Hebrew SeniorLife, Inc. and Affiliates

Independent Auditor's Report, Consolidated Financial Statements, and Supplementary Consolidating Information

September 30, 2023 and 2022

Contents

FORVIS

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Independent Auditor's Report

Board of Trustees
Hebrew SeniorLife, Inc. and Affiliates
Roslindale, Massachusetts

Opinion

We have audited the consolidated financial statements of Hebrew SeniorLife, Inc. and Affiliates ("HSL") which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations, changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSL as of September 30, 2023 and 2022, and the results of operations, changes in net assets (deficit), and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of HSL and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 HSL's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

We did not audit the September 30, 2023 and 2022 financial statements of HSL Fireman Operating Limited Partnership ("Fireman Community"), HRCA Housing for Elderly, Inc. d/b/a Jack Satter House ("Satter House"), and two of the four component corporations comprising Center Communities of Brookline ("CCB"), which statements reflect total assets constituting 12 percent at September 30, 2023 and 2022 and total revenue constituting 9 percent for the years ended September 30, 2023 and 2022 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included in the consolidated financial statements for Fireman Community, Satter House, and certain CCB corporations is based solely on the reports of the other auditors.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the HSL's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HSL's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidating information presented in the supplemental schedules is presented for purposes of additional analysis rather than to present the financial position, results of operations, changes in net assets (deficit), and cash flows of the individual organizations, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, insofar as it relates to Fireman Community, Satter House, and two of the four component corporations comprising CCB is based on the reports of other auditors, the supplemental schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS, LLP

Atlanta, GA
January 25, 2024

Hebrew SeniorLife, Inc. and Affiliates
Consolidated Balance Sheets
September 30, 2023 and 2022
(In Thousands)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 25,677**	$ 29,139
Accounts receivable, net	**24,885**	20,919
Investments:		
Unrestricted	**116,623**	110,261
Board designated, unrestricted for operations	**15,893**	14,645
Funds held in trust, current portion	**1,754**	3,203
Total investments	**134,270**	128,109
Contributions receivable, net	**1,312**	1,663
Grants receivable	**1,455**	1,348
Entrance fee receivable and deposits held in escrow	**3,303**	3,852
Prepaid expenses and other assets	**6,905**	5,469
Total current assets	**197,807**	190,499
Assets limited as to use:		
By Board designation	**18,993**	16,927
Held in trust, debt indentures and other, less current portion	**25,173**	25,031
Restricted as to use	**11,677**	9,652
Endowment funds	**22,121**	19,691
Restricted contributions receivable	**14,912**	19,047
Total assets limited as to use	**92,876**	90,348
Property, plant, and equipment, net	**293,354**	305,702
Operating lease right-of-use asset	**393**	654
Contributions receivable, less current portion	**1,760**	2,846
Other assets	**7,118**	7,118
Total assets	**$ 593,308**	$ 597,167

Hebrew SeniorLife, Inc. and Affiliates
Consolidated Balance Sheets
September 30, 2023 and 2022
(In Thousands)

	2023	2022
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	**$ 35,819**	$ 31,812
Accrued interest expense	**774**	784
Deferred revenue	**3,991**	3,093
Funds held on behalf of present and future residents	**3,098**	1,865
Due to third-party payors	**1,405**	1,356
Current portion of long-term debt	**5,851**	5,761
Current portion of operating lease liability	**285**	273
Total current liabilities	**51,223**	44,944
Long-term debt, net	**379,712**	385,515
Operating lease liability, net	**108**	381
Deferred revenue from nonrefundable entrance fees, net of amortization	**39,882**	34,632
Refundable entrance fees	**293,080**	294,918
Other liabilities	**2,706**	2,688
Total liabilities	**766,711**	763,078
Net assets (deficit):		
Without donor restrictions	**(249,468)**	(240,077)
With donor restrictions	**76,065**	74,166
Total net deficit	**(173,403)**	(165,911)
Total liabilities and net deficit	**$ 593,308**	$ 597,167

Hebrew SeniorLife, Inc. and Affiliates
Consolidated Statements of Operations
Years Ended September 30, 2023 and 2022
(In Thousands)

	2023	2022
Operating revenues:		
Net patient service revenue	**$ 150,232**	$ 151,160
Earned entrance and monthly service fees	**60,057**	55,163
Rental income	**24,156**	24,227
Grants and contracts, including recovery of indirect costs	**16,896**	18,465
Net assets released from restrictions used for operations	**2,037**	2,069
Investment income	**3,411**	2,460
COVID-19 stimulus funding	**821**	4,448
Paycheck Protection Program loan income	**-**	2,215
Other operating revenues	**7,493**	6,818
	265,103	267,025
Operating expenses:		
Salaries, wages and labor	**140,415**	137,085
Employee benefits	**28,981**	30,587
Supplies and direct expenses	**57,542**	56,580
Direct expenditures on grants and contracts	**15,388**	17,184
Depreciation and amortization	**30,817**	30,850
Interest expense	**15,566**	15,762
	288,709	288,048
Operating loss	**(23,606)**	(21,023)
Nonoperating gains (losses):		
Net realized gains on investments	**785**	7,654
Net unrealized gains (losses) on investments	**13,824**	(32,748)
Contributions and bequests	**3,210**	5,777
Fundraising expenses	**(4,287)**	(4,086)
Other nonoperating activities	**683**	208
	14,215	(23,195)
Deficiency of revenues over expenses	**$ (9,391)**	$ (44,218)

Hebrew SeniorLife, Inc. and Affiliates
Consolidated Statements of Changes in Net Assets (Deficit)
Years Ended September 30, 2023 and 2022
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets (deficit) at September 30, 2021	$ (195,859)	$ 69,585	$ (126,274)
Deficiency of revenues over expenses	(44,218)	-	(44,218)
Restricted contributions	-	12,481	12,481
Restricted investment income	-	117	117
Net realized gains on investments	-	1,676	1,676
Change in net unrealized losses on investments	-	(6,003)	(6,003)
Net assets released from restrictions used for operations	-	(2,069)	(2,069)
Other activity	-	(1,621)	(1,621)
Change in net assets (deficit)	(44,218)	4,581	(39,637)
Net assets (deficit) at September 30, 2022	$ (240,077)	$ 74,166	$ (165,911)
Deficiency of revenues over expenses	$ (9,391)	$ -	$ (9,391)
Restricted contributions	-	3,611	3,611
Restricted investment income	-	128	128
Net realized gains on investments	-	275	275
Change in net unrealized gains on investments	-	3,122	3,122
Net assets released from restrictions used for operations	-	(2,037)	(2,037)
Other activity	-	(3,200)	(3,200)
Change in net assets (deficit)	(9,391)	1,899	(7,492)
Net assets (deficit) at September 30, 2023	$ (249,468)	$ 76,065	$ (173,403)

See accompanying notes.

Hebrew SeniorLife, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2023 and 2022
(In Thousands)

	2023	2022
Cash flows from operating activities:		
Change in net deficit	$ (7,492)	$ (39,637)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Depreciation and amortization	30,817	30,850
Amortization of bond premium	(34)	(38)
Amortization of debt issuance costs	77	43
Net realized and unrealized (gains) losses on investments	(18,006)	29,421
Gain on disposition of fixed assets	(521)	-
Paycheck Protection Program loan income	-	(2,215)
Restricted contributions and investment income	(3,739)	(12,598)
Earned entrance fees	(5,512)	(5,108)
Non-refundable entrance fees received	10,979	9,536
Changes in operating assets and liabilities:		
Accounts and grants receivable	(3,986)	519
Contributions receivable	5,572	(5,139)
Entrance fees receivable	(370)	(665)
Other assets and liabilities	(1,768)	483
Accounts payable and accrued expenses	3,276	(5,374)
Advances on research grants	898	(568)
Due to third-party payors	49	(122)
Net cash provided by (used in) operating activities	10,240	(612)
Cash flows from investing activities:		
Additions to property, plant, and equipment	(19,229)	(21,541)
Proceeds from sale of property, plant, and equipment	2,359	-
Sales of investments, trustee and designated funds	31,932	41,996
Purchases of investments, trustee and designated funds	(28,695)	(32,560)
Net cash used in investing activities	(13,633)	(12,105)

Hebrew SeniorLife, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2023 and 2022
(In Thousands)

	2023	2022
Cash flows from financing activities:		
Payments on long-term debt	**(5,738)**	(7,660)
Refundable entrance fees and deposits received	**14,349**	10,291
Refund of entrance fees	**(13,779)**	(9,150)
Restricted contributions and investment income	**3,739**	12,598
Other financing activities	**(203)**	507
Net cash provided by (used in) financing activities	**(1,632)**	6,586
Decrease in cash, cash equivalents, and restricted cash	**(5,025)**	(6,131)
Cash, cash equivalents, and restricted cash at beginning of year	**59,629**	65,760
Cash, cash equivalents, and restricted cash at end of year	**$ 54,604**	$ 59,629
Non-cash activities:		
Purchase of property and equipment in accounts payable and accrued liabilities at year-end	**$ 1,755**	$ 560
Refund of entrance fee in accounts payable at year-end	**$ 2,731**	$ 5,045

Reconciliation of amounts included in the consolidated statements of cash flows as cash, cash equivalents, and restricted cash to the consolidated balance sheets:

	2023	2022
Cash and cash equivalents	**$ 25,677**	$ 29,139
Entrance fee deposits held in escrow	**1,665**	1,158
Held in trust, debt indentures, and other, less current portion	**25,173**	25,031
Restricted as to use	**335**	889
Other assets	**-**	209
Funds held in trust, current portion	**1,754**	3,203
Cash, cash equivalents and restricted cash, end of year	**$ 54,604**	$ 59,629

Note 1. Organization and Mission

The accompanying consolidated financial statements include the accounts of Hebrew SeniorLife, Inc. ("HSL Parent") and its controlled Affiliates (collectively, "HSL"). In November 2005, HSL completed a corporate reorganization in which HSL Parent commenced operations and became the parent corporation and sole member of Hebrew Rehabilitation Center ("HRC") and each of the other affiliates described below.

HRC is a not-for-profit, nonsectarian corporation established in 1903, with 725 licensed beds providing inpatient long-term care, medical acute care and recuperative services, as well as outpatient services. HRC provides a wide spectrum of care including comprehensive medical care, ancillary health services, and an integrated therapies program delivered by a staff of Harvard-affiliated physicians and nursing staff. HRC is committed to providing seniors with the highest quality of life through care, research, and training. Some of the directors of HRC are also directors of HSL Parent.

HRCA Housing for Elderly, Inc., d/b/a Jack Satter House ("Satter House"), and HRCA Senior Housing, Inc., d/b/a Simon C. Fireman Community ("HRCA Fireman Community"), were incorporated in 1973 and 1982, respectively, as not-for-profit organizations to construct and manage 426 housing units for the elderly. Satter House and HRCA Fireman Community were financed under Section 202 of the Federal Housing Act. Some of the directors of Satter House and HRCA Fireman Community are also directors of HSL Parent. In January 2020, a new entity, HSL Fireman Operating Limited Partnership, was formed to acquire, finance, improve and operate a portion of the real property located at 640 North Main Street, Randolph MA (the "Project" or "Fireman Community"). HRCA Senior Housing, Inc, placed the Fireman Community in a condominium form of ownership pursuant a Master Deed dated July 13, 2020 and HRCA conveyed Unit 1 in the condominium to HSL Fireman Operating Limited Partnership (consisting of the existing building at the Fireman Community and rights associated with the operations thereof) by deed dated July 17, 2020 and HSL Fireman Operating Limited Partnership assumed operation of the facility. HRCA Senior Housing, Inc., continues to own Units 2 and 3 which will be available for additional housing development at the Fireman Community. In October 2020, Fireman Expansion LLC and Fireman Expansion Manager were formed to develop and operate additional housing units on the Randolph property. The development of these units began in fiscal year 2022.

Orchard Cove, Inc. ("Orchard Cove") is a not-for-profit corporation in operation since 1993 that owns, maintains, and operates a nonsectarian continuing care retirement community. The mission is to provide conditions that foster independence, health, and security for persons age 62 and older. Orchard Cove consists of 227 independent living units, 28 assisted living suites, and 45 skilled nursing beds. Orchard Cove was formed at the initiative of the Board of Trustees and management of HRC. HRC operates an outpatient satellite clinic at Orchard Cove. Some of the directors of Orchard Cove are also directors of HSL Parent.

Center Communities of Brookline ("CCB") is an enterprise that, in 2002, acquired, rehabilitated, and commenced to operate rental properties in Brookline, Massachusetts, to provide housing and other services to the independent elderly. Some of the directors of the CCB entities are also directors of HSL Parent. Collectively, these entities are referred to as the CCB entities within the accompanying consolidated financial statements:

Center Communities of Brookline Inc., d/b/a The Marilyn and Andre Danesh Family Residences ("Danesh Residences") operates 214 housing units.

HRCA Brookline Housing 112 – 120 Centre Court, Inc., d/b/a Julian and Carol Feinberg Cohen Residences ("Cohen Residences") operates 124 housing units.

HRCA Brookline Housing 1550 Beacon Plaza, Inc., d/b/a Mark and Diane Goldman Family Residences ("Goldman Residences") operates 179 housing units. HRC operates an outpatient satellite clinic at CCB.

On December 20, 2017, HRCA Brookline Housing 112 – 120 Centre Court, Inc., the owner of Cohen Residences, sold the Tower portion of its property, containing 98 apartment units, to CCB Cohen 112 Centre LLC (a Massachusetts limited liability company that is owned 99.99% by an unrelated party and 0.01% by an entity majority-controlled by HSL). While HSL remains the property manager of this property and its affiliate is the managing member of CCB Cohen 112 Centre LLC, the accompanying consolidated financial statements do not reflect the activity of CCB Cohen 112 Centre LLC because HSL does not have control or hold economic interest as defined by the Accounting Standards Codification glossary.

Cohen Residences has also committed to lease the remainder of its property to CCB Townhomes 120 Centre LLC (a Massachusetts limited liability company, in which HSL Parent is the sole member), for a term of 75 years for a rent of $1.00 per annum. CCB Townhomes 120 Centre LLC, operates rental property consisting of twenty town houses and six units which are subsidized by a Section 8 contract with the U.S. Department of Housing and Urban Development.

CCB Cohen 112 Centre MM LLC (a Massachusetts limited liability company, majority owned by HSL) is the managing member (.01% ownership interest) of CCB Cohen 112 Centre LLC.

HRCA Brookline Housing 108 Centre Street, Inc. (“108 Centre”) was incorporated and the property was acquired in 2003. HSL 108 Centre LLC was incorporated in 2021 to take on the purchase, development and ownership of the property at 108 Centre Street, which is contiguous to Danish and Cohen Residences. The redevelopment of the property will add 54 units of affordable senior housing and community space at this location. HSL 108 Centre LLC purchased the property from 108 Centre in March 2023, for $4,250,000. HRCA provided a Seller Note of $1,875,000 at the time of acquisition which carries a 6.25% annually compounding interest rate and is paid from cash flow. HSL Parent is the Controlling Managing Member of HSL 108 Centre LLC and some of the directors of 108 Centre are also directors of HSL Parent.

NewBridge on the Charles, Inc. (“NewBridge”) is a not-for-profit corporation formed on April 15, 2004 to acquire land and develop, own, and operate a senior supportive housing community known as NewBridge on the Charles. The mission of NewBridge is to provide services that foster independence, health, and security for seniors so that they may realize their full potential. Some of the directors of NewBridge are also directors of HSL Parent.

During April 2005, NewBridge purchased land in the town of Dedham, Massachusetts, as the site for NewBridge. In December 2007, NewBridge issued $457,075,000 of tax-exempt bonds to pay for project construction and other project-related costs. The first independent living and assisted living residents moved in during June 2009 and development and construction of NewBridge was substantially completed by October 2009.

HRC has transferred 220 of its licensed beds to the NewBridge facility and operates the NewBridge HealthCare Center as a satellite of HRC under a lease agreement with NewBridge. NewBridge facilities consist of 256 independent living units, 91 assisted living suites, and a 268 bed health care center that includes 48 skilled nursing beds.

Hebrew SeniorLife Hospice Care, Inc. (“Hospice”) was formed in 2014 to provide professional care to terminally ill patients and their families by helping them attain the highest quality of life possible. Programs include in-home health care, private care, and hospice.

Hebrew SeniorLife ReAge Solutions, Inc. (“HSL ReAge”) is a for profit subsidiary of HSL Parent incorporated in 2016 to redefine the experience of aging. HSL Parent is the sole shareholder and all of the directors of HSL ReAge are also directors of HSL Parent.

HSL Guarantor LLC (a Massachusetts limited liability company, in which HSL Parent is the sole member) was formed in October 2017. On December 20, 2017, HSL Guarantor LLC ("The Guarantor") entered into a guaranty agreement with CCB Cohen 112 Centre LLC ("The Company") and CREA Cohen Residences LLC ("The Investor"). The agreement guarantees due, prompt and complete performance of all payments and obligations under the agreement. Guarantor was obligated to hold a demand note of $14,633,117 from HSL.

This, at the discretion of the Guarantor was reduced to $4,000,000 upon payment of the fourth installment of equity from the Investor upon completion of the construction project of CCB Cohen 112 Centre LLC which was completed in June 2020. In addition, the Guarantor is required to have $1,000,000 minimum cash liquidity in aggregate along with a net worth of $5,000,000 during the term of the agreement. Such evidence of compliance with liquidity terms is to be provided upon request to the Investor not more than once annually.

HSL Construction Guarantor LLC (a Massachusetts limited liability company, in which HSL Parent is the sole member) was formed in December 2021. On February 18, 2022, HSL Construction Guarantor LLC ("The Construction Guarantor") entered into a guaranty agreement with the Fireman Community and Silicon Valley Bank, a branch of First Citizens Bank ("The Construction Investor"). The agreement guarantees due, prompt and complete performance of all payments and obligations under the agreement. Guarantor was obligated to hold a demand note of $4,000,000 from HSL. In addition, the Construction Guarantor is required to have $1,000,000 minimum cash liquidity in aggregate along with a net worth of $5,000,000 during the term of the agreement. Such evidence of compliance with liquidity terms is to be provided upon request to the Investor not more than once annually.

Hebrew SeniorLife Affiliated Medical Group, Inc., (a Massachusetts corporation, affiliated with HSL through common Board of Director membership) was created to provide physician services through an accountable care organization.

Intercompany balances and transactions are eliminated in consolidation. The assets of any member of the consolidated group may not be available to meet the obligations of other members of the group.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less when purchased, excluding assets limited as to use. HSL places its cash with high credit quality financial institutions. Cash balances in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, amounts on deposit may be in excess of the insured limit. It is management's opinion that HSL is not exposed to any significant credit risk related to cash.

Accounts Receivable, Net

HSL estimates an allowance for uncollectible patient accounts. Generally, no finance charges are assessed on receivables. Once an account has been determined to be uncollectible, it is charged-off.

Investments

Investments in equity securities with readily determinable fair values, and all investments in debt securities, are measured at fair value in the consolidated balance sheets. Investment income or loss for the years ended September 30, 2023 and 2022 (including realized and unrealized gains (losses) on investments, increases or decreases of funds' fair value recognized under the equity method, interest, and dividends) is included in the deficiency of revenues over expenses unless the income or loss is restricted by donor or law.

Investments also include private equity funds, limited partnerships, limited liability companies, and other funds ("the Funds"). When the underlying investments in the Funds do not have readily determinable fair values, HSL records its investment based on the cost method where its ownership interest is 3% or less of the Fund, and the equity method for any investments where its ownership interest is greater than 3% of the Fund. Under the equity method, HSL recognizes its share of the increase or decrease in the Funds' fair value.

Because the Funds may hold some securities without readily determinable fair values, the fund manager may estimate fair value for such securities. These estimates may differ significantly from the values that would have been used had a readily available market value existed and may also differ significantly from the values at which such investments may be sold and the differences could be material.

Donated securities are recorded at fair value at the date of the contribution. Realized gains or losses on the sale of securities are calculated on an average-cost basis.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board, assets held by trustees under long-term debt indentures and other arrangements and assets restricted by donors.

The Board of Orchard Cove has designated certain funds to be held in reserve to support the entity's commitment to provide high-quality healthcare services, fund capital expenditures, and provide for other contingencies.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost, less accumulated depreciation and include assets costing greater than $1,000 at the time of purchase. Depreciation is provided by use of the straight-line method over the estimated useful lives of these assets based on the following estimated useful lives:

Land improvements	5 - 50 years
Buildings and improvements	5 - 40 years
Equipment	3 - 20 years

Unamortized Bond Issuance Costs

Unamortized bond issuance costs and original issue bond premium and discount are being amortized over the term of the bonds using the effective interest rate method and are netted against long-term debt in the consolidated balance sheets.

Contributions Receivable

Unconditional contributions, receivable in regular installments, are recorded at net present value as unrestricted contributions in the consolidated balance sheets or direct additions to net assets with donor restrictions, if restricted by the donor or time, net of any allowances for uncollectible pledges.

Professional Liability Insurance

HSL insures its professional liability risks on a claims-made basis. Management is unaware of any matters that would cause the final expense for professional liability risks to vary materially from the amount provided.

Entrance Fees From Independent Living Residents

Deferred revenue from entrance fees relate to amounts received from independent living residents at Orchard Cove and NewBridge.

Entrance fees are paid by occupants of the independent living units. A portion of the entrance fee is recorded as deferred revenue from non-refundable entrance fees, and the remainder is recorded as refundable entrance fees. The non-refundable amount is calculated at a rate of 1% of the entrance fee per month of occupancy, up to a maximum percentage in accordance with the terms of the residency and care agreement. The non-refundable amount is amortized to revenue over the estimated remaining actuarial life expectancy of each resident, with the life expectancy reevaluated annually.

The refundable balance for Orchard Cove is refunded if and when the unit is reoccupied. However, the repayment of refundable entrance fees pursuant to the NewBridge residency and care agreements is not contingent upon the receipt of reoccupancy proceeds.

Refundable entrance fees include amounts payable to residents who have transferred permanently from their independent living unit into an assistance in living unit or skilled nursing bed and whose units have subsequently been reoccupied.

Entrance fees are typically due at the time a resident takes occupancy of an independent living unit. However, in certain circumstances, NewBridge and Orchard Cove allow for a deferral of payment, with interest at varying rates, to those residents who have a signed purchase and sale agreement on their home so that the resident may complete the sale of their home and use the proceeds from the sale to fund the entrance fee.

Entrance Fees Held in Escrow and Other Deposits

Entrance fees held in escrow and other deposits consist primarily of deposits received from prospective residents who have entered into a residency and care agreement. Entrance fees received prior to occupancy are accounted for as refundable deposits in accordance with the terms of the residency and care agreement. These deposit amounts are held in escrow and interest is paid after occupancy. The deposits are deducted from the entrance fee payable upon occupancy of the unit.

Obligation to Provide Future Services

Orchard Cove and NewBridge periodically calculate the present value of the net estimated cost of future services and use of facilities to be provided to current residents, which is compared to the balance of deferred entrance fee revenue. If the present value of the net estimated cost of future services and use of facilities exceeds the deferred entrance fee revenue, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to income. At September 30, 2023 and 2022, there was no liability for obligation to provide future services and use of facilities. The present value of the net cost of future services and use of facilities was discounted at 4.5% in 2023 and 2022 for NewBridge and 5.0% in 2023 and 2022 for Orchard Cove.

Self-insurance Reserves

HRC was fully insured for claims incurring through April 1, 2019. On April 1, 2019, HSL became self-insured for medical claims incurred on or after April 1, 2019. Costs after April1, 2019 are accounted for on an accrual basis, which requires estimates to be made for future payments on claims incurred.

Net Assets with Donor Restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resources was restricted has been fulfilled, or both.

Monthly Service Fee Revenue

Monthly service fee revenue represents fees paid by residents of independent living units and assisted living suites.

Other Operating Revenues and Nonoperating Gains (Losses)

Other operating revenues include cafeteria and laundry revenue, recovery of fringe benefits and ancillary services revenue. Unrestricted contributions, other investment income and gains (losses), the effect of fundraising expenses, and activities incidental to HSL's operations are recorded as nonoperating gains (losses).

Deficiency of Revenues Over Expenses

The consolidated statements of operations include the deficiency of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from deficiency of revenues over expenses, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring assets).

Income Tax Status

The Internal Revenue Service has ruled that HRC, Satter House, HRCA Fireman Community, Orchard Cove, the CCB entities, 108 Centre, NewBridge, Hospice and HSL Parent are exempt from federal income taxation on related income under Section 501(c)(3) of the Internal Revenue Code ("the Code") of 1986, as amended.

HSL Fireman Operating Limited Partnership is not a taxpaying entity for purposes of federal and state income taxes. Partners are liable for income taxes on their respective share of the partnership's taxable income.

HRC has approximately $155,000 of net operating income from unrelated business activities resulting in a potential deferred tax liability of approximately $55,000 which is offset by net operating loss carry forward.

HSL's for-profit subsidiaries account for uncertainty in income taxes in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes. This standard does not have a material effect on the consolidated financial statements for 2023 and 2022 because the tax benefits of the net operating loss carryforwards have been fully reserved.

New Accounting Standard Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and a modified retrospective approach is required, with a cumulative-effect adjustment to net assets of the beginning of the first reporting period in which the guidance is effective. Management is currently evaluating the impact of adopting this new accounting guidance.

Subsequent Events

HSL evaluated the impact of subsequent events through January 25, 2024, which is the date the consolidated financial statements were issued.

Reclassifications

Certain reclassifications were made to the 2022 financial statements to confirm with the 2023 presentation. Such reclassifications had no impact on the previously reported change in net assets (deficiency).

Note 3. Revenue Recognition

Patient care service revenue is reported at the amount that reflects the consideration to which HSL expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, HSL bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by HSL. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. HSL believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in HRC receiving inpatient services or patients receiving services in HSL's outpatient centers or in their homes (home care).

HSL measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and HSL does not believe it is required to provide additional goods or services related to that sale.

HSL determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with HSL's policy, and/or implicit price concessions provided to uninsured patients. HSL determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy(ies), and historical experience. HSL determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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

Medicare

Medicare reimburses HRC, NewBridge, and Orchard Cove for routine and ancillary services to patients eligible for Medicare benefits on a prospectively determined basis through its Skilled Nursing Facility ("SNF"), Long-Term Care Hospital Prospective Payment System ("LTCH PPS"), and Outpatient Prospective Payment System ("OPPS") payment methodologies, while physician services are paid on a fee-for-service basis.

Medicaid

HRC has agreements with the Commonwealth of Massachusetts under the Medicaid program ("MassHealth"). HRC has had a long-standing agreement with the Commonwealth of Massachusetts such that HRC provides care to Medicaid patients based upon fixed, prospectively determined rates. The contract in effect during fiscal year 2022 was negotiated during 2012 and extended through September 30, 2019 by amendments 1 - 6. Amendment 6 provided a two-year extension covering fiscal year 2018 and fiscal 2019, and an increase of 8.1% over the two years. Included in the rate increase was a net gain due to a new non-acute hospital assessment and quality program that began in 2018. During fiscal years 2023 and 2022, HRC achieved a net quality payment of $992,536 and $844,266, respectively, from the program due to its high quality of care. Amendment 11 to HRC's contract with MassHealth has been fully executed extending the contract through September 30, 2023 and an increase of 7% over the two years. Amendment 12 included a rate increase of 7% for fiscal year 2023. Amendment 13 included a rate increase of 7.4% for fiscal year 2024.

Other

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The composition of patient care service revenue by primary payor for the years ended September 30 is as follows:

	2023	2022
Medicare	**$ 28,617**	$ 34,512
Medicaid	**90,047**	80,028
Managed care and commercial insurers	**6,056**	7,477
Self-pay	**25,512**	29,143
	$ 150,232	$ 151,160

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge HSL's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon HSL. In addition, the contracts HSL has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and HSL's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2023 or 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. HSL also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. HSL estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended September 30, 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with HSL's mission, care is provided to patients regardless of their ability to pay. Patients who meet HSL's Financial Assistance policy are provided care without charge or at amounts less than established rates. Discounts for free or discounted care were not considered material for the years ended September 30, 2023 and 2022.

For the years ended September 30, 2023 and 2022, HSL recognized revenue of approximately $5,076,000 and $5,023,000, respectively from goods and services that transfer to the customer over time and approximately $145,156,000 and $146,137,000, respectively from goods and services that transfer to the customer at a point in time.

Financing Component

HSL has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to HSL's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, HSL does, in rare instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Stand Ready Obligation

For Orchard Cove and NewBridge, the promised good or service in the resident agreement is that the entity is standing ready each month to provide a service such that the resident can continue to live in the facility and access the appropriate level of care based on his or her needs. As such, the entity recognizes the nonrefundable entrance fee in an equal amount allocated to each month, given the nature of the entity's performance is that of having the various residential, social or health care services available to the resident on a when-and-if needed basis each month for as long as the resident resides in the facility.

Upon adoption of ASC Topic 606, entities should evaluate costs associated with acquiring resident contracts to determine if they meet the requirements for capitalization under FASB ASC 340-40-25. Under FASB ASC 340-40-25-2, the incremental costs of obtaining a contract are those that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. Orchard Cove and NewBridge have not capitalized any costs associated with acquiring a resident contract.

Monthly Service Fees

The contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 840. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance Fees

The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment and included in liabilities in the consolidated balance sheets until the performance obligations are satisfied. The refundable portion of an entrance fee is not considered part of the transaction price and as such is recorded as a liability in the consolidated balance sheets. Additionally, management has determined the contracts do not contain a significant financing component as the advanced payment assures residents the access to health care in the future. These deferred amounts are then amortized on a straight-line basis into revenue on a monthly basis over the life of the resident as the performance obligation is the material right associated with access to future services as described in FASB ASC 606-10-55 paragraph 42 and 51.

CARES Act Provider Relief Funds

These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration section of the U.S. Department of Health and Human Services (“HHS”). These conditions create a restriction that such funds must be used to prevent, prepare or respond to the coronavirus (“COVID-19”), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as COVID-19 stimulus funding in the consolidated statements of operations to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. HSL reports conditional contributions for which the conditions and related restrictions are met in the same reporting period as net assets without donor restrictions. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

Note 4. Investments

Investments as of September 30, are reported in the consolidated balance sheets as follows (in thousands):

	2023	2022
Current assets:		
Investments, unrestricted	**$ 116,623**	$ 110,261
Investments, board designated – unrestricted for operations	**15,893**	14,645
Funds held in trust, current portion	**1,754**	3,203
	134,270	128,109
Assets limited as to use:		
By Board designation at Orchard Cove:		
Plant renewal and refurbishment fund	**13,295**	11,849
Health care security fund	**4,748**	4,232
Contingency fund	**950**	846
	18,993	16,927
Held in trust, debt indentures and other, less current portion	**25,173**	25,031
Restricted as to use	**11,677**	9,652
Endowment funds	**22,121**	19,691
	58,971	54,374
	$ 212,234	$ 199,410

Investment income and gains (losses) consist of the following (in thousands) for the years ended September 30:

	2023	2022
Without donor restrictions:		
Operating revenue:		
Investment income	**$ 3,411**	$ 2,460
Nonoperating gains:		
Net realized gains on investments	**785**	7,654
Net unrealized gains (losses) on investments	**13,824**	(32,748)
	14,609	(25,094)
	$ 18,020	$ (22,634)

	2023	2022
With donor restrictions:		
Dividends and interest	**$ 128**	$ 117
Net realized gains on investments	**275**	1,676
Change in net unrealized gains (losses) on investments	**3,122**	(6,003)
	$ 3,525	$ (4,210)

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. 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 could occur in the near term.

Note 5. Fair Value of Financial Instruments

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three broad levels. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, HSL utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

The methods described above may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while HSL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

HSL invests in certain investments for which quoted prices are not available in active markets for identical instruments. HSL utilizes the net asset value ("NAV") provided by the administrator of the fund as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV. These investments are not required to be classified within a level on the fair value hierarchy.

Financial instruments carried at fair value are classified in the tables below in one of the three categories described above (in thousands) as of September 30:

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 26,798	$ 20	$ -	$ 26,818
Fixed income securities funds:				
U.S. Government	34,742	161	-	34,903
Domestic	2,917	347		3,264
Foreign	177	-	-	177
Equity securities and funds:				
Domestic large cap	15,855	1,268	-	17,123
Domestic small/mid cap	13,711	434	-	14,145
Foreign	17,957	314	-	18,271
Emerging markets	3,651	-	-	3,651
Other:				
Blended funds	3,262	-	-	3,262
	$ 119,070	$ 2,544	$ -	121,614
Investments at NAV (a)				77,434
Total investments at fair value				$ 199,048

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 27,813	$ 17	$ -	$ 27,830
Fixed income securities funds:				
U.S. Government	34,747	137	-	34,884
Domestic	2,068	355	-	2,423
Foreign	-	177	-	177
Equity securities and funds:				
Domestic large cap	13,588	1,137	-	14,725
Domestic small/mid cap	11,918	383	-	12,301
Foreign	15,658	281	-	15,939
Emerging markets	3,309	-	-	3,309
Other:				
Blended funds	4,719	-	-	4,719
	$ 113,820	$ 2,487	$ -	116,307
Investments at NAV (a)				68,508
Total investments at fair value				$ 184,815

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

Fair value for Level 1 assets is based upon quoted market prices. Fair value for Level 2 assets is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques, for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers, and brokers.

Fair value for Level 2 liabilities is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields and credit spreads. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while HSL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The amounts reported in the table above exclude limited partnership interests that HSL has recorded pursuant to the cost or equity method, which were approximately $13,186,000 and $14,595,000 as of September 30, 2023 and 2022, respectively.

There were no transfers between Levels 1 and 2 during the years ended September 30, 2023 and 2022.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of September 30, 2023 and 2022:

	Fair Value at September 30, 2023	**Fair Value at September 30, 2022**	**Unfunded Commitments**	**Other Redemption Restrictions**	**Redemption Notice Period**
SSGA Russell 1000 Growth	**$ 14,447,000**	$ 11,315,000	None	None	15 Days
SSGA Russell 1000 Value	**12,372,000**	12,142,000	None	None	None
SSGA Real Asset NL Ctf	**13,224,000**	13,805,000	None	None	None
Riverside Cap APP Fd	**973,000**	1,055,000	None	Weekly	None
Polunin Capital Prtns Ltd	**4,287,000**	3,562,000	None	Monthly	30 Days
Newbury Equity Prtns IV LP	**1,726,000**	1,781,000	None	None	None
Varde Investments Prtns Offshore	**3,528,000**	3,170,000	None	Monthly	None
Newbury Equity Pmts V	**782,000**	581,000	None	Monthly	None
Glouston Peh IB FTE, LTD	**132,000**	230,000	None	Monthly	None
Madison Dearborn Cap PTR VIII	**683,000**	607,000	None	Monthly	None
First Boston Brdge Lnd Pool V	**1,453,000**	-	None	Monthly	None
Acadian Intl All-Cap Fund	**6,182,000**	5,250,000	None	None	30 Days
Intl Research Eq Ext Fd LP	**5,341,000**	4,534,000	None	Monthly	10 Days
Global Institutional Securities	**2,762,000**	2,655,000	None	Monthly	None
Absolute return bond fund	**2,720,000**	2,275,000	None	Weekly	None
Global absolute return	**6,821,000**	5,546,000	None	Monthly	None

Note 6. Contributions

Contributions recorded during the years ended September 30, were as follows (in thousands):

	2023	2022
Contributions and bequests without donor restrictions	**$ 3,210**	$ 5,277
Contributions and bequests with donor restrictions	**3,611**	12,481
	$ 6,821	$ 17,758

Contributions receivable, net of allowance, as of September 30, were as follows (in thousands):

	2023	2022
Contributions receivable:		
Amounts due in less than one year	**$ 9,303**	$ 9,553
Amounts due in one to five years	**6,775**	9,476
Amounts due in more than five years	**2,820**	5,704
	18,898	24,733
Discount to present value (approximately 3%)	**(914)**	(1,177)
Contributions receivable, net of discount	**$ 17,984**	$ 23,556

Note 7. Property, Plant, and Equipment

Property, plant, and equipment are composed of the following as of September 30 (in thousands):

	2023	2022
Land	**$ 26,483**	$ 26,482
Land improvements	**53,956**	52,884
Buildings	**514,657**	500,874
Equipment	**213,778**	203,858
Equipment under financing lease	**1,465**	1,465
	810,339	785,563
Allowances for depreciation	**(521,192)**	(491,120)
	289,147	294,443
Construction-in-progress	**4,207**	11,259
Total property, plant, and equipment	**$ 293,354**	$ 305,702

Depreciation expense for the years ended September 30, 2023 and 2022 was $30,817,000 and $30,850,000, respectively.

At September 30, 2023, Satter House has incurred and capitalized approximately $367,000 of costs related to various capital renovation projects. The projects have an estimated final cost of approximately $2,374,000 and are expected to be finished between December 2023 and September 2024.

Note 8. Long-Term Debt

Long-term debt consists of the following as of September 30, (in thousands):

	2023	2022
Hebrew Rehabilitation Center:		
Amounts due under financing lease	**$ 40**	$ 148
	40	148
Orchard Cove:		
MDFA Revenue Bonds, Series 2019	**18,920**	19,270
Plus unamortized original issue premium	**876**	909
	19,796	20,179
CCB:		
Mortgage loans payable	**54,275**	55,221
Notes payable, secured by property	**3,936**	3,936
	58,211	59,157
NewBridge:		
MDFA Revenue Refunding Bonds	**221,230**	224,030
Plus unamortized original issue premium	**11,589**	11,713
	232,819	235,743
Other:		
Fireman Community mortgage loan payable	**26,461**	27,008
Fireman Community amounts due under financing lease	**-**	11
Satter House mortgage loan payable	**53,353**	54,359
	79,814	81,378
	390,680	396,605
Unamortized debt issuance costs	**(5,117)**	(5,329)
Total long-term debt, net	**385,563**	391,276
Portion classified as current	**(5,851)**	(5,761)
Long-term debt, net	**$ 379,712**	$ 385,515

Hebrew Rehabilitation Center

In February 2023, HRC and HSL entered into a revolving line of credit note with Eastern Bank to fund working capital needs. HRC and HSL may borrow up to a combined total of $5,000,000. The note carries an interest rate, of one-month SOFR plus 1.36% per annum. The rate is subject to a floor of no less than 2.0%. The note had no outstanding balance as of September 30, 2023.

Orchard Cove

During February 2019, Orchard Cove issued $19,950,000 of tax-exempt MDFA Revenue Refunding Bonds with a bond premium of $1,070,815 and an overall effective interest rate of 4.55%. Annual principal and interest payments are approximately $39,200,000 over the 30-year term of the bonds.

The bond maturities and interest rates are:

Year of Maturity	Principal Amount	Interest Rate	Yield
2024	$ 360,000	3.00%	2.75%
2025	375,000	3.00%	2.80%
2029	2,080,000	4.00%	3.25%
2039	2,885,000	4.00%	4.10%
2039	2,860,000	5.00%	3.95%
2049	10,360,000	5.00%	4.10%

The proceeds from the sale of the Series 2019 bonds were used to finance and refinance the following:

- The $22,830,848 outstanding amount of the MDFA's First Mortgage Revenue Bonds, Orchard Cove, Series 2007.
- Fund a $1,246,400 debt service reserve fund for the Series 2019 Bonds.
- Finance $525,000 for costs of issuance in connection with the Series 2019 Bonds.

Amounts on deposit in the Debt Service Reserve Fund shall be held in trust and, except as otherwise provided, will be applied by the Trustee on behalf of the Agency solely to the payment of the principal (including sinking fund installments) of and interest on the Bonds.

The 2019 Revenue Bonds are redeemable at the option of Orchard Cove at various intervals prior to maturity, beginning in 2024, at redemption amounts ranging from 104% to 100%.

Center Communities of Brookline

CCB received acquisition financing of $14,588,224 in assumed mortgage notes and rehabilitation financing of $24,000,000 in mortgage notes through Massachusetts Housing Finance Agency d/b/a MassHousing ("MHFA") at the time of acquisition during 2002.

On December 23, 2016, CCB refinanced its long-term debt with Rockport Mortgage Corporation and the U.S. Department of Housing and Urban Development ("HUD") at a rate of 3.45%, in the amount of $26,543,300, payable in equal monthly installments of principal and interest for 35 years. The HUD Section 223(f) mortgage is secured by substantially all property. As part of the refinancing, CCB is required to make annual deposits of $61,250 to a reserve for replacement. Withdrawals from the reserve for replacements are subject to approval by HUD. CCB is required to fund certain operating escrow accounts and a repair escrow as part of the mortgage agreement.

CCB also received financing in the form of sellers' notes in the total amount of $3,500,000. These notes accrue interest at the rate of 6% per annum payable quarterly beginning February 1, 2005. Interest accrued through October 1, 2004, is payable, along with all principal, on the maturity date of April 2017. With the proceeds received from the refinancing of its long-term debt, CCB paid in full the total outstanding balance, including interest, of the seller's notes in January 2017.

In December 2017, CCB closed a loan with the Massachusetts Housing Partnership Fund Board ("MHP") and HUD to refinance its existing long-term debt and obtain additional financing for a construction project. The final loan amount is $32,310,000 at a rate of 3.635%, payable in equal monthly installments of principal and interest for 40 years. The mortgage is secured by substantially all property. As part of the refinancing, CCB is required to make monthly deposits to a reserve for replacement, totaling $73,850 in year one. Withdrawals from the reserve for replacements are subject to approval. CCB is also required to fund certain operating escrow accounts as part of the agreement.

In connection with the execution of the loan agreement with MHP and HUD, CCB is required to maintain certain financial covenants: Debt Coverage Ratio, as defined in the agreement of at least 1.10, tested annually, and a Loan to Value Ratio, as defined in the agreement, of less than 90%, tested from time to time as determined by the lender. In addition, HSL has provided a limited guarantee to indemnify the lender in the case of any loss, damage or cost resulting from specific actions by CCB as defined in the limited guaranty agreement.

NewBridge on the Charles

During December 2017, NewBridge issued $236,290,000 of tax-exempt MDFA Revenue Refunding Bonds with a Bond Premium of $11,823,721 and an overall effective interest rate of 4.45%. Annual principal and interest payments will be approximately $13,400,000 over the 40-year term of the bonds.

The tax-exempt bonds are secured by a collateral interest in the NewBridge property and equipment.

The bond maturities and interest rates are:

Year of Maturity	Principal Amount	Interest Rate	Yield
2024	$ 2,900,000	4.000%	3.100%
2025	3,015,000	4.000%	3.250%
2026	3,135,000	4.000%	3.350%
2027	3,260,000	4.000%	3.450%
2032	18,380,000	4.000%	4.050%
2037	22,810,000	5.000%	4.000%
2042	28,600,000	4.125%	4.300%
2047	35,630,000	5.000%	4.050%
2057	103,500,000	5.000%	4.125%

Amounts on deposit in the Debt Service Reserve Fund are available to pay principal (including sinking fund installments) and interest on the Series 2017 Bonds, and to meet deficiencies in the Rebate Fund, if any.

The Series 2017 Bonds are redeemable prior to maturity beginning on October 1, 2027 at 100% of their principal amount, plus accrued interest to the redemption date, plus a redemption premium equal to the following:

Redemption Date	Redemption Premium (as a Percent of Principal Redeemed)
October 1, 2023 - September 30, 2024	4.00%
October 1, 2024 - September 30, 2025	3.00%
October 1, 2025 - September 30, 2026	2.00%
October 1, 2026 - September 30, 2027	1.00%
October 1, 2027 and thereafter	0.00%

The Bond Debt Service Coverage Ratio requirement is 1.20 for the fiscal year ended September 30, 2019 and each fiscal year thereafter. The liquidity covenant requirement is not less than 125 Days Cash on Hand at the end of each fiscal year commencing September 30, 2018. The tax-exempt bonds are secured by a collateral interest in the NewBridge property and equipment.

Other Mortgage Loans

Other mortgage loans include amounts payable to HUD and MHFA. The Satter House HUD mortgage was refinanced in June 2021 for approximately $55,500,000 with a fixed interest rate of 2.65% (previously 3.25%) and is due in 2056.

The Fireman Community mortgage bears interest at 5.72%. These mortgage loans are secured by substantially all property and rental income of the respective entities.

On July 17, 2020 the Fireman Community refinanced its long-term debt with MHFA, secured by substantially all property and rental income. Monthly installments of $99,135 for principal and interest are due until 2055 with interest at 2.59% and loan amount of $27,360,000. Additional monthly remittances include $4,000 to fund the reserve for replacement. The Fireman Community used the proceeds to pay off the existing loan and to make major capital improvements to the project.

Other Information

The amount of aggregated annual principal and mandatory sinking fund payment requirements for the next five years and thereafter, are as follows (in thousands and including unamortized original issue premium and debt issuance costs):

2024	$ 5,851
2025	6,057
2026	7,940
2027	11,811
2028	11,997
Thereafter	341,907
	$ 385,563

Interest paid by HSL was approximately $15,535,000 and $15,768,000 in 2023 and 2022, respectively.

The terms of the various debt agreements contain restrictive financial and operating covenants.

The terms of the various debt indenture and other agreements require the establishment of certain reserve funds, which are held by trustees. These funds are principally invested in cash and government securities; the fair value of these and other trustee funds at September 30, is as follows (in thousands):

	2023	2022
Debt service reserve fund	$ 16,120	$ 16,203
Reserve for replacements and residual receipts	5,999	5,861
Construction fund	2,064	2,004
Mortgage escrows	1,754	3,203
Special and other escrows	399	397
Workers' compensation collateral	591	566
	26,927	28,234
Current portion	(1,754)	(3,203)
	$ 25,173	$ 25,031

Note 9. Lease

HSL leases certain equipment and office buildings under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related right-of-use assets and right-of-use obligations are recorded at the present value of lease payments over the term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

The components of lease expense (and related classification in the accompanying consolidated statements of operations for the years ended September 30, were as follows (in thousands):

	2023	2022
Operating lease cost (supplies and direct expenses)	$ 248	$ 241
Finance lease cost:		
Amortization of right-of use assets (depreciation and amortization)	14	25
Interest on lease liabilities (interest expense)	14	11
Total lease cost	$ 276	$ 277

Rental expense for all operating leases was $248,000 and $241,000 in 2023 and 2022, respectively.

Cash paid for amounts included in the measurement of lease liabilities for the years ended September 30 is as follows (in thousands):

	2023	2022
Operating cash flows from operating leases	$ 248	$ 241
Financing cash flows from finance leases	163	163
Total	$ 411	$ 404

The following table presents lease-related assets and liabilities at September 30 (in thousands):

	2023	2022
Operating leases:		
Operating lease right-of-use asset	**$ 393**	$ 654
Current portion of operating lease liability	**285**	273
Operating lease liability, net	**108**	381
Total operating lease liabilities	**$ 393**	$ 654
Finance leases:		
Property, plant, and equipment, net	**$ 480**	$ 495
Current portion of finance lease obligations	**20**	107
Long-term finance lease obligations	**20**	41
Total finance lease liabilities	**$ 40**	$ 148

	2023	2022
Other information:		
Weighted-average remaining lease term – operating leases	**1.7 years**	2.4 years
Weighted-average remaining lease term – finance leases	**0.6 years**	1.6 years
Weighted-average discount rate – operating leases	**2.25%**	2.25%
Weighted-average discount rate – finance leases	**2.25%**	2.25%

The following is a schedule of lease liability maturities related to leases classified as operating and financing with affiliates for the years ending (in thousands):

2024	$ 305
2025	128
Total	433
Interest	28
Lease liability	$ 461

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are invested in perpetuity, the income from which is generally expendable to support the delivery of health care services and geriatric research.

HSL's endowments consist of numerous individual funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

HSL requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. HSL classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure.

HSL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of HSL and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments and (6) the investment policies of HSL.

Unless otherwise restricted by donor stipulation, HSL appropriates for use in operations annually an amount equal to 4% of the 12-quarter moving average of the individual fund balances as of the quarter ending March 31 prior to the commencement of the fiscal year. Such appropriations are then spent in accordance with the donors' stipulated uses. In establishing this policy, HSL considered the long-term expected return on its endowments.

Endowment asset composition by type of fund as of September 30, 2023 and 2022, consisted of the following (in thousands):

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor, restricted endowment funds	**$ -**	**$ 30,247**	**$ 30,247**
Board, designated funds	**15,893**	**-**	**15,893**
	$ 15,893	**$ 30,247**	**$ 46,140**

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor, restricted endowment funds	$ -	$ 25,606	$ 25,606
Board, designated funds	14,645	-	14,645
	$ 14,645	$ 25,606	$ 40,251

For the years ended September 30, 2023 and 2022, HSL had the following endowment-related activities (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments at September 30, 2021	$ 17,559	$ 29,318	$ 46,877
Investment return:			
Investment income	999	1,644	2,643
Net depreciation	(3,292)	(7,305)	(10,597)
Total investment return	(2,293)	(5,661)	(7,954)
Gifts received	-	3,056	3,056
Amounts appropriated for expenditure	(621)	(1,107)	(1,728)
Total change	(2,914)	(3,712)	(6,626)
Endowment investments at September 30, 2022	14,645	25,606	40,251
Investment return:			
Investment income	228	393	621
Net appreciation	1,681	5,352	7,033
Total investment return	1,909	5,745	7,654
Amounts appropriated for expenditure	(661)	(1,104)	(1,765)
Total change	1,248	4,641	5,889
Endowment investments at September 30, 2023	$ 15,893	$ 30,247	$ 46,140

HSL investment and spending policies for endowment assets is to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that HSL must hold in perpetuity or for a donor-specified term. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is expected to generate a 7.25% total return annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, HSL relies on a total return strategy in which investment returns HSL are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HSL targets a diversified asset allocation that consists of equities, fixed income, and alternative investments.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires HSL to retain as a fund of perpetual duration. Deficiencies of this nature are not significant to the consolidated financial statements for the years ended September 30, 2023 and 2022.

These deficiencies resulted from unfavorable market fluctuations. Management expects the individual donor-restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets.

Note 11. Agreements with Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors is disclosed in Note 3.

Revenue from the Medicaid and Medicare programs together accounted for 78% and 75% of HRC's net patient service revenue in the years ended September 30, 2023 and 2022, respectively. The Medicare program represented approximately 93% and 91% of the net patient service revenue at NewBridge for the years ended September 30, 2023 and 2022, respectively. At Orchard Cove, revenue from the Medicare program represents approximately 12% and 7% of health care revenue for the years ended September 30, 2023 and 2022. Laws and regulations governing the Medicaid and Medicare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a significant amount in the near term.

Note 12. Defined Contribution Plan

HSL has defined contribution plans which include employee voluntary contributions, employer-matching contributions based on employee participation and employer discretionary contributions. Amounts paid or accrued by HSL related to these plans were approximately $1,875,000 and $1,810,000 in fiscal years 2023 and 2022, respectively, and consisted of employer matching contributions.

Note 13. Liquidity and Availability

As part of its liquidity management, HSL has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, HSL invests cash in excess of daily operating funds in short-term investments such as treasury bills, certificates of deposit, and money market funds.

The following schedule reflects HSL's financial assets to meet cash needs for general expenses within one year (in thousands). The financial assets were derived from the total assets on the consolidated balance sheets by excluding the assets that are unavailable for general expenses in the next 12 months. Board designated amounts for capital projects have been included in the schedule below as the board could release these funds for liquidity purposes if needed. Designated funds are available for general expenditures within one year in the normal course of operations.

	2023	2022
Cash and cash equivalents	**$ 25,677**	$ 29,139
Accounts receivable, net	**24,885**	20,919
Investments – unrestricted	**116,623**	110,261
Investments – board designated	**15,893**	14,645
Contributions receivable, net	**1,312**	1,663
Assets limited as to use – by board designation	**18,993**	16,927
	$ 203,383	$ 193,554

In addition to financial assets available to meet general expenditures over the next 12 months, HSL maintains an escrow account to cover insurance costs and taxes, and funds a replacement reserve account, in accordance with the terms of the HUD Regulatory Agreement that may be used for future capital needs and major repairs, subject to HUD approval.

Note 14. Concentration of Credit Risk,

HRC grants credit without collateral to its patients, most of who are insured under third-party payor agreements. The mix of receivables from patients and third-party payors for HRC at September 30 was as follows:

	2023	2022
Medicaid	**63%**	65%
Medicare	**15%**	16%
Self-pay	**19%**	11%
Other	**3%**	8%
	100%	100%

Note 15. Schedule of Functional Expenses

The consolidated statements contain certain categories of expenses that are attributable to one or more program or supporting functions of HSL. Expenses are directly allocated to program or support services whenever possible. Other shared expenses are allocated based on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and interest which are allocated based on a square footage. The allocation of operating expenses by function for the years ended September 30 was as follows:

	2023							
	Healthcare Services				**Support Services**			
	Hospital Based Rehab	**Skilled Nursing**	**Home Health**	**Senior Housing**	**Management, General and Administrative**	**Research**	**Eliminations**	**Totals**
Salaries, wages and labor	**$ 68,571**	**$ 9,226**	**$ 6,204**	**$ 25,075**	**$ 31,339**	**$ -**	**$ -**	**$ 140,415**
Employee benefits	**15,506**	**1,822**	**1,251**	**5,664**	**4,738**	**-**	**-**	**28,981**
Supplies and expenses	**21,280**	**1,552**	**616**	**20,983**	**20,754**	**-**	**(7,643)**	**57,542**
Direct expenditures on grants and contracts	**-**	**-**	**-**	**-**	**-**	**15,388**	**-**	**15,388**
Depreciation and amortization	**2,628**	**170**	**45**	**26,078**	**2,009**	**232**	**(345)**	**30,817**
Interest expense	**11**	**1**	**-**	**15,149**	**404**	**1**	**-**	**15,566**
Total	**$ 107,996**	**$ 12,771**	**$ 8,116**	**$ 92,949**	**$ 59,244**	**$ 15,621**	**$ (7,988)**	**$ 288,709**

	2022							
	Healthcare Services				**Support Services**			
	Hospital Based Rehab	**Skilled Nursing**	**Home Health**	**Senior Housing**	**Management, General and Administrative**	**Research**	**Eliminations**	**Totals**
Salaries, wages and labor	$ 62,784	$ 14,855	$ 6,102	$ 26,438	$ 26,906	$ -	$ -	$ 137,085
Employee benefits	14,574	3,049	1,164	6,072	5,728	-	-	30,587
Supplies and expenses	19,456	2,312	810	17,000	26,268	-	(9,266)	56,580
Direct expenditures on grants and contracts	-	-	-	-	-	17,184	-	17,184
Depreciation and amortization	2,634	173	30	26,875	1,249	234	(345)	30,850
Interest expense	57	4	-	15,305	391	5	-	15,762
Total	$ 99,505	$ 20,393	$ 8,106	$ 91,690	$ 60,542	$ 17,423	$ (9,611)	$ 288,048

Note 16. COVID-19 Pandemic

Provider relief funding

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments are also taking action to provide economic relief and emergency assistance. HSL received CARES Act Provider Relief Funds (“PRF”) general and targeted distributions of approximately $821,000 and $3,633,000 in the years ended September 30, 2023 and 2022, respectively.

HSL recognized approximately $821,000 and $4,448,000 as COVID-19 stimulus funding in fiscal years 2023 and 2022, respectively, in the consolidated statements of operations to the extent the conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met, resulting in the simultaneous release of restrictions. The CARES Act Funding also includes approximately $815,000 of state funding through the Executive Offices of Health and Human Services (EOHHS) COVID-19 Public Health Emergency Hospital Relief Trust Fund. These funds were made available as supplemental payments for care provided by HSL during the state of emergency. In order to qualify for the funding, HSL was required to be a non-acute hospital which was financially impacted by the COVID-19 pandemic. The full amount of this funding has been recognized in fiscal year 2022 and is included in COVID-19 stimulus funding in the consolidated statements of operations.

HHS has issued several Post-Payment Notices of Reporting Requirements (“PPNRR”) and frequently asked questions and answers (“FAQs”) which establish the reporting criteria for providers which received PRF funding under the CARES Act. The PPNRR and FAQs also provide guidance related to the determination of lost revenues and allowable COVID-19 related expenditures under the terms and conditions of the PRF funding received by HSL. The funds are subject to future audits. Potential adjustments and certain amounts may need to be repaid to the government. As such, amounts recognized as operating revenue are subject to change and those changes could be material.

Note 17. Related-Party Transactions

CCB Cohen 112 Centre LLC

The accompanying consolidated financial statements do not reflect the non-controlling interests of CCB Cohen 112 Centre LLC (the "Company"). The Company, organized as a Massachusetts Limited Liability Company on May 26, 2017, was formed to acquire, rehabilitate and operate an elderly, low-income residential apartment tower consisting of 98 units in Brookline, Massachusetts. Pursuant to the Operating Agreement, net profits, net losses and tax credits are allocated 0.01% to the Managing Member, CCB Cohen 112 Centre MM LLC; 99.989% to the Investor Member, CREA Cohen Residences, LLC; and 0.001% to the Special Member, CREA SLP, LLC. HSL Parent is an affiliate of the Managing Member.

The Company entered into a management agreement with HSL Parent to operate the Company’s rental operations. The property management fee is 4.5% of the Company’s gross collected income, as defined. For the years ended September 30, 2023 and 2022, approximately $295,000 and $288,000, respectively, has been earned by HSL Parent for management fees..

Personnel working at the Company site are employees of HSL and therefore, the Company reimburses HSL for the actual salaries and related payroll costs incurred. Salaries and related payroll costs for the years ended September 30, 2023 and 2022 amounted to approximately $515,000 and $502,000, respectively.

Subject to the regulatory agreement with MassHousing, the Company is limited to a maximum annual distribution of $1,834,313, which represents 10% of stated equity. During 2023, the Company made regulatory distributions of $546,105 to HSL Parent. During 2022, the Company made regulatory distributions of $683,195, of which $610,102 was distributed to pay land lease deferred rent and accrued interest, $67,789 was used to repay development advances and $5,304 was used to pay entity costs. As of December 31, 2022, there were earned distributions of $1,153,319 and funds available for distribution of $546,105, which is net of an unreimbursed replacement reserve withdrawal of $398,292 that is not to be requested. Net Cash from Sales and Refinancings shall be distributed in accordance with the terms of the Operating Agreement.

<u>HSL Leyland LLC</u>

HSL Leyland LLC was formed to become the managing member of Leyland Senior Housing Manager LLC which is the managing member of Leyland Street LLC (collectively, Leyland Street). Leyland Street is a residential development in Dorchester organized to convert a 13,000 square foot property into a 42,000 square foot, 43-unit, affordable senior housing building. In February 2022, HSL Parent loaned $1,500,000 to the outgoing managing member of Leyland Senior Housing Manager, LLC, Dorchester Bay Economic Development Corporation (DBEDC) to support its development of the project. As of September 30, 2023, the outstanding balance of this loan is $600,000. The loan had an original due date of December 31, 2023, which coincided with the expected completion of the project and the transfer of the managing member from a DBEDC affiliate to HSL Leyland LLC. Due to a delay in the timing of the project’s completion, a new due date is being negotiated subsequent to year end. Leyland Street is set to be completed in 2024.

Supplementary Consolidating Information

Hebrew SeniorLife, Inc. and Affiliates
Consolidating Balance Sheet Information
September 30, 2023
(In Thousands)

	HSL (Parent), Guarantors	HRC, AMG	Hebrew SeniorLife Hospice	Orchard Cove	NewBridge	Fireman Community	Satter House	CCB	Eliminations	Total
ASSETS										
Current assets:										
Cash and cash equivalents	$ 1,395	$ 2,702	$ 342	$ 4,926	$ 4,700	$ 1,640	$ 3,186	$ 6,786	$ -	$ 25,677
Accounts receivable, net	74	12,949	3,993	2,329	490	37	110	4,903	-	24,885
Investments:										
Unrestricted	64,034	-	-	-	52,589	-	-	-	-	116,623
Board designated - unrestricted for operations	15,893	-	-	-	-	-	-	-	-	15,893
Funds held in trust, current portion	-	-	-	-	-	994	386	374	-	1,754
Contributions receivable, net	1,312	-	-	-	-	-	-	-	-	1,312
Grants receivable	-	1,455	-	-	-	-	-	-	-	1,455
Entrance fee receivable and deposits held in escrow	-	-	-	1,976	472	59	136	660	-	3,303
Prepaid expenses and other assets	1,088	3,554	11	128	1,734	93	204	93	-	6,905
Total current assets	83,796	20,660	4,346	9,359	59,985	2,823	4,022	12,816	-	197,807
Assets limited as to use:										
By Board designation	-	-	-	18,993	-	-	-	-	-	18,993
Held in trust - debt indentures and other, less current portion	2,656	-	-	2,048	13,353	1,060	2,501	3,555	-	25,173
Restricted as to use	8,126	3,216	-	245	90	-	-	-	-	11,677
Endowment funds	22,121	-	-	-	-	-	-	-	-	22,121
Restricted contributions receivable	14,912	-	-	-	-	-	-	-	-	14,912
Property, plant, and equipment, net	10,438	28,273	127	11,739	193,935	11,602	11,789	30,041	(4,590)	293,354
Operating lease right-of-use asset	393	-	47	17,501	-	-	-	-	(17,548)	393
Contributions receivable, less current portion	1,760	-	-	-	-	-	-	-	-	1,760
Advances and other receivables - Orchard Cove	-	-	-	224	-	-	-	-	(224)	-
Interest in net assets of recipient organization	-	-	-	-	-	193	223	-	(416)	-
Other assets	266	-	750	-	-	12	3	6,087	-	7,118
Total assets	$ 144,468	$ 52,149	$ 5,270	$ 60,109	$ 267,363	$ 15,690	$ 18,538	$ 52,499	$ (22,778)	$ 593,308

(In Thousands) (Continued)

	HSL (Parent), Guarantors	HRC, AMG	Hebrew SeniorLife Hospice	Orchard Cove	NewBridge	Fireman Community	Satter House	CCB	Eliminations	Total
LIABILITIES AND NET ASSETS (DEFICIT)										
Current liabilities:										
Accounts payable and accrued expenses	$ 14,217	$ 14,693	$ 950	$ 1,758	2,704	$ 306	$ 694	$ 497	$ -	$ 35,819
Accrued interest expense	-	-	-	441	-	56	118	159	-	774
Deferred revenue	1,713	2,278	-		-	-	-	-	-	3,991
Due to/from HSL/affiliates	-	-	-	1,571	26,023	(76)	137	(744)	(26,911)	-
Funds held on behalf of present and future residents	-	425	-	810	974	61	153	675	-	3,098
Due to third-party payors	-	1,405	-	-	-	-	-	-	-	1,405
Current portion of long-term debt	-	20	-	360	2,900	559	1,033	979	-	5,851
Current portion of operating lease liability	285	-	47	720	-	-	-	-	(767)	285
Total current liabilities	16,215	18,821	997	5,660	32,601	906	2,135	1,566	(27,678)	51,223
Long-term debt, net	-	20	-	18,979	227,255	25,121	51,755	56,582	-	379,712
Operating lease liability, net	108	-	-	16,781	-	-	-	-	(16,781)	108
Deferred revenue from nonrefundable entrance fees, net of amortization	-	-	-	13,295	26,587	-	-	-	-	39,882
Refundable entrance fees	-	-	-	93,215	199,865	-	-	-	-	293,080
Other liabilities	260	510	-	-	711	-	-	1,225	-	2,706
Due to (from) affiliates	(170,986)	135,596	4,212	-	-	-	-	-	31,178	-
Total liabilities	(154,403)	154,947	5,209	147,930	487,019	26,027	53,890	59,373	(13,281)	766,711
Net assets (deficit):										
Without donor restrictions	250,908	(130,122)	61	(88,290)	(219,773)	(10,529)	(35,574)	(6,874)	(9,275)	(249,468)
With donor restrictions	47,963	27,324	-	469	117	192	222	-	(222)	76,065
Total net assets (deficit)	298,871	(102,798)	61	(87,821)	(219,656)	(10,337)	(35,352)	(6,874)	(9,497)	(173,403)
Total liabilities and net assets (deficit)	$ 144,468	$ 52,149	$ 5,270	$ 60,109	$ 267,363	$ 15,690	$ 18,538	$ 52,499	$ (22,778)	$ 593,308

Hebrew SeniorLife, Inc. And Affiliates
Consolidating Statement of Operations Information
For the Year Ended September 30, 2023
(In Thousands)

	HSL (Parent), Guarantors	HRC, AMG	Hebrew SeniorLife Hospice	Orchard Cove	NewBridge	Fireman Community	Satter House	CCB	Eliminations	Total
Operating revenues:										
Net patient service revenue	$ -	$ 131,577	$ 11,990	$ -	$ 6,665	$ -	$ -	$ -	$ -	$ 150,232
Earned entrance and monthly service fees	-	-	-	24,157	35,900	-	-	-	-	60,057
Rental income	-	-	-	-	355	4,112	7,659	12,030	-	24,156
Health Center lease reimbursement	-	(6,392)	-	-	6,392	-	-	-	-	-
Grants and contracts, including recovery of indirect costs	-	16,723	-	-	-	-	173	-	-	16,896
Net assets released from restrictions used for operations	824	1,070	-	96	47	-	25	-	(25)	2,037
Investment income	(141)	1,063	-	537	1,809	44	25	74	-	3,411
COVID-19 stimulus funding	-	821		-	-	-	-	-	-	821
Paycheck Protection Program loan income	-	-	-	-	-	-	-	-	-	-
Other operating revenues	8,641	2,943	120	89	261	1,184	1,059	839	(7,643)	7,493
	9,324	147,805	12,110	24,879	51,429	5,340	8,941	12,943	(7,668)	265,103
Operating expenses:										
Salaries, wages and labor	9,219	85,639	9,227	10,511	19,992	2,145	1,888	1,794	-	140,415
Employee benefits	914	18,311	1,793	2,662	4,175	314	403	409	-	28,981
Supplies and direct expenses	3,654	30,330	1,558	7,331	13,441	1,357	3,277	4,237	(7,643)	57,542
Direct expenditures on grants and contracts	-	15,388	-	-	-	-	-	-	-	15,388
Depreciation and amortization	1,057	3,355	45	3,839	17,678	800	1,774	2,614	(345)	30,817
Interest expense	-	14	-	876	10,557	701	1,456	1,962	-	15,566
	14,844	153,037	12,623	25,219	65,843	5,317	8,798	11,016	(7,988)	288,709
Operating income (loss)	(5,520)	(5,232)	(513)	(340)	(14,414)	23	143	1,927	320	(23,606)
Nonoperating gains (losses):										
Net realized gains on investments	732	-	-	34	19	-	-	-	-	785
Net unrealized losses on investments	7,625	-	-	1,577	4,622	-	-	-	-	13,824
Land lease payments	720	-	-	(720)	-	-	-	-	-	-
Contributions and bequests	2,893	-	-	100	-	5	81	131	-	3,210
Fundraising expenses	(4,287)	-	-	-	-	-	-	-	-	(4,287)
Other nonoperating activities	683	-	-	2	-	(122)	(8)	128	-	683
	8,366	-	-	993	4,641	(117)	73	259	-	14,215
Excess (deficiency) of revenues over expenses	2,846	(5,232)	(513)	653	(9,773)	(94)	216	2,186	320	(9,391)
Net assets transferred to (from) affiliates	350	-	-	-	-	-	-	(350)	-	-
Change in net assets (deficit) without donor restrictions	$ 3,196	$ (5,232)	$ (513)	$ 653	$ (9,773)	$ (94)	$ 216	$ 1,836	$ 320	$ (9,391)

Hebrew SeniorLife, Inc. and Affiliates
Consolidating Statement of Changes in Restricted Net Assets (Deficit) Information
For the Year Ended September 30, 2023
(In Thousands)

	HSL (Parent), Guarantors	HRC, AMG	Orchard Cove	NewBridge	Fireman Community	Satter House	Eliminations	Total
Net Assets with Donor Restrictions								
Net assets with donor restrictions at September 30, 2022	$ 48,289	$ 25,065	$ 456	$ 164	$ 192	$ 111	$ (111)	$ 74,166
Restricted contributions	397	3,132	82	-	-	136	(136)	3,611
Restricted investment income	114	14	-	-	-	-	-	128
Net realized gains on investments	247	28	-	-	-	-	-	275
Change in net unrealized gains (losses) on investments	2,795	327	-	-	-	-	-	3,122
Net assets released from restrictions used for operations	(824)	(1,070)	(96)	(47)	-	(25)	25	(2,037)
Other activity	(3,055)	(172)	27	-	-	-	-	(3,200)
Change in net assets (deficit) with donor restrictions	(326)	2,259	13	(47)	-	111	(111)	1,899
Net assets with donor restrictions at September 30, 2023	$ 47,963	$ 27,324	$ 469	$ 117	$ 192	$ 222	$ (222)	$ 76,065

Hebrew SeniorLife, Inc. and Affiliates
Consolidating Statement of Cash Flows Information
For the Year Ended September 30, 2023
(In Thousands)

	HSL (Parent), Guarantors	HRC, AMG	Hebrew SeniorLife Hospice	Orchard Cove	NewBridge	Fireman Community	Satter House	CCB	Eliminations	Total
Operating activities										
Change in net assets (deficit)	$ 2,870	$ (2,973)	$ (513)	$ 666	$ (9,820)	$ (94)	$ 327	$ 1,836	$ 209	$ (7,492)
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:										
Depreciation and amortization	1,057	3,355	45	3,839	17,678	800	1,774	2,614	(345)	30,817
Amortization of bond premium	-	-	-	(34)	-	-	-	-	-	(34)
Amortization of debt issuance costs	-	-	-	28	(45)	26	30	38	-	77
Net realized and unrealized losses on investments	(11,399)	(355)	-	(1,611)	(4,641)	-	-	-	-	(18,006)
Gain on disposition of fixed assets	(519)	-	-	(2)	-	-	-	-	-	(521)
Net assets transferred	(350)	-	-	-	-	-	-	350	-	-
Restricted contributions and investment income	(511)	(3,146)	-	(82)	-	-	-	-	-	(3,739)
Earned entrance fees	-	-	-	(2,220)	(3,292)	-	-	-	-	(5,512)
Non-refundable entrance fees received	-	-	-	3,713	7,266	-	-	-	-	10,979
Changes in operating assets and liabilities:										
Accounts and grants receivable	(74)	(3,504)	(37)	(272)	58	15	(38)	(134)	-	(3,986)
Contributions receivable	5,572	-	-	-	-	-	-	-	-	5,572
Entrance fee receivable	-	-	-	(370)	-	-	-	-	-	(370)
Other assets and liabilities	(644)	(164)	78	(1,912)	5,124	(19)	(26)	(28)	(4,177)	(1,768)
Accounts payable and accrued expenses	8,111	(4,273)	(310)	49	(1,195)	102	186	241	365	3,276
Advances on research grants	3	895	-	-	-	-	-	-	-	898
Due to third-party payors	-	49	-	-	-	-	-	-	-	49
Net cash provided by (used in) operating activities	4,116	(10,116)	(737)	1,792	11,133	830	2,253	4,917	(3,948)	10,240
Investing activities										
Additions to property, plant, and equipment	(2,127)	(1,514)	(56)	(2,653)	(7,076)	(272)	(1,202)	(1,677)	(2,652)	(19,229)
Proceeds from sale of property, plant, and equipment	2,359	-	-	-	-	-	-	-	-	2,359
Net assets transferred	350	-	-	-	-	-	-	(350)	-	-
Sales of investments, trustee and designated funds	30,837	954	-	75	66	-	-	-	-	31,932
Purchases of investments, trustee and designated funds	(26,006)	(966)	-	(530)	(1,193)	-	-	-	-	(28,695)
Net cash provided by (used in) investing activities	5,413	(1,526)	(56)	(3,108)	(8,203)	(272)	(1,202)	(2,027)	(2,652)	(13,633)

Hebrew SeniorLife, Inc. and Affiliates
Consolidating Statement of Cash Flows Information
For the Year Ended September 30, 2023
(In Thousands)

(Continued)

	HSL (Parent), Guarantors	HRC, AMG	Hebrew SeniorLife Hospice	Orchard Cove	NewBridge	Fireman Community	Satter House	CCB	Eliminations	Total
Financing activities										
Payments on long-term debt	-	(115)	(68)	(350)	(2,800)	(520)	(976)	(909)	-	(5,738)
Change in intercompany balances	(10,268)	4,108	(18)	-	-	(188)	(39)	(84)	6,489	-
Refundable entrance fees and deposits received	-	-	-	14,587	(238)	-	-	-	-	14,349
Refund of entrance fees	-	-	-	(13,779)	-	-	-	-	-	(13,779)
Change in interest in net assets of recipient organization	-	-	-	-	-	-	(111)	-	111	-
Restricted contributions and investment income	511	3,146	-	82	-	-	-	-	-	3,739
Other financing activities	-	-	-	(19)	(184)	-	-	-	-	(203)
Net cash provided by (used in) financing activities	(9,757)	7,139	(86)	521	(3,222)	(708)	(1,126)	(993)	6,600	(1,632)
Increase (decrease) in cash, cash equivalents, and restricted cash	(228)	(4,503)	(879)	(795)	(292)	(150)	(75)	1,897	-	(5,025)
Cash, cash equivalents, and restricted cash at beginning of year	4,279	7,205	1,221	8,824	18,435	3,903	6,284	9,478	-	59,629
Cash, cash equivalents, and restricted cash at end of year	$ 4,051	$ 2,702	$ 342	$ 8,029	$ 18,143	$ 3,753	$ 6,209	$ 11,375	$ -	$ 54,604
Reconciliation of cash and cash equivalents to the balance sheet:										
Cash and cash equivalents	$ 1,395	$ 2,702	$ 342	$ 4,926	$ 4,700	$ 1,640	$ 3,186	$ 6,786	$ -	25,677
Entrance fee deposits held in escrow	-	-	-	810	-	59	136	660	-	1,665
Funds held by trustees under bond agreements, less current	2,656	-	-	2,048	13,353	1,060	2,501	3,555	-	25,173
Restricted as to use	-	-	-	245	90	-	-	-	-	335
Other assets	-	-	-	-	-	-	-	-	-	
Funds held in trust, current	-	-	-	-	-	994	386	374	-	1,754
	$ 4,051	$ 2,702	$ 342	$ 8,029	$ 18,143	$ 3,753	$ 6,209	$ 11,375	$ -	$ 54,604
Non-cash activities:										
Purchase of property and equipment in accounts payable and accrued liabilities at year-end	$ -	$ 1,236	$ -	$ 281	$ -	$ -	$ 238	$ -	$ -	$ 1,755
Refund of entrance fee in accounts payable at year-end	$ -	$ -	$ -	$ 2,731	$ -	$ -	$ -	$ -	$ -	$ 2,731