

Navy Marine Coast Guard Residence Foundation and Subsidiaries

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

December 31, 2024 and 2023

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Contents
December 31, 2024 and 2023

Independent Auditor’s Report	1
Consolidated Financial Statements	
Balance Sheets	3
Statements of Operations and Changes in Net Assets.....	4
Statements of Cash Flows	6
Notes to Financial Statements	7
Supplementary Consolidating Information	
Balance Sheets	21
Statements of Operations and Changes in Net Assets.....	23

Independent Auditor's Report

Board of Trustees
Navy Marine Coast Guard Residence Foundation and Subsidiaries
McLean, Virginia

Opinion

We have audited the consolidated financial statements of Navy Marine Coast Guard Residence Foundation and Subsidiaries (collectively, the Corporation), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2024 and 2023, and the consolidated 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Forvis Mazars, LLP

**Tysons, Virginia
May 19, 2025**

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash	\$ 2,695,453	\$ 2,307,051
Accounts receivable, net of allowances	711,231	1,373,861
Other receivables	1,115,042	504,802
Prepaid expenses and other current assets	665,876	543,433
Total Current Assets	5,187,602	4,729,147
Property and Equipment, Net	96,150,252	97,953,987
Other Assets		
Investments	59,113,601	50,081,459
Endowment fund	3,842,131	3,613,029
Investments restricted by donors	953,894	878,039
Interest rate swap	6,859,098	5,862,246
Other long-term assets	-	215,343
Total Other Assets	70,768,724	60,650,116
Total Assets	\$ 172,106,578	\$ 163,333,250
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,522,960	\$ 1,410,715
Accrued salaries and benefits	1,574,068	1,732,452
Accrued interest	146,553	115,672
Current portion of long-term debt	2,125,500	2,075,338
Current portion of refundable entry fees	7,200,000	6,440,000
Other current liabilities	175,709	6,961
Total Current Liabilities	12,744,790	11,781,138
Noncurrent Liabilities		
Line of credit	795,500	-
Long-term debt, net of \$718,166 and \$735,965 of unamortized debt issuance costs at December 31, 2024 and 2023, respectively, less current portion	62,589,408	64,662,960
Annuity contracts	52,210	52,565
Entry fee deposits held	2,110,650	1,593,150
Deferred revenue, less current portion	11,004,067	8,850,903
Refundable entry fees	79,021,555	75,123,563
Other liabilities	361,875	-
Total Noncurrent Liabilities	155,935,265	150,283,141
Total Liabilities	168,680,055	162,064,279
Net (Deficit) Assets		
Without donor restrictions	(1,369,502)	(3,222,097)
With donor restrictions	4,796,025	4,491,068
Total Net Assets	3,426,523	1,268,971
Total Liabilities and Net Assets	\$ 172,106,578	\$ 163,333,250

See Notes to Consolidated Financial Statements

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidated Statement of Operations and Changes in Net Assets
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Community program revenue			
Independent living (including amortization of entrance fees of \$1,995,008)	\$ 15,836,411	\$ -	\$ 15,836,411
Nursing care	8,668,909	-	8,668,909
Assisted living	3,044,700	-	3,044,700
Memory care	5,035,415	-	5,035,415
Ancillary	413,908	-	413,908
Home care and home health	2,052,976	-	2,052,976
Other community program	130,227	-	130,227
	<u>35,182,546</u>	<u>-</u>	<u>35,182,546</u>
Philanthropy	162,808	370,803	533,611
Interest and dividends, net of fees	1,534,053	90,412	1,624,465
Net assets released from restrictions	454,416	(454,416)	-
	<u>37,333,823</u>	<u>6,799</u>	<u>37,340,622</u>
Total Revenue			
	<u>37,333,823</u>	<u>6,799</u>	<u>37,340,622</u>
Expenses			
Clinical / direct care	8,339,162	-	8,339,162
Health and wellness	837,008	-	837,008
Resident home care	1,191,010	-	1,191,010
Social services	381,120	-	381,120
Dining services	3,892,085	-	3,892,085
Life enrichment	907,837	-	907,837
Maintenance and housekeeping	4,354,985	-	4,354,985
Utilities	1,073,881	-	1,073,881
Security and concierge	1,316,265	-	1,316,265
Sales and admissions	360,348	-	360,348
Marketing	684,123	-	684,123
Administration	4,670,030	-	4,670,030
Information technology	801,401	-	801,401
Human resources	759,708	-	759,708
Employee benefits	1,866,998	-	1,866,998
Philanthropy and engagement	600,861	-	600,861
Interest	1,787,600	-	1,787,600
Depreciation and amortization	6,128,975	-	6,128,975
	<u>39,953,397</u>	<u>-</u>	<u>39,953,397</u>
Total Expenses			
	<u>39,953,397</u>	<u>-</u>	<u>39,953,397</u>
Income (Loss) from Operations	(2,619,574)	6,799	(2,612,775)
Nonoperating Gains (Losses)			
Realized gains (losses)	(463,133)	46,862	(416,271)
Unrealized gains	4,607,713	251,296	4,859,009
Change in interest rate swap value	996,852	-	996,852
Other	(669,263)	-	(669,263)
	<u>(428,791)</u>	<u>298,158</u>	<u>(130,633)</u>
Net Income	1,852,595	304,957	2,157,552
Net Assets (Deficit), Beginning of Year	(2,947,313)	4,491,068	1,543,755
Net Assets (Deficit), End of Year	<u>\$ (1,094,718)</u>	<u>\$ 4,796,025</u>	<u>\$ 3,701,307</u>

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidated Statement of Operations and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Community program revenue			
Independent living (including amortization of entrance of \$2,167,778)	\$ 15,195,407	\$ -	\$ 15,195,407
Nursing care	7,866,596	-	7,866,596
Assisted living	2,712,876	-	2,712,876
Memory care	4,966,563	-	4,966,563
Ancillary	260,845	-	260,845
Home care and home health	2,205,200	-	2,205,200
Other community program	42,546	-	42,546
	33,250,033	-	33,250,033
Philanthropy	163,148	265,015	428,163
Interest and dividends, net of fees	1,008,894	81,417	1,090,311
Net assets released from restrictions	509,311	(509,311)	-
Total Revenue	34,931,386	(162,879)	34,768,507
Expenses			
Clinical / direct care	7,850,514	-	7,850,514
Health and wellness	811,164	-	811,164
Resident home care	1,622,821	-	1,622,821
Social services	354,273	-	354,273
Dining services	4,218,465	-	4,218,465
Life enrichment	899,235	-	899,235
Maintenance and housekeeping	4,514,087	-	4,514,087
Utilities	1,131,281	-	1,131,281
Security and concierge	1,208,379	-	1,208,379
Sales and admissions	308,859	-	308,859
Marketing	612,026	-	612,026
Administration	4,088,648	-	4,088,648
Information technology	809,653	-	809,653
Human resources	684,417	-	684,417
Employee benefits	1,610,720	-	1,610,720
Philanthropy and engagement	583,233	-	583,233
Interest	3,562,754	-	3,562,754
Depreciation and amortization	6,310,339	-	6,310,339
Total Expenses	41,180,868	-	41,180,868
Income (Loss) from Operations	(6,249,482)	(162,879)	(6,412,361)
Nonoperating Gains (Losses)			
Realized gains (losses)	1,004,436	(70,122)	934,314
Unrealized gains	4,094,082	418,150	4,512,232
Change in interest rate swap value	150,202	-	150,202
Other	341,360	-	341,360
Net Income (Loss)	(659,402)	185,149	(474,253)
Net Assets (Deficit), Beginning of Year	(2,287,911)	4,305,919	2,018,008
Net Assets (Deficit), End of Year	\$ (2,947,313)	\$ 4,491,068	\$ 1,543,755

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Changes in net assets	\$ 2,157,552	\$ (474,253)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Non-refundable entry fees received	3,894,443	1,056,559
Amortization of entry fees	(1,995,008)	(2,167,778)
Depreciation and amortization	6,128,975	6,310,339
Amortization of debt issuance costs	17,799	44,320
Realized and unrealized (gain) loss on investments	(4,442,738)	(5,446,546)
Restricted contributions and investment income received	(461,215)	(346,432)
Unrealized gain on interest rate swaps	(996,852)	(150,202)
Change in		
Accounts receivable	831,378	(37,653)
Other receivables	(610,240)	26,375
Prepaid expenses and other current assets	(122,443)	(142,203)
Accounts payable and accrued expenses	112,245	(151,235)
Accrued salaries and benefits	(158,384)	182
Accrued interest	30,881	(200,100)
Annuity contracts	(355)	(354)
Other liabilities	361,875	-
Net Cash (Used) Provided by Operating Activities	4,747,913	(1,678,981)
Investing Activities		
Purchases of investments	(40,987,768)	(49,577,696)
Proceeds from sale of investments	36,093,407	52,388,117
Investment in other long-term assets	215,343	(19,186)
Purchase of property and equipment	(4,325,240)	(5,183,124)
Net Cash Used in Investing Activities	(9,004,258)	(2,391,889)
Financing Activities		
Restricted contributions and restricted investment income	461,215	346,432
Proceeds from deposits and refundable entry fees	13,490,486	14,442,957
Refunds of deposits and refundable entry fees	(8,061,265)	(6,492,950)
Proceeds from line of credit	795,500	-
Payments on long-term debt	(2,041,189)	(2,423,489)
Net Cash Provided by Financing Activities	4,644,747	5,872,950
Net Change in Cash	388,402	1,802,080
Cash and Cash Equivalents, Beginning of Year	2,581,835	779,755
Cash and Cash Equivalents, End of Year	\$ 2,970,237	\$ 2,581,835
Supplemental Cash Flows Information and Noncash Investing and Financing Activities		
Promissory notes received for entrance fees	\$ -	\$ 494,971
Interest paid	\$ 1,730,053	\$ 3,718,534

Note 1. Organization and Nature of Business

Navy Marine Coast Guard Residence Foundation (NMCGRF) and Vinson Hall, LLC (Vinson Hall, a wholly controlled subsidiary of NMCGRF) provide secure independent living, as well as assisted living and nursing care services to all members of the general public. NMCGRF actively raises contributions to help provide confidential financial assistance, as available and as determined on a case-by-case basis, to those residents who may have outlived their resources. Vinson Hall provides independent living, assisted living, and skilled nursing services to elderly and handicapped persons in McLean, Virginia. Beneficiaries of this secure retirement reside in Vinson Hall (VH), Willow Oak (WO), Arleigh Burke Pavilion (ABP), and The Sylvestery (TS). As of December 31, 2024, VH has 166 independent living units. WO has 75 independent living apartments in a separate building that opened in November 2014. ABP, which began operations in 1991, has 49 licensed nursing beds and 21 assisted living apartments. In 2003, TS was opened as a 36-bed facility to provide assisted living to memory impaired adults. In January 2015, Vinson Hall also opened a Community Building. In March 2023, a new entity was created, Vinson Hall at Home LLC (VHH), which was established to incorporate the home care program that was within Vinson Hall with a Medicare certified home health program. Medicare certification was received on June 7, 2024. NMCGRF is the sole member of VHH.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets accounting principles generally accepted in the United States of America (GAAP) that NMCGRF, Vinson Hall, and VHH (collectively, the Corporation) follow to ensure its financial condition, results of operations, changes in net assets, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (ASC).

Basis of Accounting

The Corporation prepares its consolidated financial statements in accordance with GAAP, which include the use of the accrual basis of accounting, whereby revenues are reported when performance obligations are satisfied and expenses are reported when incurred.

Use of Estimates

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

Principles of Consolidation

The consolidated financial statements include accounts of NMCGRF, Vinson Hall, and VHH. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Concentration of Risk

The Corporation grants credit without collateral to its residents, most of whom are private pay, with some residents being insured under third-party arrangements.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Cash and Cash Equivalents

Cash and cash equivalents are cash in banks, cash on hand, and highly liquid financial instruments with original maturities of less than 90 days when purchased, and are recorded at cost, which approximates fair value. Cash equivalents included in investment accounts are reported as investments and are not considered cash equivalents for the purposes of the consolidated statements of cash flows. Primarily all of the Corporation's cash and cash equivalents are maintained in a commercial bank (Truist Bank), for which an aggregate of \$250,000 per bank is insured by the Federal Deposit Insurance Corporation (FDIC). The Corporation's cash holdings in the commercial bank routinely exceed the maximum amount insured by the FDIC. The Corporation has not experienced any losses related to funds held in excess of the FDIC limits.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values. Assets whose use is limited that are required to meet current liabilities of the Corporation have been classified as current assets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is recognized in the consolidated statements of operations and changes in net assets as an increase in net assets without donor restrictions, unless restricted by donor or law.

Property and Equipment

Property and equipment is recorded at cost. Donated property is reported at fair value at date of receipt. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Land improvements	7 – 20 years
Building and improvements	15 – 50 years
Furniture and equipment	3 – 20 years
Vehicle	3 – 15 years

Expenditures that extend the useful lives of the asset or significantly increase their capacity are capitalized.

Other Receivables

Other receivables consist of short-term, note receivables to new residents. These receivables are paid off, generally within three months for notes executed, after the sale of the tenant's primary residence is completed. Interest on the note receivables is charged annually at 4% of the outstanding balance. The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. The Company believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. Management has determined no allowance for credit losses or uncollectible accounts is necessary as of December 31, 2024 and 2023.

Debt Issuance Costs

Debt issuance costs incurred in issuing the bond financing issued by the Fairfax County Economic Development Authority (the Authority) have been capitalized by Vinson Hall. Debt issuance costs are deferred and amortized over the life of the related financing on a straight-line basis which approximates the effective interest method. Debt issuance cost amortization was \$17,799 and \$44,320 for the years ended December 31, 2024 and 2023, respectively.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Interest Rate Swap

The Corporation utilizes an interest rate swap to manage the variability in interest rates on certain variable rate debt. The Corporation accounts for its interest rate swap under GAAP, which requires companies to recognize all derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of the foreign currency exposure of a net investment in a foreign operation. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized within net income (loss). The Corporation's interest rate swap is not designated as a hedging instrument and the change in fair value is included in net income (loss).

Contracts

Residents who move into VH and WO sign a fee-for-service contract, which provides for housing, residential services and related amenities but no health-related services. In addition to the entry fees, which are paid to NMCGRF either under a non-refundable or refundable contract, residents also pay a monthly use fee.

Deferred Revenue From Entry Fees

The Corporation has two entrance fee options to newly admitted residents. The Corporation offered a nonrefundable contract option prior to January 2015. These contracts offer various entrance fee refund provisions as described below:

50-Month Declining Balance Contract

Under this contract, the entry fee decreases by 2% per month for 50 consecutive months from the contract origination date. The resident will not be entitled to a refund after 50 months of occupancy.

90% Refundable Contract

Under this contract, upon the death of the resident or the permanent withdrawal or removal of the resident, and upon the release of the resident's unit, the resident shall be entitled to a refund of ninety percent (90%) of the entry fee.

Entry fees are recorded to reflect a liability for the refundable portion and deferred revenue for the non-refundable portion. Refunds associated with these contracts are due upon the death of the resident or the permanent withdrawal or removal of the resident from Vinson Hall. Refunds do not bear interest. The gross amount of contractually refundable entry fees under contracts existing at December 31, 2024 and 2023 was \$88,926,248 and \$82,260,666, respectively. Deferred revenue is amortized to revenue using the straight-line method over the lesser of the contract term or the estimated remaining life expectancies of the resident.

Net Community Program Revenue and Accounts Receivable

Net community program revenue represent the estimated net realizable amounts from residents and Medicare for services rendered. Accounts receivable consists of amounts due from residents and Medicare and is reported at an amount management expects to collect. The Corporation performs periodic assessments to determine if an allowance for expected credit losses is necessary. The Corporation considers its incurred loss experience and adjusts for known and expected event and other circumstances. In estimating its expected credit losses, the Corporation may consider changes in the length of time its receivables have been outstanding, changes in credit ratings for its payors, requests from payors to alter payment terms due to financial difficulty, and notices of payor bankruptcies or payors entering receivership. Because accounts receivable is typically collected in less than a year and the availability of the financial assistance program, the Corporation's credit losses have been infrequent and insignificant in nature. Amounts recognized for allowances for expected credit losses are immaterial to the consolidated financial statements. Amounts recognized for allowances for uncollectible accounts other than those due to credit losses are \$323,582 and \$668,543 as of December 31, 2024 and 2023, respectively.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Obligation to Provide Future Services

Vinson Hall provides services and the use of facilities to residents under contract agreements. The nature and extent of such services depend on such variables as the resident's age, health, sex, and economic status upon entering Vinson Hall. If the advance fees and periodic fees charged are insufficient to meet the costs of providing future services and the use of facilities, Vinson Hall has a liability to provide future services and the use of facilities that is equal to the estimated cost of providing future services and the use of facilities (defined as amounts that are expected to be incurred to provide services and the use of facilities to individuals over their remaining lives under residential contracts, including resident-care, dietary, health care, facility, interest, depreciation, and amortization costs) in excess of the related anticipated revenues. The liability is based on actuarial assumptions (such as mortality and morbidity rates), on estimates of future costs and revenues, and on Vinson Hall's historical experience and statistical data. In the opinion of management, Vinson Hall has no liability for obligation to provide future services as of December 31, 2024 and 2023.

Risk Factors

The Corporation's ability to maintain and/or increase future revenues could be adversely affected by proposed and/or future changes in the laws, rules, regulations, and policies relating to the definition, activities, and/or taxation of not-for-profit tax-exempt entities, as well as the future of Virginia's Certification of Need program, where future deregulation could result in the entrance of new competitors, or future additional regulation may eliminate the Corporation's ability to expand new services.

The Corporation's investments are subject to credit, market and interest rate risks that cannot be predicted at this time. However, management has attempted to mitigate these risks by maintaining a diversified portfolio.

Net Assets

The Corporation's net assets are grouped into the following classes, as applicable:

Net Assets – without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. These net assets may be used at the discretion of the Corporation's management and the board of directors.

Net Assets – with Donor Restrictions

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

Contributions

Unconditional promises to give cash and other assets to NMCGRF are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions for receiving the donation have been satisfied. NMCGRF reports gifts of cash and other assets as net assets - with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets - with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restriction.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Income Taxes

NMCGRF has received a tax determination letter dated April 13, 2011 indicating that NMCGRF is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) effective June 8, 2010. As single member limited liability companies, Vinson Hall and Vinson Hall at Home, are treated as "disregarded entities" under current Internal Revenue Service regulations, and as such all of the income and expenses from the operating activities of Vinson Hall and VHH pass through directly to NMCGRF. Federal tax law requires that NMCGRF be operated in a manner consistent with its initial exemption application in order to maintain its exempt status. Management has analyzed the operations of NMCGRF and concluded that it remains in compliance with the requirements for exemption.

The Commonwealth of Virginia also recognizes NMCGRF's exemption for state income tax purposes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Organizations otherwise exempt from federal and state income taxation are nonetheless subject to taxation at corporate tax rates at both the federal and state levels on their unrelated business income. In the opinion of management, such taxes, if any, are not expected to have a material effect on the Corporation's consolidated financial position. Exemption from other state taxes, such as real and personal property tax, is separately determined.

As of December 31, 2024, the Corporation has determined that it does not have any material unrecognized tax benefits or obligations.

Statements of Operations and Changes in Net Assets

The consolidated statements of operations and changes in net assets report net income (loss) as its performance indicator.

Advertising Expenses

Advertising costs are charged to expense as incurred. Advertising expense was \$139,161 and \$157,490 as of December 31, 2024 and 2023, respectively.

Financial Assistance

Financial assistance is provided by NMCGRF to residents of Vinson Hall based on the financial resources of residents on a case-by-case basis. In the accompanying consolidated statements of operations and changes in net assets, the financial assistance expense reported by NMCGRF is eliminated along with the uncompensated charges associated with providing the financial assistance. The financial assistance provided to residents of Vinson Hall, was \$228,102 and \$274,784 for the years ended on December 31, 2024 and 2023, respectively. The estimated costs of providing the financial assistance was \$213,799 and \$267,667 for the years ended December 31, 2024 and 2023, respectively. Costs were estimated based on calculating a ratio of costs (direct and indirect) to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to residents receiving financial assistance.

Reclassification

Certain amounts in the 2023 consolidated financial statements have been reclassified in order to conform to the 2024 presentation. These amounts include different categorization of revenue and expenses on the 2023 statement of operations and changes in net assets. There was no impact to total revenue, expenses or change in net assets.

Subsequent Events

The Corporation evaluated the effect subsequent events would have on the consolidated financial statements through May 19, 2025, which is the date the consolidated financial statements were available to be issued.

Note 3. Community Program Revenue

VH and WO generally provides housing, dining, and health and wellness services on a contractual basis with residents. ABP provides housing, dining, and nursing services. TS provides housing, dining and other services for the memory impaired. VHH provides personal care and licensed home health services on a contractual basis.

The Corporation enters into contracts with residents to provide services to the residents for their remaining lives. In consideration for future services, the residents pay an entrance fee based on the type of unit occupied and the plan selected. The Corporation offers the following contracts: 90 percent refundable contract and 50-month declining balance contract. Health care services are not included in these contracts. In addition to the entrance fee, residents pay monthly fees based on the estimated costs to operate the facilities. There are no statutory or contractual requirements to retain adjusted entrance fees in escrow accounts once the resident is admitted.

Under the Corporation's residency agreements, the Corporation provides services to residents for a stated daily or monthly fee, which varies by each resident's contract. The monthly fee can be adjusted from time to time by the Corporation according to changes in costs to operate the facilities. The Corporation recognizes revenue for services provided to residents in accordance with the provisions of the current revenue recognition accounting standards.

The Corporation receives revenue for services under Medicare. Settlements with Medicare for retroactive adjustments due to audits, reviews or investigations are included in the determination of the estimated transaction price for providing services. The Corporation estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

The Corporation has elected a practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component due to its expectation that the period between the time the service is provided and the time payment is received will be one year or less. Additionally, the Corporation has applied the practical expedient provided by current accounting standards, and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Corporation otherwise would have recognized is one year or less in duration.

Under current accounting standards, the Corporation recognizes revenue in the consolidated statements of operations and changes in net assets and accounts receivable on the consolidated balance sheets only when services have been provided. Since the Corporation has performed its obligation under the contract, it has unconditional rights to the consideration on contract assets and therefore classifies those amounts as receivables. Thus, management has determined that they do not have any amounts that should be reflected separately as contract assets.

The Corporation disaggregates revenue from residential and health services revenue by payor type and service line. The Corporation notes that disaggregation of revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Corporation has agreements with Medicare that provide for payments at amounts different from its established rates. The Corporation is reimbursed under a prospective payment system called the patient driven payment model (PDPM), which bases payment on resident characteristics rather than services provided.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future review and interpretation. The results of such governmental review could include fines, penalties and exclusion from participation in the Medicare program.

The composition of community program revenue by payor and service line are as follows for the years ended December 31, 2024 and 2023:

	December 31, 2024			December 31, 2023		
	Private Pay	Medicare	Total	Private Pay	Medicare	Total
Independent living	\$ 15,836,411	\$ -	\$ 15,836,411	\$ 15,195,407	\$ -	\$ 15,195,407
Health care	5,612,954	3,055,955	8,668,909	4,796,322	3,070,274	7,866,596
Home care	2,052,976	-	2,052,976	2,205,200	-	2,205,200
Assisted living	8,080,115	-	8,080,115	7,679,439	-	7,679,439
Other	544,135	-	544,135	303,391	-	303,391
	<u>\$ 32,126,591</u>	<u>\$ 3,055,955</u>	<u>\$ 35,182,546</u>	<u>\$ 30,179,759</u>	<u>\$ 3,070,274</u>	<u>\$ 33,250,033</u>

Note 4. Investments

The investment portfolio consisted of the following at December 31:

	2024	2023
Money market funds	\$ 4,049,870	\$ 4,057,025
Fixed income	8,140,798	16,500,924
Common stocks	20,479,926	17,474,017
Mutual funds – equities	14,695,432	13,449,945
Mutual funds – fixed income	16,543,600	3,090,616
	<u>\$ 63,909,626</u>	<u>\$ 54,572,527</u>

NMCGRF's investment portfolio is held in separate accounts: assets whose use is limited, endowment and general. The endowment account holds the deposits from the donor-restricted endowment and funds permitted by the donor stipulation that are transferred to pay for residence assistance. The endowment and general account investments seek long-term growth of capital that increases purchasing power relative to inflation and to produce current income. The targeted asset allocation of investments in these two accounts is 50%-75% of equity securities, 30%-50% of fixed income securities, and 0%-15% of diversifying assets with appropriate diversification.

Current accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following discussion describes the valuation methodologies used for the NMCGRF's financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates, and the estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about NMCGRF's business, its value, or financial position based on the fair value information of financial assets and liabilities presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of the timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset or liability. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset or liability. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

The fair value of NMCGRF's money market funds is determined on the basis of cost, which approximates fair value. Fair values of NMCGRF's investments in common stocks and mutual funds classified as Level 1 are based on quoted market prices. Fair values for NMCGRF's United States government and agency securities and corporate debt securities classified as Level 2 are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the investment managers' and custodian bank's experience. NMCGRF's holdings in federal government obligations are highly liquid, which allows for a high percentage of them to be priced through pricing services.

The following table presents NMCGRF's fair value hierarchy for assets measured at fair value on a recurring basis as of December 31, 2024 and 2023:

	December 31, 2024			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 1,121	\$ 1,121	\$ -	\$ -
Money market funds	4,048,749	4,048,749		
Fixed Income				
U.S. government securities	8,140,798	-	8,140,798	-
Equity securities				
Common stock	20,479,926	20,479,926	-	-
Mutual funds – equities	14,695,432	14,695,432		
Mutual funds – fixed income	16,543,600	16,543,600	-	-
Total assets in the fair value hierarchy	<u>\$ 63,909,626</u>	<u>\$ 55,768,828</u>	<u>\$ 8,140,798</u>	<u>\$ -</u>
Interest rate swap	\$ 6,859,098	\$ -	\$ 6,859,098	\$ -

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

	December 31, 2023			
	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Assets				
Money market funds	\$ 4,057,025	\$ 4,057,025	\$ -	\$ -
Fixed income				
U.S. government securities	6,743,561	-	6,743,561	-
Municipal bonds	2,826,939	-	2,826,939	-
Corporate bonds	6,930,424	-	6,930,424	-
Equity securities				
Common stock	15,841,788	15,841,788	-	-
Foreign stock	1,632,229	1,632,229	-	-
Mutual funds – equities	13,449,945	13,449,945	-	-
Mutual funds – fixed income	3,090,616	3,090,616	-	-
Total assets in the fair value hierarchy	<u>\$ 54,572,527</u>	<u>\$ 38,071,603</u>	<u>\$ 16,500,924</u>	<u>\$ -</u>
Interest rate swap	\$ 5,862,246	\$ -	\$ 5,862,246	\$ -

Fixed income securities from 2023 were transferred to equity securities during 2024.

The investment portfolio generated returns as follows for the years ended December 31:

	2024	2023
Interest and dividends	\$ 1,784,909	\$ 1,207,216
Fees	(160,444)	(116,905)
Net realized and unrealized gains	<u>4,442,738</u>	<u>5,446,546</u>
	<u>\$ 6,067,203</u>	<u>\$ 6,536,857</u>

Note 5. Long-Term Debt

In January 2013, Vinson Hall issued bonds with the Authority in the amount of \$77,170,000 (Series A) to (1) refinance the outstanding balance of the Series 2010 bonds, (2) finance capital improvement and expansions of resident facilities, including construction of an independent living building, community building, and a two level parking garage, (3) fund a debt service reserve fund for the Series 2013 bonds, and (4) finance a portion of funded interest, working capital, and costs of issuance. The Series 2013A bonds were refunded in June 2021.

During June 2021, Vinson Hall issued bonds with the Authority in the amount of \$73,311,690 (Series 2021 Bond) and entered into a cinderella refinancing bank loan with Truist Bank in which Truist Bank purchased the Series 2021 Bond. The purpose of the funds was to (1) defense, refund, and redeem the outstanding principal amount of \$70,645,000 for the Series 2013A Bonds through 2023; and (2) to finance the costs of issuance related to the issuance of the Series 2021 Bond and other related costs. The Series 2021 Bond was scheduled to mature December 1, 2047. On September 6, 2023, tax-exempt Series 2023 Bond was issued in the amount of \$68,074,149, which the proceeds were used to refund and redeem the Series 2021 Bond. Payments of principal and interest are made monthly starting October 1, 2023 with the outstanding principal and interest due in full on December 1, 2047. As of December 31, 2024 and 2023, the balance of the Series 2023 Bond was \$65,430,551 and \$67,480,048, respectively. Interest on the Series 2023 Bond shall be calculated based on 79% of the Daily Simple SOFR Rate

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

plus 1.1376%. During 2024, arbitrage rebate liability of \$453,000 was recorded to reflect the possible repayment of positive earnings on the 2023 tax-exempt bond rebate proceeds. As of December 31, 2024, no arbitrage rebate repayment has been made. The Series 2023 Bond are collateralized by certain assets of the Corporation.

Interest expense, which includes the amortization of debt issuance costs, was approximately \$1,788,000 and \$3,563,000 for the years ended December 31, 2024 and 2023, respectively.

The Series 2023 Bond requires certain financial performance covenants. In the opinion of management, the Corporation has complied with all relevant covenants related to the debt obligation for 2024 and 2023.

Vinson Hall leases copier machines under a noncancelable lease. As of December 31, 2024 and 2023, the balance of finance lease obligations was \$14,036 and \$5,728, respectively. Capitalized leased equipment \$126,399 has been included in furniture and equipment in the accompanying consolidated balance sheets at December 31, 2024 and 2023, respectively. The associated accumulated amortization for the capitalized leased equipment was \$88,479 and \$63,199 as of December 31, 2024 and 2023, respectively. Amortization expense was \$25,280 and \$25,280 for the years ended December 31, 2024 and 2023, respectively.

Maturities of long-term debt (including finance lease obligations) are as follows for the next five years and in the aggregate:

2025	\$ 2,125,500
2026	2,163,542
2027	2,220,375
2028	2,274,488
2029	2,338,448
2030	2,399,875
Thereafter	<u>51,910,846</u>
	<u>\$ 65,433,074</u>

Note 6. Line of Credit

During 2024, the Company obtained a revolving line of credit in the amount of \$8,000,000 that expires October 30, 2029. As of December 31, 2024, the outstanding balance of the line of credit was \$795,500. Interest on the outstanding balance of the line of credit is payable monthly starting November 1, 2024. The interest rate on the line of credit was 6.2% for the year ended December 31, 2024.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 7. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 4,731,713	\$ 4,731,713
Building and improvements	139,392,857	135,734,887
Furniture and equipment	5,314,904	4,896,932
Vehicle	<u>257,767</u>	<u>257,592</u>
	149,697,241	145,621,124
Accumulated depreciation and amortization	<u>(54,280,744)</u>	<u>(48,151,768)</u>
	95,416,497	97,469,356
Construction in progress	<u>733,755</u>	<u>484,631</u>
	<u>\$ 96,150,252</u>	<u>\$ 97,953,987</u>

Depreciation and amortization expense was \$6,128,975 and \$6,310,339 as of December 31, 2024 and 2023, respectively.

Note 8. Interest Rate Swap Agreement

In June 2021, the Corporation entered into an interest rate swap agreement with an original notional amount of \$68,074,149. The swap expires July 2033 and effectively fixes the variable interest rate of the Series 2023 Bond at 2.548%.

The fair value the interest rate swap is reported as a long-term liability or asset in the accompanying consolidated balance sheets. The change in fair value of the interest rate swap is included in net income (loss) in the accompanying consolidated statements of operations and changes in net assets.

Absent an early termination, subsequent changes in the interest rate swap will continue to be reflected in net (loss) income, which has no cash flow impact to the Corporation. The cash flow settlements of the interest rate swap agreement are reflected annually in interest expense as the Corporation pays interest to the swap counter-party at the rate noted above.

Note 9. Professional and General Liability Insurance

The Corporation maintained professional and general liability coverage of \$1,000,000 per claim with a \$3,000,000 aggregate limit on a "claims-made" basis. Based on a review of the Corporation's prior experience and incidents occurring through December 31, 2024, management determined that no accrual for asserted or unasserted malpractice or general claims is necessary at this time.

The outcome of any potential investigative, regulatory or prosecutorial activity that may occur cannot be predicted with certainty. However, in the opinion of management, any future potential losses resulting from such activity would be immaterial to the consolidated financial statements taken as a whole.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 10. Functional Expenses

Vinson Hall provides independent living, assisted living, and skilled nursing services to elderly and handicapped persons. The NMCGRF does not provide any care-related services but supports the operations of Vinson Hall by actively raising contributions to afford financial assistance to those residents who may have outlived their resources.

Note 11. Functional Expenses

Vinson Hall provides independent living, assisted living, and skilled nursing services to elderly and handicapped persons. The NMCGRF does not provide any care-related services but supports the operations of Vinson Hall by actively raising contributions to afford financial assistance to those residents who may have outlived their resources.

Expenses related to providing these services for the years ended December 31, 2024 and 2023:

	December 31, 2024			
	Housing and Nursing Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 13,965,775	\$ 2,095,030	\$ 288,366	\$ 16,349,171
Employee benefits and payroll taxes	2,937,642	153,251	28,520	3,119,413
Contracted services	3,328,490	1,555,103	1,170	4,884,763
Administration and management fee	490,606	567,025	11	1,057,642
Maintenance	1,806,955	-	-	1,806,955
Healthcare and medical expenses	473,204	1,018	-	474,222
Supplies	981,186	519,890	736	1,501,812
Utilities	1,073,882	-	-	1,073,882
Dining services	1,045,711	1,315	-	1,047,026
Insurance	-	556,251	-	556,251
Marketing	440	109,501	-	109,941
Depreciation and amortization	6,128,975	-	-	6,128,975
Fundraising	-	-	55,744	55,744
Interest	1,785,376	2,224	-	1,787,600
	<u>\$ 34,018,242</u>	<u>\$ 5,560,608</u>	<u>\$ 374,547</u>	<u>\$ 39,953,397</u>

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

	December 31, 2023			
	<u>Housing and Nursing Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 13,710,488	\$ 1,999,685	\$ 282,878	\$ 15,993,051
Employee benefits and payroll taxes	2,639,576	169,798	27,751	2,837,125
Contracted services	3,212,338	1,260,676	6,545	4,479,559
Administration and management fee	1,371,697	491,975	29,740	1,893,412
Maintenance	1,010,476	-	-	1,010,476
Healthcare and medical expenses	1,173,906	209	-	1,174,115
Supplies	741,069	226,715	27,796	995,580
Utilities	1,142,306	-	-	1,142,306
Dining services	1,006,091	110	-	1,006,201
Insurance	-	453,589	-	453,589
Marketing	-	156,872	618	157,490
Depreciation and amortization	6,202,296	108,043	-	6,310,339
Fundraising	-	-	164,871	164,871
Interest	3,560,530	2,224	-	3,562,754
	<u>\$ 35,770,773</u>	<u>\$ 4,869,896</u>	<u>\$ 540,199</u>	<u>\$ 41,180,868</u>

Note 12. Net Assets – with Donor Restrictions

Net assets with donor restrictions that are temporary in nature are available for the following programs and projects as of December 31:

	<u>2024</u>	<u>2023</u>
Resident assistance	\$ 1,444,263	\$ 1,084,202
Technology	71,001	38,891
Wounded Warrior	835,248	919,840
Other	81,556	84,178
	<u>\$ 2,432,068</u>	<u>\$ 2,127,111</u>

A portion of net assets with donor restrictions as of December 31, 2024 and 2023 consists of a donor-restricted endowment fund which is restricted to investments in perpetuity. As stipulated by the donor, the income plus 25% of the net appreciation on an annual basis (if any) is expendable to provide financial assistance to qualified residents of VH, WO, ABP, and TS. The remaining 75% of the net appreciation (if any) is reported as a component of net assets with donor restriction and is temporary in nature in accordance with current accounting principles.

Current accounting principles provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Commonwealth of Virginia passed UPMIFA into law in March 2008 making the provisions of the current accounting principles effective for fiscal year 2009. UPMIFA stipulates that for each donor-restricted endowment fund, unless otherwise stated, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the organization. Therefore, a not-for-profit organization shall classify the portion of the fund that is not classified in perpetually restricted net assets as with donor restrictions until appropriated for expenditure. UPMIFA also prescribes new guidelines for the expenditure of a donor-restricted endowment fund. The adoption of UPMIFA did not have a material impact on the accounting for NMCGRF's endowment.

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

NMCGRF classifies the following as restricted in perpetuity: 1) the original value of gifts donated to the permanent endowment; 2) the original value of subsequent gifts donated to the permanent endowment; and 3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure by the organization in a manner consistent with donor stipulation or law. Management considers factors such as the duration and preservation of the fund; the purposes of the organization and the donor-restricted endowment fund; general economic conditions; possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resource of NMCGRF; and the investment policies of the NMCGRF in making a determination to appropriate or accumulate donor-restricted endowment funds.

The activities of the donor-restricted endowment fund are as follows during 2024 and 2023:

	December 31, 2024			December 31, 2023		
	Restricted by Time or Purpose	Restricted in Perpetuity	Total	Restricted by Time or Purpose	Restricted in Perpetuity	Total
Investment income	\$ 194,242	\$ -	\$ 194,242	\$ 81,417	\$ -	\$ 81,417
Net appreciation	<u>298,159</u>	<u>-</u>	<u>298,159</u>	<u>348,028</u>	<u>-</u>	<u>348,028</u>
Investment gain	492,401	-	492,401	429,445	-	429,445
Net assets released for resident assistance	<u>(132,340)</u>	<u>-</u>	<u>(132,340)</u>	<u>(256,964)</u>	<u>-</u>	<u>(256,964)</u>
Total change in endowment funds	360,061	-	360,061	172,481	-	172,481
Beginning balance	<u>1,084,202</u>	<u>2,363,957</u>	<u>3,448,159</u>	<u>911,721</u>	<u>2,363,957</u>	<u>3,275,678</u>
Ending balance	<u>\$ 1,444,263</u>	<u>\$ 2,363,957</u>	<u>\$ 3,808,220</u>	<u>\$ 1,084,202</u>	<u>\$ 2,363,957</u>	<u>\$ 3,448,159</u>

Note 13. Liquidity and Availability

As part of its liquidity management, the Corporation has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Corporation has days cash on hand of approximately 658 and 548 days at December 2024 and 2023, respectively.

Financial assets available for general expenditure within one year of the consolidated balance sheets consist of the following at December 31:

	2024	2023
Cash	\$ 2,695,453	\$ 2,307,051
Accounts receivable, net	711,231	1,373,861
Other receivables	1,115,042	504,802
Unrestricted marketable securities	<u>59,113,601</u>	<u>50,081,459</u>
	<u>\$ 63,635,327</u>	<u>\$ 54,267,173</u>

Supplementary Consolidating Information

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidating Balance Sheets
December 31, 2024

	Navy Marine Coast Guard Residence Foundation	Vinson Hall, LLC	Vinson Hall at Home, LLC	Consolidating Entries	Consolidated Balance
ASSETS					
Current Assets					
Cash	\$ 9,695	\$ 2,162,392	\$ 523,366	\$ -	\$ 2,695,453
Accounts receivable, net	(12,770)	439,583	284,418	-	711,231
Other receivables	1,409,651	(294,609)	-	-	1,115,042
Intercompany receivable	62,886,494	-	-	(62,886,494)	-
Prepaid expenses and other current assets	548,391	117,485	-	-	665,876
Total Current Assets	64,841,461	2,424,851	807,784	(62,886,494)	5,187,602
Property and Equipment, Net	4,991,023	91,159,229	-	-	96,150,252
Other Assets					
Investments	63,653,605	(4,540,004)	-	-	59,113,601
Endowment fund	3,842,131	-	-	-	3,842,131
Investments restricted by donors	953,894	-	-	-	953,894
Interest rate swap	6,859,098	-	-	-	6,859,098
Total Other Assets	75,308,728	(4,540,004)	-	-	70,768,724
Total Assets	\$ 145,141,212	\$ 89,044,076	\$ 807,784	\$ (62,886,494)	\$ 172,106,578
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 405,726	\$ 977,020	\$ 140,214	\$ -	\$ 1,522,960
Accrued salaries and benefits	247,318	1,285,107	41,643	-	1,574,068
Intercompany payable	-	61,308,802	1,577,692	(62,886,494)	-
Accrued interest	-	146,553	-	-	146,553
Current portion of long-term debt	-	2,125,500	-	-	2,125,500
Current portion of refundable entry fees	7,200,000	-	-	-	7,200,000
Other current liabilities	175,709	-	-	-	175,709
Total Current Liabilities	8,028,753	65,842,982	1,759,549	(62,886,494)	12,744,790
Noncurrent Liabilities					
Line of credit	-	795,500	-	-	795,500
Long-term debt, net of \$718,166 of unamortized debt issuance costs, less current	-	62,589,408	-	-	62,589,408
Annuity contracts	52,210	-	-	-	52,210
Entry fee deposits held	2,108,150	2,500	-	-	2,110,650
Deferred revenue, less current portion	10,900,494	103,573	-	-	11,004,067
Refundable entry fees, less current portion	79,021,555	-	-	-	79,021,555
Other liabilities	361,875	-	-	-	361,875
Total Noncurrent Liabilities	92,444,284	63,490,981	-	-	155,935,265
Total Liabilities	100,473,037	129,333,963	1,759,549	(62,886,494)	168,680,055
Net Assets (Deficit)					
Without donor restrictions	39,872,150	(40,289,887)	(951,765)	-	(1,369,502)
With donor restrictions	4,796,025	-	-	-	4,796,025
Total Net Assets (Deficit)	44,668,175	(40,289,887)	(951,765)	-	3,426,523
Total Liabilities and Net Assets	\$ 145,141,212	\$ 89,044,076	\$ 807,784	\$ (62,886,494)	\$ 172,106,578

See Independent Auditor's Report

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidating Balance Sheets
December 31, 2023

	Navy Marine Coast Guard Residence Foundation	Vinson Hall, LLC	Vinson Hall at Home, LLC	Consolidating Entries	Consolidated Balance
ASSETS					
Current Assets					
Cash	\$ 1,971,187	\$ 63,428	\$ 272,436	\$ -	\$ 2,307,051
Accounts receivable, net	(9,684)	1,155,701	227,844	-	1,373,861
Other receivables	702,515	(197,713)	-	-	504,802
Intercompany receivable	63,584,673	-	-	(63,584,673)	-
Prepaid expenses and other current assets	365,777	177,656	-	-	543,433
Total Current Assets	66,614,468	1,199,072	500,280	(63,584,673)	4,729,147
Property and Equipment, net	3,145,296	94,808,691	-	-	97,953,987
Other Assets					
Investments	50,081,459	-	-	-	50,081,459
Endowment fund	3,613,029	-	-	-	3,613,029
Investments restricted by donors	878,039	-	-	-	878,039
Interest rate swap	5,862,246	-	-	-	5,862,246
Other long-term assets	215,343	-	-	-	215,343
Total Other Assets	60,650,116	-	-	-	60,650,116
Total Assets	\$ 130,409,880	\$ 96,007,763	\$ 500,280	\$ (63,584,673)	\$ 163,333,250
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 157,632	\$ 1,124,400	\$ 128,683	\$ -	\$ 1,410,715
Accrued salaries and benefits	202,971	1,472,381	57,100	-	1,732,452
Intercompany payable	-	62,546,123	1,038,550	(63,584,673)	-
Accrued interest	-	115,672	-	-	115,672
Current portion of deferred revenue	-	6,961	-	-	6,961
Current portion of long-term debt	-	2,075,338	-	-	2,075,338
Current portion of refundable entry fees	6,440,000	-	-	-	6,440,000
Total Current Liabilities	6,800,603	67,340,875	1,224,333	(63,584,673)	11,781,138
Noncurrent Liabilities					
Long-term debt, net of \$735,965 of unamortized debt issuance costs less current	-	64,662,960	-	-	64,662,960
Annuity contracts	52,565	-	-	-	52,565
Entry fee deposits held	1,593,150	-	-	-	1,593,150
Deferred revenue	8,850,903	-	-	-	8,850,903
Refundable entry fees	75,123,563	-	-	-	75,123,563
Total Noncurrent Liabilities	85,620,181	64,662,960	-	-	150,283,141
Total Liabilities	92,420,784	132,003,835	1,224,333	(63,584,673)	162,064,279
Net Assets (Deficit)					
Without donor restrictions	33,498,028	(35,996,072)	(724,053)	-	(3,222,097)
With donor restrictions	4,491,068	-	-	-	4,491,068
Total Net Assets (Deficit)	37,989,096	(35,996,072)	(724,053)	-	1,268,971
Total Liabilities and Net Assets	\$ 130,409,880	\$ 96,007,763	\$ 500,280	\$ (63,584,673)	\$ 163,333,250

See Independent Auditor's Report

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidating Statements of Operations and Changes in Net Assets
Year Ended December 31, 2024

	Navy Marine Coast Guard Residence Foundation		Vinson Hall, LLC	Vinson Hall at Home, LLC		Consolidated Balance		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Consolidating Entries	Without Donor Restrictions	With Donor Restrictions	Total
Revenue								
Community program revenue								
Independent living	\$ 1,995,008	\$ -	\$ 14,069,505	\$ -	\$ (228,102)	\$ 15,836,411	\$ -	\$ 15,836,411
Nursing care	-	-	8,668,909	-	-	8,668,909	-	8,668,909
Assisted living	-	-	3,044,700	-	-	3,044,700	-	3,044,700
Memory care	-	-	5,035,415	-	-	5,035,415	-	5,035,415
Ancillary	-	-	413,908	-	-	413,908	-	413,908
Home care and home health	-	-	-	2,052,976	-	2,052,976	-	2,052,976
Other community program	-	-	130,227	-	-	130,227	-	130,227
Management fee income	4,063,500	-	-	-	(4,063,500)	-	-	-
Philanthropy	162,808	370,803	-	-	-	162,808	370,803	533,611
Interest and dividends, net of fees	1,534,053	90,412	-	-	-	1,534,053	90,412	1,624,465
Net assets released from restrictions	454,416	(454,416)	-	-	-	454,416	(454,416)	-
Total Revenue	8,209,785	6,799	31,362,664	2,052,976	(4,291,602)	37,333,823	6,799	37,340,622
Expenses								
Clinical / direct care	357,959	-	7,789,391	191,812	-	8,339,162	-	8,339,162
Health and wellness	-	-	837,008	-	-	837,008	-	837,008
Resident home care	-	-	-	1,191,010	-	1,191,010	-	1,191,010
Social services	-	-	381,120	-	-	381,120	-	381,120
Dining services	-	-	3,892,085	-	-	3,892,085	-	3,892,085
Life enrichment	-	-	907,837	-	-	907,837	-	907,837
Maintenance and housekeeping	-	-	4,354,985	-	-	4,354,985	-	4,354,985
Utilities	-	-	1,073,881	-	-	1,073,881	-	1,073,881
Security and concierge	-	-	1,316,265	-	-	1,316,265	-	1,316,265
Sales and admissions	-	-	360,348	-	-	360,348	-	360,348
Marketing	684,123	-	-	-	-	684,123	-	684,123
Administration	2,668,930	-	5,442,341	622,259	(4,063,500)	4,670,030	-	4,670,030
Information technology	801,401	-	-	-	-	801,401	-	801,401
Human resources	759,708	-	-	-	-	759,708	-	759,708
Employee benefits	-	-	1,591,391	275,607	-	1,866,998	-	1,866,998
Philanthropy and engagement	600,861	-	-	-	-	600,861	-	600,861
Interest	2,224	-	1,785,376	-	-	1,787,600	-	1,787,600
Depreciation and amortization	105,190	-	6,023,785	-	-	6,128,975	-	6,128,975
Total Expenses	5,980,396	-	35,755,813	2,280,688	(4,063,500)	39,953,397	-	39,953,397
Income (Loss) from Operations	2,229,389	6,799	(4,393,149)	(227,712)	(228,102)	(2,619,574)	6,799	(2,612,775)
Nonoperating Gains (Losses)								
Realized gains (losses)	(463,133)	46,862	-	-	-	(463,133)	46,862	(416,271)
Unrealized gains	4,607,713	251,296	-	-	-	4,607,713	251,296	4,859,009
Change in interest rate swap value	996,852	-	-	-	-	996,852	-	996,852
Other	(996,699)	-	99,334	-	228,102	(669,263)	-	(669,263)
Net Income (Loss)	6,374,122	304,957	(4,293,815)	(227,712)	-	1,852,595	304,957	2,157,552
Net Assets (Deficit), Beginning of Year	33,772,812	4,491,068	(35,996,072)	(724,053)	-	(2,947,313)	4,491,068	1,543,755
Net assets (Deficit), End of Year	\$ 40,146,934	\$ 4,796,025	\$ (40,289,887)	\$ (951,765)	\$ -	\$ (1,094,718)	\$ 4,796,025	\$ 3,701,307

Navy Marine Coast Guard Residence Foundation and Subsidiaries
Consolidating Statements of Operations and Changes in Net Assets
Year Ended December 31, 2023

	Navy Marine Coast Guard Residence Foundation		Vinson Hall, LLC	Vinson Hall at Home, LLC	Consolidating Entries	Consolidated Balance		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	Total
Revenue								
Community program revenue								
Independent living	\$ 2,167,778	\$ -	\$ 13,302,413	\$ -	\$ (274,784)	\$ 15,195,407	\$ -	\$ 15,195,407
Nursing care	-	-	7,866,596	-	-	7,866,596	-	7,866,596
Assisted living	-	-	2,712,876	-	-	2,712,876	-	2,712,876
Memory care	-	-	4,966,563	-	-	4,966,563	-	4,966,563
Ancillary	-	-	260,845	-	-	260,845	-	260,845
Home care and home health	-	-	-	2,205,200	-	2,205,200	-	2,205,200
Other community program	-	-	42,546	-	-	42,546	-	42,546
Management fee Income	3,763,905	-	-	-	(3,763,905)	-	-	-
Philanthropy	163,148	265,015	-	-	-	163,148	265,015	428,163
Interest and dividends, net of fees	1,008,894	81,417	-	-	-	1,008,894	81,417	1,090,311
Net assets released from restrictions	509,311	(509,311)	-	-	-	509,311	(509,311)	-
Total Revenue	7,613,036	(162,879)	29,151,839	2,205,200	(4,038,689)	34,931,386	(162,879)	34,768,507
Expenses								
Clinical / direct care	290,691	-	7,559,823	-	-	7,850,514	-	7,850,514
Health and wellness	-	-	811,164	-	-	811,164	-	811,164
Resident home care	-	-	-	1,622,821	-	1,622,821	-	1,622,821
Social services	-	-	354,273	-	-	354,273	-	354,273
Dining services	-	-	4,218,465	-	-	4,218,465	-	4,218,465
Life enrichment	-	-	899,235	-	-	899,235	-	899,235
Maintenance and housekeeping	-	-	4,514,087	-	-	4,514,087	-	4,514,087
Utilities	-	-	1,131,281	-	-	1,131,281	-	1,131,281
Security and concierge	-	-	1,208,379	-	-	1,208,379	-	1,208,379
Sales and admissions	-	-	308,859	-	-	308,859	-	308,859
Marketing	612,026	-	-	-	-	612,026	-	612,026
Administration	2,233,848	-	4,840,263	778,442	(3,763,905)	4,088,648	-	4,088,648
Information technology	809,653	-	-	-	-	809,653	-	809,653
Human resources	684,417	-	-	-	-	684,417	-	684,417
Employee benefits	33,727	-	1,395,706	181,287	-	1,610,720	-	1,610,720
Philanthropy and engagement	583,233	-	-	-	-	583,233	-	583,233
Interest	2,224	-	3,560,530	-	-	3,562,754	-	3,562,754
Depreciation and amortization	108,043	-	6,202,296	-	-	6,310,339	-	6,310,339
Total Expenses	5,357,862	-	37,004,361	2,582,550	(3,763,905)	41,180,868	-	41,180,868
Income (Loss) from Operations	2,255,174	(162,879)	(7,852,522)	(377,350)	(274,784)	(6,249,482)	(162,879)	(6,412,361)
Nonoperating Gains (Losses)								
Realized gains (losses)	1,004,436	(70,122)	-	-	-	1,004,436	(70,122)	934,314
Unrealized gains	4,094,082	418,150	-	-	-	4,094,082	418,150	4,512,232
Change in interest rate swap value	150,202	-	-	-	-	150,202	-	150,202
Other	-	-	66,576	-	274,784	341,360	-	341,360
Net Income (Loss)	7,503,894	185,149	(7,785,946)	(377,350)	-	(659,402)	185,149	(474,253)
Net Assets (Deficit), Beginning of Year	26,268,918	4,305,919	(28,210,126)	(346,703)	-	(2,287,911)	4,305,919	2,018,008
Net assets (Deficit), End of Year	\$ 33,772,812	\$ 4,491,068	\$ (35,996,072)	\$ (724,053)	\$ -	\$ (2,947,313)	\$ 4,491,068	\$ 1,543,755