VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Virginia Baptist Homes, Incorporated
dba: LifeSpire of Virginia and Subsidiaries
Richmond, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia and Subsidiaries (LifeSpire) which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of LifeSpire as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 LifeSpire'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 LifeSpire'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 18, 2024

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 37,740,751	$ 44,432,119
Current Portion of Assets Whose Use is Limited	4,895,773	4,617,045
Accounts Receivable	8,989,379	4,705,590
Allowance for Credit Losses	(1,333,138)	(658,912)
Accounts Receivable, Net	7,656,241	4,046,678
Notes Receivable	2,984,446	2,451,032
Prepaid Expenses	1,507,600	1,431,400
Deposits and Other	1,254,211	1,871,238
Total Current Assets	56,039,022	58,849,512
INVESTMENTS	71,926,207	63,453,144
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	8,628,817	8,761,266
ASSETS WHOSE USE IS LIMITED		
Externally Restricted Under Bond Indenture Agreement (Held by Trustee)	14,273,352	14,397,798
Less: Amounts Available for Current Liabilities	(4,895,773)	(4,617,045)
Total Assets Whose Use is Limited	9,377,579	9,780,753
PROPERTY, PLANT, AND EQUIPMENT, NET	271,089,770	264,461,709
LOAN RECEIVABLE	325,000	-
OTHER ASSETS	328,832	895,045
Total Assets	$ 417,715,227	$ 406,201,429

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS (DEFICIT)	2023	2022
CURRENT LIABILITIES		
Accounts Payable	$ 8,822,008	$ 6,158,545
Accrued Salaries and Wages	3,022,764	3,358,727
Accrued Interest Payable	1,819,528	1,819,528
Annuities Payable	134,588	97,343
Deposits from Prospective Residents	883,400	1,392,500
Deferred Revenue	-	698,678
Current Portion of Right-of-Use Operating Lease Payable	347,486	397,954
Current Portion of Long-Term Debt	12,725,000	12,705,000
Refundable Advance - CARES Act	-	295,593
Advance Fee Refund Liability	10,863,027	6,777,117
Total Current Liabilities	38,617,801	33,700,985
ADVANCE FEE REFUND LIABILITY, LESS CURRENT PORTION	58,385,419	56,018,768
DEFERRED REVENUE FROM ADVANCE FEES	118,762,061	113,841,811
ANNUITIES PAYABLE	538,262	394,687
RIGHT-OF-USE OPERATING LEASE PAYABLE, LESS CURRENT PORTION	770,860	1,109,436
LONG-TERM DEBT, NET	231,200,496	239,369,489
Total Liabilities	448,274,899	444,435,176
NET ASSETS (DEFICIT)		
Without Donor Restrictions	(48,437,260)	(56,263,034)
With Donor Restrictions	17,877,588	18,029,287
Total Net Deficit	(30,559,672)	(38,233,747)
Total Liabilities and Net Assets (Deficit)	$ 417,715,227	$ 406,201,429

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES, GAINS, AND OTHER SUPPORT		
Residential Services, Including Amortization of Deferred Revenue from Advance Fees of $20,832,567 and $19,140,913 in 2023 and 2022, Respectively	$ 86,723,272	$ 79,426,007
Health Care Services	25,343,972	24,879,841
Continuing Care At Home Services, Including Amortization of Deferred Revenue from Advance Fees of $503,413 and $412,674 in 2023 and 2022, Respectively	1,218,761	1,052,812
Net Assets Released from Restrictions Used for Operations	752,770	769,968
Gifts and Donations	1,541,229	1,710,986
Investment Income (Loss)	2,485,136	(769,850)
Other	4,390,323	3,114,310
Total Revenue, Gains, and Other Support	122,455,463	110,184,074
OPERATING EXPENSES		
Salaries, Wages and Professional Fees	60,800,176	55,498,762
Provisions for Depreciation and Amortization	18,005,719	17,281,396
Interest	10,565,332	10,683,360
Other	31,850,491	31,131,002
Total Operating Expenses	121,221,718	114,594,520
OPERATING INCOME (LOSS)	1,233,745	(4,410,446)
NONOPERATING INCOME (LOSS)		
Change in Unrealized Gains (Losses) on Investments	7,108,952	(13,691,022)
Other Loss	(516,923)	(425,486)
Total Nonoperating Income (Loss)	6,592,029	(14,116,508)
EXCESS (DEFICIT) OF REVENUES, GAINS AND OTHER SUPPORT OVER (UNDER) EXPENSES AND INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	7,825,774	(18,526,954)

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIT) (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess (Deficit) of Revenues, Gains, and Other Support Over (Under) Expenses	$ 7,825,774	$ (18,526,954)
Increase (Decrease) in Net Assets without Donor Restrictions	7,825,774	(18,526,954)
NET ASSETS WITH DONOR RESTRICTIONS		
Gifts, Grants, and Bequests	472,714	624,637
Change in Value of Annuity Obligations	260,806	163,899
Change in Present Value of Perpetual Trust Funds	(132,449)	(2,829,896)
Net Assets Released from Restrictions	(752,770)	(769,968)
Decrease in Net Assets with Donor Restrictions	(151,699)	(2,811,328)
INCREASE (DECREASE) IN NET ASSETS	7,674,075	(21,338,282)
Net Deficit - Beginning of Year	(38,233,747)	(16,895,465)
NET DEFICIT - END OF YEAR	$ (30,559,672)	$ (38,233,747)

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 7,674,075	$ (21,338,282)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization of Deferred Revenue from Advance Fees	(21,335,980)	(19,553,587)
Proceeds from Advance Fees and Deposits	31,168,917	29,423,375
Amortization of Intangible Assets	49,290	49,290
Amortization of Deferred Financing Costs	206,463	206,461
Amortization of Bond Discount	39,571	39,571
Amortization of Bond Premium	(682,027)	(682,026)
Other Loss	516,923	425,486
Loss on Sale of Property, Plant, and Equipment	24,800	2,539
Provision for Credit Loss	811,946	272,491
Provision for Depreciation	17,956,429	17,232,106
Increase in Annuity Obligations	180,820	80,325
Proceeds from Contributions Restricted for Long-Term Investment	(472,714)	(624,637)
Net Realized and Unrealized (Gains) Losses on Long-Term Investments	(6,623,425)	17,233,993
Change in Present Value of Trust Funds	132,449	2,829,896
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(4,421,509)	(482,111)
Prepaid Expenses	(76,200)	(212,143)
Notes Receivable	(533,414)	1,129,093
Other Current Assets	617,027	(219,987)
Loan Receivable	(325,000)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(745,721)	(847,542)
Deferred Revenue	(698,678)	373,018
Refundable Advance - CARES Act	(295,593)	(164,214)
Accrued Salaries and Wages	(335,963)	269,830
Accrued Interest Payable	-	38,049
Deposits from Prospective Residents	(294,100)	150,803
Net Cash Provided by Operating Activities	22,538,386	25,631,797

See accompanying Notes to Consolidated Financial Statements.

VIRGINIA BAPTIST HOMES, INCORPORATED
DBA: LIFESPIRE OF VIRGINIA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant, and Equipment	$ (21,589,150)	$ (27,881,028)
Purchases of Investments	(14,804,481)	(33,462,299)
Sales of Investments	12,652,119	32,693,215
Net Cash Used by Investing Activities	(23,741,512)	(28,650,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	472,714	624,637
Refunds of Advance Fees and Deposits	(9,215,562)	(6,192,560)
Proceeds from Refundable Advance Fees	10,540,436	6,374,627
Payments on Long-Term Debt	(7,713,000)	(6,245,000)
Net Cash Used by Financing Activities	(5,915,412)	(5,438,296)
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(7,118,538)	(8,456,611)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	51,600,271	60,056,882
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 44,481,733	$ 51,600,271
Cash and Cash Equivalents	$ 37,740,751	$ 44,432,119
Restricted Cash included in Assets Limited as to Use	6,740,982	7,168,152
Total Cash, Cash Equivalents and Restricted Cash	$ 44,481,733	$ 51,600,271
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Property and Equipment Additions in Accounts Payable	$ 3,649,268	$ 240,084
Right-of-Use Assets Obtained through Right-of-Use Operating Lease Payables	$ 13,593	$ 445,633

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Virginia Baptist Homes, Incorporated dba: LifeSpire of Virginia (LifeSpire) is a nonprofit corporation founded in 1946 as an agency of the Baptist General Association of Virginia (BGAV). LifeSpire operates retirement communities in Culpeper, Richmond, Newport News, Lynchburg, and Roanoke, Virginia which provide diversified residential and health care services to retirement community residents. In February 2016, LifeSpire began doing business as LifeSpire of Virginia; this change did not affect LifeSpire's underlying corporate identity or the identities or business names of its affiliates.

LifeSpire operates its retirement communities under arrangements whereby residents enter into agreements which require payment of a one-time advance fee and a monthly maintenance fee. Generally, these payments entitle residents to the use and privileges of LifeSpire for life, including certain nursing services provided in LifeSpire's nursing facilities. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by LifeSpire.

Culpeper Baptist Retirement Community, Inc. (doing business as The Culpeper), Newport News Baptist Retirement Community, Inc. (doing business as The Chesapeake), Lakewood Manor Baptist Retirement Community, Inc. (doing business as Lakewood), The Glebe, Inc. (The Glebe), Lynchburg Baptist Retirement Community, LLC (doing business as The Summit) and Virginia Baptist Homes Foundation, Inc. (Foundation) are wholly owned, nonprofit subsidiaries of LifeSpire.

In 2019, Lakewood began operations of a new program known as Lakewood at Home. This program allows for members to remain in their private residences while enjoying many of the benefits and services offered at a retirement community. The activity of Lakewood at Home is combined with Lakewood Manor Baptist Retirement Community, Inc. in the consolidating and combining financial statements included in the Accompanying Information. Combining schedules have been included for Lakewood to present the activity of the two programs.

In 2020, LifeSpire entered into a joint venture with an unrelated third party to form Senior Living Partners of Virginia, LLC (SLPV). SLPV was created to provide home health services and to promote the health and care of seniors from a broad cross-section of the communities served by the organizations. LifeSpire has a 50% interest in SLPV. No consideration was paid in 2020 related to this joint venture. In 2023, $325,000 was transferred to SLPV as a loan from LifeSpire. In 2022, $790,000 was transferred to SLPV as a capital contribution from LifeSpire. This investment is included in Other Assets in the accompanying consolidated balance sheet as of December 31, 2023 and 2022 and is recorded under the equity method. LifeSpire recorded a loss on this investment of $516,923 and $425,486 for the years ended December 31, 2023 and 2022, respectively, which represents its share of SLPV's results and is included as an other loss within nonoperating income (loss) in the statements of operations and changes in net assets (deficit).

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Basis for Consolidation

The consolidated financial statements include the accounts of LifeSpire and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

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

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

LifeSpire considers cash and cash equivalents to include cash on hand and all highly liquid investments with a maturity of three months or less when purchased.

LifeSpire maintains cash balances at several financial institutions located within its market area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At times, deposits may exceed FDIC amounts.

Notes Receivable

Notes receivable is comprised of amounts due to LifeSpire for advance fees due from residents who have moved into the facility but have not yet paid the full amount of the contractually agreed upon advance fee. The notes vary in length from 4 to 12 months, bear interest at varying rates, up to 4%, and are collateralized by the resident's personal investments.

Allowance for Credit Losses

LifeSpire provides an allowance for credit losses using management's judgment. Residents are not required to provide collateral for services rendered. Payment for services is required upon receipt of invoice or claim submitted. Accounts past due are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on the historical experience of LifeSpire, analysis of payor source and aging of receivable, and future economic conditions and market trends. Management believes the composition of receivables and roll-forward of allowance at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The allowance for credit losses was approximately $1,333,000 and $659,000 at December 31, 2023 and 2022, respectively.

Beneficial Interest in Perpetual Trusts

LifeSpire holds a beneficial interest in several Perpetual Trusts. These trusts are administered by independent trustees and generally consist of cash and cash equivalents, mutual funds, and debt and equity securities, which are carried at fair value. Under the terms of the trusts, the donors have established and funded the trusts with specified distributions to be made to LifeSpire. Under the terms of several of the trusts, distributions of income are to be made in perpetuity. Because the trusts are perpetual, these funds are reported as perpetually restricted net assets with donor restrictions.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Perpetual Trusts (Continued)

Income distributions from these trusts are recorded as investment income in the consolidated statements of operations and changes in net assets (deficit) without donor restrictions, while any appreciation (depreciation) in the trust value is recorded as a change in perpetually restricted net assets with donor restrictions, in accordance with donor restrictions. Under the terms of some of the trusts, distributions of income and/or principal are made at the discretion of the trustee. Due to this restriction, these funds are reported as purpose restricted net assets with donor restrictions. Distributions from these trusts are recorded as other revenue, while any appreciation (depreciation) in the trust value is recorded as a change in purpose restricted net assets with donor restrictions, in accordance with donor restrictions.

Investments

Investments with readily determinable market values are carried at fair value, with the exception of certain investments in absolute return strategy investments or hedge funds whose fair value is not readily determinable and whose investment is less than 3%. Such investments are accounted for using the lower of cost or market method. Other hedge fund investments whose investment is greater than 3% are accounted for under the equity method. Investments are comprised of stocks, mutual funds and hedge funds. The fair values of marketable equity securities, bonds and mutual funds are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Five of the hedge funds are not considered liquid; however, they intend to have distributions made within three years and extend no longer than 10 years. Realized gains and losses are reported as activity without restriction.

Unrealized gains (losses) are included in excess (deficit) of revenues, gains and other support over (under) expenses and are reported as nonoperating income (loss). The cost of securities sold is based on the specific identification method, adjusted for impairment in the value of investments.

Assets Whose Use is Limited

Assets whose use is limited include assets held by a trustee under bond indenture agreements. Amounts required to meet current liabilities have been reclassified as current assets. Assets whose use is limited are carried at fair value.

Property, Plant, and Equipment

Property, plant, and equipment are reported on the basis of cost. Donated items are recorded at fair market value at the date of contribution. LifeSpire capitalizes all assets over $1,000 with a useful life greater than three years.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment (Continued)

Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The general range of estimated useful lives for buildings and land improvements is 20 to 40 years and the general range for equipment is 4 to 20 years. LifeSpire performs a review of its long-lived assets (including property and equipment) for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable.

If an indication of impairment is present, LifeSpire determines recoverability of its long-lived assets by evaluating the probability that undiscounted future cash flows will be less than the carrying amount of the assets. If future estimated undiscounted cash flows are less than the carrying amount of the long-lived assets, then such assets are written down to their estimated fair value. The fair value is determined based on valuation techniques such as comparison to fair values of similar assets or using a discounted cash flow analysis. Management believes that there are no impairments to long-lived assets in 2023 and 2022.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related indebtedness which approximates the effective interest method.

Leases

LifeSpire determines if an arrangement is a lease at inception. Operating leases are included in property, plant, and equipment as right-of-use (ROU) assets and lease payable in the consolidated balance sheets. ROU assets present LifeSpire's right to use an underlying asset for the lease term and lease payables represent LifeSpire's obligation to make lease payments arising from the lease. ROU assets and payables are recognized at the commencement date of the lease based on present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that LifeSpire will exercise the option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. LifeSpire has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease payables or ROU assets on the consolidated balance sheets.

Advance Fees

Advance fees represent the payments received at the time a resident is admitted to one of the communities. The nonrefundable portion of advance fees is recorded as deferred revenue from advance fees and is amortized into income over the estimated life expectancy of the residents, or couples, adjusted annually. The refundable portion of advance fees received is presented on the consolidated balance sheets as a refundable advance fee liability. The refundable portion of advance fees is not amortized to income. Upon the death of a sole surviving resident, any remaining unamortized portion of the nonrefundable advance fee is recognized as operating revenue.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advance Fees (Continued)

The residency agreements at certain of LifeSpire's communities provide for a declining refund upon termination by the residents during the first 50 months of occupancy. Refunds are generally payable the sooner of, one year or upon resale of the unit; however, beginning in 2016, residency agreements do not include the one-year requirement. These amounts are included as an advance fee refund liability. LifeSpire has estimated the current portion of this liability based on actual refunds paid over a ten-year period.

Obligation to Provide Future Services

LifeSpire annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services). The obligation is discounted at 5.5% in both 2023 and 2022, based on the expected long-term rate of return on investments. Increases or decreases in the obligation are charged or credited to operations, respectively. As of December 31, 2023 and 2022, LifeSpire had no future service obligation.

Refundable Advance – CARES ACT

Provider Relief Funding

In response to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by LifeSpire as of December 31, 2021 was $3,156,053. The PRF's are subject to certain restrictions on eligible expenses or uses and reporting requirements. At December 31, 2023 and 2022, LifeSpire recognized $295,593 and $164,214, respectively, as gifts and donation revenue in the consolidated statement of operations. As of December 31, 2022, a Refundable Advance of $295,593 was recorded in the consolidated balance sheet. Management believes the amounts have been recognized appropriately as of December 31, 2023 and 2022.

Charity Care and Community Benefit

The mission of LifeSpire is to empower its residents with choices in purposeful living. LifeSpire employs a uniform financial qualification process for all prospective residents and will, under certain circumstances, provide housing and care to residents regardless of their ability to pay for those services.

LifeSpire defines and measures its community benefit primarily through the benevolence it provides to residents who cannot cover the full cost of their care. All residents are financially qualified at admission using actuarial life expectancies and the projected ability of the residents' income and assets to cover the estimated cost of future health care. LifeSpire provides care to residents who meet certain criteria under its financial assistance policy at a reduced rate. Key elements used to determine eligibility include a resident's demonstrated inability to pay due to increasing acuity of care, increasing costs of care and/or increasing longevity.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care and Community Benefit (Continued)

LifeSpire has estimated its direct and indirect costs of providing charity care under its financial assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the direct and allocated expenses by level of care to the corresponding revenues charged on an annual basis. The cost-to-charge ratio is applied to the charity care charges foregone to calculate the estimated cost of providing charity care. Using this methodology, LifeSpire has estimated the costs for services and supplies furnished under LifeSpire's financial assistance policy to be approximately $1,394,000 and $1,402,000 for the years ended December 31, 2023 and 2022, respectively.

Primarily through the support of the Virginia Baptist Homes Foundation, LifeSpire received approximately $1,518,000 to subsidize the costs of providing charity care under its financial assistance policy for the year ended December 3, 2022. LifeSpire received no support to subsidize the costs of providing charity care under its financial assistance policy for the year ended December 3, 2023.

In 2019, LifeSpire created the "Fresh Start" program at The Chesapeake to provide ongoing support to team members in need. Included under this program, a house purchased by LifeSpire is being used to provide ongoing support to team members in need with up to three months of housing while they work on a plan to become financially independent.

Operating Indicator

LifeSpire's operations include all revenue without restriction, gains, expenses and losses for the reporting period except for contributions of long-term assets and net assets released from restrictions for acquisition of property, plant, and equipment.

The board of trustees designates LifeSpire's investment income for support of current operations, consisting primarily of interest, dividend and realized gains and losses on investments related to funded depreciation and escrowed advance fees from residents. In addition, other activities not related to LifeSpire's mission are considered to be nonoperating.

Nonoperating gains and losses also include the change in unrealized gains (losses) on investments, loss on extinguishment of debt, loss on investment in joint venture, loss on disposal of property, plant, and equipment, and changes in obligation to provide future services and use of facilities to current residents.

Income Taxes

LifeSpire and each of its subsidiaries are nonprofit organizations exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

LifeSpire and each of its subsidiaries file as tax-exempt organizations. Management is not aware of any activities that would jeopardize the tax-exempt status of any of the entities. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for LifeSpire or its subsidiaries.

LifeSpire and each of its subsidiaries follow guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance has had no impact on LifeSpire's consolidated financial statements.

Professional Liability Insurance

LifeSpire has obtained general and professional liability insurance issued by Virginia Senior Care RRG, a Washington, DC risk retention group. LifeSpire's professional liability is on the claims-made basis. Under a claims-made policy, determination of coverage is triggered by the date the insured first becomes aware and notifies the insurer of a claim or potential claim.

Fair Value Measurements

LifeSpire categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

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

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

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

Subsequent to initial recognition, LifeSpire may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government bonds. Level 2 inputs include deferred annuity obligations due from LifeSpire. Assets valued using Level 3 inputs include beneficial interests in perpetual trusts. Unobservable inputs for the Level 3 assets include amount and timing of distributions from the trusts.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. LifeSpire follows the policy to value certain financial instruments at fair value; however, LifeSpire has not elected to measure any existing financial instruments at fair value. LifeSpire may elect to measure newly acquired financial instruments at fair value in the future.

New Accounting Pronouncements – ASU 2016-13

LifeSpire has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. LifeSpire adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on LifeSpire's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these consolidated financial statements, LifeSpire has evaluated events and transactions for potential recognition or disclosure through April 18, 2024, the date the consolidated financial statements were issued.

NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE

Residential, health care, and continuing care at home services revenue is reported at the amount that reflects the consideration to which LifeSpire expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, LifeSpire bills the residents and third-party payors several days after the services are performed. Service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE (CONTINUED)

Performance obligations are determined based on the nature of the services provided by LifeSpire. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. LifeSpire 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 residents in the facilities receiving skilled nursing services, housing residents receiving services in the facilities, or participants in their continuing care at home program. LifeSpire considers daily services provided to residents of the skilled nursing facilities, monthly rental for housing services, and monthly fees for continuing care at home services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter.

Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and LifeSpire does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, LifeSpire has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 606-10-50-14(a)* and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

LifeSpire 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 LifeSpire's policy, and/or implicit price concessions provided to residents. LifeSpire determines its estimates of contractual adjustments based on contractual agreements, its policy, and historical experience. LifeSpire determines its estimate of implicit price concessions based on its historical collection experience.

NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE (CONTINUED)

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 and Medicaid

LifeSpire's licensed nursing facilities participate in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). CMS finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, the underlying complexity and clinical needs of a patient is used as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement.

Nursing facilities licensed for participation in the Medicare and Medical Assistance programs are subject to annual licensure renewal. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance. Such a payment ban would have a negative impact on the revenues of the licensed nursing facility.

Some of LifeSpire's licensed nursing facilities participate in the Medicaid program which is administered by Virginia's Department of Medical Assistance Services (DMAS). DMAS uses a price-based payment system to reimburse providers, which was weighted for each claim based on the Resource Utilization Group (RUG) score listed on each claim. Each year DMAS publishes a priced-based total case mix rate and a total indirect rate, both of which make up the bulk of the base payment rate for each provider. The total case mix rate and the total indirect rate are determined by a preassigned peer group of geographically similar regions within Virginia. The price-based rate was weighted for the severity of care of the documented RUG listed for each claim. Effective October 1, 2019, new PDPM HIPPS codes replaced RUG scores listed on each claim for determining reimbursement amounts. Annual Medicaid cost reports are required by the state of Virginia, however, they are not used to settle the costs of claims. Instead, the cost reports are used in the development of price-based rates and to monitor the adequacy of the reimbursement methodology.

Other

Payment agreements with certain commercial insurance carriers provide for payment using prospectively determined daily rates.

NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE (CONTINUED)

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 LifeSpire'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 an implicit price concession impacting transaction price, were not significant in 2023 or 2022.

Generally, residents or at home participants who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. LifeSpire estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to 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 December 31, 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

LifeSpire has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, service line, method of reimbursement, and timing of when revenue is recognized.

The composition of residential, health care, and continuing care at home services revenue by primary payor for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Medicare	$ 9,631,301	$ 9,873,518
Medicaid	806,770	821,991
Private	100,717,684	92,631,058
Commercial Insurers	2,130,250	2,032,093
Total	$ 113,286,005	$ 105,358,660

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

NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE (CONTINUED)

The composition of residential, health care, and continuing care at home services revenue based on LifeSpire's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Service Lines:		
Independent Living	$ 46,665,170	$ 42,886,693
Assisted Living	13,248,058	12,136,453
Memory Support	5,977,477	5,261,948
Health Care Services	25,343,972	24,879,841
Continuing Care At Home Services	715,348	640,138
Amortization of Entrance Fees	21,335,980	19,553,587
Total	$ 113,286,005	$ 105,358,660
Method of Reimbursement:		
Monthly Service Fees	$ 60,628,576	$ 55,663,284
Amortization of Entrance Fees	21,335,980	19,553,587
Fee for Service	31,321,449	30,141,789
Total	$ 113,286,005	$ 105,358,660
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	$ 113,286,005	$ 105,358,660

Financing Component

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

Contract Costs

LifeSpire has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that LifeSpire otherwise would have recognized is one year or less in duration.

NOTE 2 RESIDENTIAL, HEALTH CARE, AND CONTINUING CARE AT HOME SERVICES REVENUE (CONTINUED)

Contract Costs (Continued)

The opening and closing contract balances were as follows:

	Accounts and Notes Receivable	Deferred Revenue from Advance Fees
January 1, 2022	$ 7,417,183	$ 113,721,716
December 31, 2022	7,156,622	113,841,811
December 31, 2023	11,973,825	118,762,061

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Investments and assets whose use is limited are summarized as follows as of December 31:

	2023	2022
Investments and Assets Whose Use is Limited		
Cash and Short-Term Investments	$ 6,740,982	$ 7,168,152
Mutual Funds	23,750,747	17,998,832
Marketable Equity Securities	26,442,940	24,891,185
Fixed Income	26,702,382	25,416,800
Absolute Return Strategy Investments/Hedge Funds (Liquidity in Excess of a Year)	2,313,828	2,160,169
Equity Method Securities	248,680	215,804
Total	$ 86,199,559	$ 77,850,942

At December 31, the assets held by the trustee under various bond agreements are as follows:

	2023	2022
Bond Sinking Fund	$ 3,388,188	$ 3,161,124
Debt Service Reserve Fund	8,497,978	7,951,856
Construction Fund	9,715	1,024,989
Principal Fund	451,357	438,445
Interest Fund	1,926,114	1,821,384
Total	$ 14,273,352	$ 14,397,798

NOTE 3 INVESTMENTS AND ASSETS WHOSE USE IS LIMITED (CONTINUED)

Under LifeSpire's reserve spending policy, dividends, interest and realized gains and losses generated by the portion of the investment pool related to funded depreciation and escrowed advance fees from residents are appropriated to support current operations. The following schedule summarizes investment income (loss):

	2023	2022
Dividends and Interest	$ 2,970,663	$ 2,773,121
Net Realized Losses	(485,527)	(3,542,971)
Total Investment Income (Loss)	$ 2,485,136	$ (769,850)

Marketable equity and debt securities and other investments are carried at fair value based on quoted market prices. Realized gains and losses on the sale of investments are determined based on the cost of specific investment sold.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following as of December 31:

	2023	2022
Land and Land Improvements	$ 35,643,545	$ 29,077,313
Buildings and Fixed Equipment	409,792,353	389,426,476
Vehicles	2,339,912	2,167,618
Movable Equipment	31,525,025	30,932,340
Right-of-Use Assets	2,555,402	2,541,809
Construction in Progress	19,058,664	21,825,656
Subtotal	500,914,901	475,971,212
Less: Accumulated Depreciation	229,825,131	211,509,503
Property, Plant, and Equipment, Net	$ 271,089,770	$ 264,461,709

Construction in progress at December 31, 2023 and 2022 was related to expansion projects at LifeSpire's facilities, as well as apartment renovations and improvements to common areas. As of December 31, 2023 LifeSpire has remaining construction commitments amounting to approximately $1,233,000 related to these projects.

NOTE 5 RIGHT-OF USE LEASES

LifeSpire leases equipment as well as certain office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028 and many cases provide for rent escalations and renewal options. Renewal options are at the sole discretion of LifeSpire. Escalation terms include fixed-rent escalations annually. Total rent expense on these leases was approximately $171,000 and $174,000 for 2023 and 2022, respectively.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

Year Ending December 31,	Amount
2024	$ 385,728
2025	375,771
2026	355,988
2027	70,480
2028	4,001
Total Lease Payments	1,191,968
Less: Current Portion	(347,486)
Less: Imputed Interest	(73,622)
Present Value of Lease Payable, Net of Current Portion	$ 770,860

The lease payable will continue to be impacted by new leases, lease modifications, lease terminations, and reevaluation of any new facts and circumstances. As of December 31, 2023 and 2022, the weighted average lease term remaining that is included in the maturities of the lease payables is 2.30 and 4.06 years, respectively.

As the rate implicit in each lease is not readily determinable, LifeSpire uses an incremental borrowing rate to calculate the lease liability that represents an estimate of the interest rate LifeSpire would have to borrow on a collateralized basis over the term of a lease. The weighted average discount rate used for operating leases was 4.0% at December 31, 2023 and 2022.

NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE

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

Description	2023	2022
Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds Series 2014A (Glebe Series 2014A Bonds):		
Serial bond, matures June 30, 2044. Interest is payable semiannually at a variable rate between 3% and 6%. Principal payments began January 1, 2015.	$ 32,505,000	$ 33,285,000
Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds (LifeSpire of Virginia), Series 2016:		
Serial bonds, due in graduated annual installments ranging from $2,550,000 in 2017 to $3,520,000 in 2026 and bear interest at varying rates ranging from 1.9% to 5%.	9,935,000	13,005,000
Term bond, due December 1, 2029. Interest is payable semiannually at a rate of 3.5%.	9,095,000	9,095,000
Term bond due December 1, 2031. Interest is payable semiannually at a rate of 5.0%.	10,530,000	10,530,000
Term bond due December 1, 2038. Interest is payable semiannually at a rate of 5.0%.	36,430,000	36,430,000
Economic Development Authority of Henrico County, Virginia Residential Care Facility Revenue and Refunding Bonds (LifeSpire of Virginia) Series 2017C		
Serial bonds, due in graduated annual installments ranging from $1,060,000 in 2021 to $1,270,000 in 2027 and bear interest at varying rates ranging from 3.0% to 3.5%.	4,845,000	5,965,000
Term bond, due December 1, 2032. Interest is payable semiannually at a rate of 4.0%.	7,120,000	7,120,000
Term bond, due December 1, 2037. Interest is payable semiannually at a rate of 5.0%.	8,840,000	8,840,000
Term bond, due December 1, 2047. Interest is payable semiannually at a rate of 5.0%.	25,675,000	25,675,000
Term loan, due August 1, 2026. Interest is payable monthly at a variable rate of Daily Simple SOFR plus 1.3% (6.61% at December 31, 2023).	14,246,000	15,494,000

NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

Description	2023	2022
Virginia Small Business Financing Authority, Residential Care Facilities Revenue and Refunding Bonds (LifeSpire of Virginia) Series 2021		
Serial bonds, due in graduated annual installments ranging from $1,455,000 in 2022 to $1,635,000 in 2026 and bear interest at 3%.	$ 4,765,000	$ 6,260,000
Term bond, due December 1, 2031. Interest is payable semiannually at a rate of 4.0%.	9,120,000	9,120,000
Term bond, due December 1, 2036. Interest is payable semiannually at a rate of 4.0%.	11,100,000	11,100,000
Term bond, due December 1, 2041. Interest is payable semiannually at a rate of 4.0%.	13,505,000	13,505,000
Term bond, due December 1, 2051. Interest is payable semiannually at a rate of 4.0%.	36,435,000	36,435,000
Total	234,146,000	241,859,000
Less: Current Portion	(12,725,000)	(12,705,000)
Less: Unamortized Deferred Financing Costs	(4,511,501)	(4,717,964)
Plus: Unamortized Bond Premium	15,121,986	15,804,013
Less: Unamortized Bond Discount	(830,989)	(870,560)
Total	$ 231,200,496	$ 239,369,489

In October 2016, LifeSpire defeased the outstanding Series 2006A and 2006C Bonds and the outstanding amounts drawn on the line of credit by issuing a note for $85,505,000 in relation to Economic Development Authority of the City of Newport News, Virginia Residential Care Facilities Revenue Refunding Bonds Series 2016 (Series 2016 Bonds). In connection with the refunding of the Series 2006A and 2006C Bonds, LifeSpire recognized a loss on extinguishment in 2016 of $1,903,178 related to the write-off of deferred financing costs.

NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

In June 2014, The Glebe issued two new notes totaling $41,155,000 in relation to the Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014A Bonds) and Industrial Development Authority of Botetourt County, Virginia Residential Care Facility Revenue Refunding Bonds (Series 2014B Bonds). The Glebe Series 2014A and 2014B Bonds were used to refund the outstanding Virginia Small Business Financing Authority Residential Care Facility Revenue Refunding Bonds (Series 2012A Bonds). The Virginia Small Business Financing Authority Residential Care Facility Subordinated Taxable Bonds Series 2012B Bonds (Series 2012B Bonds) were also refunded through this issuance; however, a portion of the Series 2012B Bonds were forgiven in accordance with the provisions of the Series 2012 Bonds. At that time, The Glebe Series 2012A and 2012B Bonds were cancelled and extinguished and were no longer considered outstanding. The Series 2014A and 2014B Bonds are collateralized by a deed of trust of certain facilities of The Glebe as well as a security interest in certain other assets and property. The Series 2014B Bond was paid in full in January 2018.

In July 2017, LifeSpire issued a note for $30,000,000 to fund the project costs of the Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017A (Series 2017A Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.65%. Monthly principal payments began August 1, 2020 with all unpaid principal and interest due July 1, 2047. The Series 2017A Bond was refinanced in 2021 and paid off with the issuance of the Series 2021 Bonds.

In July 2017, LifeSpire issued a note for $18,112,000 to fund the project costs of the Culpeper renovations in relation to the Economic Development Authority of Culpeper County, Virginia Residential Care Facilities Revenue Bond Series 2017B (Series 2017B Bond). Monthly payments of interest began September 1, 2017 at a variable interest rate of One-Month LIBOR times 67% plus a spread of 2.25%. Monthly principal payments began August 1, 2020 with all unpaid principal and interest due July 1, 2047. The Series 2017B Bonds was refinanced in 2021 and paid off with the issuance of the Series 2021 Bonds.

In December 2017, LifeSpire issued a note totaling $49,750,000 to fund the project costs of the Lakewood and The Glebe renovations and refund $2,565,000 of The Glebe Series 2014B Bonds in relation to the Economic Development Authority of Henrico County, Virginia Residential Care Facilities Revenue and Refunding Bonds Series 2017C (Series 2017C Bonds). The 2017C Bonds are comprised of serial bonds due in annual installments through 2027 and term bonds due in 2032, 2037 and 2047.

NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

In August 2021, LifeSpire issued a note totaling $77,875,000 to fund the purchase of The Summit, refund the existing Series 2017A and Series 2017B Bonds, terminate the interest rate swap agreements associated with the Series 2017A and Series 2017B bonds, pay for certain costs of issuance and fund project costs at Lakewood and Culpeper in relation to the Virginia Small Business Financing Authority Residential Care Facilities Revenue and Refunding Bonds Series 2021 (Series 2021 Bonds). The 2021 Bonds are comprised of serial bonds due in annual installments through 2026 and term bonds due in 2031, 2036, 2041 and 2051. In addition to the Series 2021 Bonds, a taxable loan not to exceed $15,600,000 (the 2021 Taxable Loan) was issued to fund the purchase of The Summit, pay for certain costs of issuance, and provide working capital for renovations to The Summit. The 2021 Taxable Loan is comprised of $6,240,000 due within 3 years of closing with the remainder due 5 years after closing.

The Series 2016, 2017 and 2021 Bonds are collateralized by a deed of trust of certain facilities of the LifeSpire Obligated Group as well as a security interest in inventory, accounts, documents, instruments, other monies, chattel paper and general intangibles. The related agreements also contain certain covenants, including a requirement that days cash on hand (as defined) be in excess of 120 days and that the long-term debt service coverage ratio be in excess of 1.20. Management is not aware of any noncompliance with these covenants as of December 31, 2023.

Each member of the LifeSpire Obligated Group under the Master Trust Indenture dated January 1, 2003 and the Amended and Restated Master Trust Indenture dated October 1, 2016 is jointly and severally liable for the payment of all LifeSpire Obligated Group Long-Term Debt; however, the individual LifeSpire Obligated Group members are not liable for any other claims against the other LifeSpire Obligated Group members. As part of the Series 2017C Bond issuance described above, a supplemental indenture was entered into related to the Amended and Restated Master Trust Indenture dated October 1, 2016. As part of this supplemental indenture, The Glebe was brought into the Obligated Group and is now subject to the provisions of each Master Trust Indenture noted above. As part of the Series 2021 Bond issuance described above, a supplemental indenture was entered into related to the Amended and Restated Master Trust Indenture dated October 1, 2016. As part of this supplemental indenture, The Summit was brought into the Obligated Group and is now subject to the provisions of each Master Trust Indenture noted above. These changes were adopted retrospectively.

Accordingly, no LifeSpire entity is liable for any indebtedness of any other LifeSpire entity other than the limited cross liability of the LifeSpire Obligated Group for the LifeSpire Long-Term Debt as discussed above. The Foundation is not a member of the LifeSpire Obligated Group.

NOTE 6 LONG-TERM DEBT AND NOTES PAYABLE (CONTINUED)

Scheduled sinking fund and principal repayments of long-term debt are as follows:

Year Ending December 31,	Amount
2024	$ 12,725,000
2025	10,074,333
2026	12,441,667
2027	3,925,000
2028	4,090,000
Thereafter	190,890,000
Total	$ 234,146,000

During 2023 and 2022, LifeSpire paid approximately $10,417,000 and $10,497,000, respectively, for interest, net of amounts capitalized.

NOTE 7 ADVANCE FEES AND DEPOSITS

A refundable deposit of $1,000 of the advance fee is made at the time a priority list agreement for The Culpeper, The Chesapeake, Lakewood, The Summit or The Glebe is executed. Advance fees received from residents are subject to the refund provisions of Residents' Agreements. Refunds expire ratably over a 10 to 50-month period starting from the resident's date of entrance. At December 31, 2023 and 2022, the portion of advance fees subject to refund provisions amounted to approximately $107,286,000 and $100,272,000, respectively. Amounts expected to be refunded to current residents, based on LifeSpire's experience, are approximately $10,863,000 and $6,777,000 at December 31, 2023 and 2022, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2023 and 2022:

	2023	2022
Subject to Expenditure for Specific Purpose:		
Purchase of Equipment	$ 370,515	$ 366,585
Benevolent Care of Residents	2,460,518	3,197,893
Other	557,790	115,561
Total	3,388,823	3,680,039
Annuity Trust Agreements	1,254,723	993,917
Beneficial Interests in Perpetual Trusts	8,628,817	8,761,266
Subject to the Corporation's Spending Policy and Appropriation:		
Endowment Funds	4,605,225	4,594,065
Total Net Assets With Donor Restrictions	$ 17,877,588	$ 18,029,287

During the years ended December 31, 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2023	2022
Benevolent Care of Residents	$ 740,174	$ 751,326
Other	12,596	18,642
Total Releases	$ 752,770	$ 769,968

LifeSpire's net assets with donor restrictions include individual endowments established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The state of Virginia adopted the Virginia Prudent Management of Institutional Funds Act (the Act). The Board of Trustees of LifeSpire has interpreted the Act 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, LifeSpire classifies as perpetually restricted net assets (1) the original value of gifts donated to the permanent endowment and (2) the original value of subsequent gifts to the permanent endowment.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted Endowment Fund that is not classified in perpetually restricted net assets with donor restrictions is classified as purpose restricted net assets with donor restrictions until those amounts are appropriated for expenditure by LifeSpire in a manner consistent with the standard of prudence prescribed in the Act.

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

- The duration and preservation of the fund
- The purposes of LifeSpire and the Donor-Restricted Endowment Fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of LifeSpire
- The investment policy of LifeSpire

Funds with Deficiencies

It is LifeSpire's policy to maintain the corpus amounts of each individual Donor-Restricted Endowment Fund received. If the fair value of assets associated with Individual Donor-Restricted Endowment Funds were to fall below the level that the donor or the Act requires LifeSpire to retain as a fund of perpetual duration, in accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions.

Return Objectives and Risk Parameters

LifeSpire has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that LifeSpire must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, LifeSpire relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management targets a diversified asset allocation that meets LifeSpire's long-term rate of return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Spending Policy and How the Investment Objectives Relate to Spending Policy

LifeSpire's spending policy is consistent with its objective of preservation of the fair value of the original gift of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Perpetually restricted net assets of approximately $13,234,000 and $13,355,000 at December 31, 2023 and 2022, respectively, are restricted to investment in perpetuity, the income some of which is not donor-restricted and is expendable primarily to support residential services. Of these totals, approximately $8,629,000 and $8,761,000 relates to split interest agreements that are administered and managed by third parties as trustees at December 31, 2023 and 2022, respectively. LifeSpire does not have the ability to make any investing decisions related to these funds. The remaining $4,605,000 and $4,594,000 of perpetually restricted net assets with donor restrictions are managed by LifeSpire at December 31, 2023 and 2022, respectively. LifeSpire had no board designated endowment funds for the years ended December 31, 2023 and 2022.

The perpetually restricted assets include beneficial interest in charitable remainder trusts, as well as other investments which are pooled with LifeSpire's investment portfolio with the objectives of providing long-term growth of capital, maximizing the return on assets over the long-term while diversifying investments within asset classes to reduce the impact of losses in single investments.

Endowment net asset composition by type of fund was as follows as of December 31:

	2023	2022
Donor-Restricted Endowment Funds:		
Portion subject to appropriation under UPMIFA	$ 1,146,986	$ 1,146,986
Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor	4,605,225	4,594,065
Total Funds	$ 5,752,211	$ 5,741,051

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

The following is the change in endowment net assets managed by LifeSpire for the years ended December 31, 2023 and 2022:

	2023			
	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
Endowment Net Assets, Beginning of the Year	$ -	$ 1,146,986	$ 4,594,065	$ 5,741,051
Realized Losses and Change in Unrealized Losses on Investments	-	-	-	-
Contributions	-	-	11,160	11,160
Endowment Net Assets, End of Year	$ -	$ 1,146,986	$ 4,605,225	$ 5,752,211

	2022			
	Without Donor Restrictions	Purpose Restricted	Perpetual in Nature	Total
Endowment Net Assets, Beginning of the Year	$ -	$ 1,146,986	$ 4,464,504	$ 5,611,490
Realized Losses and Change in Unrealized Losses on Investments	-	-	-	-
Contributions	-	-	129,561	129,561
Endowment Net Assets, End of Year	$ -	$ 1,146,986	$ 4,594,065	$ 5,741,051

NOTE 9 ANNUITY PLAN

All employees of LifeSpire are eligible to participate in the GuideStone 403(b) Plan (the Plan). The Plan provides retirement contributions for those employees completing six months of service and a minimum of 500 hours of service during a six-month period. LifeSpire matches eligible employees' contributions. The match is determined as a percentage of the participant's compensation, not to exceed 4.5% in 2023 and 2022. The participant is fully vested in the matching contribution. LifeSpire may also make discretionary contributions. Participants may make voluntary contributions, not to exceed the lesser of $18,500 or 20%, with certain exceptions, of their annual compensation during the plan year.

Contributions by LifeSpire were approximately $960,000 and $1,089,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE 10 LIQUIDITY AND AVAILABILITY

LifeSpire invests cash in excess of short-term requirements in short-term investments. In addition, LifeSpire has long-term mutual funds and equity securities which are liquid within one week and hedge funds and equity method securities which are liquid quarterly. As of December 31, 2023 and 2022, LifeSpire had working capital of $17,421,221 and $25,148,527, respectively.

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

	2023	2022
Cash and Cash Equivalents	$ 37,740,751	$ 44,432,119
Investments and Assets Whose Use is Limited:		
Mutual Funds	23,750,747	17,998,832
Marketable Equity Securities	26,442,940	24,891,185
Fixed Income	26,702,382	25,416,800
Equity Method Securities	248,680	215,804
Accounts Receivable, Net	8,989,379	4,705,590
Notes Receivable	2,984,446	2,451,032
Less: Purpose Restricted Net Assets	(3,388,823)	(3,680,039)
Total Financial Assets Available to Meet Liquidity Needs	$ 123,470,502	$ 116,431,323

NOTE 11 FAIR VALUE MEASUREMENTS

LifeSpire uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. All assets have been valued using a market approach, except for Level 3 beneficial interests in perpetual trusts. Alternative funds held by LifeSpire seek long-term capital appreciation and reduction of overall portfolio risk through investing in hedge funds of funds, real estate investment trusts, or commodities. LifeSpire established alternative investment valuation procedures in which Management validates the fair value reported by the third-party investment manager. For additional information on how LifeSpire measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of LifeSpire measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Whose Use is Limited and Investments:				
Mutual Funds	$ 23,750,747	$ -	$ -	$ 23,750,747
Marketable Equity Securities	26,442,940	-	-	26,442,940
Fixed Income	26,702,382	-	-	26,702,382
Beneficial Interest in Perpetual Trust Funds	-	-	8,628,817	8,628,817
Total Assets	$ 76,896,069	$ -	$ 8,628,817	$ 85,524,886
Liabilities:				
Annuities Payable	$ -	$ 672,850	$ -	$ 672,850
Total Liabilities	$ -	$ 672,850	$ -	$ 672,850

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Assets Whose Use is Limited and Investments:				
Mutual Funds	$ 17,998,832	$ -	$ -	$ 17,998,832
Marketable Equity Securities	24,891,185	-	-	24,891,185
Fixed Income	25,416,800	-	-	25,416,800
Beneficial Interest in Perpetual Trust Funds	-	-	8,761,266	8,761,266
Total Assets	$ 68,306,817	$ -	$ 8,761,266	$ 77,068,083
Liabilities:				
Annuities Payable	$ -	$ 492,030	$ -	$ 492,030
Total Liabilities	$ -	$ 492,030	$ -	$ 492,030

The tables above include all assets whose use is limited and investments with the exception of cash and short-term investments and absolute return strategy investments/hedge funds and equity method investments as these investments are measured at cost at December 31, 2023 and 2022.

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

	Beneficial Interests
Balance at January 1, 2022	$ 11,591,162
Total Gains or Losses (Realized or Unrealized) for the Year Included in Operating Profit	(2,829,896)
Balance at December 31, 2022	8,761,266
Total Gains or Losses (Realized or Unrealized) for the Year Included in Operating Profit	(132,449)
Balance at December 31, 2023	$ 8,628,817

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Certain alternative investments held by LifeSpire calculate net asset value per share (or its equivalent). The following tables set forth additional disclosures for the fair value measurement of these investments that calculate net asset value per share for the years ended December 31, 2023 and 2022:

	2023			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
TIFF Partners V-US	$ 10,150	$ 35,000	Quarterly	10 Business Days
MAP Heritage	1,432,229	-	Short-term	10 Business Days
Commonfund Int'l Partners V	-	15,719	Quarterly	10 Business Days
Venture Investment Assoc. V	120,689	15,000	Quarterly	10 Business Days
SFM Private Equity I, L.P.	71,459	335,000	Quarterly	5 Business Days
SFM Opportunities V, L.P.	1,179,934	160,058	Quarterly	5 Business Days
Total	$ 2,814,461	$ 560,777		

	2022			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
TIFF Partners V-US	$ 27,095	$ 35,000	Quarterly	10 Business Days
MAP Heritage	1,432,229	-	Short-term	10 Business Days
Commonfund Int'l Partners V	-	15,719	Quarterly	10 Business Days
Venture Investment Assoc. V	131,779	15,000	Quarterly	10 Business Days
SFM Private Equity I, L.P.	100,166	335,000	Quarterly	5 Business Days
SFM Opportunities V, L.P.	1,193,327	169,892	Quarterly	5 Business Days
Total	$ 2,884,596	$ 570,611		

The investment funds are valued at the net asset value (NAV) of units, which are based on market prices of the underlying investments, held by LifeSpire at year-end. TIFF Partners' investment objective is to invest in domestic private equity investment partnerships and to maintain endowment purchasing power for its investors by generating returns greater than those provided by the broader United States stock market. MAP Heritage invest in direct and indirect interests in natural gas and oil royalty interests associated with some of the largest, long-life gas fields in the U.S. Commonfund International Partners V invests in approximately 15 to 20 top-tier international private equity and venture capital funds. Venture Investment Associates V was formed to provide investors with significant long-term appreciation through investment in private equity partnerships. SFM Opportunities V, L.P. invest in nonmarketable limited partnership interests in private equity partnerships that invest in the energy sector or other national resources. SFM Private Equity I, L.P. invests in nonmarketable limited partnership interests in private equity partnerships with the objective to generate long-term returns greater than those available through traditional public equity investing.

NOTE 12 COMMITMENTS AND CONTINGENCIES

As an agency of the BGAV, LifeSpire receives certain additional support which approximated $10,000 and $11,000 during the years ended December 31, 2023 and 2022, respectively.

LifeSpire is subject to legal proceedings and claims which arise in the course of providing health care services. LifeSpire maintains liability insurance coverage for claims made during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

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

Liability Insurance

LifeSpire, together with other similar retirement communities in the state of Virginia, is a shareholder of Virginia Senior Care Group, a limited liability corporation whose primary purpose is that of obtaining general liability and professional insurance for its shareholders. Under the terms of the policy, the risk for these entities is pooled and a potential liability for this coverage is actuarially determined. Premiums paid represent a portion of the potential liability, as actuarially determined for the group. In addition, LifeSpire maintains a loss fund deposit in the event that claims exceed the premiums. The policy also provides for umbrella coverage, which functions as an extension of the primary limit. The policy is written on a claims first made basis and has a component of reinsurance. Management has not recorded any liabilities related to this policy as it is not aware of any underfunding within the pool.

Health Insurance

During 2012, LifeSpire began to self-insure its employees' health plan by joining the Heritage Group Health Program, with the exception of The Glebe which joined in 2016. This program, on behalf of LifeSpire and other similar retirement communities in the state of Virginia, has contracted with an administrative service company to supervise and administer the program and act as its representative. Provisions for expected future payments are accrued based on LifeSpire's experience and include amounts for claims filed and claims incurred but not reported. LifeSpire insures for excessive and unexpected health claims and is liable for claims not to exceed $100,000 for each employee per plan year and an aggregate amount of $1,000,000 per plan year.

NOTE 13 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square footage basis include occupancy, repairs and maintenance, taxes, utilities, other, depreciation and interest expense. Dietary and food services expenses are allocated based on number of meals served. The expenses that are allocated based on the number of units occupied include legal and accounting, marketing, and professional services. Supplies are allocated based on resident days.

Program, management, and fundraising expenses for the year ended December 31, 2023 are summarized as follows:

	Program Services						
	Independent Living	Assisted Living	Health Center	Total	Management and General	Fundraising	Total
Salaries and Wages	$ 14,303,733	$ 13,673,842	$ 19,090,326	$ 47,067,901	$ 4,540,533	$ 529,517	$ 52,137,951
Employee Benefits	2,507,266	2,290,557	2,816,750	7,614,573	423,528	94,659	8,132,760
Dietary and Food Service	2,839,359	1,604,411	1,332,841	5,776,611	-	-	5,776,611
Therapy	-	-	3,290,973	3,290,973	-	-	3,290,973
Insurance	1,087,915	170,751	117,377	1,376,043	26,467	4,208	1,406,718
Marketing Expense	940,869	230,656	174,260	1,345,785	-	33,142	1,378,927
Professional Services	1,029,693	252,431	190,711	1,472,835	479,742	-	1,952,577
Rental Equipment	351,316	55,140	37,904	444,360	19,971	-	464,331
Occupancy, Repairs, and Maintenance	2,870,615	450,549	309,715	3,630,879	261,733	35,462	3,928,074
Supplies	2,169,716	511,564	1,847,059	4,528,339	75,753	4,622	4,608,714
Taxes	125,074	19,631	13,494	158,199	-	-	158,199
Telephone	1,182,643	185,618	127,597	1,495,858	52,665	600	1,549,123
Utilities	3,153,161	494,895	340,199	3,988,255	-	-	3,988,255
Other	1,853,871	290,969	200,017	2,344,857	1,291,925	240,672	3,877,454
Depreciation	14,068,704	2,208,113	1,567,183	17,844,000	158,389	3,330	18,005,719
Interest Expense	8,207,563	1,289,637	837,227	10,334,427	230,905	-	10,565,332
Total Expenses by Function	$ 56,691,498	$ 23,728,764	$ 32,293,633	$ 112,713,895	$ 7,561,611	$ 946,212	$ 121,221,718

NOTE 13 FUNCTIONAL EXPENSES (CONTINUED)

Program, management, and fundraising expenses for the year ended December 31, 2022 are summarized as follows:

	Program Services						
	Independent Living	Assisted Living	Health Center	Total	Management and General	Fundraising	Total
Salaries and Wages	$ 12,624,371	$ 12,811,614	$ 17,381,866	$ 42,817,851	$ 4,225,961	$ 484,158	$ 47,527,970
Employee Benefits	2,141,353	2,102,116	2,492,083	6,735,552	614,978	85,562	7,436,092
Dietary/Food Service	2,605,214	1,686,168	1,306,222	5,597,604	-	-	5,597,604
Therapy	-	-	3,317,499	3,317,499	-	-	3,317,499
Insurance	806,977	126,657	87,066	1,020,700	27,490	1,182	1,049,372
Marketing Expense	891,444	236,560	162,879	1,290,883	-	20,415	1,311,298
Professional Services	953,179	252,943	174,159	1,380,281	425,663	3,365	1,809,309
Rental Equipment	257,980	40,491	27,834	326,305	20,136	-	346,441
Occupancy, Repairs, and Maintenance	3,842,625	603,108	414,586	4,860,319	305,396	19,252	5,184,967
Supplies	1,874,375	481,529	1,749,423	4,105,327	186,916	6,949	4,299,192
Taxes	138,298	21,706	14,921	174,925	-	-	174,925
Telephone	994,033	156,016	107,248	1,257,297	215,458	600	1,473,355
Utilities	2,884,927	452,795	311,259	3,648,981	-	-	3,648,981
Other	1,653,818	259,570	178,433	2,091,821	1,158,085	202,853	3,452,759
Depreciation	13,491,257	2,117,481	1,504,881	17,113,619	164,447	3,330	17,281,396
Interest Expense	8,534,166	1,302,870	846,324	10,683,360	-	-	10,683,360
Total Expenses by Function	$ 53,694,017	$ 22,651,624	$ 30,076,683	$ 106,422,324	$ 7,344,530	$ 827,666	$ 114,594,520