



Foulkeways
AT GWYNEDD

A Foulkeways Renaissance



2023 Annual Report

TABLE OF CONTENTS

	Diversity Statement
3	2023 Board Chair Letter
4	Letter from the Chief Executive Officer
5	Letter from the Foulkeways Residents Association
6	Development Snapshot Director of Development
7	2023 – 2024 Board of Directors
8 – 9	Report from the Independent Auditors
10 – 11	Balance Sheets
12 – 13	Statements of Operations and Changes in Net Assets
14 – 15	Statements of Cash Flows
16 – 38	Notes to Financial Statements
39	Jackie Williams – Director of Quality Improvement
40	Cori Leary – Chief Human Resources Officer
41	Erin Decker – Fitness Director
42	Heather Heiland – Chief Health Services Officer
43	Jennie Sheeks – Director of Development

FOULKEWAYS DIVERSITY STATEMENT

Guided by Quaker principles since its opening in 1967, Foulkeways is a vital and evolving Life Plan Community welcoming older adults of different races, ethnicities, sexual orientations, secular and religious backgrounds.

As we begin our next 50 years, our values of equality, mutual respect, and integrity challenge us to become more culturally inclusive. We will increase our efforts to attract and involve aging individuals from the many diverse communities around us.

By using our resources and talents to champion diversity and inclusiveness among residents, staff and board, we believe that Foulkeways will thrive as an even more vital place to live and work.



2023 BOARD CHAIR LETTER

After several years of disruption, 2023 settled into a more normal pace of activity and progress for the Foulkeways Board of Directors. COVID continued to find its way into our community, yet the impact was sporadic and controlled. The Board received updates about COVID on campus at each meeting whenever it reemerged.

Led by resident Board member Lynn Bush, the Board's primary focus was on developing Foulkeways' new Strategic and Master Plans. This was a slow but deliberate process with many careful stages throughout the year. We began in February with a Board retreat led by Jane Mack from Friends Services Alliance. Amy Castleberry from Ziegler, an organization serving the senior living industry, joined us to share about national trends in senior living. During the retreat Board members broke into small groups to generate ideas on strategic issues facing Foulkeways. Toward the end of the day, we also spent time brainstorming on master planning for the future of our campus. Many creative ideas emerged from our retreat to help guide the strategic planning process. In the spring we received the results of a regional marketing analysis covering demographics along with the competitive dynamics within the local senior living industry. In the fall, the committee organized a series of strategic planning gatherings conducted with resident participation. The Board members attending these resident meetings were impressed by how engaged the residents were, sharing their thoughts from an insider's perspective. I am happy to say that all this time and effort set the stage for the new Strategic Plan being finalized by the middle of 2024.

Our Board Finance Committee had major tasks to perform in 2023 starting with overseeing the major operating financial transition from Citizens Bank to WSFS (Wilmington Savings Fund Society). Refinancing our bond package happened as planned in early April while Foulkeways' operating accounts, or "treasury", were also successfully transferred. All of this was predicated on the informed decision that WSFS will best serve Foulkeways' external financial needs for the foreseeable future. In the late spring, the committee members met with auditors from CliftonLarsonAllen who reviewed our financial documents. As in the past, they affirmed that our CFO, Edna Cristinzio, and her team produce impeccable accounting.

Without relating details, the Health Services Committee welcomed our new Chief Health Services Officer, Heather Heiland, with changes to this committee including resident members and more frequent meetings. The Nominating Committee was busy since three long-term members exited the Board mid-year while successfully bringing in two new members. The Property Committee was deeply involved in interviewing and selecting new architectural firms for future campus renovations and expansion. The Foulkeways Joint Advisory Committee held its annual meeting between FRA officers, senior management, and board members in April. No major issues were reported, yet all shared updates on community topics of interest.

In other words, your Board of Directors had a productive year while paying attention to resident opinions and concerns. My role became more routine in 2023 and I had the pleasure of being part of community wide meetings in the auditorium in both July and December. I can affirm that our affairs are in good order and that Foulkeways' future is bright. On a personal note, my family made the decision this past year to move to Colorado to be near to our daughter's family. While Neil Trueblood takes my place as Chair, I will continue to serve as a Board member from a distance via Zoom. Serving as Chair of the Board these past three years has been an honor and I thank you for the trust you placed in me.

Respectfully Submitted,

A handwritten signature in black ink that reads "Kenneth B. Taylor". The signature is written in a cursive, flowing style.

Kenneth B. Taylor
Chair of the Board of Directors



LETTER FROM THE CHIEF EXECUTIVE OFFICER

Each year brings successes, challenges and changes, and 2023 was no different. Foulkeways continued to show that it is the sum of the efforts and talents of our residents, staff and directors, as they build our community together.

We have always been proud of the longevity of our staff, particularly in leadership positions. However, each year brings some turnover, as staff members leave for retirement or other reasons. This year saw an extraordinary transition in leadership of our health services, with Heather Heiland joining us in May as our new Chief Health Services Officer and who came to us with healthcare leadership experience at several other CCRCs. Heather began her time at Foulkeways with an extensive series of small group meetings with residents to get to know our community, and has quickly absorbed her responsibilities for all aspects of health services here. We also saw a change in our Risk Manager position, and were fortunate to hire Jacqueline Williams to fill the position. Jackie's extensive background as a nursing home administrator and quality improvement specialist has allowed us to put a new focus on measuring quality outcomes, particularly in resident health care, that help us focus our efforts on improving services for residents. Finally, our longtime Director of Development retired, and we identified Jennie Sheeks to fill the role for us. We have been pleased at Jennie's quick integration into our community, as she has been quick to assist with resident solicitations and other key functions of her position.

Chief Financial Officer Edna Cristinzio quietly ensured stability for Foulkeways finances during 2023, using her contacts in the field to obtain renewals for our variable rate debt from a new bank; WSFS made an extraordinary 10-year commitment to us, the terms of which yield significant annual savings. In addition, she facilitated the annual review of the public debt rating of our fixed rate financing, obtaining a confirmation of our current investment grade rating, and a positive outlook in their opinion.

Our commitment to a more sustainable Foulkeways saw good progress in 2023. We entered the second year of our long-term project to restore our forested areas, clearing new areas of invasive species, removing dead or dying trees, and reclearing areas that had been started the year before. With the help of our resident Grounds Committee, Grounds Manager Mike Gornnert and his team have deepened their vision of how this work needs to respond to residents' use of our trails and advocated for accelerating the replanting work in the cleared areas. In October, we planted more than a dozen new trees to anchor gaps in our woods. We also replaced the roof on Gwynedd House, in anticipation of a significant solar panel installation being planned for 2024 by Director of Projects and Technology Bill Durbin.

Lastly, we made progress in our efforts on diversity, equity and inclusion. Resident Temple Elliott assumed leadership of our joint resident, board and staff committee, bringing energy and organization to the group's efforts. Among the committee's new initiatives have been a relationship between Foulkeways and the Wissahickon Charter School, in which residents and staff are designing learning opportunities on our campus for their students. Our staff DEI team of Chief Human Resources Officer Cori Leary, Director of Marketing & Admissions Brian Kersey and Spiritual Care Coordinator Monica Hall have also developed a staff training curriculum that emphasizes the connection between our work experience and Foulkeways Quaker values. In the summer of 2023, we held sessions for all staff in which they described how they experience work at Foulkeways; this has informed our next rounds of training.

I am excited about where our community stands today, and optimistic about our future. I know that I am joined by all residents and staff in making that future a reality together.

LETTER FROM THE FOULKEWAYS RESIDENTS ASSOCIATION

Dear Friends,

Service, caring, and volunteerism characterize the culture of Foulkeways at Gwynedd. This is exemplified by the participation of residents in committees, services, and activities within Foulkeways, all of which serve the needs of residents and enrich their lives. (*FRA Blue Book*)



You become a member of the Foulkeways Residents Association (FRA) when you sign your contract and your participation depends on what your level of interest is. If you don't want to actively participate, you will still reap the rewards that are presented by other resident volunteers. There are no dues and no obligation on your part.

What does the Foulkeways Residents Association do? We volunteer. Our 70 sponsored groups include those committees, services and activities offered by the FRA and driven by the residents. Every musical performance, every movie, every lecture you attend has been put together by a group of residents. When you go to the Craft Fair, buy a home-made pie from the bake sale, donate or purchase something from the Barn, residents have made this possible. When you marvel at the abundance of fresh flower arrangements or the art exhibits, when you read a library book or hit a ping pong ball, FRA volunteers have provided the means.

The Grounds Committee, comprised of knowledgeable volunteer residents and with a strong commitment from administration and staff, works to oversee that anything relating to the Foulkeways campus gets attention. The committee serves as a conduit between residents and staff in raising awareness on both sides to what may need attention. An off-shoot of the Grounds Committee are residents who improve our walking paths and build bridges through the woods.

The Barn Committee, working out of our historic barn, recycles and sells gently used goods donated by residents. These items can range from leather recliners to coffee mugs. The Barn is open 2 days a week every other week during the summer months and all year-round on our blog. Last year, the income from Barn sales was \$37,000 which helped our Performing Arts Committee continue to offer outstanding live musical performances.

Life at Foulkeways is fuller because of the many diverse volunteer opportunities offered. Whether you choose to be an active participant or a quiet observer, the Foulkeways Residents Association welcomes you to our community.

On behalf of the FRA Board,

Pam Sharp, President



DEVELOPMENT SNAPSHOT DIRECTOR OF DEVELOPMENT

Wow. That sums up my impression of Foulkeways after six months as Director of Development. The spirit of mutual care was immediately apparent from my first weeks here, and I have continued to be moved by the incredible generosity and culture of philanthropy alive in the Foulkeways community. Nearly every day, someone walks through my door (or calls or emails) to talk about something kind they want to do via a donation.

One of the most unique things about Development at Foulkeways is that the annual solicitations are done by a resident committee! That is a beautiful thing, but it does beg the question – what does the Director of Development do?

Broadly speaking, my job is to support philanthropic activity at Foulkeways. This means promoting and facilitating planned giving such as Charitable Gift Annuities, Bequests and other deferred giving vehicles; working with donors who would like to make “major gifts” for a specific purpose; raising funds from non-resident sources including board, staff and foundations; and coordinating memorial gifts including bench and tree donations. Some administrative functions come with the job as well, such as coordinating the collection of volunteer hours, tracking disbursements from designated gifts, and providing acknowledgement letters for tax-deductible gifts to Foulkeways.

A specific goal for the near-term is to secure the sustainability of the Monthly Support Fund through planned giving. Dud Saurman, who well knows the power and impact of planned gifts, wrote in the 2018 Annual Report about the importance of legacy gifts to the Monthly Support Fund: “Foulkeways is committed to continuing to support residents who find themselves in unfortunate financial circumstances through no fault of their own. Sustainability of that commitment is important now and in the years to come. This requires a culture of support from the community...This is about our legacy as a community, the Spirit of Foulkeways, and sustainability of who we are now and going forward.”

Philanthropy is an important part of the Foulkeways culture. Foulkeways would not be what it is today without the generosity of prior generations and its future will be sustained by today’s resident community. I invite anyone interested in learning more about making a planned gift to come see me.

Jennie Sheeks, Director of Development

2023 – 2024 BOARD OF DIRECTORS & OFFICERS

Mary Buckman

Attorney and Partner, Ford and Buckman, P.C., Blue Bell, PA. Member of Abington Monthly Meeting.

Lynn Bush

Vice Chair, Foulkeways Board of Directors. Professional land use and community planner. Retired Executive Director of Bucks County Planning Commission and Chief Clerk to Bucks County Commissioners. Volunteer director and strategic planner for several non-profit community organizations and consulting planner for municipal governments. Resident of Foulkeways.

Keith Eby

Portfolio Manager with Haverford Trust. Has more than 25 years' experience as an investment professional. Has extensive volunteer commitments in the wider community, serving on boards of directors including the Wissahickon Valley Watershed. Graduate of Temple University.

Susan Emlen

Caregiver for elderly and handicapped. Member of Haverford Monthly Meeting, served on Care & Counsel, Nominating, and Property committees.

Patricia Gerrity

Resident of Foulkeways. Retired Associate Dean for Community Programs, Drexel University, College of Nursing & Health Professions. Member of Germantown Monthly Meeting.

Scott Henderson

Retired executive team member for large non-profit and mid-sized publicly traded organizations committed to the advancement of the life sciences. Experienced in the development and tracking of organizational strategic plans with a career-long focus on the application of information technology to organizational objectives. Awarded authorship recognition for mapping of the human genome as a senior software engineer at Celera Genomics. Member of Bethesda Friends Meeting and a product of Friends high school and college educations.

Alfred Kuffler

Trial attorney. At present a partner with Montgomery McCracken Walker & Rhoads LLP, Philadelphia. Past member of the board

of directors of the Maritime Law Association of the United States, a national bar group and vice chair of the Standing Committee on Alternative Dispute Resolution, chair of the ad hoc Committee on Maritime Environmental Crimes. Presently counsel to the American Salvage Association, a trade group representing ocean salvors in the Americas. Past member of the Abington Friends Schools Committee, serving on the finance and long range planning subcommittees.

Bonnie Miller

Retired registered nurse with a Master's degree in Public Health. Oncology nurse for approximately 20 years, then 10 years as an outpatient day clinic nurse navigator for people with chronic severe mental illness. Currently delivers Meals on Wheels. Member of Plymouth Monthly Meeting. Clerk of Care and Concern Committee. Clerk of Abington Quarterly Meeting Home and Care Committee.

Jonathan H. Sprogell

Treasurer, Foulkeways Board of Directors. Retired Vice President, BNY Mellon. Former Member, Haverford College Corporation. Former Board Member, Opera Philadelphia. Current Trustee, Cameron Memorial Fund. Former Board Member, Arch Street Meeting House Preservation Trust.

Jennifer Stewart

Founder and President of Restore Development and Consulting which serves the strategic planning, development, and change management needs of congregations and faith-based organizations. Previous Associate Professor at Johns Hopkins University School of Nursing focused on individual and organizational behavior change in churches. Registered Nurse.

Kenneth B. Taylor, Ph.D.

Chair, Foulkeways Board of Directors. Retired Professor of Economics, Villanova University. Associate Director, Moran Center for Global Leadership, Villanova School of Business. Fulbright Scholar Emeritus. President, Gwynedd Fiduciary Corporation. Member of Gwynedd Friends Meeting.

Neil F. Trueblood

Realtor, Agent; Compass Real Estate, Blue Bell, PA. Owner, Trueblood Concierge Property

Services. Wissahickon Valley Watershed Association Board of Directors. School Committee Director, Gwynedd Friends School. Member of Gwynedd Friends Meeting.

Jamie Unkefer

Architect. Principal at DIGSAU Architecture in Philadelphia. Registered Architect in Pennsylvania and New Jersey, and member of the American Institute of Architects. Board Member of Smith Memorial Playground and Playhouse, committee member of the Philadelphia AIA License & Inspections Committee and Arch Street Meeting House Property Committee, and member of the Carpenter's Company of Philadelphia.

EMERITUS:

Phillip L. Henderson

Member Scattergood Friends School – School Committee, Chair of Strategic Planning Committee. Member of Doylestown Monthly Meeting. President/Chair, Foulkeways Board of Directors, 2014 – 2021.

Samuel T. Swansen

Resident of Foulkeways. Attorney in private practice. Past Chairman of Friends LifeCare. President of the Global Bach Community. Board member of the Southeastern Pennsylvania Symphony Orchestra. Member of Gwynedd Friends Meeting. President, Foulkeways Board of Directors, 1986 – 1997.

2023-2024 OFFICERS OF THE CORPORATION:

Chair	Kenneth B. Taylor
Vice Chair	Lynn Bush
Treasurer	Jonathan H. Sprogell
Assistant Treasurer	Phillip L. Henderson
Secretary	Philip G. DeBaun



INDEPENDENT AUDITORS' REPORT

Board of Directors
Foulkeways at Gwynedd
Gwynedd, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Foulkeways at Gwynedd (a Pennsylvania nonprofit corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foulkeways at Gwynedd as of December 31, 2023 and 2022, and the results of its operations, 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 (GAAS). 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 Foulkeways at Gwynedd 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; this includes 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 Foulkeways at Gwynedd's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

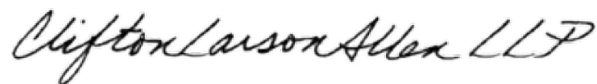
Auditors' Responsibilities for the Audit of the Financial Statements

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 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 Foulkeways at Gwynedd'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 Foulkeways at Gwynedd'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

King of Prussia, Pennsylvania
April 2, 2024

**FOULKEWAYS AT GWYNEDD
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,697,612	\$ 7,130,066
Assets Limited as to Use, Externally Designated	861,029	801,520
Investments	21,482,838	19,090,588
Accounts Receivable:		
Residents	509,569	408,748
Notes Receivable from Residents	191,600	424,666
Other	366,796	612,199
Prepaid Expenses and Other	797,548	781,748
Total Current Assets	<u>31,906,992</u>	<u>29,249,535</u>
ASSETS LIMITED AS TO USE		
Externally Designated under Bond Indenture Agreement	1,948,841	1,867,490
Externally Designated by Donors	7,109,960	6,324,364
Statutory Liquid Reserve	3,188,121	3,000,577
Internally Designated by Board	1,940,928	1,671,421
Total Assets Limited as to Use	<u>14,187,850</u>	<u>12,863,852</u>
PROPERTY AND EQUIPMENT, NET	89,129,174	90,434,444
OTHER ASSETS	<u>407,467</u>	<u>391,395</u>
Total Assets	<u><u>\$ 135,631,483</u></u>	<u><u>\$ 132,939,226</u></u>

See accompanying Notes to Financial Statements.

**FOULKEWAYS AT GWYNEDD
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,537,842	\$ 1,165,796
Accrued Salaries and Payroll Taxes	1,680,733	1,728,246
Accrued Interest Payable	186,029	161,520
Monthly Billings Paid in Advance	160,761	201,992
Refundable Deposits from Prospective Residents	793,199	588,300
Current Portion of Long-Term Debt	<u>1,195,076</u>	<u>1,136,242</u>
Total Current Liabilities	5,553,640	4,982,096
LONG-TERM LIABILITIES		
Deferred Revenue from Resident Entry Fees	51,411,084	51,707,975
Long-Term Debt, Net of Current Portion	44,617,597	46,006,145
Liability for Pension Benefits	6,479,951	7,361,535
Other Liabilities	<u>237,363</u>	<u>160,995</u>
Total Long-Term Liabilities	<u>102,745,995</u>	<u>105,236,650</u>
Total Liabilities	108,299,635	110,218,746
NET ASSETS		
Without Donor Restrictions	20,221,888	16,396,116
With Donor Restrictions	<u>7,109,960</u>	<u>6,324,364</u>
Total Net Assets	<u>27,331,848</u>	<u>22,720,480</u>
Total Liabilities and Net Assets	<u><u>\$ 135,631,483</u></u>	<u><u>\$ 132,939,226</u></u>

See accompanying Notes to Financial Statements.

FOULKEWAYS AT GWYNEDD
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
UNRESTRICTED REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTION		
Revenue, Gains, and Other Support:		
Resident Care Fees	\$ 23,958,465	\$ 22,814,871
Amortization of Deferred Resident Entry Fees	7,454,210	6,308,140
Health Center Revenue	4,796,100	5,034,888
Unrestricted Contributions, Gifts, and Bequests	45,647	273,214
Net Investment Income	1,026,337	633,734
Other Revenue	777,920	640,429
Net Assets Released from Restrictions	445,184	497,945
Total Unrestricted Revenues and Other Support Without Donor Restriction	38,503,863	36,203,221
OPERATING EXPENSES		
Health Services	8,626,963	7,767,246
Dining Services	5,461,299	5,059,859
General and Administrative	7,475,110	7,013,425
Maintenance	2,889,114	2,674,080
Housekeeping	2,067,987	1,906,036
Utilities	990,951	841,646
Real Estate Taxes	796,401	754,333
Depreciation	7,195,960	6,744,085
Interest Expense	2,093,456	1,649,626
Total Operating Expenses	37,597,241	34,410,336
OPERATING INCOME BEFORE LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	906,622	1,792,885
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	(72,971)	(110,160)
OPERATING INCOME	833,651	1,682,725
NONOPERATING INCOME (LOSS)		
Net Periodic Benefit (Cost) Credit Other than the Service Cost Component	(333,928)	36,188
Realized Gain (Loss) on Trading Securities	136	(1,022,840)
Change in Unrealized Gain (Loss) on Trading Securities	2,815,486	(2,992,401)
Change in Fair Value of Interest Rate Cap	-	442,500
Loss on Extinguishment of Debt	(239,395)	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SUPPORT OVER EXPENSES AND INCOME (LOSSES)	3,075,950	(1,853,828)

See accompanying Notes to Financial Statements.

FOULKEWAYS AT GWYNEDD
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SUPPORT OVER EXPENSES AND INCOME (LOSSES)	\$ 3,075,950	\$ (1,853,828)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Net Assets Released from Restrictions - Purchase of Equipment	-	177,461
Change in Pension Plan Assets and Benefit Obligations		
Other than Periodic Benefit Cost	<u>749,822</u>	<u>2,448,082</u>
Change in Net Assets Without Donor Restrictions	<u>3,825,772</u>	<u>771,715</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	281,462	660,497
Net Assets Released from Restrictions	(455,184)	(1,163,150)
Investment Income	213,967	161,118
Net Realized Gain (Loss) on Investments	23,454	(222,970)
Net Unrealized Gain (Loss) on Investments	<u>721,897</u>	<u>(896,189)</u>
Change in Net Assets With Donor Restrictions	<u>785,596</u>	<u>(1,460,694)</u>
CHANGE IN NET ASSETS	4,611,368	(688,979)
Net Assets - Beginning of Year	<u>22,720,480</u>	<u>23,409,459</u>
NET ASSETS - END OF YEAR	<u><u>\$ 27,331,848</u></u>	<u><u>\$ 22,720,480</u></u>

See accompanying Notes to Financial Statements.

**FOULKEWAYS AT GWYNEDD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,611,368	\$ (688,979)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	7,195,960	6,744,085
Loss on Disposal of Property and Equipment	72,971	110,160
Loss on Extinguishment of Debt	239,395	-
Amortization of Deferred Financing Costs	45,033	35,009
Amortization of Bond Premium	(128,947)	(128,947)
Net Realized and Unrealized (Gain) Loss on Investments and Assets Limited as to Use	(3,560,973)	5,134,400
Restricted Contributions and Investment Income	(495,429)	(821,615)
Amortization of Deferred Resident Entry Fees	(7,454,210)	(6,308,140)
Proceeds from Deferred Resident Entry Fees, Net of Refunds	7,390,385	9,992,989
Net Refundable Deposits Received (Paid)	204,900	(147,203)
Change in Liability for Pension Benefits	(881,584)	(3,376,066)
Change in Fair Value of Interest Rate Cap	-	(442,500)
(Increase) Decrease in Assets:		
Accounts Receivable	144,583	(54,602)
Prepaid Expenses and Other	(15,800)	(55,914)
Other Assets	(16,072)	222,476
Increase in Liabilities:		
Accounts Payable and Accrued Expenses	349,038	(1,237,702)
Advance Billings	(41,231)	33,490
Other Liabilities	76,368	(166,005)
Net Cash Provided by Operating Activities	<u>7,735,755</u>	<u>8,844,936</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(33,232,258)	(43,092,793)
Sales of Investments	33,158,336	37,822,112
Capital Expenditures	(5,963,659)	(5,381,518)
Net Cash Used by Investing Activities	<u>(6,037,581)</u>	<u>(10,652,199)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	19,472,401	-
Proceeds from Restricted Contributions and Investment Income	495,429	821,615
Repayment of Long-Term Debt	(1,136,240)	(1,084,167)
Redemption of Debt	(19,472,401)	-
Financing Costs for Issuance of Long-Term Debt	(348,955)	-
Net Cash Used by Financing Activities	<u>(989,766)</u>	<u>(262,552)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	<u>708,408</u>	<u>(2,069,815)</u>
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents - Beginning of Year	<u>9,799,074</u>	<u>11,868,889</u>
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 10,507,482</u></u>	<u><u>\$ 9,799,074</u></u>

See accompanying Notes to Financial Statements.

FOULKEWAYS AT GWYNEDD
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 2,152,861</u>	<u>\$ 1,696,749</u>
Construction Expenditures Within Accounts Payable and Accrued Expenses	<u>\$ 462,516</u>	<u>\$ 123,339</u>

**FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Foulkeways at Gwynedd (Foulkeways) was founded in 1967 as a nonprofit life care retirement community and is located in Gwynedd, Pennsylvania. Foulkeways houses approximately 441 residents living in 258 apartments, 46 active nursing beds, and a personal care unit with 89 beds (82 suites and 7 single rooms).

Use of Estimates

The preparation of 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 liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Foulkeways considers cash and cash equivalents to include investments in highly liquid investments with original maturity dates of three months or less, excluding amounts that are internally limited as to use. Foulkeways deposits cash in financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in the bank may exceed FDIC insurable limits.

Reconciliation of Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	2023	2022
Cash and Cash Equivalents	\$ 7,697,612	\$ 7,130,066
Restricted Cash and Restricted Cash Equivalents	2,809,870	2,669,008
Total Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents Shown in the Statements of Cash Flows	<u>\$ 10,507,482</u>	<u>\$ 9,799,074</u>

Amounts included in restricted cash represent those required to be set aside in accordance with a Loan and Trust Agreement for the Series 2016 Bonds (See Note 4).

Escrow Deposits

Applicants for an independent living unit are required to make a refundable deposit when the application is filed. Any deposits in excess of 5% of the proposed entrance fees are maintained in an escrow account for entrance fees. In addition, partially refundable entry fees for residents who have moved to smaller apartments are transferred to this account until the refund is payable. The account also contains accumulated interest. As of December 31, 2023 and 2022, the account balance was \$318,292 and \$183,729, respectively.

FOULKWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable from Residents

Foulkeways offers incoming residents the ability to defer their entry fees for three months with unsecured notes, renewable for additional periods, with interest rates ranging from 0% to the prime rate plus 1%, depending on market conditions.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as revenue, except for investment income or loss associated with contributions for resident assistance, capital additions, and other purposes specified by donors, net of all investment fees.

Foulkeways designated its investments as “trading” and these changes in unrealized gains and losses are reported within excess (deficit) of revenues and other support over expenses and income (losses).

Property and Equipment

Land, land improvements, buildings and improvements, furniture and equipment, and vehicles are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 45 years. Foulkeways capitalizes any asset costing \$2,500 or over and having an anticipated useful life of over one year.

	2023	2022
Land	\$ 9,578,694	\$ 9,578,694
Land Improvements	3,925,586	3,953,203
Buildings and Improvements	133,827,723	130,192,560
Furniture and Equipment	18,278,325	17,048,876
Vehicles	717,908	690,116
Construction in Progress	3,397,233	2,989,707
Total	169,725,469	164,453,156
Less: Accumulated Depreciation	(80,596,295)	(74,018,712)
Total Property and Equipment, Net	<u>\$ 89,129,174</u>	<u>\$ 90,434,444</u>

For the years ended December 31, 2023 and 2022, Foulkeways had a loss on disposal of property and equipment in the amount of \$72,971 and \$110,160, respectively.

**FOULKWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets

Foulkeways carries general and professional liability insurance with Peace Church Risk Retention Group, Inc. (PCRRG). Foulkeways is a subscriber and is a 2.26% and 2.15% owner of this group captive as of December 31, 2023 and 2022, respectively. The group captive is domiciled in Vermont and licensed by the Vermont Insurance Department. The investment in PCRRG totaling \$148,408 is recorded at cost as "other assets" in the accompanying balance sheets for both the years ended December 31, 2023 and 2022, respectively. In addition, as of December 31, 2023 and 2022, other assets include a receivable of \$243,567 and \$242,987, respectively, relative to the subscriber surplus account of the insurance risk retention group.

Deferred Financing Costs

Deferred financing costs, which represent bond issuance costs, are amortized on a straight-line basis over the term of the related debt, which approximates the effective-interest method. The series 2006B and 2009 bonds were refunded as part of the issuance of the series 2023A and 2023B bonds (see Note 4). Deferred financing costs, less accumulated amortization related to the series 2006B and 2009 bonds were written off in full as of December 31, 2023 and is included in the loss on extinguishment of debt on the statements of operations. Amortization expense for the years ended December 31, 2023 and 2022 was \$45,033 and \$35,009, respectively. The amortization is recorded as a component of interest expense.

Refundable Deposits from Prospective Residents

Refundable deposits from prospective residents represent waiting list deposits and entry fees deposits of new residents. Waiting list deposits by prospective residents or resident couples are fully refundable and are credited toward the entry fee upon move-in. Deposits for entry fees are fully refundable if a prospective resident is denied occupancy and partially refundable if an accepted prospective resident opts not to sign a Residence and Care Agreement. Waiting list deposits amounted to \$474,999 and \$406,000 as of December 31, 2023 and 2022, respectively. Entry fees deposits amounted to \$318,200 and \$182,300 as of December 31, 2023 and 2022, respectively.

Obligation to Provide Future Services

Foulkeways calculates the present value of the 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 resident entry fees to determine if a liability and corresponding charge to income should be recorded. As of December 31, 2023 and 2022, the present value of the net cost of future services and use of facilities does not exceed the deferred revenue from resident entry fees and, as such, no liability for the obligation to provide future services was required to be recorded as of December 31, 2023 and 2022.

**FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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. At December 31, 2023 and 2022, the governing board has designated certain net assets without donor restrictions for specific purposes (see Note 3).

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. At both December 31, 2023 and 2022, donor-imposed restrictions perpetual in nature were \$942,225. 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.

Gifts are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restriction and reported in the statements of operations and changes in net assets as net assets released from restrictions.

Net assets with donor restrictions are restricted for the following purposes:

	2023	2022
Resident Assistance Funds	\$ 4,017,142	\$ 3,605,042
Capital Additions Funds	1,344,357	1,185,708
Other Funds	1,748,461	1,533,614
Total Net Assets With Donor Restrictions	<u>\$ 7,109,960</u>	<u>\$ 6,324,364</u>

During 2023 and 2022, net assets with donor restrictions were released from donor restrictions for purchases of equipment and grounds, resident monthly fee assistance, and entry fee assistance.

Excess (Deficit) of Revenues and Other Support over Expenses and Income (Losses)

The statements of operations and changes in net assets include the caption “excess (deficit) of revenues and other support over expenses and income (losses).” Changes in net assets without donor restrictions, which are excluded from the excess (deficit) of revenues and other support over expenses and income (losses), include changes in pension plan assets and benefit obligations other than periodic benefit cost, and net assets released from restrictions for the purchase of property and equipment.

FOULKWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Foulkeways is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes pursuant to Section 501(a) of the IRC. Foulkeways follows the provisions of the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of these provisions has no impact on Foulkeways' financial statements.

Foulkeways' income tax returns are subject to review and examination by federal, state, and local authorities. Foulkeways is not aware of any activities that would jeopardize its tax-exempt status.

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. Foulkeways emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Foulkeways 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 an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Additionally, from time to time, Foulkeways may be required to record at fair value other assets on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Assistance

Foulkeways provides financial assistance on an as needed basis from various resident assistance funds in order to supplement monthly income, entry fees, and fees for life enrichment. The financial assistance provided in 2023 and 2022 was \$314,037 and \$433,618, respectively.

Resident Service Revenue

Resident service revenue is reported at the amount that reflects the consideration to which Foulkeways expects to be entitled in exchange for providing resident service and 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, Foulkeways bills the residents monthly for services and third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Foulkeways. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. Foulkeways 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 facility receiving skilled nursing services or residents receiving services in the facility. Foulkeways measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or termination of the resident contract. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the residents and customers in a retail setting (for example, guest meals) and Foulkeways does not believe it is required to provide additional goods or services related to that sale.

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

Upon entry to Foulkeways at Gwynedd, Foulkeways and the resident sign a Residence and Care Agreement (the Agreement). The Agreement requires Foulkeways to provide facilities, services, and medical care to the resident. Entry fees received are recorded as deferred revenue from resident entry fees in the accompanying balance sheets. 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.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

The resident entry fees are subject to the refund provisions of the Agreement. At December 31, 2023 and 2022, the portion of the deferred resident entry fees subject to such refund provisions amounted to \$15,289,932 and \$15,472,930, respectively. The refund periods expire ratably over 50 months from the respective dates of entrance. Refunds are payable upon reoccupancy of the vacated unit.

Amortization of deferred resident entry fees in the statements of operations and changes in net assets represents the current year's amortization of deferred revenue from resident entry fees. The amortization is based upon the actuarially determined remaining lives of each resident or resident couple (updated periodically using the historical experience of Foulkeways) at the end of the reporting year. However, only resident entry fee revenue up to the amount of deferred entry fees that is nonrefundable is recognized. Upon the death of a sole surviving resident, any remaining unamortized portion of the resident entry fee is recognized as revenue.

The opening and closing balances in deferred revenue from resident entry fees were as follows:

	Deferred Revenue from Resident Entry Fees
Balance as of January 1, 2022	\$ 48,231,960
Balance as of December 31, 2022	51,707,975
Balance as of December 31, 2023	51,411,084

The composition of resident service revenue by primary payor for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Medicare	\$ 1,211,634	\$ 1,226,347
Private Pay	34,997,141	32,931,552
Total Resident Services Revenue	<u>\$ 36,208,775</u>	<u>\$ 34,157,899</u>

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

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

The composition of resident service revenue based on its service lines, 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	\$ 27,057,884	\$ 25,253,487
Personal Care	4,836,791	4,520,524
Skilled Nursing Facility	2,750,937	2,872,284
Other Medical	1,448,599	1,397,239
Home Care	66,301	73,610
Retail Sales	48,263	40,755
Total	<u>\$ 36,208,775</u>	<u>\$ 34,157,899</u>
Method of Reimbursement:		
Fee for Services	\$ 36,160,512	\$ 34,117,144
Other	48,263	40,755
Total	<u>\$ 36,208,775</u>	<u>\$ 34,157,899</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	\$ 36,160,512	\$ 34,117,144
Sales at Point in Time	48,263	40,755
Total	<u>\$ 36,208,775</u>	<u>\$ 34,157,899</u>

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are reported net of an allowance for credit losses to represent Foulkeways' estimate of expected losses at the balance sheet date. The adequacy of Foulkeways' allowance for credit losses is reviewed on an ongoing basis, using historical payment trends and a review of specific accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

Residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice or claim submitted. Accounts more than 90 days past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance.

Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. At December 31, 2023 and 2022, the allowance for estimate of expected credit losses was \$-0-.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses (Continued)

The opening and closing balances in resident related accounts receivable was as follows:

	Accounts Receivable from Residents
Balance as of January 1, 2022	\$ 1,428,006
Balance as of December 31, 2022	833,414
Balance as of December 31, 2023	701,169

Financing Component

Foulkeways has elected the practical expedient allowed under financial Accounting Standards Board (FASB) Accounting Standards Codification (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 Foulkeways' 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, Foulkeways 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

Foulkeways 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 Foulkeways otherwise would have recognized is one year or less in duration.

New Accounting Pronouncements – Accounting Standards Update (ASU) 2016-13

At the beginning of 2023, Foulkeways 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. Foulkeways adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on Foulkeways' financial statements but did change how the allowance for credit losses is determined.

New Accounting Pronouncements – ASU 2020-04

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. This new standard allows an entity to elect optional expedients and exceptions for applying United States Generally Accepted Accounting Principles (U.S. GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform upon the transition from the use of the London Interbank Offer Rate (LIBOR) to alternative reference rates. This standard provides this temporary election through December 31, 2022 (sunset date).

**FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2020-04 (Continued)

In December 2022, the FASB issued ASU 2022-06 to defer the sunset date of Reference Rate Reform (Topic 848). This new standard allows an entity to elect not to apply certain modification accounting requirements to contracts affected by reference rate reform as entities transition from LIBOR to alternative reference rates. The standard provides this temporary election through December 31, 2024, and cannot be applied to contract modifications that occur after December 31, 2024.

Foulkeways adopted the requirements of this guidance effective January 1, 2023, and has elected to apply the provisions of these standards to the beginning of the period of adoption.

Foulkeways' series 2006B and 2009 bond agreements have LIBOR as a reference rate and the series 2006B and 2009 bonds were refunded by the series 2023A and 2023B bonds in April 2023 (Note 4). The series 2023A and 2023B bond agreements changes the reference rate from LIBOR to the Secured Overnight Financing Rate (SOFR). No other changes were made to the original bonds as a result of this transaction.

Foulkeways' elected the practical expedient to account for the refunding as if the modification of the change from LIBOR to SOFR was not substantial (continuation of the current contract) and not as an extinguishment.

These standards did not have an impact on the balance sheets, statements of operations, and changes in net assets, nor the statements of cash flows.

Subsequent Events

In preparing these financial statements, Foulkeways has evaluated events and transactions for potential recognition or disclosure through April 2, 2024, the date the financial statements were issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in these financial statements.

NOTE 2 LIQUIDITY

Foulkeways regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing financial resources to meet expenses over a 12-month period, Foulkeways considers all expenses related to its ongoing mission-related activities as well as the conduct of services undertaken to support these activities.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 LIQUIDITY (CONTINUED)

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 7,697,612	\$ 7,130,066
Assets Limited as to Use, Externally Designated	861,029	801,520
Investments	21,482,838	19,090,588
Accounts Receivable:		
Residents	509,569	408,748
Notes Receivable from Residents	191,600	424,666
Other	366,796	612,199
Assets Limited as to Use:		
Externally Designated under Bond Indenture Agreement	1,948,841	1,867,490
Externally Designated by Donors	7,109,960	6,324,364
Statutory Liquid Reserve	3,188,121	3,000,577
Internally Designated by Board	<u>1,940,928</u>	<u>1,671,421</u>
Total Financial Assets	<u>45,297,294</u>	<u>41,331,639</u>
Less Amounts Not Available to be Used Within One Year:		
Externally Designated under Bond Indenture Agreement with Liquidity Horizons Greater Than One Year	1,948,841	1,867,490
Externally Designated by Donors with Liquidity Horizons Greater Than One Year	<u>7,109,960</u>	<u>6,324,364</u>
Financial Assets Not Available to be Used Within One Year	<u>9,058,801</u>	<u>8,191,854</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 36,238,493</u></u>	<u><u>\$ 33,139,785</u></u>

Foulkeways has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above. Foulkeways has other assets limited to use for donor-restricted purposes and debt service.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

The functional composition of assets limited as to use externally designated under the bond indenture agreement and by donors and internally designated by the board is set forth below:

	2023	2022
Externally Designated by Long-Term Debt Agreements		
Series 2006 Bond Indenture:		
Debt Service Reserve Fund	\$ 2,575,429	\$ 2,506,222
Debt Service Fund	234,441	162,788
Total	2,809,870	2,669,010
Less: Current Portion	(861,029)	(801,520)
Total	<u>\$ 1,948,841</u>	<u>\$ 1,867,490</u>
Externally Designated by Donors:		
Resident Assistance	\$ 4,017,142	\$ 3,605,042
Capital Additions	1,344,357	1,185,708
Other	1,748,461	1,533,614
Total	<u>\$ 7,109,960</u>	<u>\$ 6,324,364</u>
Internally Designated by the Board:		
Used at the Discretion of the Board	<u>\$ 1,940,928</u>	<u>\$ 1,671,421</u>

Assets limited as to use externally designated for donor purposes include a resident assistance fund for residents unable to pay the monthly service fee or entry fee due to circumstances beyond their control.

Under the provisions of the *Pennsylvania Continuing Care Provider Registration and Disclosure Act* (the Act), Foulkeways must maintain a statutory minimum liquid reserve as of December 31, 2023, that is equal to the greater of 10% of the 2024 total projected operating expenses, exclusive of depreciation, or the 2023 debt service requirements. The calculation of the statutory minimum liquid reserve requirement as of December 31, 2023 and 2022 is shown in detail below. Under the provisions and related amendments of the Act, management believes that the liquid portion of the investment portfolio satisfies this requirement. Management believes that Foulkeways is in compliance with all other requirements of the Act as of December 31, 2023.

	2023	2022
Projected Annual Interest Expense	\$ 1,993,045	\$ 1,551,853
Principal Payments Due on Long-Term Debt	1,195,076	1,136,242
Liquid Reserve Requirement	3,188,121	2,688,095
Projected Annual Operating Expenses	31,827,101	30,005,770
Minimum Rate	10%	10%
Liquid Reserve Requirement	<u>3,182,710</u>	<u>3,000,577</u>
Statutory Liquid Reserve Requirement	<u>\$ 3,188,121</u>	<u>\$ 3,000,577</u>

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

The composition of investments and assets limited as to use is set forth in the following table. Investments are stated at fair value.

	2023	2022
Investments and Assets Limited as to Use:		
Cash and Equivalents	\$ 2,809,869	\$ 2,669,007
U.S. Government and Agency Securities	3,664,876	3,511,663
Mutual Funds	11,089,625	8,553,193
Corporate Bonds	11,762,201	11,687,670
Internationals	7,205,146	6,334,427
Total	<u>\$ 36,531,717</u>	<u>\$ 32,755,960</u>

Investment income (loss) and gains (losses) for investments and assets limited as to use and cash equivalents are comprised of the following:

	2023	2022
Investment Income (Loss) without Donor Restrictions:		
Dividends and Interest Income	\$ 1,083,286	\$ 690,384
Realized Gain (Loss) on Sales of Securities	136	(1,022,840)
Investment Fees	(56,949)	(56,650)
Subtotal	1,026,473	(389,106)
Change in Unrealized Gain (Loss) on Securities	2,815,486	(2,992,401)
Total	<u>\$ 3,841,959</u>	<u>\$ (3,381,507)</u>
Investment Income (Loss) with Donor Restrictions:		
Dividends and Interest Income	\$ 213,967	\$ 161,118
Realized Gain (Loss) on Sales of Securities	23,454	(222,970)
Subtotal	237,421	(61,852)
Change in Unrealized Gain (Loss) on Securities	721,897	(896,189)
Total	<u>\$ 959,318</u>	<u>\$ (958,041)</u>

Investment fees represent direct expenses involved in generating investment income.

FOULKWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 LONG-TERM DEBT

Long-term debt consists of:

<u>Description</u>	<u>2023</u>	<u>2022</u>
Montgomery County Industrial Development Authority Revenue Bonds, Series 2016, Fixed Rate Revenue Bonds, due December 1, 2046 with interest ranging from 3.00% to 5.00%, net of premium of \$2,903,460 and \$3,032,407 and unamortized financing costs of \$418,432 and \$437,016 at December 31, 2023 and 2022, respectively	\$ 27,095,028	\$ 27,845,391
Montgomery County Industrial Development Authority Variable Revenue Bonds, Series 2006B, net of unamortized financing costs of \$-0- and \$133,212 at December 31, 2023 and 2022, respectively	-	10,626,788
Citizens Bank - bank qualified loan, net of unamortized financing costs of \$-0- and \$109,861 at December 31, 2023 and 2022, respectively	-	8,670,208
Montgomery County Industrial Development Authority Series 2023A, Variable Rate Revenue Bonds, net of unamortized financing costs of \$165,469 and \$-0- at December 31, 2023 and 2022, respectively	10,379,531	-
Montgomery County Industrial Development Authority Series 2023B, Variable Rate Revenue Bonds, net of unamortized financing costs of \$160,713 and \$-0- at December 31, 2023 and 2022, respectively	<u>8,338,114</u>	<u>-</u>
Total Long-Term Debt	45,812,673	47,142,387
Less: Current Portion	<u>(1,195,076)</u>	<u>(1,136,242)</u>
Long-Term Debt, Net of Current Portion	<u><u>\$ 44,617,597</u></u>	<u><u>\$ 46,006,145</u></u>

On June 1, 2006, Foulkeways entered into a Loan and Trust Agreement with the Montgomery County Industrial Development Authority (the Authority), and U.S. Bank National Association (as Trustee), pursuant to which Foulkeways received tax-exempt bond proceeds (the 2006 Bonds). The 2006 Bonds consisted of \$15,315,000 fixed rate revenue bonds (Series 2006A Bonds) and \$13,390,000 variable rate revenue bonds (Series 2006B Bonds). The proceeds from the 2006 Bonds were used to advance refund Series 1999 Bonds, refinance the Construction Loan, finance the renovation and expansion of Foulkeways' community center and other miscellaneous capital expenditures, pay bond issuance costs, and to establish a debt service reserve fund for the Series 2006A Bonds.

**FOULKWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 LONG-TERM DEBT (CONTINUED)

On June 1, 2016, the 2006A Bonds were refunded with the proceeds from the Series 2016 Bonds (see below).

The 2006B Bonds were secured by a mortgage on certain property and the gross receipts of Foulkeways and required annual sinking fund principal payments ranging from \$215,000 in 2023 to \$1,595,000 in 2036. The average interest rate on the 2006B Bonds was -0-% in 2023 and 1.25% in 2022. The 2006B Bonds were refunded by the Series 2023A Bonds (see below).

The 2006B Bonds were secured by an irrevocable letter of credit (Letter of Credit) between Foulkeways and Citizens Bank (the Bank). The Letter of Credit is an obligation of the Bank to pay the Trustee amounts sufficient to pay the principal amount of and up to 51 days of accrued interest on the 2006B Bonds when due, whether at maturity, or upon acceleration or call for redemption, and amounts sufficient to pay the purchase price of any 2006B Bonds tendered for purchase and not remarketed. During 2020, Foulkeways secured an extension on this Letter of Credit through September 30, 2023. Any draw under the Letter of Credit created a reimbursement obligation on the part of Foulkeways in favor of the Bank in the form of a term loan requiring repayment by Foulkeways based on a schedule consistent with the scheduled principal payments on the 2006B Bonds. The Letter of Credit secured the 2006B Bonds only. The Letter of Credit was not renewed and was replaced by a non-bank qualified tax-exempt loan with Wilmington Savings Fund Society (WSFS) Bank. The new non-bank qualified tax-exempt loan settled on April 3, 2023.

On November 15, 2009, Foulkeways entered into a Loan and Security Agreement with the Authority and the Bank pursuant to which the Authority sold the Series 2009 bonds to the Bank. From the proceeds, Foulkeways may borrow up to \$11,000,000 of the Authority's Economic Development Revenue Note (Foulkeways at Gwynedd Project, Series of 2009), referred to as the Bank Qualified Loan. The Bank Qualified Loan bore interest at a variable rate. Interest is due on a monthly basis, and the average interest rate during the year ended December 31, 2023 and 2022 was 4.34% and 4.13%, respectively. The Series 2009 Bonds were refunded by the Series 2023B Bonds (see below).

The proceeds of the Bank Qualified Loan were used to finance the renovation and expansion of Foulkeways' community center and other miscellaneous capital expenditures, as well as payment of a portion of the costs and expenses of issuing the Bank Qualified Loan. The Bank Qualified Loan was due on April 1, 2023 as part of an optional put and was replaced by a bank qualified loan with WSFS Bank. The new bank qualified loan settled on April 3, 2023.

**FOULKWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 LONG-TERM DEBT (CONTINUED)

On June 1, 2016, Foulkeways entered into a Loan and Trust Agreement with the Authority, and U.S. Bank National Association (as Trustee), pursuant to which Foulkeways received fixed rate revenue bond proceeds in the amount of \$28,835,000 and a premium in the amount of \$3,868,414 (the Series 2016 Bonds). The proceeds of the 2016 Bonds were used to refund the outstanding Series 2006A Bonds, advance funds to finance certain improvements to the facility, fund capitalized interest and a debt service reserve fund and to pay certain issuance costs of the 2016 Bonds. The average interest rate on the 2016 Bonds ranges from 3.00% to 5.00%. The Series 2016 Bonds require annual sinking fund principal payments ranging from \$640,000 in 2023 to \$2,660,000 in 2046.

On June 10, 2021, Foulkeways entered into an interest rate cap agreement with SMBC Capital Markets, Inc. that was effective on June 10, 2021. The notional amount of the interest rate cap agreement is \$15,000,000. The agreement limits Foulkeway's exposure to increasing rates by providing a cap on the percentage of one-month LIBOR rate at 2.50% per annum and expires on July 1, 2024. The interest rate cap was terminated effective September 22, 2022. The fair value of the interest rate cap is \$-0- as of December 31, 2023 and 2022.

The change in fair value is classified as Change in Fair Value of Interest Rate Cap in the performance indicator in the accompanying statements of operations and changes in net assets. The change in fair value was \$-0- and \$442,500 for the years ended December 31, 2023 and 2022.

On March 30, 2023, Foulkeways entered into a Loan and Trust Agreement with the Authority and WSFS Bank (as Trustee), pursuant to which Foulkeways received variable rate revenue bond proceeds in the amount of \$10,760,000 (the Series 2023A Bonds). The proceeds of the 2023A Bonds were to finance a project, consisting of refunding the 2006B Bonds. The Series 2023A Bonds bear interest at a variable rate of the one month term SOFR rate plus the SOFR rate margin multiplied by 0.81 plus 130 basis points. The average interest rate for the year ended December 31, 2023 was 5.23%. The Series 2023A Bonds require annual sinking fund principal payments ranging from \$215,000 in 2023 to \$1,595,000 in 2036.

On March 30, 2023, Foulkeways entered into a Loan and Trust Agreement with the Authority and WSFS Bank (as Trustee), pursuant to which Foulkeways received variable rate revenue bond proceeds in the amount of \$8,712,401 (the Series 2023B Bonds). The proceeds of the 2023B Bonds were to finance a project, consisting of refunding the Series 2009 Bonds. The Series 2023B Bonds bear interest at a variable rate of the one month term SOFR rate plus the SOFR rate margin multiplied by 0.81 plus 130 basis points. The average interest rate for the year ended December 31, 2023 was 5.23%. The Series 2023B Bonds require annual sinking fund principal payments ranging from \$213,574 in 2023 to \$1,131,642 in 2039.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 LONG-TERM DEBT (CONTINUED)

Under its debt agreements, Foulkeways must comply with certain restrictive covenants relating to days cash on hand and debt service coverage computed annually. As defined, Foulkeways is required, among other things, to maintain a debt service coverage ratio of 1.20:1.00 and a day's cash on hand (unrestricted cash and investments divided by the average daily operating expenses, net of depreciation and amortization) of 180 days. Management represents that Foulkeways was in compliance with all required financial covenants at December 31, 2023.

At December 31, 2023, principal payments on long-term debt during the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	Series 2016 Bonds	Series 2023A Bonds	Series 2023B Bonds	Total
2024	\$ 675,000	\$ 220,000	\$ 300,076	\$ 1,195,076
2025	710,000	220,000	320,176	1,250,176
2026	745,000	235,000	341,621	1,321,621
2027	780,000	240,000	364,502	1,384,502
2028	815,000	250,000	388,915	1,453,915
Thereafter	20,885,000	9,380,000	6,783,537	37,048,537
Total	24,610,000	10,545,000	8,498,827	43,653,827
Less: Unamortized Financing Costs	(418,432)	(165,469)	(160,713)	(744,614)
Add: Bond Premium	2,903,460	-	-	2,903,460
Total Bonds Payable, Net	27,095,028	10,379,531	8,338,114	45,812,673
Less: Current Portion of Bonds Payable	675,000	220,000	300,076	1,195,076
Total Bonds Payable, Less Current Portion	<u>\$ 26,420,028</u>	<u>\$ 10,159,531</u>	<u>\$ 8,038,038</u>	<u>\$ 44,617,597</u>

Interest expense on long-term debt in 2023 and 2022 was \$2,332,851 and \$1,649,626, respectively. No interest was capitalized as a cost of construction in 2023 and 2022.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 FUNCTIONAL EXPENSES

Foulkeways provides continuing and long-term care for the aging. Expenses related to providing these services are as follows:

2023				
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Wages	\$ 12,179,601	\$ 2,481,456	\$ 37,838	\$ 14,698,895
Employee Benefits	626,533	3,185,274	3,132	3,814,939
Contract Labor	111,360	-	-	111,360
Food Purchases	1,823,205	-	-	1,823,205
Medical Supplies and Other Resident Costs	2,179,264	28,578	489	2,208,331
General and Administrative	441,955	260,271	-	702,226
Building and Maintenance	3,006,730	-	-	3,006,730
Professional Fees and Insurance	61,266	1,100,110	-	1,161,376
Depreciation	7,195,960	-	-	7,195,960
Interest	2,093,456	-	-	2,093,456
Management and Other Fees	780,763	-	-	780,763
Total Functional Expenses	<u>\$ 30,500,093</u>	<u>\$ 7,055,689</u>	<u>\$ 41,459</u>	<u>\$ 37,597,241</u>

2022				
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Wages	\$ 11,257,237	\$ 2,371,269	\$ 109,236	\$ 13,737,742
Employee Benefits	847,416	2,664,463	8,363	3,520,242
Contract Labor	36,210	8,886	-	45,096
Food Purchases	1,762,605	-	-	1,762,605
Medical Supplies and Other Resident Costs	2,045,845	39,566	4,116	2,089,527
General and Administrative	363,629	223,574	-	587,203
Building and Maintenance	2,597,107	-	-	2,597,107
Professional Fees and Insurance	55,547	914,569	-	970,116
Depreciation	6,744,085	-	-	6,744,085
Interest	1,649,626	-	-	1,649,626
Management and Other Fees	706,987	-	-	706,987
Total Functional Expenses	<u>\$ 28,066,294</u>	<u>\$ 6,222,327</u>	<u>\$ 121,715</u>	<u>\$ 34,410,336</u>

All costs are directly attributable to their respective functions based on a method similar to that used for the Internal Revenue Service Form 990, Return of Organization Exempt from Income Tax. Management services are expenses attributable to the general management of the organization. Fundraising expenses are attributable to expenses occurred by the Development Office.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 PENSION AND SAVINGS PLANS

Foulkeways previously sponsored a defined benefit pension plan exempt from the Employee Retirement Income Security Act of 1974 rules due to “church plan” status. The plan covered substantially all of its employees. Employers are required to recognize the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through net assets without restrictions. Effective December 31, 2021, the plan was amended to freeze all future benefit accruals as of that date with the exception that current participants who will have attained their normal retirement date on or before December 31, 2023 and have completed at least five years of service for vesting purposes as of December 31, 2021 will be allowed to continue to earn additional accruals under the plan until December 31, 2023. As of December 31, 2023, the plan was fully frozen to all participants.

Foulkeways entered into an employer discretionary contributions plan effective January 1, 2022. This plan covers all employees who 1) were over 18 years of age; 2) worked over 1,000 hours; and 3) had at least one year of service. This plan will replace the defined benefit pension plan. The total match contribution related to this plan was \$515,291 and \$474,983 for the years ended December 31, 2023 and 2022, respectively.

The following is a summary of the key components and assumptions related to the pension plan:

	2023	2022
Change in Benefit Obligation:		
Projected Benefit Obligation - Beginning of Year	\$ 19,614,000	\$ 26,806,000
Service Cost	9,975	8,204
Interest Cost	998,367	735,969
Actuarial (Gain) Loss	500,634	(7,007,923)
Benefits Paid	(994,976)	(928,250)
Projected Benefit Obligation - End of Year	20,128,000	19,614,000
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	12,252,465	16,068,399
Actual Return (Loss) on Plan Assets	1,914,895	(3,787,684)
Employer Contributions	475,665	900,000
Benefits Paid	(994,976)	(928,250)
Fair Value of Plan Assets - End of Year	13,648,049	12,252,465
Net Amounts Recognized in the Balance Sheets		
Consist of: Liability for Pension Benefits	<u>\$ 6,479,951</u>	<u>\$ 7,361,535</u>
Accumulated Benefit Obligation	<u>\$ 20,128,000</u>	<u>\$ 19,593,000</u>

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 PENSION AND SAVINGS PLANS (CONTINUED)

	2023	2022
Amounts Recognized in Net Assets Without Donor Restrictions Not Yet in Net Periodic Benefit Cost		
Consist of:		
Unrecognized Net Loss	\$ 2,414,133	\$ 3,226,266
Prior Service Cost	(137,079)	(199,390)
Total	<u>\$ 2,277,054</u>	<u>\$ 3,026,876</u>
Components of Net Periodic Benefit Cost:		
Service Cost	\$ 9,975	\$ 8,204
Interest Cost	998,367	735,969
Expected Return on Plan Assets	(712,354)	(952,791)
Amortization of Prior Service Cost	(62,311)	(62,311)
Amortization of Net Actuarial Loss	110,226	242,945
Net Periodic Benefit Cost	<u>\$ 343,903</u>	<u>\$ (27,984)</u>
	2023	2022
Weighted-Average Assumptions Used to Determine Benefit Obligation were:		
Discount Rate	5.01 %	5.23 %
Rate of Compensation Increase	N/A	3.00
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost were:		
Discount Rate	5.23	2.81
Expected Long-Term Return on Plan Assets	6.00	6.00
Rate of Compensation Increase	3.00	3.00

To develop the expected long-term rate of return on assets assumption, Foulkeways considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 6.0% long-term rate of return on assets assumption. The estimated net deferred actuarial loss and prior service cost (benefit) that will be amortized into net periodic benefit for 2024 is approximately \$34,700 and (\$62,311), respectively, totaling (\$27,611).

Plan Assets

The plan's actual weighted-average asset allocations and target asset allocations, by asset category, are as follows:

Asset Category	Target Allocation	2023	2022
Equity Securities	40-65%	60 %	59 %
Debt Securities and Other	25-50%	40	41
Total		<u>100 %</u>	<u>100 %</u>

The investment policy and strategy for the plan assets is to conserve and enhance the capital value of the funds in real terms, through asset appreciation and income generation.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 6 PENSION AND SAVINGS PLANS (CONTINUED)

Plan Assets (Continued)

Foulkeways uses fair value measurements to record fair value adjustments to investments and to determine fair value disclosure (see Note 1). Pension plan assets are classified as follows:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 88,130	\$ -	\$ -	\$ 88,130
Fixed Income Securities	5,351,539	-	-	5,351,539
Equity Securities	8,208,380	-	-	8,208,380
Total	<u>\$ 13,648,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,648,049</u>
<u>December 31, 2022</u>				
Cash	\$ 78,844	\$ -	\$ -	\$ 78,844
Fixed Income Securities	4,832,441	-	-	4,832,441
Equity Securities	7,341,180	-	-	7,341,180
Total	<u>\$ 12,252,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,252,465</u>

Cash Flows

Contributions

Foulkeways is currently evaluating contributions to the pension plan for 2024. In both 2023 and 2022, Foulkeways contributed \$475,665 and \$900,000, respectively to the plan.

Estimated Future Benefit Payments

The following benefit payments that expect to be paid by the plan during the next five years and five years thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 1,037,000
2025	1,106,000
2026	1,207,000
2027	1,261,000
2028	1,324,000
2029 - 2033	7,068,000

Savings Plan

Foulkeways offers a contributory 403(b) savings plan which is available to substantially all employees and provides a 50% match of employee contributions up to a maximum of 3% of annual compensation. Total expense related to this plan was \$314,027 and \$291,881 for the years ended December 31, 2023 and 2022, respectively.

**FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 COMMITMENTS AND CONTINGENCIES

Home and Care Committee

Foulkeways, under an agreement with the Trustees of Abington Quarterly Meeting of Friends and the Committee of the Abington Quarterly Meeting Home for Friends at Norristown (Home and Care Committee), and in consideration of cumulative contributions received or pledged, will provide entry fee credits to be used by the Home and Care Committee for financial aid to those persons the Home and Care Committee recommends as requiring assistance. The total amount of money available to the Home and Care Committee as entry fee credits is the sum resulting from multiplying the number 10 and the minimum entry fee charged by Foulkeways, with the right of replacement should any of the credits not be in use. For both the years ended December 31, 2023 and 2022, this amount was \$820,000, of which \$90 and \$-0- are available for use for the years ended December 31, 2023 and 2022, respectively.

Health Insurance Program

Effective April 1, 2021, Foulkeways set up a self-insured group health plan with Retirement Community Health Plan of Pennsylvania (RCHP). Foulkeways assumes the risk for paying the health care claim costs up to \$50,000 per participant per year. As of July 1, 2022, the health care claim costs were increased to \$75,000 per participant per year. Additional claims are supported by RCHP and the stop loss insurance of the plan.

Legal and Regulatory

There are various legal actions that can occur in the ordinary course of business, and management is not aware of any such matters that would have a material effect on the financial condition or results of operations of Foulkeways. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect to Foulkeways' financial position.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Foulkeways believes it is in compliance with all other applicable laws and regulations and is not aware of any other current pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program. During 2017, Foulkeways decertified from the Medicare A program.

FOULKEWAYS AT GWYNEDD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 SELF-INSURANCE TRUST

During 1995, Foulkeways entered into an agreement with certain other community members of Friends Services for the Aging to form a self-insurance fund known as Friends Workers' Compensation Collaborative (the Collaborative). The Collaborative is an entity separate from all members of the fund that enables the members to separate the legal and equitable rights to the assets and monies of the Collaborative. Foulkeways is responsible for paying an annual contribution to the Collaborative as determined by an independent actuary. Effective September 30, 2019, the Collaborative discontinued accepting new claims. Members of the Collaborative independently joined MEMIC Indemnity Company for workers compensation coverage. As of October 1, 2022, Foulkeways is no longer self insured for workers compensation. The Collaborative will continue to manage and pay claims from the reserves of the Collaborative until all claims are closed.

NOTE 9 FAIR VALUE MEASUREMENTS

The following table presents Foulkeways' fair value hierarchy for those investments and other assets measured at fair value on a recurring basis as of December 31, 2023.

	Level 1	Level 2	Level 3	Total
U.S. Government and Agency Securities	\$ 3,664,876	\$ -	\$ -	\$ 3,664,876
Mutual Funds	11,089,625	-	-	11,089,625
Corporate Bonds	11,762,201	-	-	11,762,201
Internationals	7,205,146	-	-	7,205,146
Total	<u>\$ 33,721,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,721,848</u>

The following table presents Foulkeways' fair value hierarchy for those investments measured at fair value on a recurring basis as of December 31, 2022.

	Level 1	Level 2	Level 3	Total
U.S. Government and Agency Securities	\$ 3,511,663	\$ -	\$ -	\$ 3,511,663
Mutual Funds	8,553,193	-	-	8,553,193
Corporate Bonds	11,687,670	-	-	11,687,670
Internationals	6,334,427	-	-	6,334,427
Total	<u>\$ 30,086,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,086,953</u>

When quoted market prices are available in the active market, securities are classified within Level 1 of the valuation hierarchy. Assets utilizing Level 1 inputs include mutual funds, corporate bonds, U.S. government and agency securities, and foreign fixed income.

INTRODUCING FOULKEWAYS NEW LEADERSHIP MEMBERS:

Jackie Williams – Director of Quality Improvement



Jackie Williams' career is a testament to an old adage: A journey of a thousand miles begins with a small step.

Williams' recent appointment as Director of Quality Improvement at the Foulkeways at Gwynedd life plan community is the culmination of a 38-year career. She is a licensed Nursing Home Administrator. Her baccalaureate and Master's degrees are in health administration. She is certified in Aging Services Risk Management. It's an impressive resume built over years of service at a number of nursing home and senior care facilities in the region.

But to say she started on the lowest rung of the career ladder is, well, an understatement.

"I was an activity assistant at a senior center," she recalled. "That was my first experience."

It may have been her last if the stars had aligned differently. Helping seniors with arts and crafts projects is an unlikely springboard to a fulfilling career. She had other aspirations. But senior services grew on her, so she spent the next few years re-routing her career path and finishing her education in the field that found her.

"It's my foundation," she says of all those ground-level jobs. "I spent seven years before realizing that this was my passion."

Her job at Foulkeways at Gwynedd will draw on her expertise in risk management and compliance and position her in the leadership of one of America's foremost life plan communities.

"It's extraordinarily exceptional that this board is always looking at areas where they can improve," she said.

"It's an awesome opportunity to develop comprehensive, risk-compliant, improvement programs, to help with functionality and to link programs clinically and analytically."

If her work across the economic and social spectrum has taught her anything, it is that we all face the same risks.

"Rich, poor, black, white, they all have the same comorbidities, same ailments and same medications," she said. "They all need to be well taken care of. Our job is to mitigate the risk and insure that our buildings are compliant. I have worked in places where they met and collaborated to mitigate risks and others where they didn't, and it didn't matter whether the people they served were rich or poor."

As chief compliance officer, her mission is to insure that Foulkeways remains an industry leader in compliance and risk management, as it continues to provide a wide range of therapies and services to seniors.

"We have rules for a reason," she said. "It's like football, if you don't follow the rules, there are penalties. That's what I think about every day."

Part of what drew her to Foulkeways is an administration and staff that share her passion for playing by the rules.

"You're only as good as your leaders," she says "but there's also a foundation of employees who have given years of service. They believe in the mission, the Quaker values. They stay because they believe in what's happening.

It adds a layer of empathy and compassion."

FOULKEWAYS NEW LEADERSHIP MEMBERS: *Continued*

Cori Leary – Chief Human Resources Officer



Cori Leary was trained to function in a corporate culture where destinies are determined by the peaks and valleys of sales charts.

So she took her freshly-minted Master's in Human Resources Development from Villanova and plunged headlong into the pool with thousands of other entry-level business school graduates. The water was fine.

"But, after that first job," she said "I decided to pursue something with a little more purpose. I left and went to work as a payroll assistant at Barclay Friends, another Quaker community." In just eight years at Barclay, she rose to Director of

Human Resources. That didn't go unnoticed in the industry.

"I was called by a recruiter about the opportunity at Foulkeways," she said "I had heard a lot about Foulkeways. I knew they were trendsetters and a great place to be. So when the opportunity came knocking, I took it. It's different than any other place I've been."

Leary is now Chief Human Resources Officer at Foulkeways at Gwynedd. She brings a background in recruiting and retaining staff in a high-turnover field and has a grasp of some of the advances that help to manage those familiar challenges in new ways.

"We have a lot of long-standing employees here," she acknowledged. "But, in health care, positions tend to turn over and that continues to be a challenge even here. The other thing we're dealing with is implementing new technologies that help us manage that task."

She is one of four new recruits to the Foulkeways management team. All of them are working to implement needed changes without altering a culture that has made Foulkeways an industry leader.

"I would say, the majority of people here look fondly on the past but recognize that there are things that need to be done moving forward," she said. "There are new folks coming on and that's exciting. It will push us forward. But there are people who have been here a long time. They are a grounding point. They can explain how we got to where we are and help us to maintain that aura that is Foulkeways."

She has now spent the majority of her career in health care. It's a decision she never regrets.

"You know, as difficult as health care can be, there's a purpose behind it," she says. "It's not just selling a product. You know you're directly impacting people's lives, people who have needs. You feel like, who else is going to give them that but us. Being part of that is very rewarding."

FOULKEWAYS NEW LEADERSHIP MEMBERS: *Continued*

Erin Decker – Fitness Director



Erin Decker didn't just watch the Foulkeways fitness center expand to accommodate a broad array of innovative exercise, motion and balance regimens. She grew with it.

She worked under the leadership of former Fitness Director Carolyn Leevy for nine years, first as a part-timer and later as a key member of the fitness team.

"As the programming in the center has grown, I've been able to expand my role," she said.



Now she's in the starring role. Decker has followed her mentor and former manager as fitness director at Foulkeways. But she hasn't given up the hands-on work with residents that she was trained for and loves most.

"I still teach six classes a week in addition to my administrative duties," she said. "I've just always loved working with residents in all three levels of care. That's what we do. We try to meet the residents at whatever level they are at."

"Fitness means different things for our independent folks than for those in assisted living or skilled nursing. But movement is important for all levels along the continuum."

A national search would not have turned up a better-qualified candidate. She was an athlete majoring in exercise sciences at Slippery Rock University. But a summer job at a skilled nursing facility was enough to set her future.

"I learned very early on that I wanted to work with older adults," she recalled. "When I returned to Slippery Rock I decided to minor in Gerontology."

It was a perfect parlay. She spent the next few years in jobs that combined her expertise in exercise science and her affinity for working with older adults, culminating in her position as fitness director at the Waverly Heights Planned Community.

"That's where I learned about a fitness network founded by Carolyn Leevy called SEPPA."

The Senior Exercise Professionals of Pennsylvania is a collaboration of fitness directors and instructors who meet quarterly to talk methodology and best practices. She got to know Carolyn Leevy in those quarterly meetings and has been learning with and from her for the past nine years.

"Exercise and movement has always been an important part of my background, first as an athlete. Here we do a full range including aquatics, arthritis-based aquatics, water aerobics, functional balance. Movement in general is a lifetime endeavor."

"The residents are part of everything that happens here too. They're always looking to improve. I like that."

FOULKEWAYS NEW LEADERSHIP MEMBERS: *Continued*

Heather Heiland – Chief Health Services Officer



Foulkeways at Gwynedd had launched a national search for a health services director who would help maintain its national reputation as a life plan community.

Heather Heiland knew all about that reputation. And she knew that her credentials and extensive experience in the life-care field more than qualified her. But she had to know that their values matched too.

So an exhaustive interview process, involving meetings with managers, residents and staff, that may have been daunting for some candidates “was very comfortable for me,” she said recently.

“I was looking for my forever place. The last interview was five hours. I was interviewing them as much as they were interviewing me, to make sure it was the right fit.”

Her years in a similar position at another life plan community had prepared her for the day-to-day work of patient care, and particularly the preventative and fitness routines that distinguish the best life-care communities.

“Obviously, continuing the level of excellence in health care here is a priority,” she said. “But, especially at a place like Foulkeways, prevention and providing services that keep folks from declining are key. We certainly have the facilities here to care for them if needed. But the focus here is on healthful eating, and education on health maintenance and stress management.”

Her training and experience notwithstanding, much of what qualifies Heather Heiland for the position is an attitude that she developed as a young girl.

“I was very fortunate to spend a lot of my time with my grandparents in a small town called Ravens Run. I was around mostly older folks. But I didn’t see them as elderly. They had full lives and they were amazing mentors. It was like having 30 grandparents.”

FOULKEWAYS NEW LEADERSHIP MEMBERS: *Continued*

Jennie Sheeks – Director of Development



Jennie Sheeks was in Nicaragua, surrounded by poverty and hooked on the horns of a dilemma: How to reconcile the poverty she witnessed and the privilege that allowed her to be there.



“Part of the trip was to talk to these (aid) organizations there,” she recalled. “It presented an ethical dilemma for me, spending so much to travel there, money that may have been better spent supporting their mission. All they really needed was resources.

“From that, I found out about philanthropy. I learned about grant-making on an international level. I got an internship at a foundation that gave grants.”

It was step one in a career where she has worked on the grant-making side and for non-profits that she helped find the funding streams to support their missions. That’s the varied background she brought with her when she took over as Director of Development at Foulkeways at Gwynedd. She comes to Foulkeways from the Philadelphia Yearly Meeting where she worked as Development Director.

“That allowed me to practice a kind of values-based funding, where the funding methods have to match the values of the community. In the (fund-raising) field, the so-called best practices can be at odds with the values or even the mission of the community. So, if one of our values is to foster participation, then it should be reflected in our fund-raising. Here, the fund-raising is done mainly by the residents. Their solicitation committee is in the driver’s seat. The process engages everyone, even if no money is raised. That’s why I was interested in this job. I want to be with an institution that shares the same values. This was a lot like I imagined the job to be. I was raised Quaker. There are residents here who knew me as a child. I have a job here, but I’m also part of this community. It was like coming home.”



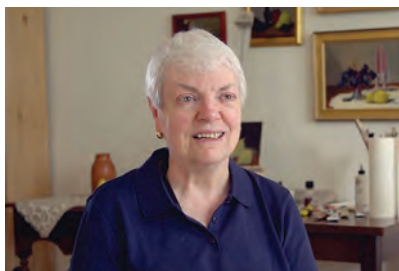
Home to over 400 residents, aged 65 and older, Foulkeways at Gwynedd is one of the most diverse Quaker retirement communities in Pennsylvania. Our community members are actively involved in pursuing their respective retirement goals. Pulling from over 17 states and several foreign countries, our residents represent a geographic diversity found in few other continuing care retirement communities (CCRCs), now referred to as LIFE PLAN COMMUNITIES.



Pat M.



Sam



Karlene



Cyndy & Ralph

Meet the Residents



My Life at Foulkeways



Pat D.



Berit



Activities



Quaker Values

Our residents are a key part of what makes us one of Pennsylvania's most unique Quaker retirement communities. Interested in learning more about what everyday life is like at Foulkeways? Scan the QR Code above to our Meet the Residents Video Gallery where you can watch a few residents describe their life experience here at our retirement community.



1120 Meetinghouse Road | Gwynedd, PA 19436 | 215-643-2200 | www.foulkeways.org

Foulkeways is affiliated with the following organizations: LeadingAge™, LeadingAge™ Quality First, Friends Services Alliance (FSA) and LeadingAge™ PA (formerly PANPHA)