

**MASONIC CHARITY FOUNDATION OF NEW JERSEY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

MASONIC CHARITY FOUNDATION OF NEW JERSEY

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## INDEPENDENT AUDITORS' REPORT

To The Board of Trustees  
Masonic Charity Foundation of New Jersey

### **Opinion**

We have audited the accompanying financial statements of Masonic Charity Foundation of New Jersey, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Masonic Charity Foundation of New Jersey as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Masonic Charity Foundation of New Jersey's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAS, P.C.

New York, New York  
June 21, 2024

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 717,734	\$ 920,364
Patient accounts receivable, net	2,189,279	2,670,301
Grand Lodge receivable	394,639	99,229
Inventory	104,284	67,276
Prepaid expenses and other current assets	272,950	607,722
Assets whose use is limited	246,136	852,605
Total Current Assets	3,925,022	5,217,497
Investments	9,175,960	8,694,676
Assets limited as to use:		
Donor restricted	21,879,190	26,087,964
Deferred gift plans	1,414,817	1,582,343
Residents' funds held	47,209	46,191
Entrance fee and apartment deposits	-	6,017
Under trust indenture	7,932,690	5,949,818
Property and equipment, net	88,164,799	92,657,107
Beneficial interest in trusts	6,251,873	4,384,447
Funded balance - defined benefit plan	-	224,490
Other assets	303,230	306,783
Total Assets	\$ 139,094,790	\$ 145,157,333

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

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

	2023	2022
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 3,233,921	\$ 4,262,436
Third-party payor settlements	-	206,466
Total Current Liabilities	3,233,921	4,468,902
Deferred revenue from entrance fees	8,992,176	9,282,775
Refundable entrance fees	5,966,864	5,966,864
Residents' funds and entrance fee deposits	19,872	25,578
Accrued pension expense	155,249	-
Deferred gift plans support	904,519	1,007,924
Long-term debt, less current maturities	77,195,721	76,990,101
Total Liabilities	96,468,322	97,742,144
Commitments and Contingencies		
Net Assets:		
Without donor restrictions	12,763,519	16,764,275
With donor restrictions	29,862,949	30,650,914
Total Net Assets	42,626,468	47,415,189
Total Liabilities and Net Assets	\$ 139,094,790	\$ 145,157,333

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

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues:				
Nursing care resident service revenue, net	\$ 15,970,614	\$ -	\$ 15,970,614	\$ 14,320,722
Personal care resident service revenue, net	7,921,667	-	7,921,667	7,235,938
Retirement living resident service revenue, net	10,078,631	-	10,078,631	9,398,643
Hospice service revenues, net	435,718	-	435,718	1,543,480
Net Resident Service Revenues	34,406,630	-	34,406,630	32,498,783
Government grants	39,357	-	39,357	562,850
Other income	366,955	-	366,955	319,689
	34,812,942	-	34,812,942	33,381,322
Operating Expenses:				
Nursing care services	11,649,160	-	11,649,160	11,606,386
Personal care services	2,796,096	-	2,796,096	2,572,878
Hospice services	721,915	-	721,915	2,111,256
Dining services	4,032,605	-	4,032,605	4,191,600
Housekeeping and laundry	1,243,839	-	1,243,839	1,119,944
Maintenance and security	1,081,842	-	1,081,842	1,114,495
Resident services	700,130	-	700,130	1,008,493
Marketing and admissions	661,006	-	661,006	659,886
Development	311,799	-	311,799	522,097
Administrative expenses	4,276,316	-	4,276,316	3,964,074
Employee benefits	2,500,304	-	2,500,304	2,808,434
Facility related expenses	3,877,300	-	3,877,300	4,147,399
Other general expenses	-	-	-	321,160
Management fee	1,720,168	-	1,720,168	1,691,970
Bad debt expense	1,608,991	-	1,608,991	642,981
Interest expense	2,950,288	-	2,950,288	3,713,476
Depreciation	5,994,290	-	5,994,290	6,348,918
	46,126,049	-	46,126,049	48,545,447
Loss From Operations	\$ (11,313,107)	\$ -	\$ (11,313,107)	\$ (15,164,125)

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

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Nonoperating Gains (Losses):				
Investment income	\$ 605,311	\$ 813,272	\$ 1,418,583	\$ 3,234,096
Unrealized gain (loss) on investments	2,144,606	(291,166)	1,853,440	(9,675,151)
Estates, bequests and donations	908,658	604,361	1,513,019	1,859,484
Change in value of split interest agreements	-	29,889	29,889	(119,950)
Change in beneficial interest in trusts	-	1,543,149	1,543,149	(2,480,379)
	3,658,575	2,699,505	6,358,080	(7,181,900)
Expenses and Losses in Excess of Revenues and Gains	(7,654,532)	2,699,505	(4,955,027)	(22,346,025)
Pension-Related Changes Other than Net				
Periodic Pension Costs	166,306	-	166,306	1,920,562
Net Assets Released from Restrictions	3,487,470	(3,487,470)	-	-
Change in Net Assets	(4,000,756)	(787,965)	(4,788,721)	(20,425,463)
Net Assets, Beginning of Year	16,764,275	30,650,914	47,415,189	67,840,652
Net Assets, End of Year	\$ 12,763,519	\$ 29,862,949	\$ 42,626,468	\$ 47,415,189

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



MASONIC CHARITY FOUNDATION OF NEW JERSEY  
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue:			
Nursing care resident service revenues, net	\$ 13,937,625	\$ -	\$ 13,937,625
Personal care resident service revenues, net	7,235,938	-	7,235,938
Retirement living resident service revenues, net	9,398,643	-	9,398,643
Hospice service revenues, net	1,543,480	-	1,543,480
Net Resident Service Revenue	32,115,686	-	32,115,686
Government grant	562,850	-	562,850
Other income	319,689	-	319,689
Total Operating Revenue	32,998,225	-	32,998,225
Operating Expenses:			
Nursing care services	11,223,289	-	11,223,289
Personal care services	2,572,878	-	2,572,878
Hospice services	2,111,256	-	2,111,256
Dining services	4,191,600	-	4,191,600
Housekeeping and laundry	1,119,944	-	1,119,944
Maintenance and security	1,114,495	-	1,114,495
Resident services	1,008,493	-	1,008,493
Marketing and admissions	659,886	-	659,886
Development	522,097	-	522,097
Administrative expenses	3,964,074	-	3,964,074
Employee benefits	2,808,434	-	2,808,434
Facility related expenses	4,147,399	-	4,147,399
Other general expenses	321,160	-	321,160
Management fee	1,691,970	-	1,691,970
Bad debt expense	642,981	-	642,981
Interest expense	3,713,476	-	3,713,476
Depreciation	6,348,918	-	6,348,918
Total Operating Expenses	48,162,350	-	48,162,350
Loss From Operations	\$ (15,164,125)	\$ -	\$ (15,164,125)

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

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Nonoperating Gains (Losses):			
Investment income	\$ 2,610,041	\$ 624,055	\$ 3,234,096
Unrealized gain (loss) on investments	(5,826,443)	(3,848,708)	(9,675,151)
Estates, bequests and donations	1,859,484	-	1,859,484
Change in value of split interest agreements	-	(119,950)	(119,950)
Change in beneficial interest in trusts	-	(2,480,379)	(2,480,379)
Total Nonoperating Losses	(1,356,918)	(5,824,982)	(7,181,900)
Expenses and Losses in Excess of Revenues and Gains	(16,521,043)	(5,824,982)	(22,346,025)
Pension-Related Changes Other than Net Periodic Pension Costs	1,920,562	-	1,920,562
Net Assets Released from Restrictions	744,500	(744,500)	-
Change in Net Assets	(13,855,981)	(6,569,482)	(20,425,463)
Net Assets, Beginning of Year	30,620,256	37,220,396	67,840,652
Net Assets, End of Year	\$ 16,764,275	\$30,650,914	\$ 47,415,189

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

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ (4,788,721)	\$ (20,425,463)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,994,290	6,348,918
Amortization of deferred financing costs	205,620	205,619
Proceeds from entrance fees and deposits, existing units	369,875	369,875
Amortization of entrance fees	(849,968)	(893,101)
Net realized and unrealized gains on investments	(1,853,440)	5,184,462
Change in allowance for uncollectible accounts receivable	1,608,991	642,981
Change in pension liability	379,739	(1,983,922)
Change in beneficial interest in trusts	(1,867,426)	2,480,379
(Increase) decrease in assets:		
Accounts receivable	(1,127,969)	67,127
Other receivable	(295,410)	(2,569)
Inventory	(37,008)	39,724
Prepaid expenses and other current assets	334,772	(57,617)
Other assets	3,553	574,073
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,028,515)	780,778
Third-party payor settlements	(206,466)	-
Residents' funds and entrance fee deposits	(5,706)	(39,940)
Deferred gift plans support	(103,405)	(170,131)
	<u>(3,267,194)</u>	<u>(6,878,807)</u>
Net Cash Used In Operating Activities		
Cash Flows From Investing Activities:		
Purchases of property and equipment	(1,501,982)	(953,189)
Purchase of investments	(29,119,401)	(24,116,400)
Proceeds from sale of investments	34,867,857	41,010,686
	<u>4,246,474</u>	<u>15,941,097</u>
Net Cash Provided By Investing Activities		
Cash Flows From Financing Activities:		
Payment of long-term debt	-	(4,115,000)
Proceeds from entrance fees and deposits, new units	1,158,909	798,333
Refunds of entrance fees	(969,415)	(1,816,139)
	<u>189,494</u>	<u>(5,132,806)</u>
Net Cash Provided by (Used In) Financing Activities		
Net Change in Cash and Cash Equivalents, Including Restricted	1,168,774	3,929,484
Cash and Cash Equivalents, Including Restricted, Beginning of Year	<u>7,774,995</u>	<u>3,845,511</u>
Cash and Cash Equivalents, Including Restricted, End of Year	<u>\$ 8,943,769</u>	<u>\$ 7,774,995</u>

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

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 717,734	\$ 920,364
Assets whose use is limited	246,136	852,605
Residents' funds held	47,209	46,191
Entrance fee and apartment deposits	-	6,017
Under trust indenture	7,932,690	5,949,818
	\$ 8,943,769	\$ 7,774,995
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 3,145,590	\$ 3,405,149

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

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 1 - Nature of Organization

Masonic Charity Foundation of New Jersey (the "Foundation"), incorporated in 1930, is a not-for-profit corporation. The Foundation is a continuing care retirement community that owns and operates Masonic Village at Burlington, Acacia Hospice/Homecare and Acacia Home Care. Located on over 450 acres in Burlington Township, New Jersey, Masonic Village at Burlington offers retirement living, assisted living and nursing care services for its residents. Hospice/Homecare is available through Acacia Hospice/Homecare for individuals with life limiting illnesses living at the Masonic Village at Burlington and within the general community. Home Care services are available through Acacia Home Care, enabling individuals to maintain their independence within their current setting. In addition, the Foundation receives, maintains and administers endowments and funds exclusively for charitable, benevolent and other purposes.

Masonic Village at Burlington is licensed to operate 264 nursing care beds (which includes 14 skilled nursing memory care beds and 59 short-term rehabilitation beds), 87 comprehensive personal care home ("CPCH") beds (which includes 20 CPCH memory support units), 167 rental retirement living apartments, and 66 entrance fee-based cottages.

In July 2022, the Foundation entered into a letter of intent to sell 121 of its nursing care beds to another organization. The sale is pending regulatory approval, and the Foundation expects this transaction to close in December 2024.

In January 2023, the Foundation closed Acacia Hospice/Homecare.

In July 2023, the Foundation completed a renovation resulting in an additional 34-bed short-term rehabilitation unit that began operations in August 2023.

The Foundation is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

Note 2 - Summary of Significant Accounting Policies

Adoption of ASU No. 2016-13

As of January 1, 2023, the Foundation adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and all subsequently issued related amendments, which changed the methodology used to recognize impairment of the Foundation's contract receivables. Under the ASU, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. This is in contrast to previous accounting principles generally accepted in the United States of America ("U.S. GAAP"), under which credit losses were not recognized until it was probable that a loss had been incurred. The Foundation performed its current expected credit loss ("CECL") calculation based on historical accounts receivable write-offs, including consideration of then-existing economic conditions and expected future conditions. The new accounting pronouncement did not have a material impact on the financial statements. Results for reporting periods beginning after January 1, 2023 are presented under CECL methodology, while prior period amounts continue to be reported and disclosed in accordance with previously applicable accounting standards.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the financial statements, cash and cash equivalents and restricted cash and cash equivalents consist of cash balances and investments in short-term, highly liquid securities that have original maturities of three months or less when acquired.

Patient Accounts Receivable

The patient accounts receivable balance represents the unpaid amounts billed to residents and third-party payors, which include Medicare, Medicaid, and commercial insurers. The patient accounts receivable are reported at net realizable value. Receivables are considered to be past due when payments have not been received by the Foundation within 90 days of their contractually stated due date. The Foundation recognizes an expected allowance for credit losses that is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist, and receivables are evaluated individually when specific patient balances no longer share those characteristics and are considered at risk or uncollectible. The allowances are estimated by management based on general factors such as payor mix, aging of the receivables and historical collection experience. The Foundation does not expect the impact of current and expected future conditions impacting the payor to have a significant impact on the collectability of patient accounts receivable. Accounts are written off through the allowance for credit losses when the Foundation has exhausted all collection efforts and accounts are deemed uncollectible. The allowance for credit losses was approximately \$374,000 at December 31, 2023. The allowance for doubtful accounts was approximately \$1,946,000 at December 31, 2022.

Contract Assets

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are classified as contract assets.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contract Liabilities

Amounts received related to health care services that have not yet been provided to patients are classified as contract liabilities. Contract liabilities consist of deferred revenue from entrance fees, refundable entrance fees and residents' funds and entrance deposits.

Grand Lodge Receivable

The Grand Lodge of New Jersey ("Grand Lodge") receives annual membership fees, of which a portion is due to the Foundation. The Grand Lodge is an affiliated organization of the Foundation, as the current and two immediate predecessor Grand Masters and three other principal elected officers of the Grand Lodge are ex officio trustees of the Foundation. During 2023 and 2022, the Foundation recorded approximately \$97,000 and \$86,000, respectively, of income related to such fees, which is included in other income in the accompanying statements of operations and changes in net assets. At December 31, 2023 and 2022, the amount due from the Grand Lodge was approximately \$303,000 and \$307,000, respectively.

Investments

Investments are stated at the readily determinable fair value in accordance with the Not-for-Profit Entities topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). All interest, dividends and realized and unrealized gains and losses are reported in the statement of operations and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investments for which fair value is measured using net asset value per share as a practical expedient have not been categorized within the fair value hierarchy.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under FASB ASC Topic 820, *Fair Value Measurement*, are described as follows:

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value Measurement (cont'd.)

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Foundation's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Refer to Note 4 for assets measured at fair value at December 31, 2023 and 2022.

Assets Whose Use is Limited

The Foundation separately accounts for and reports various funds which have been restricted by third parties for specific purposes. These assets are recorded at fair value, which is determined by reference to quoted market prices at December 31, 2023 and 2022. Assets whose use is limited include assets restricted for deferred gift plans, resident's funds, entrance fee and apartment deposits, funds held by trustees, and donor-restricted funds. Charges for services provided to residents are applied against their respective trust accounts. If, at the time of death, a resident has assets remaining in the trust account, they are distributed in accordance with the resident's will. Both the assets and a corresponding liability equal to those assets are recorded on the statements of financial position. Amounts required to meet current liabilities of the Foundation have been classified as current assets in the statements of financial position.

Property and Equipment

Property and equipment are stated at cost or, if donated to the Foundation, at fair value on the date of acquisition. Additions and improvements over \$5,000 are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. The estimated useful lives range from 3 to 30 years.

Impairment of Long-Lived Assets

On an ongoing basis, the Foundation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Foundation considers potential impairment losses to exist if the undiscounted cash flows expected to be generated by the assets are less than carrying value. The impairment loss adjusts the assets to fair value. As of December 31, 2023 and 2022, management believes that no impairments exist.



MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Beneficial Interest in Trusts

The Foundation is a beneficiary of certain trusts administered by third parties under which the Foundation has the irrevocable right to receive a portion of the income earned on the trust assets. The Foundation has recognized the present value of the expected future cash flows, which is generally measured as the fair value of the assets contributed to the trusts, as beneficial interest in trusts in the accompanying statements of financial position.

The Foundation was previously named in a life estate agreement which conveyed title to interests in properties to the Foundation. The granter designated a remainder interest to other individuals which provides exclusive rights to occupy the real property until their deaths. At the time of death, the real estate shall be sold and the proceeds transferred to the Foundation. At December 31, 2011, the properties were recorded at the present value of the appraised fair market value using a discount rate of 1.6% from the Applicable Federal Rate Table. In 2012, the Foundation started negotiations with the executor of the estate in which the estate would buy out the beneficiaries' interests in the properties. These negotiations are ongoing.

The value of the properties was reduced to reflect the amount that the Foundation is expected to receive upon completion of the transaction. At December 31, 2023 and 2022, the value of the beneficial interest in the life estate is \$6,251,873 and \$4,384,447, respectively.

Statutory Requirement

Under the provisions of the New Jersey Continuing Care Retirement Community Regulation and Financial Disclosure Act (the "Act"), the Foundation must maintain a statutory minimum liquid reserve as of year-end that is equal to or exceeds the greater of the total of all principal and interest payments due during the next 12 months or 15% of total projected operating expenses, exclusive of depreciation and amortization for the following fiscal year. The statutory minimum liquid reserve requirement at December 31, 2023 and 2022 was approximately \$6,610,000 and \$5,664,000, respectively. At December 31, 2023 and 2022, total cash and cash equivalents and investments without donor restrictions were \$12,870,894 and \$9,615,040, respectively.

Split-Interest Agreements

The Foundation provides programs to fund gift annuity contracts for individuals desiring to participate. At December 31, 2023 and 2022, approximately \$905,000 and \$1,008,000, respectively, is included in deferred gift plans support liability in the statements of financial position. The Foundation is required, by New Jersey State mandate, to establish a reserve sufficient to cover the current value of all outstanding annuity payments plus the greater of \$100,000 or 10% of the reserve fund, which amounts to approximately \$865,000 and \$1,109,000 at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Foundation has approximately \$1,415,000 and \$1,582,000, respectively, in assets whose use is limited for the gift annuity contracts, which exceeds the minimum requirement. The calculation was based on a rate of return of approximately 1.60% (2023 and 2022) and the Annuity 2000 Mortality Table.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Split-Interest Agreements (cont'd.)

The Foundation has been designated as the remainder under several charitable remainder trust agreements. The Foundation recognizes contribution revenue, following restrictions of the trust agreement, at the time the trust is established. In accordance with the trust agreements, the Foundation pays the designated beneficiaries a specified percentage of the income earned on the trust assets or a predetermined annual annuity amount. Upon the death of the beneficiaries, the trust assets are transferred to the Foundation. The present value of these liabilities, which amounts to approximately \$204,000 at December 31, 2023 and 2022, has been recorded and included in deferred gift plans support in the statements of financial position. The calculation was based on a rate of return of approximately 1.60% (2023 and 2022) and the Annuity 2000 Mortality Table.

Entrance Fees

Under entrance fee plans for retirement living units, the Foundation receives payments in advance, subject to the terms and conditions of resident agreements. The Foundation offers a traditional nonrefundable entrance fee contract (declining balance) with a refund payable on an initial deduction of 5% in the first month of occupancy and 1% per month for the next 95 months of residency, and a 90% entrance fee refundable contract. The nonrefundable portions of the contracts are accounted for as deferred revenue from entrance fees on the statements of financial position and are amortized to revenue using the straight-line method over the estimated remaining life expectancy of the residents. At the time of death or contract termination, the remaining nonrefundable balance is recognized as revenue.

The remaining life expectancy of the residents is adjusted annually based on actuarial information. The refundable portion of the contracts is not amortized into income and is reported as refundable entrance fees on the statements of financial position. Deferred revenue from entrance fees and refundable entrance fees approximated \$14,959,000 and \$15,250,000 at December 31, 2023 and 2022, respectively.

Deferred Financing Costs

Deferred financing costs related to the bond issues are reported in the statements of financial position as a reduction to long-term debt and are being amortized on the straight-line method over the lives of the bond issues, which approximates the effective interest method. Amortization, which is included as a component of interest expense, amounted to approximately \$205,000 in both 2023 and 2022.

Net Assets

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. Net assets without donor restrictions include undesignated net assets and net assets that are Board-designated for future expansion, the replacement of existing facilities and equipment, the establishment of new programs or services, unforeseen emergencies, and other purposes.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Assets (cont'd.)

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Foundation expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Resident fee revenues are primarily comprised of nursing care, personal care, retirement living, and hospice/homecare service revenue streams, which are primarily derived from providing housing, nursing, assisted living, and hospice/homecare services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Foundation has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Foundation considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided.

As such, nursing care, personal care, retirement living, and hospice/homecare service revenues are recognized on a daily or month-to-month basis as services are rendered.

Payment terms and conditions for the Foundation's resident fees vary by contract type, although terms generally require payment to be made within 10 days. Fee revenues for recurring and routine monthly services are generally billed monthly in advance. Fee revenues for ancillary services are generally billed monthly in arrears. Resident fees collected from residents in advance are classified as deferred revenue in the accompanying statements of financial position until the performance obligations are satisfied, at which point they are included in resident fee revenues. The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable entrance fees in the accompanying statements of financial position.

Revenue from nonrefundable entrance fees received is recognized through amortization of the nonrefundable entrance fee using the straight-line method over annually adjusted estimated remaining time in the residential living unit, which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenue from entrance fees in the statements of financial position. Amortization of nonrefundable entrance fees is included in retirement living resident service revenue, net in the statements of operations and changes in net assets and was \$849,968 in both 2023 and \$893,101 in 2022.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Resident Service Revenues (cont'd.)

Payment terms and conditions for the Foundation's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service fee revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service fee revenues for ancillary services are generally billed monthly in arrears. Additionally, nonrefundable entrance fees are generally billed and collected in advance of move-in. Revenues collected from residents in advance are recognized as deferred revenue from entrance fees until the performance obligations are satisfied and are included in deferred revenues from entrance fees in the accompanying statements of financial position. The Foundation applies the practical expedient in FASB ASC Topic 606 and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

The Foundation disaggregates revenue from contracts with customers by type of service and payor source, as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Net resident service revenues consisted of the following for the years ended December 31, 2023 and 2022:

	2023				Total
	Skilled Nursing	Personal Care	Retirement Living	Hospice	
Self-pay	\$ 6,253,404	\$ 6,930,742	\$ 9,228,663	\$ 415,786	\$22,828,595
Medicare and other	5,769,476	-	-	19,932	5,789,408
Medical assistance	3,947,734	990,925	-	-	4,938,659
Amortization of nonrefundable entrance fees	-	-	849,968	-	849,968
<b>Total</b>	<b>\$15,970,614</b>	<b>\$ 7,921,667</b>	<b>\$ 10,078,631</b>	<b>\$ 435,718</b>	<b>\$34,406,630</b>

  

	2022				Total
	Skilled Nursing	Personal Care	Retirement Living	Hospice	
Self-pay	\$ 4,907,456	\$ 6,655,429	\$ 8,505,542	\$ 501,446	\$20,569,873
Medicare and other	5,415,810	-	-	1,030,987	6,446,797
Medical assistance	3,997,456	580,509	-	11,047	4,589,012
Amortization of nonrefundable entrance fees	-	-	893,101	-	893,101
<b>Total</b>	<b>\$14,320,722</b>	<b>\$ 7,235,938</b>	<b>\$ 9,398,643</b>	<b>\$ 1,543,480</b>	<b>\$32,498,783</b>

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Resident Service Revenues (cont'd.)

*Benevolent Care*

The Foundation provides nursing care, personal care, retirement living and hospice/homecare services to residents who meet certain criteria at amounts less than its cost of providing care. The Foundation maintains records to identify and monitor the level of benevolent care it provides. These records include the amount of charges forgone based on established rates for the services and supplies furnished under its benevolent care policy. The costs associated with the benevolent care services provided to personal care and retirement living residents and hospice/homecare patients include both direct costs and estimated indirect costs, as calculated by management. Such costs are estimated on a regular basis for each service area providing benevolent care.

Estimated benevolent care costs for an individual service area are determined by identifying the direct expenses of the service area, allocating shared expenses and computing an overall cost per day per service area. The costs per day per service area are multiplied by the number of benevolent care days for each service to determine an estimated benevolent care total. The level of benevolent care provided by the Foundation was approximately \$351,000 in 2023 and \$332,000 in 2022. The Foundation did not receive contributions restricted for benevolent care in 2023 and 2022.

*Skilled Nursing*

The Foundation received revenue for skilled nursing services under third-party payor programs, including Medicare, Medicaid and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Foundation estimates the transaction price based on the terms of the contract, correspondence with the third-party payor, and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payors follows:

- Medicaid: The Medicaid reimbursement system for nursing facilities in the State of New Jersey (the "State") is a managed care reimbursement model. Under this model, the State provides funding to managed care organizations ("MCOs") to coordinate all healthcare services, including long-term care services, for Medicaid beneficiaries. In turn, the MCOs will reimburse nursing facilities for services rendered to Medicaid beneficiaries admitted to nursing facilities. The reimbursement received by the nursing facilities is negotiated between the MCOs and the nursing facilities.
- Medicare: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic and other factors, and the reimbursement methodology is subject to various limitations and adjustments.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Net Resident Service Revenues (cont'd.)

*Skilled Nursing (cont'd.)*

As described above, the Medicaid and Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on the Foundation's clinical assessment of its residents. The Foundation is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicaid and Medicare programs.

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

*Hospice/Homecare*

Hospice/homecare revenues are reported at estimated net realizable amounts from patients, third party payers and others for services rendered. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Contract Balances

The following table provides information about the Foundation's receivables and contract liabilities from contracts with customers:

	<u>2023</u>	<u>2022</u>
Accounts receivable, beginning of year	\$ 2,670,301	\$ 3,380,409
Accounts receivable, end of year	\$ 2,189,279	\$ 2,670,301
Contract liabilities, beginning of year	\$ 15,275,217	\$ 16,856,189
Contract liabilities, end of year	\$ 14,978,912	\$ 15,275,217

There were no contract assets as of January 1, 2022, January 1, 2023 or December 31, 2023.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions

Contributions are provided to the Foundation either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution or grant is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts and grants, with or without restrictions</i>	
Gifts and grants that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts and grants, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Contributions received and unconditional promises to give are recorded at fair value in the period received and are considered to be net assets without donor restrictions unless specifically restricted by the donor. Contributions are recorded net of estimated uncollectible amounts. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The Foundation records contributions as donor restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Nonoperating Income

Nonoperating income includes investment income, unrealized gain (loss) on investments, estates, bequests and donations, changes in value of split interest agreements, and changes in beneficial interest in trusts.

Accounting for Uncertainty in Income Taxes

The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2020.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on the Foundation's previously reported change in net assets.

Note 3 - Liquidity and Availability

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

	2023	2022
Cash and cash equivalents	\$ 717,734	\$ 920,364
Patients accounts receivable, net	2,189,279	2,670,301
Investments	9,175,960	8,694,676
Total	\$ 12,082,973	\$ 12,285,341

The Foundation has other assets limited to use for entrance fee and apartment deposits, assets held by trustee under trust indenture, assets reserved for future gift annuity payments, assets restricted for deferred gift plans, and donor restricted funds. These investments are not available for general expenditure within the next year and are not reflected in the amounts above.

As part of the Foundation's liquidity management plan, management invests cash more than daily requirements in short-term investments, certificates of deposit, and money market funds.

As disclosed in Note 2, the Foundation designated a portion of its investments reserved to comply with the requirements of the New Jersey Insurance Department. Although the Foundation does not intend to utilize the state reserves for general expenditures as part of its annual budget and approval process, amounts designated as state reserves could be made available as necessary. The state reserves are included with the investments in Note 3, and do not have third-party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.



MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 4 - Investments and Investment Income

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

Stocks and exchange traded funds and equity funds are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily Net Asset Value (“NAV”) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The beneficial interest in trusts is valued at fair value based on the Foundation's interest in the fair values of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trusts.

Recurring Measurements

The following tables present the fair value measurements of assets, which include investments, investments included within assets whose use is limited, and beneficial interest in trusts, recognized in the accompanying statements of financial position measured at fair value on a recurring basis, and the level within the fair value hierarchy at December 31, 2023 and 2022:

	2023			Total
	Level 1	Level 2	Level 3	
Investments and assets whose use is limited:				
Stocks and exchange-traded funds	\$ 8,851,229	\$ -	\$ -	\$ 8,851,229
Mutual funds:				
Equity funds	6,886,714	-	-	6,886,714
Fixed income funds	14,081,960	-	-	14,081,960
Total investments and assets whose use is limited	29,819,903	-	-	29,819,903
Beneficial interest in trusts	-	-	6,251,873	6,251,873
Total	<u>\$ 29,819,903</u>	<u>\$ -</u>	<u>\$ 6,251,873</u>	<u>\$ 36,071,776</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 4 - Investments and Investment Income (cont'd.)

Recurring Measurements (cont'd.)

	2022			Total
	Level 1	Level 2	Level 3	
Investments and assets whose use is limited:				
Stocks and exchange traded funds	\$ 9,303,164	\$ -	\$ -	\$ 9,303,164
Mutual funds:				
Equity funds	5,084,259	-	-	5,084,259
Fixed income funds	10,640,252	-	-	10,640,252
Total investments and assets whose use is limited	25,027,675	-	-	25,027,675
Beneficial interest in trusts	-	-	4,384,447	4,384,447
Total	<u>\$ 25,027,675</u>	<u>\$ -</u>	<u>\$ 4,384,447</u>	<u>\$ 29,412,122</u>

Investment Portfolio Composition

The following provides a reconciliation of the amounts included in the investment portfolio to the amounts included in the fair value hierarchy as well as to the amounts reported in the accompanying statements of financial position at December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 8,470,947	\$ 8,786,860
Investments and assets whose use is limited measured at fair value	29,819,903	25,027,675
Investments and assets whose use is limited measured at net asset value	2,405,152	9,405,079
	<u>\$ 40,696,002</u>	<u>\$ 43,219,614</u>
	2023	2022
Assets whose use is limited, current Investments	\$ 246,136	\$ 852,605
Assets whose use is limited, donor restricted	9,175,960	8,694,676
Assets whose use is limited, deferred gift plans	21,879,190	26,087,964
Assets whose use is limited, residents' funds held	1,414,817	1,582,343
Assets whose use is limited, entrance fee and apartment deposits	47,209	46,191
Assets whose use is limited, under trust indenture	-	6,017
	7,932,690	5,949,818
	<u>\$ 40,696,002</u>	<u>\$ 43,219,614</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 4 - Investments and Investment Income (cont'd.)

Alternative Investments

Investments and assets whose use is limited in the accompanying statements of financial position include \$1,890,948 and \$9,405,079 of alternative investment funds (the "Funds") at December 31, 2023 and 2022, respectively. The Funds are measured using the net asset value per share as a practical expedient and are therefore excluded from the fair value hierarchy. The Foundation's alternative investment funds are generally structured such that the Foundation holds a limited partnership interest or an interest in an investment management company. The Foundation's ownership structure does not provide for control over the related investees, and the Foundation's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. The Foundation may be exposed indirectly to securities lending, short sales of securities, and trading in futures and forward contracts, options and other derivative products. The Foundation has no plans to sell the funds or a portion of the amounts currently owned.

Financial information used by the Foundation to evaluate the Funds is provided by the investment manager or general partner and includes fair value valuations of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the Funds are audited annually by independent auditors, although the timing of reporting the results of the audits does not coincide with the Foundation's annual financial reporting.

There is uncertainty in the accounting for the Funds arising from factors such as lack of active markets, lack of transparency in underlying holdings, and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates of fair value will change in the near term.

The following represents the objectives and redemption restrictions for significant alternative investment funds held by the Foundation:

	Fair Value		Unfunded Commitments	Redemption Frequency	Notice Period
	2023	2022			
Alternative investments:					
NIS Core Fixed Income Fund, LLC	\$ -	\$ 5,377,695	None	Twice monthly	5 days
NIS High Yield Fund, LLC	-	419,953	None	Twice monthly	5 days
Clarion Lion Properties Fund, LP	1,509,171	3,320,271	None	Quarterly	90 days
Hatteras Core Alternatives TEI Institutional Fund, L.P.	895,981	287,160	None	Quarterly	65 days
Total	<u>\$ 2,405,152</u>	<u>\$ 9,405,079</u>			

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 4 - Investments and Investment Income (cont'd.)

Alternative Investments (cont'd.)

*NIS Core Fixed Income Fund, LLC* - The investment objective of this fund is to achieve a consistent total rate of return through a diversified portfolio of fixed income securities consisting primarily of U.S. government, corporate and mortgage-backed securities. The long-term objective is to outperform the Barclays Aggregate Bond Index over a full market cycle.

*NIS High Yield Fund, LLC* - The investment objective of this fund is to achieve a high and consistent total rate of return through a diversified portfolio of high yield fixed income corporate securities by emphasizing securities of companies with improving credit ratings in recovering industries. The long-term objective is to outperform the Citigroup High Yield Market Capped Index over a full market cycle.

*Clarion Lion Properties Fund, LP* - The fund's investment strategy is to identify, acquire and manage a diversified portfolio of primarily institutional quality real estate assets and real estate-related investments within the United States. The fund seeks to achieve, on an aggregate portfolio basis, favorable risk-adjusted returns by combining an attractive income yield with long-term capital growth.

*Hatteras Core Alternatives TEI Institutional Fund, L.P.* - The investment objective of this fund is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments through investments in various asset classes.

Unrestricted investment income is comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividend income, net of fees	\$ 275,615	\$ 234,352
Net realized gain on sales of investments	<u>329,696</u>	<u>2,375,689</u>
Total	<u>\$ 605,311</u>	<u>\$ 2,610,041</u>

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Foundation's beneficial interest in trusts:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 4,384,447	\$ 6,864,826
Contributions	324,277	-
Change in beneficial interest in trusts, included in change in permanently restricted net assets	<u>1,543,149</u>	<u>(2,480,379)</u>
Ending balance	<u>\$ 6,251,873</u>	<u>\$ 4,384,447</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 5 - Long-Term Debt

On December 12, 2019, the Foundation issued \$33,325,000 of tax exempt bonds through the Burlington County Bridge Commission (“Trustee”) (the “2019A Tax Exempt Bonds”). The proceeds from the 2019A Tax Exempt Bonds were used to refund the 2017 Taxable Draw Down Bonds, establish a debt reserve fund, and pay certain costs of issuing the bonds. The 2019A Tax Exempt Bonds bear an initial interest rate of 4.50% per annum with an initial reset date of December 1, 2024, with the opportunity to reset the rate every five years through maturity. Payments were interest only until December 2021. The 2019A Tax Exempt Bonds are subject to mandatory sinking fund redemption beginning on December 1, 2021 in annual amounts ranging from \$90,000 to \$31,360,000. The maturity date of the 2019A Tax Exempt Bonds is December 1, 2025.

On December 12, 2017, the Foundation issued \$50,125,000 of tax exempt bonds through the New Jersey Economic Development Authority (the “2017 Tax Exempt Bonds”). The proceeds from the 2017 Tax Exempt Bonds were used to refund existing indebtedness (including the Line of Credit, Construction Loan, Series 2014A Bonds and Series 2014B Bonds), establish a debt reserve fund, and pay certain costs of issuing the bonds. The 2017 Tax Exempt Bonds bear an initial interest rate of 3.44% per annum with an initial reset date of June 1, 2022, with the opportunity to reset the rate every five years through maturity. Payments were interest only until June 2021. The 2017 Tax Exempt Bonds are subject to mandatory sinking fund redemption beginning on June 1, 2021 in annual amounts ranging from \$1,465,000 to \$3,085,000. The maturity date of the 2017 Tax Exempt Bonds is June 1, 2043; however, the bondholders have the right to call the bonds beginning in June 2023.

The 2019A Tax Exempt Bonds and 2017 Tax Exempt Bonds are collateralized by the Foundation's gross revenues, a Notification and Control Agreement on the unrestricted investments, and the Amended and Restated Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing between the Foundation and the bondholders with respect to certain real and tangible personal property of the Foundation. The 2019A Tax Exempt Bonds and the 2017 Tax Exempt Bonds contain covenants relating to reporting and financial performance ratios as defined in the bond agreements.

The Foundation was not in compliance with its financial covenants at December 31, 2023 and 2022. On June 1, 2023, the Foundation entered into a forbearance agreement with the Trustee in accordance with which the Trustee agrees not to exercise remedies under any bond document solely as a result of the events of default including, without limitation, the commencement of proceedings for the collection of the indebtedness evidenced by the Series 2017 Bonds or the Series 2019 Bonds, the appointment of a receiver or foreclosure upon the mortgaged property during the forbearance period commencing on the date of the agreement and ending on June 1, 2024, or such earlier date on which the agreement is terminated by the Trustee. In May 2024, the forbearance agreement was extended through August 1, 2024, and in June 2024, the forbearance agreement was extended through July 1, 2025.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 5 - Long-Term Debt (cont'd.)

A summary of long-term debt at December 31, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
2017 Tax Exempt Bonds	\$ 47,145,000	\$ 47,145,000
2019A Tax Exempt Bonds	<u>30,635,000</u>	<u>30,635,000</u>
 Total Long-Term Debt	 77,780,000	 77,780,000
 Less:		
Deferred financing costs	(584,279)	(789,899)
Current maturities	<u>-</u>	<u>-</u>
 Long-Term Debt, Net	 <u>\$ 77,195,721</u>	 <u>\$ 76,990,101</u>

Scheduled principal payments are as follows:

<u>Years ending December 31:</u>	
2024	\$ -
2025	29,105,834
2026	1,735,000
2027	1,795,000
2028	1,855,000
Thereafter	<u>43,289,166</u>
 Total	 <u>\$ 77,780,000</u>

A summary of interest expense during the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Interest cost	\$ 2,744,668	\$ 3,507,857
Amortization of deferred financing costs	<u>205,620</u>	<u>205,619</u>
 Total	 <u>\$ 2,950,288</u>	 <u>\$ 3,713,476</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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DECEMBER 31, 2023 AND 2022

Note 6 - Property and Equipment

The Foundation's property and equipment, net at December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 7,892,656	\$ 7,878,511
Buildings and improvements	175,039,096	173,861,694
Furniture, fixtures and equipment	15,940,258	15,459,023
Vehicles and equipment	<u>994,790</u>	<u>994,790</u>
	199,866,800	198,194,018
Less: Accumulated depreciation	111,789,452	105,795,162
Construction in progress	<u>87,451</u>	<u>258,251</u>
	<u>\$ 88,164,799</u>	<u>\$ 92,657,107</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$5,994,290 and \$6,348,918, respectively.

Note 7 - Pension Plan

The Foundation has a defined benefit pension plan for its employees (the "Plan"). The Plan provides for benefits based upon employees' years of service and compensation. The Foundation's policy is to fund at least the minimum amount required by applicable regulations using the entry-age normal method.

In October 2005, the Foundation adopted a resolution to freeze the Plan as of March 31, 2006. Participants will be credited for service after March 31, 2006, solely for vesting purposes pursuant to terms of the Plan. The Foundation will continue to make cash contributions to the Plan until the Plan's assets equal or exceed the projected benefit obligation. When this occurs, the Foundation intends to terminate the Plan and purchase annuity contracts from insurance companies to provide guaranteed retirement income for eligible employees.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
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Note 7 - Pension Plan (cont'd.)

The following tables set forth the Plan's projected benefit obligation, the fair value of Plan assets, accrued pension costs, and the accumulated benefit obligation:

	2023	2022
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 19,507,427	\$ 24,820,262
Interest cost	947,503	698,358
Actuarial (gain) loss	343,084	(4,658,326)
Benefits paid	(1,324,989)	(1,352,867)
 Projected obligation at end of year	 \$ 19,473,025	 \$ 19,507,427
 Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 19,731,917	\$ 23,060,830
Actual return on plan assets	837,501	(1,976,046)
Employer contributions	73,347	-
Benefits paid	(1,324,989)	(1,352,867)
 Fair value of plan assets at end of year	 \$ 19,317,776	 \$ 19,731,917
 Funded status (accrued pension) at end of year	 \$ (155,249)	 \$ 224,490
 Accumulated benefit obligation at end of year	 \$ 19,473,025	 \$ 19,507,427

The following table sets forth the components of net periodic pension benefit cost (credit) during 2023 and 2022:

	2023	2022
Net periodic pension benefit cost (credit):		
Interest cost	\$ 947,503	\$ 698,358
Expected return on plan assets	(965,280)	(1,584,190)
Amortization of net actuarial loss	637,169	822,472
 Net periodic pension benefit cost (credit)	 \$ 619,392	 \$ (63,360)



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DECEMBER 31, 2023 AND 2022

Note 7 - Pension Plan (cont'd.)

Other changes in net unrecognized actuarial loss included in net assets without donor restrictions:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 6,369,655	\$ 8,290,217
Net gain (loss) for the period	470,863	(1,098,090)
Amortization of net loss	<u>(637,169)</u>	<u>(822,472)</u>
Balance at end of year	<u>\$ 6,203,349</u>	<u>\$ 6,369,655</u>

An actuarial loss of \$137,600 is expected to be recognized in net periodic pension benefit cost in the next fiscal year.

Assumptions

The measurement date used to determine the fair value of pension plan assets and the projected benefit obligation was December 31.

The following assumptions were used in determining the actuarial present value of the projected benefit obligation and net periodic pension (benefit) cost:

	<u>2023</u>	<u>2022</u>
Weighted discount rate for benefit obligation	4.85%	5.05%
Weighted discount rate for net periodic pension benefit cost	5.05%	2.86%
Expected long-term rate of return on plan assets	5.50%	7.00%

Plan Assets

The following table sets forth the actual asset allocation for plan assets:

	<u>2023</u>	<u>2022</u>
Equity securities	88%	20%
Debt securities	0	62
Other	<u>12</u>	<u>18</u>
Total	<u>100%</u>	<u>100%</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 7 - Pension Plan (cont'd.)

Cash Flows

There is no statutory minimum contribution required to be made to the plan in 2024. The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending December 31:

2024	\$ 1,540,000
2025	1,540,000
2026	1,570,000
2027	1,550,000
2028	1,520,000
2029-2033	7,210,000

Plan assets carried at fair value at December 31, 2023 and 2022 are classified in the table below in one of the three categories as described in Note 1:

	2023			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Fixed income	16,911,079	-	-	16,911,079
Total	\$ 16,911,079	\$ -	\$ -	\$ 16,911,079
	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equities	\$ 4,025,466	\$ -	\$ -	\$ 4,025,466
Fixed income	12,298,234	-	-	12,298,234
Total	\$ 16,323,700	\$ -	\$ -	\$ 16,323,700

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 7 - Pension Plan (cont'd.)

Plan Asset Portfolio Composition

Following is the composition of the plan's portfolio:

	<u>2023</u>	<u>2022</u>
Plan assets within fair value table	\$ 16,911,079	\$ 16,323,700
Plan assets held in cash and cash equivalents	-	6,117
Plan assets valued at net asset value (as of June 30)	<u>2,406,697</u>	<u>3,402,100</u>
 Total plan assets	 <u>\$ 19,317,776</u>	 <u>\$ 19,731,917</u>

NAV Per Share

The Foundation expanded its disclosures to include fair value of unfunded commitments, redemption frequency and redemption notice period for those investments that do not have a readily determinable fair value and whose fair value is estimated using the NAV per share as of December 31, 2023 and 2022.

	<u>Fair Value</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
	<u>2023</u>	<u>2022</u>			
Hatteras	\$ 897,526	\$ 894,284	None	Quarterly	65 days
Clarion Lion Properties Fund, LP	<u>1,509,171</u>	<u>2,507,816</u>	None	Quarterly	90 days
 Total	 <u>\$ 2,406,697</u>	 <u>\$ 3,402,100</u>			

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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DECEMBER 31, 2023 AND 2022

Note 7 - Pension Plan (cont'd.)

*Hatteras* - The investment objective of this fund is to provide capital appreciation consistent with the return characteristic of the alternative investment portfolios of larger endowments through investments in various asset classes.

*Clarion Lion Properties Fund, LP* - The fund's investment strategy is to identify, acquire and manage a diversified portfolio of primarily institutional quality real estate assets and real estate-related investments within the United States. The fund seeks to achieve, on an aggregate portfolio basis, favorable risk-adjusted returns by combining an attractive income yield with long-term capital growth.

Note 8 - Retirement Plan

The Foundation sponsors a 403(b) defined contribution retirement plan for the benefit of its employees. The Foundation matches employee salary deferrals into the plan up to 3% of eligible compensation. Contributions to the plan were approximately \$301,000 in 2023 and \$362,000 in 2022.

Note 9 - Net Assets With Donor Restrictions

Net asset presentation in the accompanying statements of financial position with expanded disclosures for the amount and purpose of the restrictions or designations is as follows:

	2023	2022
With donor restrictions:		
Time and purpose restrictions:		
Charitable Remainder Trusts	\$ 865,944	\$ 576,054
Resident needs	-	274,503
Total time and purpose restrictions	865,944	850,557
Endowments:		
Original Donor Gifts	18,682,989	19,741,735
Subject to the Foundation's endowment spending policy and appropriation:		
Accumulated investment gains (losses) restricted by donors for:		
Scholarships	4,313,886	4,499,755
Resident needs	(412,931)	535,439
Special projects	161,188	638,981
Total endowments	22,745,132	25,415,910
Not subject to spending policy or appropriation		
Beneficial interest in trusts	6,251,873	4,384,447
Total net assets with donor restrictions	\$ 29,862,949	\$ 30,650,914

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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Note 9 - Net Assets With Donor Restrictions (cont'd.)

Net assets with donor purpose restrictions were released from restriction by incurring expenses satisfying the following:

	2023	2022
Scholarships	\$ 2,491,086	\$ 44,500
Resident needs	274,503	700,000
Special projects	721,881	-
	\$ 3,487,470	\$ 744,500

Note 10 - Endowment

The Foundation's endowment consists of approximately 20 funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of New Jersey enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective in 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Trustees has determined that the majority of the Foundation's net assets with donor restrictions meet the definition of endowment funds under UPMIFA.

The Board of Trustees of the Foundation has interpreted the State of New Jersey UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions to be maintained in perpetuity (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Foundation and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies:* The Foundation has adopted investment and pending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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Note 10 - Endowment (cont'd.)

Endowment assets are invested in a well-diversified asset mix, which includes cash and cash equivalents, equity securities, alternative investments and mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to grow the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return that is consistent with or exceeds the market annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy:* As approved by the Board of Trustees, the donor-restricted endowment funds are invested in a manner that is intended to meet the Board-approved annual distribution, which ranges from 2%-7% of the average market value over the past three years. Actual returns in any given year may vary from these amounts. Distributions from the donor-restricted endowment fund are primarily for the scholarships and resident needs.

Endowment net asset composition by type of fund is as follows:

	December 31, 2023			
	Without Donor Restrictions	With Donor Restrictions		Total
		Available for Expenditure	Original Donor Gifts	
Board-designated endowment funds	\$ 7,444,023	\$ -	\$ -	\$ 7,444,023
Donor-restricted endowment funds	-	4,062,145	18,682,989	22,745,134
Total	\$ 7,444,023	\$ 4,062,145	\$ 18,682,989	\$ 30,189,157

  

	December 31, 2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Available for Expenditure	Original Donor Gifts	
Board-designated endowment funds	\$ 5,069,584	\$ -	\$ -	\$ 5,069,584
Donor-restricted endowment funds	-	5,674,175	19,741,735	25,415,910
Total	\$ 5,069,584	\$ 5,674,175	\$ 19,741,735	\$ 30,485,494

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

Note 10 - Endowment (cont'd.)

Changes in endowment net assets are as follows:

	December 31, 2023			Total
	Without Donor Restrictions	With Donor Restrictions		
		Available for Expenditure	Original Donor Gifts	
Endowment net assets, beginning of year	\$ 5,069,584	\$ 5,674,175	\$ 19,741,735	\$ 30,485,494
Contributions	-	-	20,085	20,085
Investment income	275,615	522,106	-	797,721
Other releases/transfers	2,098,824	(1,457,551)	(995,931)	(354,658)
Amounts appropriated for expenditure	-	(676,585)	(82,900)	(759,485)
Endowment net assets, end of year	<u>\$ 7,444,023</u>	<u>\$ 4,062,145</u>	<u>\$ 18,682,989</u>	<u>\$ 30,189,157</u>

	December 31, 2022			Total
	Without Donor Restrictions	With Donor Restrictions		
		Available for Expenditure	Original Donor Gifts	
Endowment net assets, beginning of year	\$ 16,030,869	\$ 9,643,328	\$ 19,741,735	\$ 45,415,932
Investment loss	(416,309)	(3,217,653)	-	(3,633,962)
Amounts appropriated for expenditure	(10,544,976)	(751,500)	-	(11,296,476)
Endowment net assets, end of year	<u>\$ 5,069,584</u>	<u>\$ 5,674,175</u>	<u>\$ 19,741,735</u>	<u>\$ 30,485,494</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. At December 31, 2023 and 2022, funds with original gift values of \$2,287,578 and \$438,558, fair values of \$1,874,647 and \$348,645, and deficiencies of \$412,931 and \$89,913, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain purposes that was deemed prudent by the governing body.

Note 11 - Commitments and Contingencies

Health Insurance

The Foundation is self-insured for health insurance with individual limits of \$200,000 at December 31, 2023 and 2022 per employee. Stop loss insurance over these limits is purchased through the benefits plan administrator. For the years ended December 31, 2023 and 2022, the Foundation recognized expense of approximately \$1,232,000 and \$2,200,000, respectively, for this self-insured plan.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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Note 11 - Commitments and Contingencies (cont'd.)

Master Services Agreements

On January 1, 2021, the Foundation entered into a Management Agreement (“MA”) with Life Care Services, LLC (“LCS”) to provide management services to the Foundation. The MA provides for fees to be paid to LCS based on a percentage of the Foundation's gross revenue in each year, as defined. The Foundation also reimburses LCS for additional technology services and certain identifiable out-of-pocket expenses.

The following table summarizes approximate expenses related to LCS’ management services during 2023 and 2022:

	2023	2022
Management fee, including executive director salary and benefits	\$ 1,720,168	\$ 1,691,970
Information technology department salaries and benefits	316,880	321,612
	\$ 2,037,048	\$ 2,013,582

Energy Services Agreement

In 2014, the Foundation entered into an Energy Services Agreement (“ESA”) with a third party (“Energy Contractor”) to develop an energy management facility (“Facility”) at its location. The ESA expires in January 2036, and includes provisions for the Energy Contractor to provide all equipment and systems relating to the project. Title to the cogeneration equipment, as defined, remains with the Energy Contractor at all times. Title to all other project equipment transfers to the Foundation upon completion of the Facility. The ESA also contains an option for the Foundation to purchase the cogeneration equipment at the Facility from the Energy Contractor at fair market value, as defined.

The Foundation entered into a lease with the Energy Contractor for \$1 per year to grant access to the project equipment described above. The lease term began in 2014 and terminates 180 days after termination of the ESA. The lease may also be terminated by the Foundation or Energy Contractor simultaneously with any termination of the ESA, as defined.

The ESA requires the Foundation to consume and pay for (or pay for it if not consumed) not less than the minimum quarterly quantity of electricity, as defined in the ESA. The minimum quarterly payment is approximately \$250,000 over the term of the ESA. The agreement also contains an annual escalation clause for energy costs and guaranteed savings provisions.

The ESA contains provisions for payment to the Energy Contractor in the event of contract termination. The payments decrease ratably during the ESA term.



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Note 11 - Commitments and Contingencies (cont'd.)

Litigation

The Foundation, from time to time, may be involved with certain legal actions arising in the ordinary course of business. Management estimates that these matters will be resolved without material adverse effect on the Foundation's future financial position or results from operations. Additional claims may be asserted against the Foundation arising from incidents through December 31, 2023. The Foundation is unable to reasonably estimate the ultimate cost of the resolution of such potential claims and, accordingly, no provision for loss, if any, which may result from such claims has been recorded in the accompanying financial statements.

Regulators

The senior living services industry is subject to numerous laws, regulations and administrative directives of federal, state and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Foundation, if any, are not determinable.

Paycheck Protection Program

The Small Business Administration ("SBA") may undertake a review of a Paycheck Protection Program ("PPP") loan of any size greater than \$150,000 during the six-year period following forgiveness or repayment of the loan. If selected, the review would include the loan forgiveness application, as well as whether the Foundation met the eligibility requirements of the PPP and received the proper loan amount. The Foundation received a PPP loan in the amount of \$4,010,070 in April 2020 and received full forgiveness of the PPP loan in June 2021. The Foundation is subject to an SBA review until June 2027. Whether the Company will be selected for an SBA review, as well as the timing and outcome, is not yet known.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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Note 12 - Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and investments. The Foundation maintains cash and cash equivalents in amounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes the Foundation is not subject to any significant credit risk on its cash accounts.

The Foundation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicaid and Medicare. The mix of net receivables from patients and third-party payors at December 31, 2023 and 2022 was:

	<u>2023</u>	<u>2022</u>
Medicaid	19%	50%
Medicare	50%	20%
Private	27%	19%
Other third-party payors	4%	11%

Note 13 - Functional Expenses

The Foundation provides various housing, healthcare and other related services to residents within its geographic location. The financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Expenses relating to providing these services were as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>			
	<u>Resident Services</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and wages, payroll taxes, and employee benefits	\$ 17,935,525	\$ 2,420,574	\$ 254,804	\$ 20,610,903
Contracted services	738,768	2,974,296	-	3,713,064
Utilities and insurance	934,323	109,964	371	1,044,658
Property and other taxes	3,877,300	-	-	3,877,300
Supplies and other expenses	6,519,704	1,415,885	-	7,935,589
Depreciation	5,994,247	-	-	5,994,247
Interest	2,950,288	-	-	2,950,288
 Total	 <u>\$38,950,155</u>	 <u>\$ 6,920,719</u>	 <u>\$ 255,175</u>	 <u>\$ 46,126,049</u>

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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DECEMBER 31, 2023 AND 2022

Note 13 - Functional Expenses (cont'd.)

	2022			
	Resident Services	General and Administrative	Development	Total
Salaries and wages, payroll taxes, and employee benefits	\$ 16,970,258	\$ 2,853,714	\$ -	\$ 19,823,972
Contracted services	2,191,195	2,843,684	-	5,034,879
Utilities and insurance	3,794,415	-	-	3,794,415
Property and other taxes	550,072	-	-	550,072
Supplies and other expenses	9,024,066	255,649	-	9,279,715
Depreciation	6,348,918	-	-	6,348,918
Interest	3,713,476	-	-	3,713,476
 Total	<u>\$42,592,400</u>	<u>\$ 5,953,047</u>	<u>\$ -</u>	<u>\$ 48,545,447</u>

Note 14 - Management's Plans and Intentions and Consideration of Ability to Continue as a Going Concern

The Foundation has experienced operating losses of \$11,313,107 and \$15,164,125 during the years ended December 31, 2023 and 2022, respectively. The Foundation continues to fund the operating deficits and liquidity needs through the generation of contributions and investment return and the sale of investments.

In 2021, as a result of a change in the management company to LCS (see Note 11), the Foundation began an internal review of its operations with the goal of eliminating its historical reliance on its nonoperating activities and reserves to fund operations. The Foundation began the implementation of an operational turnaround plan in 2022, which includes a wide range of initiatives designed to reduce operating costs and enhance revenue.

Key to the turnaround plan is improving the operating margin for the Foundation's nursing home (the "Health Center") through both increased revenue and reduced expenses. In August 2023, the Foundation opened its new 34-bed short-term rehabilitation unit in the Health Center. Since August, the new short-term rehab unit generated additional revenues of approximately \$400,000 per month during the year ended December 31, 2023. It is anticipated that the new short-term rehab unit will continue to ramp-up operations in 2024, generating approximately \$800,000 of additional revenues per month when at full capacity.

Continued implementation of the turnaround plan is expected to result in a projected 2024 net operating gain of approximately \$2.3 million before depreciation and interest expense.

MASONIC CHARITY FOUNDATION OF NEW JERSEY  
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Note 14 - Management's Plans and Intentions and Consideration of Ability to Continue as a Going Concern (cont'd.)

Through May 31, 2024, the Foundation has current assets of approximately \$4,362,000 and has been able to pay its obligations as they come due. In addition, the Foundation has a forbearance agreement with the trustee of its outstanding bonds (Note 5) that will expire on July 1, 2025.

2024 amounts are unaudited and subject to change.

Management continues to uncover savings and improve operating results, increase its working capital and repay its obligations. Along with the expectation of an extension of the Forbearance Agreement with Hamlin Capital, the bond holders, it is believed that the Foundation will continue to achieve and maintain profitability and improved financial stability.

Note 15 - Subsequent Events

The Foundation has evaluated all events or transactions that occurred after December 31, 2023 through June 21, 2024, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure except as disclosed in Notes 5 and 14 and below.

Beneficial Interest In Charitable Remainder Trust

In January 2024, the Foundation was notified that it was named as the beneficiary of a Charitable Remainder Unitrust (the "trust") that became irrevocable in September 2023 upon the death of the donor. At December 31, 2023, the trust was partially funded, and subsequent to year-end, the trust was fully funded in the amount of \$8,286,273. It is expected that the Foundation will receive a contribution from the trust in the amount of \$5,350,026 when it terminates in September 2043.