligations become due. Masonic Villages also invests cash in excess of daily requirements in short-term investments. Investments without donor restrictions are subject to an annual spending policy that is described in Note 7. Although Masonic Villages does not intend to spend from its investments without donor restrictions in

**NOTE 2: Liquidity and Availability - Continued**

excess of the maximum spending policy limit, amounts from these investments could be made available, if necessary.

**NOTE 3: Cash and Cash Equivalents**

Masonic Villages holds cash and cash equivalents that have been restricted by donors for certain purposes. Masonic Villages is not permitted to use restricted cash and cash equivalents for general operations. The components of Masonic Villages' cash and cash equivalents as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Available for Operations	\$ 15,828,713	\$ 8,650,755
Held for Resident Deposits	791,704	921,615
Total without Donor Restrictions	16,620,417	9,572,370
With Donor Restrictions	1,788,426	2,243,324
	<u>\$ 18,408,843</u>	<u>\$ 11,815,694</u>

**NOTE 4: Resident Accounts Receivable**

Masonic Villages' resident accounts receivable consists of amounts owed from individuals, insurance companies, and government agencies. As of December 31, 2023 and 2022, Masonic Villages' aggregate resident accounts receivable over 90 days past due totaled \$ 2,009,209 and \$ 1,444,450, respectively.

Masonic Villages' resident accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of resident accounts receivable, Masonic Villages evaluates its past history and identifies trends for each of its major sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with private pay residents (which includes both residents without insurance and residents with deductible and copayment balances due for which third-party coverage exists for part of the bill), Masonic Villages records a provision for bad debts in the period of service on the basis of past experience, which indicates that many private pay residents are unable or unwilling to pay the portion of the bill for which they are financially responsible.

The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The changes in the allowance for uncollectible accounts receivable for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Allowance at January 1	\$ 891,612	\$ 1,267,000
Provision for Bad Debts	464,412	379,182
Accounts Receivable Written Off, Net of Recoveries	(101,791)	(754,570)
Allowance at December 31	<u>\$ 1,254,233</u>	<u>\$ 891,612</u>



**NOTE 5: Contributions Receivable**

Contributions receivable consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Charitable Lead Annuity Trusts	\$ 1,095,645	\$ 1,200,705
Promises to Give	<u>24,628</u>	<u>64,033</u>
Total Contributions Receivable	1,120,273	1,264,738
Less:		
Current Portion of Charitable Lead Annuity Trusts	132,218	159,023
Current Portion of Promises to Give	<u>25,000</u>	<u>65,000</u>
Noncurrent portion	<u>\$ 963,055</u>	<u>\$ 1,040,715</u>

Promises to give consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Promises to Give Before Unamortized Discount and Allowance for Uncollectibles	25,000	65,000
Unamortized Discount	<u>(372)</u>	<u>(967)</u>
	<u>\$ 24,628</u>	<u>\$ 64,033</u>

The schedule of payments to be received from promises to give as of December 31, 2023 is as follows:

2024	<u>\$ 25,000</u>
	<u>\$ 25,000</u>

The discount rate used for promises to give received during the years ended December 31, 2023 and 2022 was 1.51%.

**NOTE 6: Notes Receivable**

Notes receivable with Masonic Villages' Retirement Living residents totaled \$ 650,938 as of December 31, 2023. Interest was charged at rates ranging from 0% to 5% per annum. There were no notes receivable outstanding beyond their due date, included in the aforementioned totals, as of December 31, 2023 and 2022. There were no notes receivable on nonaccrual status as of December 31, 2023 and 2022. Based on management's evaluation of the notes receivable portfolio, no provision for uncollectible notes receivable is required.

## NOTE 7: Investments

Certain investments are pooled with related organizations and are referred to as "Consolidated Fund" investments. Consolidated Fund investments and certain short-term investments are administered by twenty-four different investment management firms and held in safekeeping by JPMorgan Chase Bank, N. A. and Brinker Capital Securities, Inc. Approximately 98% of the pooled investments are attributable to the Masonic Villages.

The following table summarizes total Consolidated Fund investments held in safekeeping at JPMorgan Chase Bank, N. A. and Brinker Capital Securities, Inc.:

At December 31, 2023	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Domestic stocks	\$ 199,558,600	\$ 70,262,836	\$ 4,929,454	\$ 264,891,982
International stocks	44,746,743	7,772,396	(2,329,490)	50,189,649
U.S. Government and Agency Bonds	53,322,872	446,799	1,655,253	52,114,418
Domestic corporate bonds	103,855,505	410,211	8,290,931	95,974,785
Municipal bonds	8,684,173	101,491	1,017,054	7,768,610
Mutual funds - Equity	44,585,042	5,425,058	18,303	49,991,797
Exchange traded funds	59,836,885	5,223,097	686,436	64,373,546
Mortgage backed securities	27,455,507	110,222	1,973,199	25,592,530
Asset backs securities	23,215,021	171,695	702,938	22,683,778
Real estate investment trusts	22,090	-	347	21,743
Private equity investments	17,986,147	5,962,635	110,927	23,837,855
Limited partnerships	130,566,936	19,768,054	3,314,504	147,020,486
Money funds	55,633,325	-	-	55,633,325
Total consolidated fund	\$ 769,468,846	\$ 115,654,494	\$ 25,028,836	\$ 860,094,504
At December 31, 2022	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Domestic stocks	\$ 192,967,320	\$ 38,668,035	\$ 16,886,543	\$ 214,748,812
International stocks	46,014,614	3,713,946	3,518,153	46,210,407
U.S. Government and Agency Bonds	38,593,739	147,389	2,188,651	36,552,477
Domestic corporate bonds	102,554,684	99,139	11,443,607	91,210,216
Municipal bonds	10,771,878	116,911	1,312,424	9,576,365
Mutual funds - Equity	51,499,750	7,781,440	327,856	58,953,334
Exchange traded funds	82,476,208	1,159,892	4,741,024	78,895,076
Mortgage backed securities	29,268,592	34,696	2,267,464	27,035,824
Asset backs securities	29,735,092	35,050	1,452,180	28,317,962
Real estate investment trusts	1,360,820	76,228	110,380	1,326,668
Private equity investments	14,667,842	5,964,056	-	20,631,898
Limited partnerships	125,086,481	10,000,930	4,749,322	130,338,089
Money funds	44,991,557	-	-	44,991,557
Total consolidated fund	\$ 769,988,577	\$ 67,797,712	\$ 48,997,604	788,788,685

**NOTE 7: Investments - Continued**

At December 31, 2023 and 2022, Masonic Villages' investments consisted of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 7,591,063	\$ 7,591,063	\$ 7,240,165	\$ 7,240,165
Consolidated Fund	478,886,639	507,639,722	478,465,506	465,012,790
Lincoln Financial Group	1,265,823	1,265,823	1,065,198	1,065,198
Mill Creek Capital Advisors, LLC	10,491,977	11,592,029	10,911,185	10,642,276
Total Without Donor Restriction	498,235,502	528,088,637	497,682,054	483,960,429
Money Market Funds	3,305,217	3,305,217	2,303,465	2,303,465
Consolidated Fund	292,763,697	326,101,420	293,543,223	300,009,538
Real estate	414,007	414,007	391,007	391,007
Perpetual Trusts Held by Third Parties	25,893,232	47,661,100	26,263,647	44,911,408
Total With Donor Restriction	322,376,153	377,481,744	322,501,342	347,615,418
	\$ 820,611,655	\$ 905,570,381	\$ 820,183,396	\$ 831,575,847

Masonic Villages' investments are presented in the consolidated balance sheets in the following categories as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Minimum liquid reserve requirement	\$ 20,745,508	\$ 20,005,714
Investments at fair value	884,824,873	811,570,133
	\$ 905,570,381	\$ 831,575,847

**NOTE 7: Investments - Continued**

Masonic Villages has designated portions of its Consolidated Fund investments without donor restrictions to use for specific programs or functions. The composition of Masonic Villages' designated investments as of December 31, 2023 and 2022 is as follows:

	2023		2022	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Masonic Villages Reserve Fund	\$ 168,098,329	\$ 183,161,221	\$ 180,657,424	\$ 180,805,260
Masonic Temple Preservation Fund	15,829,185	16,840,491	15,075,081	14,752,637
Children's Home Fund	6,466,232	6,726,123	6,428,273	6,121,045
Ilgen Trust	13,699,392	14,090,529	13,759,220	12,950,711
Charitable Gift Annuity Reserve Funds	5,319,531	5,695,848	5,422,503	5,368,439
Warminster Building and Improvement Fund	3,013,276	2,881,535	2,875,364	2,506,989
Masonic Eastern Star Endowment Fund	1,933,852	1,790,661	1,884,282	1,591,997
Elizabethtown Retirement Living Fund	35,341,973	35,903,507	33,741,238	31,343,677
Dallas Retirement Living Fund	3,230,126	3,349,887	3,080,773	2,924,443
Sewickley Retirement Living Fund	168,223,053	176,120,869	160,370,817	153,753,099
Lafayette Hill Funds	36,684,550	38,029,167	34,988,400	33,202,817
Pennsylvania Masonic Youth Foundation	11,454,069	12,287,595	10,956,990	10,790,479
The Masonic Library and Museum of Pennsylvania	1,844,214	1,913,533	1,758,554	1,675,984
Compassionate Care Fund	37,629	37,726	84,478	84,519
Pennsylvania Acacia Insurance Company	15,302,291	16,397,093	14,622,274	14,380,859
	<u>\$ 486,477,702</u>	<u>\$ 515,225,785</u>	<u>\$ 485,705,671</u>	<u>\$ 472,252,955</u>

The Consolidated Fund investment policy includes specific guidance on the maximum amount that each organization participating in the Consolidated Fund may withdraw from its Consolidated Fund investments each year. The maximum amount that may be withdrawn and spent is equal to a percentage of the three-year average fair value of a participating organization's Consolidated Fund investments. The investment policy permits withdrawals from investments without donor restrictions in excess of the spending policy maximum. For the years ended December 31, 2023 and 2022, the spending policy percentages recommended by the Grand Lodge Committee on Finance and elected by the Trustees of the Consolidated Fund were 5% and 10%, respectively. The 2022 election of 10% represented a temporary increase in the spending limit as enacted by the Pennsylvania legislature in response to the fiscal impact of the COVID-19 pandemic. The temporary increase, up to a max of 10%, was available for the years 2020, 2021 and 2022. Masonic Villages reports the cumulative excess of the restricted spending maximum over amounts withdrawn from Consolidated Fund investments with donor restrictions as net assets with donor restrictions available to be appropriated for expenditure.

**NOTE 7: Investments - Continued**

Masonic Villages' performance in comparison with the spending maximum amounts is summarized in the following table:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Masonic Villages' Consolidated Fund spending maximum amount for 2023	\$ 24,388,352	\$ 17,252,583	\$ 41,640,935
Amounts withdrawn from Consolidated Fund	<u>35,243,105</u>	<u>17,251,457</u>	<u>52,494,562</u>
Excess of spending maximum amount over amounts withdrawn	<u>\$ (10,854,753)</u>	<u>\$ 1,126</u>	<u>\$ (10,853,627)</u>

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Masonic Villages' Consolidated Fund spending maximum amount for 2022	\$ 44,221,137	\$ 30,674,102	\$ 74,895,239
Amounts withdrawn from Consolidated Fund	<u>19,554,377</u>	<u>30,590,981</u>	<u>50,145,358</u>
Excess of spending maximum amount over amounts withdrawn	<u>\$ 24,666,760</u>	<u>\$ 83,121</u>	<u>\$ 24,749,881</u>

**NOTE 8: Assets Whose Use is Limited**

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at December 31, 2023 and 2022, is set forth below.

	<b>2023</b>		<b>2022</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Under indenture agreement held by trustee -				
Cash and short-investments	\$ 966,080	\$ 966,080	\$ 910,193	\$ 910,193
Less current portion	<u>966,080</u>	<u>966,080</u>	<u>910,193</u>	<u>910,193</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 9: Property and Equipment**

A summary of property and equipment at December 31, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 5,984,187	\$ 5,984,187
Land Improvements	31,707,664	31,383,085
Building and Improvements	491,362,381	489,225,086
Equipment	343,371,733	332,733,745
	<hr/>	<hr/>
	872,425,965	859,326,103
Less: Accumulated Depreciation	512,548,884	483,465,696
	<hr/>	<hr/>
	359,877,081	375,860,407
Construction in Progress	5,298,691	2,880,385
	<hr/>	<hr/>
Property and Equipment, net	<u>\$ 365,175,772</u>	<u>\$ 378,740,792</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$ 29,804,118 and \$ 29,942,200, respectively.

**NOTE 10: Deferred Costs**

A summary of deferred costs at December 31, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Costs to upgrade Elizabethtown Borough wastewater treatment plan	\$ 1,056,000	\$ 1,056,000
Less: Accumulated Depreciation	(1,056,000)	(1,056,000)
	<hr/>	<hr/>
	\$ -	\$ -

Amortization expense related to deferred costs totaled \$ 52,800 for the year ended December 31, 2022.

**NOTE 11: Interest Rate Swap Agreements**

On July 1, 1999, Masonic Villages entered into an interest rate swap agreement on the 1999 Bonds with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA). This agreement expires on July 1, 2034. Wells Fargo Bank, NA exchanged a fixed rate of 4.5925% on the outstanding principal of the 1999 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 1999 Bonds.

## **NOTE 11: Interest Rate Swap Agreements - Continued**

On September 7, 2001, Masonic Villages entered into an interest rate swap agreement on the 2001 Bonds with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA). This agreement expires September 7, 2031. Wells Fargo Bank, NA exchanged a fixed rate of 4.085% on the outstanding principal of the 2001 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 2001 Bonds.

On September 7, 2001, Masonic Villages entered into a forward interest rate swap agreement with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA) on variable rate bonds that were issued during 2002 (2002 Bonds). This agreement expires May 1, 2032. Wells Fargo Bank, NA exchanged a fixed rate of 4.190% on the outstanding principal of the 2002 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 2002 Bonds.

On May 22, 2003, Masonic Villages entered into an interest rate swap agreement on the 2004 Bonds with Wells Fargo Bank, NA (formerly known as Wachovia Bank NA). This agreement expired on November 19, 2019. Wells Fargo Bank, NA exchanged a fixed rate of 3.75% on the outstanding principal of the 2004 Bonds for the variable interest rate Masonic Villages would have paid. Masonic Villages entered into this agreement to limit the exposure to interest rate changes on the 2004 Bonds.

The variable interest rates on all four of Masonic Villages' interest rate swap agreements were determined using 67% of the London Interbank Offered Rate (LIBOR). The variable interest rates on the 1999 Bonds, the 2001 Bonds, the 2002 Bonds, and the 2004 Bonds are determined by the remarketing agent based on the Securities Industry and Financial Markets Association (SIFMA) index, adjusted for market demand.

On April 1, 2008, the Lancaster County Hospital Authority issued Variable Rate Demand/Fixed Rate Health Center Revenue bonds (Masonic Homes Project), Series 2008 (2008 Bonds) for \$ 144,950,000. The proceeds of the 2008 Bonds were used to completely refund the outstanding principal of the 1999 Bonds, the 2001 Bonds, the 2002 Bonds, and the 2004 Bonds. Masonic Villages received the proceeds of the 2008 Bonds in four separate series that corresponded to the outstanding principal amount and repayment schedules of each of the refunded bond series. Series A of the 2008 Bonds (\$ 37,420,000) replaced the 2001 Bonds. Series B of the 2008 Bonds (\$ 34,725,000) replaced the 2002 Bonds. Series C of the 2008 Bonds (\$ 29,550,000) replaced the 2004 Bonds. Series D of the 2008 Bonds (\$ 43,255,000) replaced the 1999 Bonds. The new bonds were structured in four separate series to correspond to outstanding principal amounts and repayment schedules of the four refunded bond issues. This approach enabled the interest rate swap agreements to continue to be used with the new variable rate demand bonds.

In January 2015, the interest rate swap agreement for the 2004 Bonds / 2008 Bonds (Series C) was terminated in connection with the refunding of the 2008 Bonds (Series C) in February 2015.

On May 31, 2018, Masonic Villages and Wells Fargo Bank, NA amended the interest rate agreements for the 2008 Bonds (Series A and B). These amendments were done in connection with renegotiation of the direct purchase agreements with Wells Fargo Bank, NA for the 2008 Bonds (Series A and B). Under the amendments, the variable interest rates on Masonic Villages' interest rate swap agreements are now determined using 80% of the LIBOR. The original fixed interest rates in the interest rate swap agreements were increased to synchronize with the revised direct purchase agreements. The fixed interest rate in the swap agreement for 2008 Bonds (Series A) increased from 4.085% to 4.470%. The interest rate for the swap agreement for the 2008 Bonds (Series B) increased from 4.190% to 4.571%.

## NOTE 11: Interest Rate Swap Agreements - Continued

In August 2022, the interest swap agreement for 2008 Bonds (Series A and B) was terminated in connection with the refunding of the 2008 Bonds (Series A and B) in August 2022.

Effective May 1, 2023, use of LIBOR as the rate setting measure on the interest rate swap agreement supporting the 2008 D Bonds was replaced by use of Secured Overnight Financing Rate (SOFR) calculated at 67%.

The interest rate swaps are recognized as an asset or liability in the consolidated balance sheets at their fair value. Changes in fair value are recorded as a change in unrealized appreciation or depreciation in the consolidated statements of operations and the consolidated statements of changes in net assets.

As of December 31, 2023, and 2022, the fair values of Masonic Villages' interest rate swap agreements were as follows:

	<u>2023</u>	<u>2022</u>
Liabilities:		
1999 Bonds / 2008 Bonds (Series D) interest rate swap agreement	\$ (3,249,177)	\$ (3,623,909)

By using derivative instruments, Masonic Villages is exposed to credit and market risk. If the counterparty fails to perform, credit risk is equal to the extent of the fair value gain in a derivative. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes Masonic Villages and, therefore, creates a repayment risk for Masonic Villages. When the fair value of a derivative contract is negative, Masonic Villages owes the counterparty and, therefore, it has no repayment risk. Masonic Villages minimizes the credit (or repayment) risk in derivative instruments by entering into transactions with high quality counterparties that are reviewed periodically by Masonic Villages' management.

At December 31, 2023 and 2022, the net payments associated with the terms of the swap agreements totaled:

	<u>2023</u>	<u>2022</u>
Fixed rate payments:		
1999 Bonds / 2008 Bonds (Series D) interest rate swap	\$ 1,161,903	\$ 1,235,727
2001 Bonds / 2008 Bonds (Series A) interest rate swap	-	453,146
2002 Bonds / 2008 Bonds (Series B) interest rate swap	-	440,949
Total fixed rate payments	<u>\$ 1,161,903</u>	<u>\$ 2,129,822</u>
Variable rate payments:		
1999 Bonds / 2008 Bonds (Series D) interest rate swap	\$ (865,626)	\$ (328,199)
2001 Bonds / 2008 Bonds (Series A) interest rate swap	-	(45,338)
2002 Bonds / 2008 Bonds (Series B) interest rate swap	-	(42,072)
Total variable rate payments	<u>\$ (865,626)</u>	<u>\$ (415,609)</u>
Net payments to interest rate swap provider	<u>\$ 296,277</u>	<u>\$ 1,714,213</u>

## NOTE 12: Long-Term Debt

On August 1, 2022, the Lancaster County Hospital Authority issued Fixed Rate Health Center Revenue Bonds, Series 2022 (2022 Bonds) for \$ 47,870,000. The proceeds of the 2022 Bonds were used to advance refund the outstanding principal of the Series of 1996 Bonds (1996 Bonds) and refund the 2008 Bonds (Series A and B), and to pay the costs of terminating the interest rate swap agreement corresponding to the principal repayment schedule of 2008 Bonds (Series A and B). Proceeds were also used to pay the issuance costs of the 2022 Bonds.



**NOTE 12: Long-Term Debt - Continued**

The refunding transaction will reduce Masonic Villages aggregate debt service payments by approximately \$ 1,786,000 through May 2032. The aggregate accounting loss on the refunding of the 1996 Bonds and 2008 Bonds (Series A and B) of \$ 138,201 was recorded as an operating expense of Masonic Villages for the year ended December 31, 2022.

On November 1, 2023, the Lancaster County Hospital Authority issued Fixed Rate Health Center Revenue Bonds, Series 2023 (2023 Bonds) for \$ 26,920,000. The proceeds of the 2023 Bonds were used to advance refund the outstanding principal of the Series 2013 Bonds and to pay the issuance costs of the 2023 Bonds.

The refunding transaction will increase Masonic Villages aggregate debt service payments by approximately \$ 418,000 through May 2038. The aggregate accounting loss on the refunding of the 2013 Bonds of \$ 78,502 was recorded as an operating expense of Masonic Villages for the year ended December 31, 2023.

All of Masonic Villages' outstanding bonds are secured by a pledge of Masonic Villages' gross revenues. A summary of long-term debt at December 31, 2023 and 2022 follows:

	2023	2022
Lancaster County Hospital Authority (Series 2008) - variable rate demand bonds, maturing through 2034	\$ 24,475,000	\$ 26,125,000
Lancaster County Hospital Authority (Series 2013) - variable rate demand bonds, maturing through 2038	-	27,610,000
Lancaster County Hospital Authority (Series 2015) - 2.15% to 5.00% bonds, maturing through 2035	22,590,000	23,980,000
Lancaster County Hospital Authority (Series 2017) - 2.625% to 5.00% bonds, maturing through 2038	24,555,000	25,605,000
Lancaster County Hospital Authority (Series 2022) - 2.83% to 5.00% bonds, maturing through 2032	42,305,000	47,460,000
Lancaster County Hospital Authority (Series 2023) - 5.125% to 5.50% bonds, maturing through 2038	26,920,000	-
	<hr/>	<hr/>
Total Long-Term Debt	140,845,000	150,780,000
Add: Premium on Bonds Payable	3,156,380	3,589,306
Less: Discounts on Bonds Payable	(183,851)	-
Less: Deferred Financing Costs	(1,276,983)	(972,723)
Less: Current Installments of Long-Term Debt	(10,385,000)	(10,665,000)
	<hr/>	<hr/>
	\$ 132,155,546	\$ 142,731,583
	<hr/>	<hr/>

**NOTE 12: Long-Term Debt - Continued**

Under the terms of the bond purchase agreements with the Lancaster County Hospital Authority, Masonic Villages is required to maintain certain deposits with the Trustee. Such deposits are included with assets whose use is limited in the consolidated financial statements. The loan agreements place limits on the incurrence of additional borrowing and require that Masonic Villages satisfy certain measures of financial performance as long as the debt is outstanding. For the years ended December 31, 2023 and 2022, Masonic Villages met the minimum debt service coverage ratio contained in the loan agreements.

A schedule of principal repayments on long-term debt for the next five years and thereafter follows:

<b>Bond Series</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>Thereafter</b>	<b>Total</b>
2008(D) \$	1,725,000 \$	1,815,000 \$	1,905,000 \$	2,000,000 \$	2,095,000 \$	14,935,000 \$	24,475,000
2015	1,450,000	1,515,000	1,570,000	1,655,000	1,735,000	14,665,000	22,590,000
2017	1,100,000	1,135,000	1,180,000	1,220,000	1,410,000	18,510,000	24,555,000
2022	5,275,000	5,390,000	5,515,000	5,630,000	4,440,000	16,055,000	42,305,000
2023	835,000	800,000	845,000	890,000	1,930,000	21,620,000	26,920,000
	<u>\$ 10,385,000</u>	<u>\$ 10,655,000</u>	<u>\$ 11,015,000</u>	<u>\$ 11,395,000</u>	<u>\$ 11,610,000</u>	<u>\$ 85,785,000</u>	<u>\$ 140,845,000</u>

The fair value of Masonic Villages' total outstanding bonds, based on quoted market prices, at December 31, 2023 and 2022 was approximately \$ 144,941,763 and \$ 157,711,189, respectively.

A summary of interest costs on borrowed funds and investment income on funds held by the Trustee under the bond purchase agreement during the years ended December 31, 2023 and 2022 follows:

	<b>Capitalized</b>	<b>Interest Expense</b>	<b>Investment Income</b>	<b>Total</b>
<b><u>2023</u></b>				
Bond Premium Amortization	\$ -	\$ (432,926)	\$ -	\$ (432,926)
Bond Discount Amortization	-	8,595	-	8,595
Interest Cost	-	5,145,591	-	5,145,591
Net Payments to Interest Rate Swap Provider	-	296,277	-	296,277
Amortization of Deferred Financing Costs	-	110,026	-	110,026
Investment Income - Funds	-	-	(36,699)	(36,699)
	<u>\$ -</u>	<u>\$ 5,127,563</u>	<u>\$ (36,699)</u>	<u>\$ 5,090,864</u>
<b><u>2022</u></b>				
Bond Premium Amortization	\$ -	\$ (449,726)	\$ -	\$ (449,726)
Bond Discount Amortization	-	-	-	-
Interest Cost	-	4,207,549	-	4,207,549
Net Payments to Interest Rate Swap Provider	-	1,714,213	-	1,714,213
Amortization of Deferred Financing Costs	-	114,406	-	114,406
Investment Income - Funds	-	-	(11,878)	(11,878)
	<u>\$ -</u>	<u>\$ 5,586,442</u>	<u>\$ (11,878)</u>	<u>\$ 5,574,564</u>

## **NOTE 12: Long-Term Debt - Continued**

Masonic Villages and PNC Bank, NA (PNC) entered a Continuing Covenants Agreement on December 19, 2013 for PNC to directly purchase all outstanding principal of the 2013 Bonds. Under the terms of this agreement, PNC will hold the outstanding principal of the 2013 Bonds as an investment asset for a minimum of ten years. This agreement terminated upon issuance of the 2023 Bonds. On May 31, 2018, Masonic Villages amended Continuing Covenants Agreements with Wells Fargo Bank, NA (Wells Fargo) for Wells Fargo to purchase all outstanding principal of the 1996 Bonds and 2008 Bonds, Series A, B, and C. The 1996 Bonds, 2008 Bonds Series A and B were refunded on August 1, 2022 with the issuance of the 2022 Bonds. On August 1, 2022, Masonic Villages entered into Continuing Covenants Agreement with Wells Fargo to directly purchase all outstanding principal of the 2022 Bonds. On November 1, 2019, J.P. Morgan Chase Bank, NA., agreed to extend a letter of credit to support the 2008 Bonds, Series D issued through the Lancaster County Hospital Authority. This letter of credit has a five-year term expiring on October 3, 2024. Management has received preliminary word that J.P. Morgan Chase is supportive of extending the letter of credit by one year to October 3, 2025.

## **NOTE 13: Endowments**

Masonic Villages' endowment consists of several individual funds established for a variety of purposes. Masonic Villages' endowment includes both donor-restricted endowment funds and funds designated by Masonic Villages' Board of Directors to function as an endowment. Net assets associated with endowment funds, including funds designated by Masonic Villages' Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Pennsylvania has not adopted the Uniform Prudent Management of Institutional Funds Act of 2006. Guidance for the administration of endowment funds in Pennsylvania is provided in Act 141, which was passed by the Pennsylvania legislature in 1998. Under Act 141, Pennsylvania not-for-profit organizations are permitted to elect an annual amount that may be used from their endowment funds based on an annual spending rate between 2% and 7%. Act 141 permits the spending of accumulated principal and income from an endowment fund if the amount withdrawn is less than or equal to the annually elected percentage. Masonic Villages' interpretation of Act 141 classifies interest income, dividends, and capital appreciation earned by donor-restricted endowment fund investments as donor restricted activity. All interest income, dividends, and capital appreciation in excess of the annual spending amount are reported as net assets with donor restrictions available to be appropriated for expenditure in future years. Masonic Villages intends to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Masonic Villages classifies as net assets required to be maintained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions available to be appropriated for expenditure by Masonic Villages in a manner consistent with the standard of prudence described by Act 141.

Masonic Villages considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Masonic Villages, the purpose of the donor-restricted endowment fund, satisfaction of specific donor instructions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of Masonic Villages, and the investment policy of the Consolidated Fund.

### NOTE 13: Endowments - Continued

Masonic Villages has invested substantially all of its endowment assets in the Consolidated Fund. The Trustees of the Consolidated Fund have adopted an investment policy and strategies to achieve the greatest return possible for the amount of risk assumed by the Consolidated Fund. Under this policy, assets are invested in a manner intended to produce results that exceed the Consumer Price Index for the entire Consolidated Fund. There are also goals established for categories of fixed income and equity investments within the Consolidated Fund to meet or exceed the performance of appropriate generally recognized financial indices. Actual returns in any year may vary from these goals.

To satisfy the long-term rate-of-return objectives of the organizations participating in the Consolidated Fund, the Trustees of the Consolidated Fund rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Consolidated Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Consolidated Fund investment policy includes specific guidance on the maximum amounts that each participating organization may withdraw from its Consolidated Fund investments each year. The maximum amount that may be withdrawn and spent is equal to a percentage of the three-year average fair value of a participating organization's Consolidated Fund investments.

This approach is consistent with the provisions of Act 141. For the years ended December 31, 2023 and 2022, the spending percentages elected by the Trustees of the Consolidated Fund were 5% and 10%, respectively. In establishing this policy, the Trustees of the Consolidated Fund considered the long-term expected return on the endowment funds of the organizations participating in the Consolidated Fund.

In July 2020, the Pennsylvania legislature passed Act 71 of 2020 which amended Act 141 by increasing the upper percentage for spending policies of not-for-profit corporations from 7% to 10% for the years 2020, 2021, and 2022. The Pennsylvania legislature enacted this temporary increase to spending limits to provide flexibility to not-for-profit corporations related to the fiscal impact of the COVID-19 pandemic. On September 25, 2020, the Trustees of the Consolidated Fund approved an amendment to the Consolidated Fund investment policy which permitted organizations invested in the Consolidated Fund to increase their withdrawals from the Consolidated Fund to achieve their cash management objectives up to the 10% allowed by Act 71 for the years 2020, 2021, and 2022. This amendment had the effect of increasing the spending policy maximum percentage from 5% to 10% for the year ended December 31, 2022, 2021 and 2020.

An underwater endowment fund is defined as a donor-restricted endowment fund for which the fair value is less than either the original gift amount or the amount required to be maintained by the donors or by law that extends donor restrictions. Masonic Villages has interpreted Act 141 to permit spending from underwater endowments to the extent the donor-restricted endowment has net assets with donor restrictions available to be appropriated for expenditure. Masonic Villages did not have any underwater endowments as of December 31, 2023 and 2022.

Endowment net assets consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Without Donor Restrictions	\$ 14,110,127	\$ 12,415,661
With Donor Restrictions	323,536,398	297,116,069
	<u>\$ 337,646,525</u>	<u>\$ 309,531,730</u>

**NOTE 13: Endowments - Continued**

The changes in endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at January 1, 2022	\$ 14,661,638	\$ 376,659,854	\$ 391,321,492
Investment return, net	(2,027,362)	(52,360,207)	(54,387,569)
Contributions and bequests	-	2,201,190	2,201,190
Income from perpetual trusts held by third parties	26,718	127,243	153,961
Transfers from funds without donor restrictions	-	309,259	309,259
Appropriation of endowment assets for expenditure	<u>(245,333)</u>	<u>(29,821,270)</u>	<u>(30,066,603)</u>
Endowment net assets at December 31, 2022	<u>12,415,661</u>	<u>297,116,069</u>	<u>309,531,730</u>
Investment return, net	1,740,231	37,312,555	39,052,786
Contributions and bequests	-	332,598	332,598
Income from perpetual trusts held by third parties	17,464	146,274	163,738
Transfers from funds without donor restrictions	-	237,839	237,839
Appropriation of endowment assets for expenditure	<u>(63,229)</u>	<u>(11,608,937)</u>	<u>(11,672,166)</u>
Endowment net assets at December 31, 2023	<u>\$ 14,110,127</u>	<u>\$ 323,536,398</u>	<u>\$ 337,646,525</u>

The amounts reported as appropriation of endowment assets with donor restrictions for expenditure consist of two components. Income from donor restricted endowments recognized as investment income without donor restrictions in the consolidated statements of operations totaled \$ 4,952,887 and \$ 4,482,407, respectively, for the years ended December 31, 2023 and 2022. Amounts withdrawn from the endowments and reported as satisfaction of program restrictions in the consolidated statements of operations and changes in net assets for the years ended December 31, 2023 and 2022 totaled \$ 6,656,050 and \$ 25,338,863, respectively.

## NOTE 14: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2023 and 2022:

	2023	2022
Endowment net assets available to be appropriated for expenditure:		
Support of Masonic Villages and its activities	\$ 3,462,036	\$ 2,975,134
Support of Children's Home and its activities	13,238,118	8,969,424
Support of Residential programs for developmentally disabled individuals	841,701	517,164
Building renovations and construction projects	74,587	47,528
Scholarship awards	5,720,692	4,026,617
Care and support of eligible Masons and their families	24,133,695	20,695,411
General operations of the organization	63,007,045	47,380,958
	<u>110,477,874</u>	<u>84,612,236</u>
Endowment net assets to be maintained in perpetuity:		
Support of Masonic Villages and its activities	3,793,052	3,788,048
Support of Children's Home and its activities	25,075,939	24,870,157
Support of Residential programs for developmentally disabled individuals	2,117,119	2,097,831
Building renovations and construction projects	150,000	150,000
Scholarship awards	7,822,862	7,652,107
Care and support of eligible Masons and their families	7,525,529	7,525,529
General operations of the organization	166,574,022	166,420,161
	<u>213,058,523</u>	<u>212,503,833</u>
Total endowment net assets	323,536,398	297,116,069
Not subject to spending policy or appropriation: Perpetual trusts held by third parties	47,661,100	44,911,408
Subject to expenditure for specified purpose:		
Support of Masonic Villages and its activities	848,318	1,230,197
Support of Children's Home and its activities	447,176	318,145
Building renovations and construction projects	445,038	428,959
Care and support of eligible Retirement Living residents	2,989,580	2,389,167
Scholarship awards	277,862	223,006
Care and support of eligible Masons and their families	885,062	785,233
Employee assistance	328,765	322,659
General operations of the organization	3,781,472	4,384,772
	<u>10,003,273</u>	<u>10,082,138</u>
	<u>\$ 381,200,771</u>	<u>\$ 352,109,615</u>

Masonic Villages did not receive any donor restricted contributions that were subject to the passage of time during the years ended December 31, 2023 and 2022.

## NOTE 15: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors. The amounts released during the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Support of Masonic Villages and its activities	\$ 94,583	\$ 56,885
Support of Children's Home and its activities	(1,668)	6,102,482
General operations of the organization	11,448,140	18,238,850
Care and support of eligible Retirement Living residents	262,687	292,253
Care and support of eligible Masons and their families	564,671	1,008,511
Employee assistance	78,434	92,671
Scholarship awards	<u>302,183</u>	<u>308,263</u>
Satisfaction of restrictions - Operations	<u>12,749,030</u>	<u>26,099,915</u>
Satisfaction of restrictions - Purchase of Property and equipment	<u>1,082,841</u>	<u>529,636</u>
	<u>\$ 13,831,871</u>	<u>\$ 26,629,551</u>

During the years ended December 31, 2023 and 2022, assets totaling \$ 270,993 and \$ 223,726, respectively, were transferred from the designated Charitable Gift Annuity Reserve (a fund without donor restrictions) into a restricted fund in accordance with donor restrictions. These assets were transferred upon the deaths of the donors and the corresponding termination of charitable gift annuity arrangements.

Masonic Villages received liquidating distributions from trusts previously recorded as perpetual trust held by third parties during 2023 and 2022. These distributions, totaling \$ 182,132 and \$ 230,265, were recorded as a satisfaction of the donor's restriction and transferred from net assets with donor restrictions to net assets without donor restrictions for the years ended December 31, 2023 and 2022, respectively.

Masonic Villages refunded a restricted contribution in the amount of \$ 100,000 recorded in restricted net asset related to a prior year. The refunded contribution was recorded as a loss to net assets with donor restrictions for the year ended December 31, 2022.

## NOTE 16: Retirement Plans

Masonic Villages sponsors a retirement plan established under Section 403 (b) of the Internal Revenue Code. This retirement plan is available to substantially all Masonic Villages' employees and is funded by contributions made by employees and Masonic Villages to a third-party administrator. Annual contributions by the employees are subject to maximum limits established by federal legislation. Masonic Villages made contributions to the defined contribution retirement plan totaling \$ 3,636,447 and \$ 3,648,702 during the years ended December 31, 2023 and 2022, respectively. Masonic Villages also incurred administrative costs related to the defined contribution retirement plan totaling \$ 67,117 and \$ 63,992 during the years ended December 31, 2023 and 2022, respectively.

In April 2012, Masonic Villages established a noncontributory retirement plan under Section 457 (b) of the Internal Revenue Code. This retirement plan is available to certain senior management employees of Masonic Villages and is funded solely by contributions made by employees to a third-party administrator. Annual contributions by the employees are subject to maximum limits established by federal legislation. Accumulated assets of this noncontributory retirement plan are included in Masonic Villages' investments with a corresponding liability reported in accrued

**NOTE 16: Retirement Plans - Continued**

expenses in the consolidated balance sheets. The accumulated assets and the corresponding liability totaled \$ 1,265,823 and \$ 1,065,198 as of December 31, 2023 and 2022, respectively. Masonic Villages incurred administrative costs related to this noncontributory retirement plan totaling \$ 1,332 and \$ 1,675 during the years ended December 31, 2023 and 2022, respectively.

**NOTE 17: Resident Service Revenue**

Masonic Villages has agreements with third-party payors that provide for reimbursement to Masonic Villages at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the billings at established rates for services and amounts reimbursed by third-party payors. Masonic Villages' major third-party payors are Medicare and Medicaid.

For the years ended December 31, 2023 and 2022, services rendered to Medicare program beneficiaries were reimbursed on a prospective payment system or fee schedule, depending on the medical services provided. Under the prospective payment system, Masonic Villages is reimbursed according to the beneficiaries' acuity level and services provided. Under the fee schedule, Masonic Villages is reimbursed the lesser of its charge or the allowable amount per the fee schedule.

Services rendered to Medicaid program beneficiaries are reimbursed based on a prospective case-mix payment system. Under this system, nursing facilities are categorized into peer groups based on geographic location and number of certified beds. The Commonwealth of Pennsylvania's Department of Human Services (Department) establishes per diem rates to reimburse nursing facilities using peer group data adjusted for each individual facility's resident acuity.

In January 2005, the Department implemented a nursing facility assessment program for nursing facilities operating in Pennsylvania. Under this program, the Department collects an assessment from nursing facilities operating in Pennsylvania based on each facility's assessment days. The payments received by the Department from this quarterly assessment are used to obtain federal matching funds to maintain reimbursement for those nursing facilities participating in the Medicaid program. Masonic Villages recognized nursing assessment costs of \$ 1,614,359 and \$ 1,619,584 for the years ended December 31, 2023 and 2022, respectively. Nursing assessment costs are reported as a component of other operating expenses by Masonic Villages in the consolidated statements of operations. Masonic Villages recognized increased Medicaid reimbursement of \$ 811,738 and \$ 3,287,973 from the nursing assessment program for the years ended December 31, 2023 and 2022, respectively. Increased Medicaid reimbursement from the nursing assessment program is reported as a component of contractual adjustments under third party programs.

Masonic Villages recognizes resident service revenue associated with services provided to residents who have third party coverage on the basis of contractual rates for the services rendered. For uninsured private pay residents that qualify for charity care, Masonic Villages recognizes revenue on the basis of its standard rates for services provided, reduced by the estimated portion of the standard rate the resident is unable to pay. The estimated portion of the standard rate the resident is unable to pay is recognized as a charity care allowance. For uninsured private pay residents that do not qualify for charity care, Masonic Villages recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of Masonic Villages' uninsured private pay residents that do not qualify for charity care will be unable or unwilling to pay for the services provided. Masonic Villages records a provision for bad debts related to these uninsured private pay residents in the period the services are provided.



**NOTE 17: Resident Service Revenue - Continued**

Generally accepted accounting principles require organizations to disaggregate revenue from contracts with customers to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Masonic Villages disaggregates its resident service revenue from contracts with customers by payor source and by service type.

Masonic Villages' major payor sources consist of the Medicaid and Medicare programs, other third-party payors (primarily commercial insurance and managed care organizations), and private pay individuals. Resident service revenue, net of contractual and charity care allowances provided (but before the provision for bad debts), recognized in the consolidated statements of operations for the years ended December 31, 2023 and 2022 from these major payor sources is as follows:

	<b>2023</b>			
	<b>Medicare and Medicaid</b>	<b>Other Third Party Payors</b>	<b>Private Pay</b>	<b>Total</b>
Gross resident service revenue	\$ 62,791,575	\$ 27,641,917	\$ 115,529,292	\$ 205,962,784
Less provisions for:				
Contractual adjustments under third party reimbursement programs	23,226,309	8,241,159	-	31,467,468
Charity care allowances	-	-	12,966,707	12,966,707
Net resident service revenue before provision for bad debts	<u>\$ 39,565,266</u>	<u>\$ 19,400,758</u>	<u>\$ 102,562,585</u>	<u>\$ 161,528,609</u>
	<b>2022</b>			
	<b>Medicare and Medicaid</b>	<b>Other Third Party Payors</b>	<b>Private Pay</b>	<b>Total</b>
Gross resident service revenue	\$ 64,910,566	\$ 24,678,583	\$ 109,285,945	\$ 198,875,094
Less provisions for:				
Contractual adjustments under third party reimbursement programs	27,154,892	7,481,039	-	34,635,931
Charity care allowances	-	-	12,669,824	12,669,824
Net resident service revenue before provision for bad debts	<u>\$ 37,755,674</u>	<u>\$ 17,197,544</u>	<u>\$ 96,616,121</u>	<u>\$ 151,569,339</u>

**NOTE 17: Resident Service Revenue - Continued**

Resident service revenue by service type for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Nursing Care	\$ 63,567,459	\$ 61,142,319
Medical Ancillary Clinics	4,969,905	4,537,774
Pharmacy	14,334,246	10,684,664
Personal Care	9,724,368	9,677,191
Retirement Living	54,630,743	51,539,014
Residential Care Program	458,640	415,629
Hospice	4,734,740	4,206,154
Wellness Center	273,899	204,045
Home Health Care Services	2,509,114	2,852,364
Home Care Services	1,544,786	1,327,137
Others	<u>4,780,709</u>	<u>4,983,048</u>
Net resident service revenue before provision for bad debt	<u>\$ 161,528,609</u>	<u>\$ 151,569,339</u>

**NOTE 18: Charity Care and Community Service**

Masonic Villages' mission has been to provide services to residents, regardless of their ability to pay, who have medical, social, or financial need.

Masonic Villages provides services to adult individuals who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Criteria considered in Masonic Villages' charity care policy include the income and net worth of the adult individuals applying for charity care. Adult individuals applying for charity care must also be determined to be ineligible for reimbursement from applicable government programs for the services to be provided. Charity care may be provided to qualifying adult individuals for Personal Care, Retirement Living, Residential Care, and certain medical and nonmedical ancillary services. All services provided in the Children's Home are provided as charity care.

Masonic Villages maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges forgone based on established rates for the services and supplies furnished under its charity care policy. Charges forgone for charity care are excluded from net resident service revenue recorded by Masonic Villages. The cost to provide charity care is estimated on an annual basis for each service area providing charity care. Estimated charity care costs for an individual service area are determined by multiplying the individual service area's forgone charges by the ratio of the individual service area's direct and allocated indirect expenses to its gross charges. Masonic Villages' aggregate estimated cost of providing charity care is the sum of the charity care costs calculated for the individual service areas.

**NOTE 18: Charity Care and Community Service - Continued**

Charges forgone for charity care and the estimated costs of providing charity care for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Charges forgone	\$ 12,966,707	\$ 12,669,824
Estimated cost to provide charity care	\$ 11,751,052	\$ 11,190,828

Masonic Villages has received contributions restricted for the care and support of Retirement Living residents eligible for charity care. These contributions are recorded as net assets with donor restrictions and periodically released from restriction to subsidize charges forgone to provide charity care to Retirement Living residents. Net assets released from donor restrictions to subsidize charity care provided to Retirement Living residents totaled \$ 262,687 and \$ 292,253 for the years ended December 31, 2023 and 2022, respectively.

Masonic Villages also participates in the Medicare and Medical Assistance programs which make payment for services provided to financially eligible residents at rates which are less than the cost of such services. Management estimates the unpaid costs of these programs are approximately \$ 27,800,000 and \$ 36,950,000 in 2023 and 2022, respectively.

Masonic Villages conducts two programs that benefit people not residing at one of the five locations. The Home Assistance program (Home Assistance) provides financial resources and other services to Pennsylvania Masons and their families in need. Home Assistance is provided in two forms: charity care and temporary assistance. The cost of providing Home Assistance totaled \$ 172,010 and \$ 181,321, for the years ended December 31, 2023 and 2022, respectively. Masonic Villages has also established an Outreach program (Outreach) to assist individuals in their communities. People contacting Outreach receive information about various aspects of long-term care, including government programs available, selecting a long-term care facility, insurance, transportation, and counseling. The cost of Outreach totaled \$ 1,068 and \$ 282 for the years ended December 31, 2023 and 2022, respectively.

During 2023 and 2022, Masonic Villages permitted its meeting and conference facilities to be used by several not-for-profit organizations, including the Elizabethtown Area School District. Masonic Villages received no rental fees for the use of the meeting and conference facilities. The cost of providing this service to these organizations totaled approximately \$ 7,500 and \$ 7,000 for the years ended December 31, 2023 and 2022, respectively.

Masonic Villages made contributions of cash and in-kind services to not-for-profit organizations in the communities it serves. For the years ended December 31, 2023 and 2022, these contributions totaled \$ 350,089 and \$ 326,399, respectively. Masonic Villages also awarded scholarships to several individuals. Individuals receiving scholarships included graduating high school students based on academic achievement, financial need, and community service. Scholarship payments totaled \$ 291,150 and \$ 294,750 for the years ended December 31, 2023 and 2022, respectively.

## NOTE 19: Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a natural basis in the consolidated statements of operations. Functional expenses reported in the consolidated financial statements represent combinations of specific cost centers within the Masonic Villages' accounting structure. Cost centers are used to focus on specific operational activities, such as an individual program or administrative service. Use of the cost centers enable individual expenses to be assigned directly to the appropriate activity as incurred throughout the year. Certain expenses that are incurred at an entity level are not assigned to an individual cost center and must be allocated among the programs and supporting services benefited using a reasonable basis that is consistently applied. Employee healthcare costs are an example of an allocable expense. .

The following table summarizes operating expenses on a functional basis for the year ended December 31, 2023 and 2022:

	2023	2022
Program Services		
Nursing Care	\$ 66,386,793	\$ 66,416,968
Medical Ancillary Clinics	4,794,477	5,440,281
Pharmacy	13,395,716	10,810,150
Personal Care	11,497,330	11,440,857
Retirement Living	55,350,992	55,506,253
Children's Home	2,079,669	2,409,839
Residential Care Program	433,236	387,572
Hospice	4,094,466	3,897,659
Wellness Center	1,215,114	1,183,388
Home Health Care Services	2,610,439	2,553,298
Home Care Services	1,301,738	1,213,614
Community Services	424,065	360,224
Child Day Care Center	49,933	41,440
Conference Facilities	2,918,720	2,779,314
Contributions to Affiliates	540	433
Youth Programs	686,975	576,488
Library and Museum Activities	769,851	729,622
Employee Housing and Rental Property	1,494,020	1,355,636
Farm	3,422,656	2,974,633
Communication Services	1,700,953	1,711,998
Admissions and Resident Services	1,692,818	2,080,423
Support Services	4,926,033	4,834,549
Maintenance	12,555,470	12,423,037
Food Services	6,373,078	6,585,724
Total program services expense	200,175,082	197,713,400
Management and general - Administration	27,578,699	26,887,803
Fundraising - Gift Planning	1,331,237	1,537,313
	\$ 229,085,018	\$ 226,138,516

## NOTE 20: Transactions with Affiliated Organizations

### Contributions from Affiliated Organizations

Masonic Villages receives contributions from certain Grand Lodge permanently restricted net assets. The contributions are made from trusts established by donors to benefit needy Masons, widows, and children. Contributions were received by Masonic Villages from the following trusts for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Sommerville Art Fund	\$ -	\$ 3,000

During the year ended December 31, 2022, Masonic Villages received contributions in the amount of \$ 400,000 from Grand Lodge of Pennsylvania Charity Foundation in support of the Masonic Library and Museum and the Foundation.

### Contributions to Affiliated Organizations

Contributions from Masonic Villages' net assets with donor restrictions are made to the Grand Lodge of Pennsylvania Charity Foundation. These contributions are reported as satisfaction of donor restrictions in the consolidated statements of changes in net assets. The contributions are made from the Reidler Helping Hand Fund, which was established to benefit Masonic Villages and the Grand Lodge of Pennsylvania Charity Foundation. Contributions from this trust to the Grand Lodge of Pennsylvania Charity Foundation totaled \$ 540 and \$ 433 for the years ended December 31, 2023 and 2022, respectively.

### Administrative and Program Service Expenses

Masonic Villages has entered into a resource sharing and fiduciary agreement with Grand Lodge. Under the agreement, Masonic Villages has agreed to pay Grand Lodge a fiduciary services and management fee in the amount of \$ 250,000 annually. In addition, as defined in the resource sharing and fiduciary agreement, Masonic Villages will no longer require Grand Lodge to reimburse Masonic Villages for costs associated with human resources, accounting, information technology and public relations. Masonic Villages cost associated with the fiduciary and management fee totaled \$ 250,000 for each of year ended December 31, 2023 and 2022.

## NOTE 21: Split-Interest Agreements

Masonic Villages has entered into several split-interest agreements with donors. These split-interest agreements include charitable gift annuities, charitable remainder unitrusts, charitable remainder annuity trusts, charitable lead trusts, and perpetual trusts held by third parties. Under split-interest agreements, a donor makes an initial gift to a trust or directly to Masonic Villages in which Masonic Villages has a beneficial interest. Donated assets are maintained by a trust or Masonic Villages and distributions are made to a beneficiary or beneficiaries during the term of the agreement.

At the end of the agreement's term, any remaining assets covered by the agreement are distributed to Masonic Villages.

Assets received under split-interest agreements are recorded at the fair value of the assets on the date received. Liabilities to beneficiaries are recorded at the net present value of expected payments based upon the amount of the contribution, any contractual rate of return, and the life expectancy of the beneficiary. Contribution revenue is classified as either without donor restrictions or with donor restrictions based on the existence of any donor-imposed conditions in the split-interest agreement.

**NOTE 21: Split-Interest Agreements - Continued**

As of December 31, 2023 and 2022, the fair value of assets recognized under split-interest agreements by Masonic Villages, consisting principally of cash and investments, was as follows:

	<u>2023</u>	<u>2022</u>
Perpetual trusts held by third parties	\$ 47,661,100	\$ 44,911,408
Charitable gift annuities	5,711,943	5,368,439
Charitable remainder annuity trust	280,522	256,539
Charitable remainder unitrusts	11,311,507	10,385,737
	<u>\$ 64,965,072</u>	<u>\$ 60,922,123</u>

Contribution revenues recognized by Masonic Villages under split-interest agreements for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Without donor restrictions -		
Charitable gift annuities	\$ 346,230	\$ 173,467
Charitable remainder annuity trust	-	141,639
Charitable remainder unitrusts	67,135	884,528
	<u>\$ 413,365</u>	<u>\$ 1,199,634</u>

Masonic Villages is an income beneficiary of several perpetual trusts held by third parties. Distributions of income are made at the discretion of the trustees. Income distributed to the Masonic Villages by perpetual trusts held by third parties amounted to \$ 2,469,536 and \$ 2,285,411 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 22: Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3:** Inputs that are unobservable inputs for the asset or liability.

## **NOTE 22: Fair Value Measurements - Continued**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

### ***Domestic and International Common Stock, Mutual Funds – Equity Securities, Exchange Traded Funds, Royalty Trusts and Real Estate Investment Trusts***

Valued at end of day quoted prices in active markets for identical assets, if available (Level 1). If the market is not active, they are valued using quoted prices for similar assets in active markets or identical assets in inactive markets (Level 2)

### ***U.S. Government Securities, Domestic Corporate Bonds, Municipal Securities, Mortgage-Backed Securities, Assets Backed Securities and Demand Notes***

Valued at end of day pricing using quoted prices for similar assets in active markets or identical assets in inactive markets.

### ***Money Market Mutual Funds***

These funds are valued at the end of day closing price based on net asset value (NAV). The value is based on quoted prices for similar assets in active markets or identical assets in inactive markets.

### ***Perpetual Trust Held by Third Parties***

The value of perpetual trusts is determined based on the end of day value of the underlying investments. The investments are valued using quoted prices in active markets or quoted prices for similar assets in active markets or identical assets in inactive markets.

### ***Private Equity Investments***

Valued at the bid price of the investment or if there is no price for the investment in question, the value is the amount which would be paid to a seller for an immediate transfer to another plus any charges for the transfer. The value of an investment which has no price is determined using comparable assets of public markets, private transactions or valuations of comparable companies or assets.

As described in Note 7, Masonic Villages' most significant investment is its share of the Consolidated Fund.

## NOTE 22: Fair Value Measurements - Continued

The fair values of the Consolidated Fund's assets measured on a recurring basis as of December 31, 2023 and 2022 are as follows:

At December 31, 2023	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic and international common				
Consumer staples and discretionary	\$ 84,459,334	\$ 84,442,037	\$ 17,297	\$ -
Energy	22,854,903	22,854,903	-	-
Financial	44,785,873	44,757,859	28,014	-
Industrials	33,354,858	33,329,447	25,411	-
Information Technology	77,968,650	77,880,840	87,810	-
Materials	25,582,175	25,513,865	68,310	-
Transportation	14,348,997	14,346,658	2,339	-
Telecommunications services	11,726,841	11,674,406	52,435	-
Total domestic and international common stocks	<u>315,081,631</u>	<u>314,800,015</u>	<u>281,616</u>	<u>-</u>
U.S. Government securities	<u>52,114,418</u>	<u>-</u>	<u>52,114,418</u>	<u>-</u>
Domestic corporate bonds:				
Aaa credit rating	1,391,734	-	1,391,734	-
Aa credit rating	4,268,081	-	4,268,081	-
A credit rating	31,242,131	-	31,242,131	-
B credit rating	2,486,085	-	2,486,085	-
Bb credit rating	10,923,338	-	10,923,338	-
Bbb credit rating	45,504,766	-	45,504,766	-
Unrated	158,650	-	158,650	-
Total domestic corporate bonds	<u>95,974,785</u>	<u>-</u>	<u>95,974,785</u>	<u>-</u>
Municipal bonds:				
Aaa credit rating	2,668,259	-	2,668,259	-
Aa credit rating	3,905,321	-	3,905,321	-
A credit rating	290,799	-	290,799	-
Unrated	904,231	-	904,231	-
Total municipal bonds	<u>7,768,610</u>	<u>-</u>	<u>7,768,610</u>	<u>-</u>
Mutual funds - Equity securities	<u>22,925,757</u>	<u>22,925,757</u>	<u>-</u>	<u>-</u>
Exchange traded funds	<u>64,373,546</u>	<u>64,373,546</u>	<u>-</u>	<u>-</u>
Mortgage backed securities	<u>25,592,530</u>	<u>-</u>	<u>25,592,530</u>	<u>-</u>
Asset backed securities	<u>22,683,778</u>	<u>-</u>	<u>22,683,778</u>	<u>-</u>
Real estate investment trusts	<u>21,743</u>	<u>21,743</u>	<u>-</u>	<u>-</u>
Money Market funds	<u>55,633,325</u>	<u>-</u>	<u>55,633,325</u>	<u>-</u>
Private equity investments	<u>23,837,855</u>	<u>-</u>	<u>-</u>	<u>23,837,855</u>
Investments measured at net asset value:				
Limited partnerships	147,020,486	-	-	-
Mutual funds - equity securities	27,066,040	-	-	-
Total investments measured at net asset value	<u>174,086,526</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total - All Investment Types	<u>\$ 860,094,504</u>	<u>\$ 402,121,061</u>	<u>\$ 260,049,062</u>	<u>\$ 23,837,855</u>



**NOTE 22: Fair Value Measurements - Continued**

<b>At December 31, 2022</b>	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic and international common				
Consumer staples and discretionary	\$ 76,668,018	\$ 76,666,084	\$ 1,934	\$ -
Energy	8,270,255	8,270,255	-	-
Financial	45,290,249	45,267,037	23,212	-
Industrials	31,099,037	31,059,981	39,056	-
Information Technology	67,713,209	67,553,680	159,529	-
Materials	13,078,421	12,966,803	111,618	-
Transportation	11,210,125	11,087,834	122,291	-
Telecommunications services	7,629,905	7,629,905	-	-
Total domestic and international common stocks	260,959,219	260,501,579	457,640	-
U.S. Government securities	36,552,477	411,609	36,140,868	-
Domestic corporate bonds:				
Aaa credit rating	261,680	-	261,680	-
Aa credit rating	4,735,420	37,622	4,697,798	-
A credit rating	29,410,111	-	29,410,111	-
B credit rating	2,329,019	-	2,329,019	-
Bb credit rating	10,345,086	-	10,345,086	-
Bbb credit rating	42,978,652	-	42,978,652	-
Unrated	1,150,248	-	1,150,248	-
Total domestic corporate bonds	91,210,216	37,622	91,172,594	-
Municipal bonds:				
Aaa credit rating	2,881,114	-	2,881,114	-
Aa credit rating	4,688,820	-	4,688,820	-
A credit rating	948,158	-	948,158	-
Unrated	1,058,273	-	1,058,273	-
Total municipal bonds	9,576,365	-	9,576,365	-
Mutual funds - Equity securities	19,541,913	19,541,913	-	-
Exchange traded funds	78,895,076	78,895,076	-	-
Mortgage backed securities	27,035,824	1	27,035,823	-
Asset backed securities	28,317,962	-	28,317,962	-
Real estate investment trusts	1,326,668	1,326,668	-	-
Money Market funds	44,991,557	-	44,991,557	-
Private equity investments	20,631,898	-	-	20,631,898
Investments measured at net asset value:				
Limited partnerships	130,338,089	-	-	-
Mutual funds - equity securities	39,411,421	-	-	-
Total investments measured at net asset value	169,749,510	-	-	-
<b>Total - All Investment Types</b>	<b>\$ 788,788,685</b>	<b>\$ 360,714,468</b>	<b>\$ 237,692,809</b>	<b>\$ 20,631,898</b>

## NOTE 22: Fair Value Measurements - Continued

The Consolidated Fund has investments in certain financial instruments whose fair values are measured as a practical expedient by using the net asset value per share of the investment. This feature may limit the ability of the Consolidated Fund to liquidate these financial instruments quickly, if necessary. Financial instruments whose fair values are determined as a practical expedient by using the net asset value per share of the investment and their redemption features are as follows as of December 31, 2023 and 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>At December 31, 2023</b>				
Mutual fund-Equity securities	\$ 20,931,776	\$ -	Quarterly	60 Days
Mutual fund-Equity securities	6,134,264	-	Monthly	30 Days
Limited partnerships	21,068,344	-	Quarterly	180 Days
Limited partnerships	11,564,403	-	Annual	60 Days
Limited partnerships	55,717,664	-	Quarterly	60 Days
Limited partnerships	14,792,875	-	Monthly	10 Days
Limited partnerships	43,876,134	-	Weekly	5 Days
Limited partnerships	1,066	-	Illiquid	Not Applicable
Private equity investments	23,837,855	-	Illiquid	Not Applicable
	<u>\$ 197,924,381</u>	<u>\$ -</u>		

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>At December 31, 2022</b>				
Mutual fund-Equity securities	\$ 33,044,071	\$ -	Quarterly	60 Days
Mutual fund-Equity securities	6,367,350	-	Monthly	30 Days
Limited partnerships	5,239,684	-	Quarterly	180 Days
Limited partnerships	11,084,626	-	Annual	60 Days
Limited partnerships	54,415,608	-	Quarterly	60 Days
Limited partnerships	13,354,860	-	Monthly	10 Days
Limited partnerships	46,239,046	-	Weekly	5 Days
Limited partnerships	4,265	-	Illiquid	Not Applicable
Private equity investments	20,631,898	-	Illiquid	Not Applicable
	<u>\$ 190,381,408</u>	<u>\$ -</u>		

The redemption restrictions for these financial instruments are included in the contracts with the investment management firms responsible for these investments.

**NOTE 22: Fair Value Measurements - Continued**

Changes in the Consolidated Fund's investments in financial instruments whose fair values are determined using significant unobservable inputs were as follows for the years ended December 31, 2023 and 2022:

	<u>Total</u>	<u>Private Equity Investments</u>
Fair value at January 1, 2022	\$ 19,709,963	\$ 19,709,963
Unrealized gains	970,336	970,336
Sales	(1,956,882)	(1,956,882)
Purchases	<u>1,908,481</u>	<u>1,908,481</u>
Fair value at December 31, 2022	20,631,898	20,631,898
Unrealized gains	485,557	485,557
Sales	(1,297,704)	(1,297,704)
Purchases	<u>4,018,104</u>	<u>4,018,104</u>
Fair value at December 31, 2023	<u>\$ 23,837,855</u>	<u>\$ 23,837,855</u>

The fair values of Masonic Villages' assets are measured using different techniques. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values of perpetual trusts held by third parties are measured by applying known beneficiary percentages to the fair values of the trust's assets which consists of a combination of actively traded securities and other securities which are valued using significant other observable inputs. When unable to obtain a fair value for a perpetual trust, the fair value is estimated by calculating the present value of income received from the trust under a reasonable rate of return percentage. Fair value for contributions receivable from beneficial interests in charitable lead annuity trusts is determined by calculating the present value of the annuity using published life expectancy tables and discount rates ranging from 1.52% to 4.25%. Fair values for unconditional promises to give are determined by calculating the present value of the future cash flows expected to be received, using the stated terms of the promise to give and applicable discount rate of 1.51%.

## NOTE 22: Fair Value Measurements - Continued

The fair values of assets measured on a recurring basis as of December 31, 2023 and 2022 are as follows:

	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>At December 31, 2023</b>				
Investments (excluding consolidated fund)				
Money Market Funds	\$ 10,896,280	\$ 10,896,280	\$ -	\$ -
Equity Funds	12,857,852	12,857,852	-	-
Real Estate	414,007	-	414,007	-
Perpetual Trusts Held by Third Parties	47,661,100	-	47,661,100	-
Contributions receivable:				
Charitable lead annuity trusts	1,095,645	-	1,095,645	-
Promises to give	24,628	-	-	24,628
	<u>\$ 72,949,512</u>	<u>\$ 23,754,132</u>	<u>\$ 49,170,752</u>	<u>\$ 24,628</u>
<b>At December 31, 2022</b>				
Investments (excluding consolidated fund)				
Money Market Funds	\$ 9,543,630	\$ 9,543,630	\$ -	\$ -
Equity Funds	11,707,474	11,707,474	-	-
Real Estate	391,007	-	391,007	-
Perpetual Trusts Held by Third Parties	44,911,408	-	44,911,408	-
Contributions receivable:				
Charitable lead annuity trusts	1,200,705	-	1,200,705	-
Promises to give	64,033	-	-	64,033
	<u>\$ 67,818,257</u>	<u>\$ 21,251,104</u>	<u>\$ 46,503,120</u>	<u>\$ 64,033</u>

The changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Fair value as of January 1	\$ 64,033	\$ 117,336
Promises to give received		-
Cash payments received	(40,000)	(55,000)
Actuarial adjustment of fair value based on remaining terms of promises to give and risk free-interest rates	595	1,697
Fair value as of December 31	<u>\$ 24,628</u>	<u>\$ 64,033</u>

The fair values of Masonic Villages' liabilities are measured using different techniques. Fair values for annuities payable resulting from charitable gift annuity agreements and charitable remainder unitrust agreements with donors are determined by calculating the present value of the annuity using published life expectancy tables and the contractual discount rates. Fair values for interest rate swap agreements are determined based on the terms of each agreement and proprietary valuation techniques of Wells Fargo Bank, NA, which consider the present value of estimated expected future cash flows.

## NOTE 22: Fair Value Measurements - Continued

The fair values of liabilities measured on a recurring basis as of December 31, 2023 and 2022 are as follows:

		Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<b>At December 31, 2023</b>				
Annuities payable	\$ 11,299,772	\$ -	\$ 11,299,772	\$ -
Interest rate swap agreements	3,249,177	-	3,249,177	-
	<u>\$ 14,548,949</u>	<u>\$ -</u>	<u>\$ 14,548,949</u>	<u>\$ -</u>
<b>At December 31, 2022</b>				
Annuities payable	\$ 11,130,761	\$ -	\$ 11,130,761	\$ -
Interest rate swap agreements	3,623,909	-	3,623,909	-
	<u>\$ 14,754,670</u>	<u>\$ -</u>	<u>\$ 14,754,670</u>	<u>\$ -</u>

Masonic Villages meets the requirements for disclosure of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Certain financial instruments and all non-financial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of Masonic Villages.

## NOTE 22: Fair Value Measurements - Continued

The carrying amounts and fair values of Masonic Village's financial instruments are as follows:

<b>At December 31, 2023</b>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 18,408,843	\$ 18,408,843	\$ 18,408,843	\$ -	\$ -
Assets whose use is limited	966,080	966,080	966,080	-	-
Resident accounts and other receivables	10,639,809	10,639,809	-	-	10,639,809
Notes receivable	650,938	650,938	-	-	650,938
<b>Financial Liabilities:</b>					
Accounts payable and accrued expenses	24,282,948	24,282,948	24,282,948	-	-
Annuities payable	11,299,772	11,299,772	-	-	11,299,772
Interest rate swap agreements	3,249,177	3,249,177	-	3,249,177	-
Long-term debt	142,540,546	144,941,763	-	144,941,763	-
<b>At December 31, 2022</b>					
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets:</b>					
Cash and cash equivalents	\$ 11,815,694	\$ 11,815,694	\$ 11,815,694	\$ -	\$ -
Assets whose use is limited	910,193	910,193	910,193	-	-
Resident accounts and other receivables	8,983,791	8,983,791	-	-	8,983,791
<b>Financial Liabilities:</b>					
Accounts payable and accrued expenses	23,241,429	23,241,429	23,241,429	-	-
Annuities payable	11,130,761	11,130,761	-	-	11,130,761
Interest rate swap agreements	3,623,909	3,623,909	-	3,623,909	-
Long-term debt	153,396,583	157,711,189	-	157,711,189	-

## NOTE 23: Minimum Liquid Reserve Requirement

Masonic Villages is licensed as a continuing care provider by the Commonwealth of Pennsylvania's Insurance Department (Insurance Department). In accordance with this licensure, Masonic Villages must establish and maintain certain minimum liquid reserves. Masonic Villages' minimum liquid reserve amount equals the greater of the next twelve months long-term debt service (Debt Service Method) or 10% of the annual budgeted operating expenses excluding depreciation (Operating Expense Method). Masonic Villages' governing body, the Board of Directors, has designated a portion of the Masonic Villages Reserve Fund to satisfy this minimum liquid reserve requirement. On October 31, 1996, the Insurance Department approved this approach to comply with the minimum reserve requirement.

**NOTE 23: Minimum Liquid Reserve Requirement - Continued**

The minimum required reserve amounts for the years ended December 31, 2023 and 2022 were determined using projected expense and principal payment amounts for the years ending December 31, 2023 and 2022, respectively. The minimum required reserve amounts calculated under the two methods were as follows:

	<u>2023</u>	<u>2022</u>
<b><u>Operating Expense Method</u></b>		
Operating expenses	\$ 238,073,812	\$ 230,826,753
Less: Depreciation and amortization expense	<u>30,618,737</u>	<u>30,769,617</u>
Cash expenses for minimum liquid reserve	207,455,075	200,057,136
Percentage of cash expenses to be held in reserve	<u>10%</u>	<u>10%</u>
Minimum liquid reserve requirement under Operating Expense Method	<u>\$ 20,745,508</u>	<u>\$ 20,005,714</u>
<b><u>Debt Service Method</u></b>		
Interest expense	\$ 5,381,412	\$ 5,142,631
Principal payments	10,385,000	10,665,000
Minimum liquid reserve requirement under Debt Service Method	<u>\$ 15,766,412</u>	<u>\$ 15,807,631</u>

The fair value of the Masonic Villages Reserve Fund at December 31, 2023 and 2022 totaled \$ 183,161,221 and \$ 180,800,262, respectively. Masonic Villages met the minimum liquid reserve required by the Insurance Department for the years ended December 31, 2023 and 2022.

**NOTE 24: Subsequent Events**

Masonic Villages has evaluated events and transactions subsequent to December 31, 2023 through April 26, 2024, the date these consolidated financial statements were issued. Based on the definitions and requirements of generally accepted accounting principles, Masonic Villages has identified the following subsequent events that require recognition or disclosure in the consolidated financial statements:

**Organizational Merger**

Effective January 1, 2024, the Masonic Blood + Organ Donor Program (“Blood Program”), a Pennsylvania nonprofit corporation, was merged into Masonic Villages of the Grand Lodge of Pennsylvania (“Masonic Villages”), a Pennsylvania nonprofit corporation. All operations, assets and liabilities of the Blood Program became the operations, assets and liabilities of Masonic Villages. Masonic Villages’ Articles of Incorporation were unchanged as a result of this merger. The financial impact of the merger of Blood Program into Masonic Villages as of January 1, 2024 is total assets of \$ 521,285 and an equivalent amount of total net assets.

**Lease Commitment**

On January 25, 2024, Masonic Villages entered into an agreement with a fleet management company for services, including maintenance, maintenance management and license administration of covered vehicles. As of the date of this report, Masonic Villages has received one of the fifty-two vehicles planned for 2024 under the lease agreement. Future vehicle receipts are uncertain because of supply chain issues impacting vehicle availability. Once the transaction executes more fully, an assessment of the assets and liabilities under the lease will be done with the appropriate amounts being recorded in accordance with accounting standards, but the amount of assets and liabilities to be recorded for these leases cannot be estimated at this time.

## **NOTE 24: Subsequent Events - Continued**

### Nursing Bed Sale

On April 9, 2024, Masonic Villages entered into an Agreement (Agreement) whereby the licenses of 47 nursing beds from the Elizabethtown campus would be transferred to a third party (Buyer) at an agreed upon price per bed. At the Elizabethtown location, 453 nursing beds are enrolled and certified as a provider of nursing facility services in Pennsylvania's Medical Assistance Program and the Federal Medicare Program. The transfer or sale is conditional upon Buyer's submission of a Bed Transfer Request and approval of the Bed Transfer Request by the Pennsylvania Department of Human Services. The Agreement includes a provision whereby Masonic Villages can terminate the Agreement on the date that is 180 days following receipt of the DHS' written response to the Bed Transfer Request. Masonic Villages has identified excess beds at its Elizabethtown and Sewickley campuses and is executing on a strategy of divesting the beds.

## **NOTE 25: Commitments and Contingencies**

Masonic Villages has signed contracts for various construction projects approximating \$ 5,744,000. Approximately \$ 5,093,715 has been paid or accrued on these contracts as of December 31, 2023.

Masonic Villages is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Masonic Villages' financial position.

During the year ended December 31, 2008, Masonic Villages negotiated an agreement with the Elizabethtown Area School District (School District), Elizabethtown Borough (Borough), West Donegal Township (Township), and Lancaster County (County) for annual payments in lieu of taxes for all properties located at the Elizabethtown campus. This agreement became effective in 2008 and will expire on June 30, 2029. The agreement includes a specific annual payment schedule for lieu of tax payments to the School District, the Borough, the Township, and the County for the 20-year term of the agreement. The agreement also contains provisions for an annual contribution of \$ 15,000 from Masonic Villages to the School District's Education Foundation. Masonic Villages will also annually fund up to six \$ 2,500 college scholarships for qualified students from the School District. Masonic Villages paid \$ 1,362,131 and \$ 1,348,916 in lieu of tax payments under this agreement for the years ended December 31, 2023 and 2022, respectively. For the year ending December 31, 2024, Masonic Villages' commitment under the agreement is approximately \$ 1,375,476.

During the year ended December 31, 2004, Masonic Villages negotiated an agreement with Aleppo Township (Aleppo), the Quaker Valley School District (Quaker Valley), and the County of Allegheny (Allegheny) for annual payments in lieu of taxes for certain tax-exempt properties at the Sewickley campus. This agreement became effective in 2004 and will expire December 31, 2024. The agreement includes a specific annual payment schedule for lieu of tax payments to Aleppo, Quaker Valley, and Allegheny for the 21-year term of the agreement. The agreement also includes provisions for an annual contribution from Masonic Villages to the Sewickley Public Library. Masonic Villages is also required to fund annually a minimum amount for college scholarships for Quaker Valley students. Masonic Villages paid \$ 892,652 and \$ 887,208 under this agreement for the years ended December 31, 2023 and 2022, respectively. For the year ending December 31, 2024 Masonic Villages' commitment under the agreement is approximately \$ 916,712.



**NOTE 25: Commitments and Contingencies - Continued**

Masonic Villages' Lafayette Hill campus has two agreements with Whitemarsh Township (Whitemarsh) for annual payments in lieu of taxes for the tax-exempt Masonic Villages property. The first agreement, for gross receipts tax, requires a minimum annual payment to Whitemarsh of \$ 10,000, adjusted for an inflation factor based on the Consumer Price Index for the Philadelphia region. The second agreement, for real estate taxes, requires an annual payment to Whitemarsh based on the assessed value of the Lafayette Hill campus and Whitemarsh's current millage rate. Masonic Villages paid Whitemarsh \$ 60,317 and \$ 58,975 under these two agreements for the years ended December 31, 2023 and 2022, respectively.

During the year ended December 31, 2012, Masonic Villages negotiated an agreement with Dallas Township, Dallas Area School District, and Luzerne County for annual payments in lieu of taxes for certain tax-exempt properties at the Dallas campus. This agreement became effective retroactive to 2011 and will expire December 31, 2030. The agreement includes a specific payment schedule for lieu of tax payments to Dallas Township, Dallas Area School District, and Luzerne County for the 20-year term of the agreement. The agreement also includes provisions for an annual contribution from Masonic Villages to Dallas Township to support the local fire and ambulance organizations. Masonic Villages paid \$ 37,829 and \$ 37,474 under this agreement for the years ended December 31, 2023 and 2022, respectively. For the year ending December 31, 2024, Masonic Villages' commitment under the agreement is approximately \$ 38,187.

On February 28, 1997, Masonic Villages entered an Agreement of Remediation (Agreement) with Waste Management Disposal Services of Pennsylvania, Inc. (Waste Management). The Agreement concerns remediation of an inactive landfill site adjacent to the Elizabethtown campus. A secondary well was contaminated with manganese believed to have been caused by the inactive landfill site. Under the Agreement, Waste Management will pay Masonic Villages a total of \$ 300,000 for costs to be incurred by Masonic Villages during the remediation process. It is anticipated the remediation process may require thirty years to complete. In April 1997, Masonic Villages received a payment totaling \$ 150,000 to be used for costs incurred during the first fifteen years of the remediation process. This payment has been recorded as deferred revenue and is amortized, using the straight-line method, as a reduction of the related operating expenses incurred by Masonic Villages. An additional payment of \$ 75,000 was received by Masonic Villages in 1998, to be used for costs incurred during the second fifteen years of the remediation process. Waste Management also agreed to reimburse Masonic Villages for the cost of drilling a new well. Two new wells were installed in 2000 to replace the existing water supply and the costs associated with installation were reimbursed by Waste Management.

**NOTE 26: Risk**

Financial instruments which subject Masonic Villages to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments (i.e. certificates of deposit), fixed income securities, common stocks, and resident accounts receivable.

Masonic Villages typically maintains cash and cash equivalents which, at times, exceed \$ 250,000, in banks. Cash and cash equivalents and certain short-term investments are insured by the Federal Deposit Insurance Corporation up to a limit of \$ 250,000 per bank. Fixed income securities and common stocks are uninsured.

Masonic Villages grants credit to its residents and other third-party payors, primarily Medicare, Medical Assistance, and various commercial insurance companies. Masonic Villages maintains reserves for potential credit losses and such losses have historically been within management's expectations.

**NOTE 26: Risk - Continued**

Investments of Masonic Villages are exposed to various risks, such as interest rate, market, currency and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the financial statements.

**NOTE 27: Cybersecurity Incident**

Masonic Villages incurred direct expenditures totaling \$ 1,269,411 during the year ended December 31, 2019 in connection with the investigation of this cybersecurity incident discovered in June 2019 and the subsequent remediation and recovery effort to restore functionality and access to its systems.

Cybersecurity incident remediation costs have been reported in Masonic Villages' consolidated financial statements for the year ended December 31, 2019 as follows:

Purchases of equipment capitalized as depreciable assets	\$ 584,290
Payments for specialized services and other incidental items recognized as expense	<u>685,121</u>
	<u>\$ 1,269,411</u>

Masonic Villages submitted a claim to the business interruption insurer on May 19, 2020 for the costs incurred for investigation and remediation of the cybersecurity incident. Masonic Villages accrued insurance reimbursement receivable related to this claim totaling \$ 290,322 as of December 31, 2020. Masonic Villages received insurance reimbursement related to the cybersecurity incident in October 2021 in the amount of \$ 688,219 as well as an additional \$ 412,500 in November 2022.

**NOTE 28: COVID-19 Pandemic Financial Activities**

Masonic Villages received federal assistance for the COVID-19 pandemic totaling \$ 139,644 and \$ 1,011,652 for the years ended December 31, 2023 and 2022, respectively. The assistance was presumed to reimburse the costs associated with the COVID-19 pandemic and lost revenue from the decline in resident occupancy and ancillary activities. These amounts have been recognized as other operating revenue in the consolidated statement of operations. COVID-19 pandemic costs have been reported in Masonic Villages' consolidated financial statements for the years ended December 31, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Agency nursing by Masonic Villages related to COVID-19 labor shortages included in consolidated statements of income	\$ 2,588,973	\$ 2,388,467
Payments for specialized services and other incidental items recognized as COVID-19 costs in the consolidated statements of operations	<u>-</u>	<u>69,599</u>
	<u>\$ 2,588,973</u>	<u>\$ 2,458,066</u>