

TENNESSEE BAPTIST ADULT HOMES, INC.

Financial Statements
With Independent Auditors' Report

October 31, 2022 and 2021

TENNESSEE BAPTIST ADULT HOMES, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tennessee Baptist Adult Homes, Inc.
Franklin, Tennessee

Opinion

We have audited the accompanying financial statements of Tennessee Baptist Adult Homes, Inc., which comprise the statements of financial position as of October 31, 2022 and 2021, and the related statements of activities, functional expenses, 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 Tennessee Baptist Adult Homes, Inc. as of October 31, 2022 and 2021, 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 Tennessee Baptist Adult Homes, Inc. 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 these 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 Tennessee Baptist Adult Homes, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Tennessee Baptist Adult Homes, Inc.
Franklin, Tennessee

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 Tennessee Baptist Adult Homes, Inc.'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 Tennessee Baptist Adult Homes, Inc.'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.

Capin Crouse LLP

Lawrenceville, Georgia
January 13, 2023

TENNESSEE BAPTIST ADULT HOMES, INC.

Statements of Financial Position

	October 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 274,006	\$ 1,178,357
Contributions receivable	43,635	40,232
Notes receivable	296,738	253,231
Investments	1,523,648	1,784,504
Funds held for others	90,867	105,649
Property and equipment—net	1,610,454	1,066,949
Beneficial interests in trusts held by others	1,661,213	1,941,571
	<hr/>	<hr/>
Total Assets	<u>\$ 5,500,561</u>	<u>\$ 6,370,493</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 95,883	\$ 27,788
Funds held for others	90,867	105,649
Line of credit	143,775	124,744
Other liabilities	68,592	75,740
Post-retirement benefit obligation	387,005	382,648
Total liabilities	<hr/> 786,122 <hr/>	<hr/> 716,569 <hr/>
Net assets:		
Without donor restrictions	2,692,432	3,286,422
With donor restrictions	2,022,007	2,367,502
Total net assets	<hr/> 4,714,439 <hr/>	<hr/> 5,653,924 <hr/>
Total Liabilities and Net Assets	<u>\$ 5,500,561</u>	<u>\$ 6,370,493</u>

See notes to financial statements

TENNESSEE BAPTIST ADULT HOMES, INC.

Statement of Activities

Year Ended October 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Resident services—net	\$ 889,169	\$ -	\$ 889,169
Contributions of financial assets	454,969	37,928	492,897
Contributions of financial assets from Tennessee Baptist Mission Board	293,565	-	293,565
Investment loss	(145,712)	(43,966)	(189,678)
Gain on sale of property and equipment	18,068	-	18,068
Other revenue	41,892	-	41,892
Total Support and Revenue	<u>1,551,951</u>	<u>(6,038)</u>	<u>1,545,913</u>
RECLASSIFICATIONS:			
Satisfaction of purpose restrictions	<u>58,851</u>	<u>(58,851)</u>	<u>-</u>
EXPENSES:			
Resident services	1,746,929	-	1,746,929
Management and general	445,971	-	445,971
Total Expenses	<u>2,192,900</u>	<u>-</u>	<u>2,192,900</u>
Change in Operating Net Assets	<u>(582,098)</u>		
NON-OPERATING ACTIVITIES:			
Other components of net periodic post-retirement costs	(13,023)	-	(13,023)
Post-retirement related changes other than net periodic post-retirement costs	1,131	-	1,131
Change in value of beneficial interests in trusts held by others	-	(280,606)	(280,606)
Total Non-Operating Activities	<u>(11,892)</u>	<u>(280,606)</u>	<u>(292,498)</u>
Change in Net Assets	(593,990)	(345,495)	(939,485)
Net Assets, Beginning of Year	<u>3,286,422</u>	<u>2,367,502</u>	<u>5,653,924</u>
Net Assets, End of Year	<u><u>\$ 2,692,432</u></u>	<u><u>\$ 2,022,007</u></u>	<u><u>\$ 4,714,439</u></u>

See notes to financial statements

TENNESSEE BAPTIST ADULT HOMES, INC.

Statement of Activities

Year Ended October 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Resident services—net	\$ 818,925	\$ -	\$ 818,925
Contributions of financial assets	475,113	241,048	716,161
Contributions of financial assets from Tennessee Baptist Mission Board	293,589	-	293,589
Investment income	133,461	20,895	154,356
Other revenue	94,648	-	94,648
Total Support and Revenue	<u>1,815,736</u>	<u>261,943</u>	<u>2,077,679</u>
RECLASSIFICATIONS:			
Satisfaction of purpose restrictions	<u>124,691</u>	<u>(124,691)</u>	<u>-</u>
EXPENSES:			
Resident services	1,679,110	-	1,679,110
Management and general	461,069	-	461,069
Total Expenses	<u>2,140,179</u>	<u>-</u>	<u>2,140,179</u>
Change in Operating Net Assets	<u>(199,752)</u>		
NON-OPERATING ACTIVITIES:			
Other components of net periodic post-retirement costs	(14,455)	-	(14,455)
Post-retirement related changes other than net periodic post-retirement costs	(6,232)	-	(6,232)
Change in value of beneficial interests in trusts held by others	-	228,665	228,665
Total Non-Operating Activities	<u>(20,687)</u>	<u>228,665</u>	<u>207,978</u>
Change in Net Assets	(220,439)	365,917	145,478
Net Assets, Beginning of Year	<u>3,506,861</u>	<u>2,001,585</u>	<u>5,508,446</u>
Net Assets, End of Year	<u><u>\$ 3,286,422</u></u>	<u><u>\$ 2,367,502</u></u>	<u><u>\$ 5,653,924</u></u>

See notes to financial statements

TENNESSEE BAPTIST ADULT HOMES, INC.

Statement of Functional Expenses

Year Ended October 31, 2022

	Resident Services	Management and General	Total
Salaries and wages	\$ 839,910	\$ 215,247	\$ 1,055,157
Payroll taxes and benefits	233,510	72,565	306,075
Professional fees and staff development	4,017	27,103	31,120
Occupancy, equipment, and maintenance	254,597	48,153	302,750
Resident activities and allowances	173,761	-	173,761
Interest and bank fees	26	3,239	3,265
Depreciation	57,581	14,899	72,480
Insurance	22,854	33,931	56,785
Supplies and office expenses	158,672	3,308	161,980
Other expenses	2,001	27,526	29,527
	<u>1,746,929</u>	<u>445,971</u>	<u>2,192,900</u>
Other components of net periodic postretirement costs	<u>-</u>	<u>13,023</u>	<u>13,023</u>
	<u><u>\$ 1,746,929</u></u>	<u><u>\$ 458,994</u></u>	<u><u>\$ 2,205,923</u></u>

See notes to financial statements

TENNESSEE BAPTIST ADULT HOMES, INC.

Statement of Functional Expenses

Year Ended October 31, 2021

	Resident Services	Management and General	Total
Salaries and wages	\$ 810,238	\$ 229,517	\$ 1,039,755
Payroll taxes and benefits	272,850	84,228	357,078
Professional fees and staff development	4,358	18,497	22,855
Occupancy, equipment, and maintenance	218,300	41,765	260,065
Resident activities and allowances	160,362	-	160,362
Interest and bank fees	36	5,056	5,092
Depreciation	50,271	2,008	52,279
Insurance	20,335	39,986	60,321
Supplies and office expenses	141,424	5,356	146,780
Other expenses	936	34,656	35,592
	<u>1,679,110</u>	<u>461,069</u>	<u>2,140,179</u>
Other components of net periodic postretirement costs	<u>-</u>	<u>14,455</u>	<u>14,455</u>
	<u><u>\$ 1,679,110</u></u>	<u><u>\$ 475,524</u></u>	<u><u>\$ 2,154,634</u></u>

See notes to financial statements

TENNESSEE BAPTIST ADULT HOMES, INC.

Statements of Cash Flows

	October 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (939,485)	\$ 145,478
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	72,480	52,279
Net realized and unrealized (gains) losses on investments	274,527	(84,001)
Gain on sale of property and equipment	(18,068)	-
Change in value of beneficial interests in trusts held by others	280,606	(228,665)
Contributions received for long-term purposes	(248)	(230,132)
Changes in:		
Contributions receivable	(3,403)	8,067
Notes receivable	(43,507)	(253,231)
Accounts payable	(9,862)	3,998
Other liabilities	(7,148)	(38,101)
Post-retirement benefits obligation	4,357	17,362
Net Cash Used by Operating Activities	<u>(389,751)</u>	<u>(606,946)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(46,915)	(262,209)
Proceeds from sale of investments	32,996	18,220
Purchases of property and equipment	(538,028)	(179,003)
Proceeds from sale of property and equipment	18,068	-
Net Cash Used by Investing Activities	<u>(533,879)</u>	<u>(422,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	248	230,132
Proceeds from line of credit	19,031	124,744
Net Cash Provided by Financing Activities	<u>19,279</u>	<u>354,876</u>
Net Change in Cash and Cash Equivalents	(904,351)	(675,062)
Cash and Cash Equivalents, Beginning of Year	<u>1,178,357</u>	<u>1,853,419</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 274,006</u></u>	<u><u>\$ 1,178,357</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Capital expenditures acquired through accounts payable	<u><u>\$ 77,957</u></u>	<u><u>\$ -</u></u>

See notes to financial statements

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

Tennessee Baptist Adult Homes, Inc. (Adult Homes) is an institution of the Tennessee Baptist Mission Board. Its purpose is to provide a Christian residential ministry for senior and exceptional adults.

Adult Homes' principal revenue sources include support from the Tennessee Baptist Mission Board and Tennessee Baptist churches and church members, as well adult group homes operating in Jacksboro/Knoxville, Lebanon, and Hermitage, Tennessee. During the years ended October 31, 2022 and 2021, total revenue from the Tennessee Baptist Mission Board Cooperative Program totaled \$293,565 and \$293,589, respectively. In addition, Adult Homes receives management fees from Deer Lake Retirement Village, rental income from elderly housing at Baptist Village of Johnson City, and fees under sponsorship agreements.

Adult Homes is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Adult Homes qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from certain activities not directly related to Adult Homes' tax-exempt purpose is subject to taxation as unrelated business income. Adult Homes has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Adult Homes does not have any outstanding interest or penalties, and none have been recorded in the statements of activities for the years ended October 31, 2022 and 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed by Adult Homes are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Adult Homes considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents. At October 31, 2022 and 2021, Adult Homes' cash balances exceeded federally insured limits by \$130,282 and \$943,133, respectively. Adult Homes does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of contributions from the Tennessee Baptist Mission Board, wherein churches send contributions to the Tennessee Baptist Mission Board, who then remit contributions monthly to Adult Homes, as well as other receivables. Management has no concerns regarding the collectability of these receivables; therefore, no allowance has been recorded.

INVESTMENTS

Investments consist of interests in the Tennessee Baptist Foundation's common funds, which are carried at the fair market value of the underlying investments. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy.

FUNDS HELD FOR OTHERS

Funds held for others consist of cash in checking accounts held for residents in Adult Homes' role as Representative Payee for residents who receive benefits from the Social Security Administration (SSA). These balances belong to the residents and are managed by Adult Homes. The SSA has various guidelines and restrictions on how funds may be spent, and they require regular reporting to the SSA. Should the resident no longer reside with Adult Homes, the funds would be returned to the resident.

PROPERTY AND EQUIPMENT

Items capitalized as property and equipment are recorded at cost or, if donated, at fair market value on the date of the gift. Purchases and donations of equipment in excess of \$1,000 are capitalized if the expected useful life exceeds one year. Donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets ranging from 3 to 28 years.

BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS

Beneficial interests in trusts held by others represent funds held and administered by trustees in accordance with the terms of various trust instruments and include both residual and perpetual trusts. Residual trusts are structured to pay a remainder corpus amount in the future. Perpetual trusts are structured to pay ongoing income. This income is either currently paying or will be paying in the future.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

Without donor restrictions amounts are currently available at the discretion of the board of directors for use in operations.

With donor restrictions amounts are stipulated by donors for specific operating purposes or programs, with time restrictions, or are required by donors to be held in perpetuity with investment return used for certain home operations or other specific purposes.

REVENUE AND REVENUE RECOGNITION

Resident services revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Adult Homes has agreements with third-party payors that provide for payments to Adult Homes at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Resident services revenue is recognized in the reporting period in which the services are delivered. Net resident service fees consist of:

	Year Ended October 31,	
	2022	2021
Resident service revenue	\$ 1,065,929	\$ 982,025
Less discounts provided to residents	(176,760)	(163,100)
Net resident service fees	<u>\$ 889,169</u>	<u>\$ 818,925</u>

Adult Homes recognizes support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to Adult Homes. Contributions include contributions from the Tennessee Baptist Mission Board. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Adult Homes reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, Adult Homes reports expirations of donor restrictions when donated or acquired assets have been placed in service.

Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES BY NATURE AND FUNCTION

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

The statements of activities and functional expenses 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. Salaries, benefits, and payroll taxes are allocated directly to the function where time and effort are expended. All other expenses are allocated based on the direct benefit being received by either the program or management function. Total expense includes all operating expenses as well as the nonoperating expense of other components of net periodic post-retirement cost.

OPERATING AND NONOPERATING ACTIVITIES

The statements of activities presents the changes in net assets of Adult Homes from both operating activities and nonoperating activities. Operating revenues and expenses relate primarily to program services provided by Adult Homes. Activity with donor restrictions is not considered to be operating.

Nonoperating activities consist primarily of (a) other components of net periodic post-retirement costs, (b) post-retirement related changes other than net periodic post-retirement costs, and (c) change in value of beneficial interests in trusts held by others.

RECENTLY ADOPTED ACCOUNTING STANDARD

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. Adoption of this standard did not have a material impact on the financial statements.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents Adult Homes' financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	October 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 274,006	\$ 1,178,357
Contributions receivable	43,635	40,232
Notes receivable	296,738	253,231
Investments	1,523,648	1,784,504
Funds held for others	90,867	105,649
Beneficial interest in trusts held by others	1,661,213	1,941,571
Financial assets, at year-end	<u>3,890,107</u>	<u>5,303,544</u>
Less those unavailable for general expenditure within one year due to:		
Board-designations	(549,159)	(549,159)
Contractual or donor-imposed restrictions:		
Funds held for others	(90,867)	(105,649)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(332,923)	(382,716)
Beneficial interests in trusts held by others	(1,661,213)	(1,941,571)
	<u>(2,634,162)</u>	<u>(2,979,095)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,255,945</u>	<u>\$ 2,324,449</u>

Adult Homes has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Adult Homes considers all expenditures related to its ongoing program activities and supporting activities to be included. Adult Homes also has a pre-approved available line of credit for up to \$200,000, which could be drawn upon in the event of an unanticipated liquidity need. At October 31, 2022 and 2021, \$143,775 and \$124,744, respectively, was borrowed under the line of credit. Additionally, the board-designated funds could be released through board approval for operating cash needs.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

4. INVESTMENTS:

Investments consist entirely of interests in common funds of the Tennessee Baptist Foundation and are reported at fair value. Investments are held for the following purposes:

	October 31,	
	2022	2021
Investments held for operations	\$ 1,190,725	\$ 1,401,788
Investments held for endowment	332,923	382,716
	<u>\$ 1,523,648</u>	<u>\$ 1,784,504</u>

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	October 31,	
	2022	2021
Land	\$ 500,225	\$ 500,225
Building and improvements	2,662,899	2,601,398
Furniture, fixtures, and equipment	286,926	273,929
	<u>3,450,050</u>	<u>3,375,552</u>
Less accumulated depreciation	<u>(2,444,719)</u>	<u>(2,393,938)</u>
	1,005,331	981,614
Construction in progress	605,123	85,335
	<u>\$ 1,610,454</u>	<u>\$ 1,066,949</u>

6. BENEFICIAL INTEREST IN TRUSTS HELD BY OTHERS:

Adult Homes records beneficial interests in trusts held by others at their fair value as reported by the trustee, Tennessee Baptist Foundation. The fair values are as follows:

	October 31,	
	2022	2021
Beneficial interests in charitable remainder trusts	\$ 69,509	\$ 77,222
Beneficial interests in perpetual trusts	1,591,704	1,864,349
	<u>\$ 1,661,213</u>	<u>\$ 1,941,571</u>

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

7. NET ASSETS:

Net assets consist of:

	October 31,	
	2022	2021
Net assets without donor restrictions:		
Undesignated	\$ 2,143,273	\$ 2,737,263
Board-designated	549,159	549,159
	<u>2,692,432</u>	<u>3,286,422</u>
Net assets with donor restrictions:		
Restricted by purpose or time:		
Disabilities ministry support fund	18,686	18,686
Nabi House	-	16,395
Accumulated earnings on endowments:		
Rainbow Acres	34,817	74,014
Father's Day Offering	52,270	62,866
Beneficial interests in charitable remainder trusts	69,509	77,222
Other miscellaneous	9,185	8,134
	<u>184,467</u>	<u>257,317</u>
Restricted in perpetuity:		
Endowments	245,836	245,836
Perpetual trusts held by others	1,591,704	1,864,349
	<u>1,837,540</u>	<u>2,110,185</u>
Total net assets with donor restrictions	<u>2,022,007</u>	<u>2,367,502</u>
Total net assets	<u>\$ 4,714,439</u>	<u>\$ 5,653,924</u>

8. EMPLOYEE BENEFIT PLANS:

DEFINED CONTRIBUTION PLAN

Adult Homes participates in the retirement program of GuideStone Financial Resources of the Southern Baptist Convention. The plans are defined contribution plans that cover substantially all full-time employees. Adult Homes contributes an amount equal to 11% of participants' compensation for administrative division employees. For the non-administrative division, employee contributions of up to 6% are matched by Adult Homes. Retirement plan expense for the years ended October 31, 2022 and 2021, was \$55,382 and \$51,060, respectively.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

8. EMPLOYEE BENEFIT PLANS, continued:

POST-RETIREMENT BENEFIT OBLIGATION

Under a separate program, Adult Homes also provides post-retirement health care and term life insurance benefits to certain Adult Homes employees provided they remain employed at Adult Homes until retirement. The program's current and future benefits are funded by net assets without donor restrictions. The status of the post-retirement benefit obligations of the program is as follows:

A summary of the post-retirement benefit obligation is as follows:

	October 31,	
	2022	2021
Retired participants	\$ 218,759	\$ 216,410
Active fully eligible participants	-	-
Active other participants	168,246	166,238
	<u>\$ 387,005</u>	<u>\$ 382,648</u>

The following tables provide a reconciliation of the changes in the post-retirement benefit obligation and the assumptions used in the actuarial calculations.

	Year Ended October 31,	
	2022	2021
Post-retirement benefit obligation at beginning of year:	\$ 382,648	\$ 365,286
Net periodic post-retirement benefit costs	15,013	19,477
Post-retirement benefit related changes other than net periodic post-retirement benefit cost	(1,131)	6,232
Benefits paid	(9,525)	(8,347)
Post-retirement benefit obligation at end of year	<u>\$ 387,005</u>	<u>\$ 382,648</u>
Net periodic post-retirement benefit cost, included in functional expenses:		
Service cost	\$ 1,990	\$ 5,022
Interest cost	13,023	14,455
Net periodic post-retirement benefit cost other than service cost	<u>13,023</u>	<u>14,455</u>
Net periodic post-retirement benefit costs	<u>\$ 15,013</u>	<u>\$ 19,477</u>

Net periodic post-retirement cost other than service cost is reported as other components of net periodic post-retirement cost on the statements of activities.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

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8. EMPLOYEE BENEFIT PLANS, continued:

POST-RETIREMENT BENEFIT OBLIGATION, continued

Post-retirement benefit related changes other than net periodic post-retirement cost, included in nonoperating activities, are as follows:

	Year Ended October 31,	
	2022	2021
Actuarial loss	\$ (1,131)	\$ 6,232

Assumptions:

	Year Ended October 31,	
	2022	2021
Weighted average discount rate	3.50%	4.00%
	RPH-2014	RPH-2014
	Total Table	Total Table
Mortality	Proj MP-2021	Proj MP-2017
Turnover	None	None
Salary increase	3.00%	3.00%
	Medical	Medical
	(4.5%) Dental	(4.5%) Dental
Healthcare trend	(2.5%)	(2.5%)

Future benefits are expected to be paid as follows:

Year Ended October 31,	Amounts
2023	\$ 12,690
2024	38,283
2025	19,901
2026	20,327
2027	20,726
Thereafter	275,078
	<u>\$ 387,005</u>

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

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9. RELATED PARTY TRANSACTIONS AND LINE OF CREDIT:

Adult Homes occupies office space in the Church Support Center owned by the Tennessee Baptist Mission Board in Franklin, Tennessee. Adult Homes reimburses the Mission Board an annual cost sharing amount for use of the facilities, which amounted to \$47,604 and \$43,204 for the years ended October 31, 2022 and 2021, respectively. During the years ended October 31, 2022 and 2021, total revenue from the Tennessee Baptist Mission Board Cooperative Program totaled \$293,565 and \$293,589, respectively, including a receivable of \$32,049 and \$34,286 at October 31, 2022 and 2021, respectively.

The Tennessee Baptist Foundation is an institution of the Tennessee Baptist Mission Board designated for the management of trust and endowment funds. Adult Homes participates in these trust funds and holds investments with the Foundation. As of October 31, 2022 and 2021, the Tennessee Baptist Foundation administered \$1,661,213 and \$1,941,571 of trusts in which Adult Homes holds a beneficial interest, and Adult Homes held \$1,523,648 and \$1,784,504, respectively, in investments with them.

Adult Homes has access to a line of credit for the use of the Deer Lake Retirement Association (Deer Lake), which is a related party. As of October 31, 2022 and 2021, the outstanding balance on the line of credit was \$143,775 and \$124,744, respectively, and a corresponding receivable from Deer Lake of the same amount was also outstanding. The line of credit bears interest at a rate of 7.25%. In addition to the line of credit, there was also a separate note receivable initiated during the year ended October 31, 2021, from Deer Lake in the amount of \$128,487, which is payable on demand at the discretion of Adult Homes. No repayments have been made. During the year ended October 31, 2022, there was an additional \$24,476 loaned to Deer Lake to increase the outstanding balance of the note to \$152,963 as of October 31, 2022. The note receivable bears interest at a rate commensurate with the rate on the line of credit. Deer Lake also utilizes Adult Homes for certain administrative services and made payments of \$20,550 and \$9,000 for these services during the years ended October 31, 2022 and 2021, respectively.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

10. COMMITMENTS AND CONTINGENCIES:

PROGRAM SETTLEMENTS

Revenue from third-party payor programs (Social Security) accounts for a significant portion of net resident services revenue of Adult Homes. Laws and regulations governing these programs are extremely complex and subject to interpretation. Management believes Adult Homes is entitled to all amounts claimed on its cost reports and/or has provided adequate allowances for contractual adjustments and accounting estimates of current and future examination adjustments. The possibility of those recorded estimates changing due to final examination settlements is remote.

11. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. Adult Homes uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Adult Homes measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

Fair Value Measurements at October 31, 2022				
	Level 1	Level 2	Level 3	Total
Investments:				
Interest in TBF common funds	\$ -	\$ 1,523,648	\$ -	\$ 1,523,648
Beneficial interests in trusts held by others	\$ -	\$ 69,509	\$ 1,591,704	\$ 1,661,213

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

11. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at October 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Interest in TBF common funds	\$ -	\$ 1,784,504	\$ -	\$ 1,784,504
Beneficial interests in trusts held by others	\$ -	\$ 77,222	\$ 1,864,349	\$ 1,941,571

Valuation techniques used in estimating fair values are as follows:

Interest in TBF common funds—The value of investments in common funds is based on the value of the Adult Homes' per share interest in the pooled fund as reported by the Tennessee Baptist Foundation. Adult Homes is able to redeem its investment in the pool at the reporting date.

Beneficial interest in trusts held by others—The fair value of interest in trusts held by others is estimated based upon the proportionate share of the trust's assets as represented by the trustee.

Changes in valuation techniques—None.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

12. ENDOWMENTS:

As required by the *Endowment and Disclosure* topic of the FASB ASC, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Adult Homes has two donor-restricted endowments established for the benefit of Rainbow Acres and the Father's Day Offering.

The board of directors of Adult Homes has interpreted the Tennessee Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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, Adult Homes includes as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not included in perpetuity is included as net assets with donor restrictions, restricted by purpose or time, until those amounts are appropriated for expenditure by Adult Homes in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, Adult Homes considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of October 31, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Donor-restricted funds	\$ -	\$ 87,087	\$ 245,836	\$ 332,923

Endowment net asset composition by type of fund as of October 31, 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Donor-restricted funds	\$ -	\$ 136,880	\$ 245,836	\$ 382,716

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

12. ENDOWMENTS, continued:

Changes in endowment net assets for year ended October 31, 2022:

	Without Donor Restrictions	With Donor Restrictions Accumulated Earnings	Original Gift	Total
Endowment net assets, beginning of year	\$ -	\$ 136,880	\$ 245,836	\$ 382,716
Investment return:				
Investment income	-	7,952	-	7,952
Net losses (realized and unrealized)	-	(51,919)	-	(51,919)
Total investment return	-	(43,967)	-	(43,967)
Amounts appropriated for expenditure	-	(5,826)	-	(5,826)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 87,087</u>	<u>\$ 245,836</u>	<u>\$ 332,923</u>

Changes in endowment net assets for year ended October 31, 2021:

	Without Donor Restrictions	With Donor Restrictions Accumulated Earnings	Original Gift	Total
Endowment net assets, beginning of year	\$ -	\$ 122,155	\$ 245,836	\$ 367,991
Investment return:				
Investment income	-	8,203	-	8,203
Net gains (realized and unrealized)	-	12,692	-	12,692
Total investment return	-	20,895	-	20,895
Amounts appropriated for expenditure	-	(6,170)	-	(6,170)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 136,880</u>	<u>\$ 245,836</u>	<u>\$ 382,716</u>

Funds with Deficiencies—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 TUPMIFA requires Adult Homes to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of October 31, 2022.

TENNESSEE BAPTIST ADULT HOMES, INC.

Notes to Financial Statements

October 31, 2022 and 2021

12. ENDOWMENTS, continued:

Return Objectives and Risk Parameters—Adult Homes has adopted investment and spending policies for these particular endowment assets that attempt to provide a balance of yield and capital appreciation while distributing funds in a manner that meets the intent of the donor. These endowment assets include those assets of donor-restricted funds that Adult Homes must hold in perpetuity. Under this policy, the assets of this particular endowment are invested in a manner that is intended to preserve the balance of the endowment. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, Adult Homes 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). Adult Homes targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Related to Spending Policy—Adult Homes has no formal spending policy. Annual appropriations for expenditure are made at the discretion of the board of directors when determining the annual budget. In determining this amount, Adult Homes considers the long-term expected return on its endowment. Adult Homes' objective is to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

13. SUBSEQUENT EVENTS:

In November 2022, Adult Homes sold one of its properties in McNairy County. Proceeds from the sale were approximately \$240,000.

Subsequent events have been evaluated through January 13, 2023, which represents the date the financial statements were available to be issued.