



Marbridge Foundation, Inc.

**Consolidated Financial Statements
as of and for the Years Ended
June 30, 2024 and 2023 and
Independent Auditors' Report**

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Independent Auditors' Report

To the Board of Trustees of
Marbridge Foundation, Inc.:

Opinion

We have audited the accompanying consolidated financial statements of Marbridge Foundation, Inc. (a nonprofit organization) and its subsidiary, Marbridge Minerals, LLC, (a Texas limited liability company) (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Maxwell Locke : Ritter LLP

Austin, Texas
November 19, 2024

Marbridge Foundation, Inc.

Consolidated Statements of Financial Position June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,442,245	\$ 2,433,912
Accounts receivable, net	428,478	426,215
Contributions receivable, net	762,647	333,720
Prepaid expenses	14,522	11,584
Total current assets	2,647,892	3,205,431
Investments:		
Investments	5,125,788	4,530,715
Marbridge Foundation Assistance Trust (“MFAT”)	3,028,949	2,844,226
Other investments	477,680	209,184
Total investments	8,632,417	7,584,125
Contributions receivable, net	735,715	182,956
Cash restricted for residents’ funds	215,167	345,834
Cash restricted for building construction	1,661,688	1,543,782
Property and equipment, net	20,223,864	21,287,617
Other long-term assets	42,000	42,000
Total	<u>\$ 34,158,743</u>	<u>\$ 34,191,745</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 481,204	\$ 401,909
Accrued expenses	549,862	506,847
Deferred revenue	305,629	145,563
Current portion of long-term debt	87,243	84,064
Total current liabilities	1,423,938	1,138,383
Deferred lifetime care income	33,579	35,683
Residents’ funds	215,167	345,834
Long-term debt	660,953	747,628
Total liabilities	2,333,637	2,267,528
Net assets:		
Without donor restrictions	24,334,587	24,077,529
With donor restrictions	7,490,519	7,846,688
Total net assets	31,825,106	31,924,217
Total	<u>\$ 34,158,743</u>	<u>\$ 34,191,745</u>

See notes to consolidated financial statements.

Marbridge Foundation, Inc.

Consolidated Statements of Activities Years Ended June 30, 2024 and 2023

	2024	2023
Changes in Net Assets Without Donor Restrictions:		
Revenues and net assets released from restrictions:		
Tuition and fees, net	\$ 8,263,223	\$ 7,826,151
Patient services, net	6,129,129	6,171,685
Contributions	1,647,317	314,887
Realized and unrealized gains on investments, net of fees	869,249	526,425
Grant income	223,914	618,929
Miscellaneous income	327,227	429,769
Net assets released from restrictions	<u>3,861,683</u>	<u>6,045,509</u>
Total revenues and net assets released from restrictions	21,321,742	21,933,355
Expenses:		
Program services	17,555,064	16,662,191
Management and general	2,280,773	2,355,473
Fundraising	<u>1,228,847</u>	<u>1,060,760</u>
Total expenses	<u>21,064,684</u>	<u>20,078,424</u>
Change in net assets without donor restrictions	257,058	1,854,931
Changes in Net Assets With Donor Restrictions:		
Revenues:		
Contributions	3,295,791	1,792,293
Realized and unrealized gains on investments (MFAT), net of fees	109,723	140,526
Dividends and interest income (MFAT)	<u>100,000</u>	<u>80,000</u>
Total revenues	3,505,514	2,012,819
Net assets released from restrictions:		
Programs and activities	2,488,150	845,855
Non-MFAT scholarships (financial assistance) awarded	828,633	65,448
Expiration of inherent time restrictions	332,303	652,089
Building improvements	112,597	4,402,117
MFAT endowment scholarships awarded	<u>100,000</u>	<u>80,000</u>
Total net assets released from restrictions	<u>3,861,683</u>	<u>6,045,509</u>
Change in net assets with donor restrictions	<u>(356,169)</u>	<u>(4,032,690)</u>
Total change in net assets	(99,111)	(2,177,759)
Net assets, beginning of year	<u>31,924,217</u>	<u>34,101,976</u>
Net assets, end of year	<u>\$ 31,825,106</u>	<u>\$ 31,924,217</u>

See notes to consolidated financial statements.

Marbridge Foundation, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

(with summarized comparative totals for the year ended June 30, 2023)

	2024							2023 Total
	Program Services				Supporting Services			
	Skilled Nursing	Assisted Living	Training and Education	Total Program Services	Management and General	Fundraising	Total	
Salaries, wages, and benefits	\$ 6,080,405	4,259,341	1,245,934	11,585,680	1,879,156	695,472	14,160,308	13,217,182
Depreciation	184,723	740,382	353,555	1,278,660	67,409	9,394	1,355,463	1,214,826
Contract labor	917,485	68,134	3,835	989,454	-	-	989,454	1,130,986
Groceries	366,475	510,204	10,768	887,447	24,684	-	912,131	923,737
Utilities	142,133	267,263	81,205	490,601	8,471	-	499,072	457,623
Insurance	147,626	222,935	68,455	439,016	2,991	2,166	444,173	413,037
Supplies	158,361	155,409	28,996	342,766	23,755	16,644	383,165	394,081
Advertising and promotion	13,610	10,826	3,106	27,542	1,325	313,859	342,726	403,532
Medical services, drugs, and supplies	291,777	13,697	-	305,474	-	-	305,474	276,555
Repairs and maintenance	58,490	119,537	22,822	200,849	58,052	-	258,901	279,238
Residents	19,043	28,133	203,463	250,639	-	7,123	257,762	312,418
Computers and telephones	83,082	69,546	14,155	166,783	28,789	31,151	226,723	216,255
Scholarships	-	162,697	19,534	182,231	-	-	182,231	162,422
Staff	32,155	44,872	37,199	114,226	28,691	4,724	147,641	161,864
Transportation and travel	5,620	51,507	7,167	64,294	23,609	18,714	106,617	125,119
Interest and bank charges	-	-	-	-	35,946	10,625	46,571	43,668
Legal and professional	-	-	-	-	45,281	-	45,281	48,738
Miscellaneous	124,628	94,582	10,192	229,402	52,614	118,975	400,991	297,143
Total expenses	\$ 8,625,613	6,819,065	2,110,386	17,555,064	2,280,773	1,228,847	21,064,684	20,078,424

See notes to consolidated financial statements.

Marbridge Foundation, Inc.

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

	Program Services				Supporting Services		Total
	Skilled Nursing	Assisted Living	Training and Education	Total Program Services	Management and General	Fundraising	
Salaries, wages, and benefits	\$ 5,473,807	4,186,309	1,118,553	10,778,669	1,811,774	626,739	13,217,182
Depreciation	183,385	740,251	207,292	1,130,928	73,870	10,028	1,214,826
Contract labor	1,053,502	72,405	5,079	1,130,986	-	-	1,130,986
Groceries	352,270	536,660	9,358	898,288	25,449	-	923,737
Utilities	138,822	235,838	75,880	450,540	7,083	-	457,623
Insurance	129,127	197,607	36,523	363,257	47,801	1,979	413,037
Supplies	157,797	154,402	31,162	343,361	38,473	12,247	394,081
Advertising and promotion	15,722	10,507	1,907	28,136	43,595	331,801	403,532
Medical services, drugs, and supplies	259,397	17,158	-	276,555	-	-	276,555
Repairs and maintenance	57,427	102,519	51,412	211,358	67,880	-	279,238
Residents	15,789	46,048	242,254	304,091	9	8,318	312,418
Computers and telephones	79,309	65,599	15,861	160,769	30,150	25,336	216,255
Scholarships	-	154,094	8,328	162,422	-	-	162,422
Staff	35,359	49,906	13,785	99,050	55,478	7,336	161,864
Transportation and travel	8,767	52,220	7,422	68,409	27,469	29,241	125,119
Interest and bank charges	-	-	-	-	35,933	7,735	43,668
Legal and professional	-	-	-	-	48,738	-	48,738
Miscellaneous	163,258	83,093	9,021	255,372	41,771	-	297,143
Total expenses	<u>\$ 8,123,738</u>	<u>6,704,616</u>	<u>1,833,837</u>	<u>16,662,191</u>	<u>2,355,473</u>	<u>1,060,760</u>	<u>20,078,424</u>

See notes to consolidated financial statements.

Marbridge Foundation, Inc.

Consolidated Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	\$ (99,111)	\$ (2,177,759)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for (recovery of) uncollectible contributions receivable	37,496	(29,850)
Net realized and unrealized gains on investments	(978,972)	(666,951)
Proceeds from contributions restricted for endowment	(75,000)	-
Donated property and equipment	-	(20,216)
Loss (gain) on asset disposition	16,669	(129)
Depreciation	1,355,463	1,214,826
Amortization of deferred lifetime care income	(2,104)	(1,906)
Contributions restricted for investment in property and equipment	(60)	(1,347,417)
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(2,221)	91,435
Contributions receivable	(1,019,224)	1,508,131
Prepaid expenses	(2,938)	(404)
Accounts payable	79,295	(64,411)
Accrued expenses	43,015	(279,290)
Deferred revenue	160,066	(1,537)
Residents' funds	(130,667)	(74,136)
Net cash used in operating activities	(618,293)	(1,849,614)
Cash Flows from Investing Activities:		
Net sales (purchases) of investments	(69,320)	1,273,787
Purchases of property and equipment	(308,379)	(4,737,949)
Net cash used in investing activities	(377,699)	(3,464,162)
Cash Flows from Financing Activities:		
Proceeds from contributions restricted for endowment	75,000	-
Payments on long-term debt	(83,496)	(80,274)
Contributions restricted for investment in property and equipment	60	1,347,417
Net cash provided by financing activities	(8,436)	1,267,143
Net change in cash, cash equivalents, and restricted cash	(1,004,428)	(4,046,633)
Cash, cash equivalents, and restricted cash, beginning of year	4,323,528	8,370,161
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 3,319,100</u>	<u>\$ 4,323,528</u>
Supplemental Cash Disclosure-		
Interest paid in cash	<u>\$ 32,198</u>	<u>\$ 35,419</u>

See notes to consolidated financial statements.

Marbridge Foundation, Inc.

Notes to Consolidated Financial Statements Years Ended June 30, 2024 and 2023

1. Organization

Marbridge Foundation, Inc. (“Marbridge”) is a residential community that offers a full spectrum of transitional and lifetime care and training to adults with special needs from age 18 to the end of life. Marbridge provides residents opportunities to learn, experience, and achieve a new life, with a mission of helping these adults with intellectual disabilities reach their highest potential. Marbridge offers residents (and their families) the security of knowing they can have a college-like post-secondary living experience or a life-long residence. Marbridge’s care philosophy focuses on abilities, never disabilities, and assists and encourages residents to grow and achieve the highest independence possible. Marbridge operates three care communities on its nearly 200-acre campus located south of Austin, Texas: the Ranch, the Village, and the Villa/Bridges. The Ranch provides assisted living, and the Village provides independent and semi-independent living. Marbridge provides skilled nursing care at its Villa facility and at The Bridges, a skilled nursing and rehabilitation center, both of which provide nursing care to the general public, in addition to Marbridge residents.

Marbridge Minerals, LLC (the “LLC”), a wholly-owned subsidiary of Marbridge, is a Texas limited liability company formed on March 21, 2016 to hold certain producing and non-producing mineral interests that were contributed to Marbridge.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation - The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board Accounting Standards Codification. The consolidated financial statements include the accounts of Marbridge and the LLC (collectively, the “Foundation”), and all significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use, or at the discretion of the Board of Trustees (the “Board”) for the Foundation’s use.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. Net assets which are required to be maintained permanently are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Fair Value Measurements - Fair value is 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: (1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, (2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and (3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable - The Foundation's accounts receivable are uncollateralized and primarily consist of amounts due from Medicaid, Medicare, commercial insurance companies, and residents for patient services. Tuition and other fees receivable are not significant. As a service to residents, the Foundation bills third-party payors directly and bills the resident when the resident's liability is determined. Accounts receivable are due in full when billed and delinquent accounts do not accrue interest. The Foundation reports accounts receivable for services rendered at estimated net realizable amounts from third-party payors and residents. Laws and regulations governing the governmental programs in which the Foundation participates are complex and subject to interpretation. Amounts collected may be different than amounts billed due to patient eligibility issues or insufficient or incomplete documentation. Contractual allowances are treated as an implicit price concession factored into net revenue and are excluded from accounts receivable. Subsequent adjustments that are determined to be the result of an adverse change in the payor's ability to pay are recognized as credit losses. Significant changes in estimates may result from unforeseen write-offs or unsuccessful disputes with payors. As of June 30, 2024 and 2023, the allowance for credit losses was not significant.

Contributions Receivable - Contributions receivable are recorded at the amount the Foundation expects to receive from donors. Promises to give are recorded at fair value if expected to be collected within one year and at net present value if expected to be collected in more than one year. Although the Foundation has not historically experienced significant uncollectible amounts, an allowance for uncollectible contributions receivable has been established. The Foundation has not recorded a net present value discount for long-term contributions receivable as management considers the amount to be insignificant.

Investments - Investments, including those held in the Marbridge Foundation Assistance Trust ("MFAT"), are reported at fair value in the consolidated statements of financial position. Investment transactions are recorded on the trade date and investment income is recorded when earned. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of an investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. Realized and unrealized gains and losses are reported net of investment-related fees in the consolidated statements of activities.

Restricted Cash - As a service to its residents, the Foundation manages cash balances on behalf of certain residents in order to assist them in the management of their personal affairs. The Foundation recognizes no revenues or expenses with respect to these funds, the total amounts and earnings of which are owned entirely by the individual residents. These assets of the residents are reported as restricted cash with an offsetting residents' funds liability in the accompanying consolidated statements of financial position.

As of June 30, 2024 and 2023, the Foundation also had cash restricted by donor-imposed stipulations for the long-term purpose of constructing additions to the Foundation's three care communities (Note 8).

Costs to Obtain or Fulfill Contracts - The Foundation does not incur significant costs to obtain or fulfill contracts requiring capitalization.

Property and Equipment - Property and equipment additions are recorded at cost if purchased or estimated fair value if donated. The Foundation capitalizes all additions over \$2,500 and expenses maintenance and repairs that do not improve or extend the useful lives of the respective assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets as follows:

Buildings and improvements	3 - 40 years
Equipment	3 - 25 years
Vehicles	2 - 9 years
Furniture and fixtures	3 - 30 years
Other	3 years

Land and construction in-process are not depreciated. Construction in-process will be depreciated once the assets are placed in-service. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of activities.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Revenue Recognition - Revenue is recognized when promised services are transferred to residents in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those services by following a five-step process: (1) identify the contract with a resident, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Foundation satisfies a performance obligation, as further described below.

Tuition and Fees Revenue - Tuition charges to residents at the Ranch and Village are invoiced monthly in advance. Any payments received in advance are deferred until the following month, at which time revenue is recognized in the month the tuition pertains to, net of any discounts and scholarships. Activity fees are also recorded as revenue in the month earned, that is when the activities occur. All tuition and fees revenue is considered to be recognized over time, in the period such services are provided.

Net Patient Service Revenue - Patient service revenue includes room charges and related medical services to residents at the Villa. The Foundation determines the transaction price for patient services based on the gross charges for services provided, reduced by estimates for explicit and implicit price concessions. Explicit price concessions include contractual adjustments provided to patients and third-party payors and are recorded for the difference between standard rates and the contracted rates to be realized. Implicit price concessions include discounts provided to self-pay patients, adjustments resulting from payment reviews and adjustments arising from the Foundation’s inability to obtain appropriate billing documentation. These implicit price concessions are estimated based on historical collection experience, aged accounts receivable by payor and current economic conditions, and represent the difference between amounts billed and amounts the Foundation expects to collect. Subsequent changes to the estimate of the transaction price are recorded as adjustments to net revenue in the period of change. All net patient services revenue is considered to be recognized over time as services are provided.

Net patient service revenues were collected from the following payors for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Medicaid	\$ 4,508,915	\$ 4,498,217
Self-pay and commercial insurance	1,180,907	1,050,232
Medicare B (outpatient)	222,036	264,829
Medicare A	<u>217,271</u>	<u>358,407</u>
Net patient service revenues	<u>\$ 6,129,129</u>	<u>\$ 6,171,685</u>

Contractual Arrangements - Services provided to patients under contractual arrangements were covered by the following payors during the years ended June 30:

	<u>2024</u>		<u>2023</u>	
	<u>Gross Revenue</u>	<u>Revenue Net of Contractual Allowances</u>	<u>Gross Revenue</u>	<u>Revenue Net of Contractual Allowances</u>
Medicaid	76.3%	73.6%	75.9%	72.9%
Self-pay and commercial insurance	13.4%	19.3%	11.5%	17.0%
Medicare B (outpatient)	7.5%	3.6%	9.1%	4.3%
Medicare A	<u>2.8%</u>	<u>3.5%</u>	<u>3.5%</u>	<u>5.8%</u>
Total payors	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Medicaid

The Foundation participates in the Texas Medicaid program administered by the Texas Health and Human Services Commission. Skilled nursing centers that participate in the Medicaid program in the state of Texas are reimbursed based upon prospective rates. The Foundation is required to file an annual Medicaid cost report which is subject to audit by the Texas Health and Human Services Commission. Adjustments to the report may prospectively affect payment rates.

Medicare

The Foundation participates in the Medicare program, which is reimbursed based on a Prospective Payment System (PPS). This program is administered by the Center for Medicare and Medicaid Services (CMS). The PPS is a per diem price-based system. Annual cost reports are submitted to the designated intermediary; however, they do not contain a cost settlement.

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

Occupancy Percentages

The percentage of skilled nursing and nursing care residents covered under Medicaid, Medicare, or private pay and others were as follows during the years ended June 30:

	<u>2024</u>	<u>2023</u>
Total skilled nursing center occupancy:		
Medicaid	86.7%	85.2%
Private pay and other	12.1%	12.7%
Medicare	1.2%	2.1%

Performance Indicator

During the years ended June 30, 2024 and 2023, the Villa incurred an operating deficit of approximately \$1,927,000 and \$1,504,000, respectively. This is referred to as the performance indicator for a nonprofit, business-oriented health care entity. Amounts which are excluded from the performance indicator, consistent with industry practice, include contributions, unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Contributions Revenue - All contributions are recorded at their fair value and are considered to be available for operations of the Foundation unless specifically restricted by the donor. The Foundation recognizes contributions when cash, securities, other assets, or unconditional promises to give are received. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the consolidated statements of activities as net assets released from restrictions. Conditional promises to give, defined as those with a measurable performance or other barrier and a right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-Kind Contributions - Non-cash items and other in-kind contributions are recorded at their fair value on the date they are received. Donated services are recognized as contributions during the period services are rendered if the services (a) create or enhance non-financial assets, and (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In-kind contributions were not significant during the years ended June 30, 2024 and 2023, and were included with contributions revenue in the consolidated statements of activities.

Grant Income - Federal, state and local authorities have taken several actions designed to assist health care providers in providing care to COVID-19 and other patients and to mitigate the adverse economic impact of the COVID-19 pandemic. Legislative actions taken by the federal government include the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020; the Paycheck Protection Program and Health Care Enhancement Act (the “PPP Act”), which was signed into law on April 24, 2020; the Continuing Appropriations Act, 2021 and Other Extensions Act (the “Continuing Appropriations Act”), which was signed into law October 1, 2020; and the Consolidated Appropriations Act, 2021 (the “Consolidated Appropriations Act” and, collectively, with the CARES Act, the PPP Act, and the Continuing Appropriations Act, the “COVID Acts”), which was signed into law on December 27, 2020.

Through the COVID Acts, the federal government has authorized \$178 billion in payments to be distributed through the Public Health and Social Services Emergency Fund (“Provider Relief Fund” or “PRF”). Additionally, the COVID Acts revised the Medicare accelerated payment program in an attempt to disburse payments to health care providers more quickly to mitigate the shortfalls due to delays in non-essential procedures, as well as staffing and billing disruptions.

Additionally, the Quality Incentive Payment Program (“QIPP”), administered by Texas Health and Human Services (“HHS”), serves as a resource to help nursing facilities achieve transformation. This performance-based program encourages nursing facilities to improve the quality and innovation of their services through implementation of program-wide improvement processes for which nursing facilities are compensated for meeting or exceeding certain goals. Improvement is based upon several indices of success, including quality metrics that are collected by the CMS.

The Foundation’s participation in these federal and state programs and related accounting policies are as follows:

During the year ended June 30, 2023, the Foundation received cash payments of \$253,700 from the PRF. During the years ended June 30, 2024 and 2023, respectively, the Foundation received cash payments of \$223,914 and \$365,229 from the QIPP. Payments from the PRF and QIPP are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving these funds, providers must agree to certain terms and conditions, including, among other things, that the PRF funds are being used for lost revenues and unreimbursed COVID-related costs as defined by the U.S. Department of Health and Human Services.

The Foundation recognizes grant income at the point in time when there is reasonable assurance that the Foundation has complied with the conditions associated with the grant. Estimated grant revenue could change materially in the future based on the Foundation’s operating performance or COVID-19 activities, as well as the government’s evolving grant compliance guidance. The Foundation has recognized all grant payments received during the years ended June 30, 2024 and 2023 as grant income in the accompanying consolidated statements of activities.

Lifetime Care Income - Revenue from a lifetime care agreement, included with miscellaneous income in the consolidated statements of activities, is recognized based upon amortization of the consideration proceeds over the life expectancy of the resident as of the date of the agreement. In the event that the resident under the lifetime care agreement subsequently qualifies for Medicaid assistance, the entire unamortized remainder (if any) of that resident’s deferred lifetime care liability will be recognized as miscellaneous income.

Functional Expense Allocation - The accompanying consolidated financial statements present expenses by functional and natural classification. Program services include all costs directly allocable to residents’ life skills training, care, instruction and activities, medical expenses, and other direct expenses related to residents. Costs of activities that involve a substantial fundraising objective are reported as fundraising expenses. Management and general expenses include those costs that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation, including maintenance of its facilities. Certain costs have been allocated among the program and supporting services using a variety of cost allocation techniques, such as time and effort.

Advertising Costs - Advertising costs are charged to expense as incurred.

Federal Income Taxes - Marbridge is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. Marbridge did not incur any significant tax liabilities due to unrelated business income during the years ended June 30, 2024 or 2023. Marbridge files Form 990 tax returns in the U.S. federal jurisdiction and is subject to routine examinations of its returns; however, there are no examinations currently in process. The LLC is a disregarded entity for federal income tax purposes; however, the LLC files tax returns in the state of Texas.

3. Liquidity and Availability of Financial Assets

The Foundation’s financial assets available within one year for general expenditure were as follows as of June 30:

	2024	2023
Cash and cash equivalents	\$ 1,442,245	\$ 2,433,912
Accounts receivable, net	428,478	426,215
Contributions receivable due within one year	762,647	333,720
Investments (Level 1 and Level 2)	8,154,737	7,374,941
	10,788,107	10,568,788
Less amounts unavailable for general expenditure within one year-		
Donor-restricted endowment funds	(3,178,949)	(2,844,226)
Total financial assets available to management for general expenditure within one year	\$ 7,609,158	\$ 7,724,562

The Board ensures the Foundation’s financial stability by approving an annual budget prior to the start of each fiscal year. The Foundation maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the Foundation. To ensure liquidity, the Foundation has a line of credit with a bank for available borrowings of up to \$300,000. The Board periodically approves investment policies, including asset allocations, to provide for adequate liquid funds in the General Investment Account. Certain net assets with donor restrictions that are temporarily restricted as to purpose have not been removed from the balance disclosed as available for general expenditure within one year, as those restrictions can or will be met as part of general operations within the next year.

4. Concentrations and Risks Related to Reimbursement

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. The Foundation places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position. The Foundation does not maintain collateral for its receivables. As of June 30, 2024 and 2023, two donors accounted for 35% and three donors accounted for 61%, respectively, of total contributions receivable. During the years ended June 30, 2024 and 2023, one donor accounted for 15% and two donors accounted for 41%, respectively, of total contributions revenue.

The mix of accounts receivable due from patients, third-party payors and others was as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Medicaid	64.0%	63.2%
Private pay and other	27.8%	28.9%
Medicare A	6.4%	4.6%
Medicare B (Outpatient therapies)	1.8%	3.3%
Total	<u>100%</u>	<u>100%</u>

A significant portion of the Foundation's revenue is derived from Medicare and Medicaid. Payments received from Medicare and Medicaid are subject to changes made through federal and state legislation. When such changes are implemented, the Foundation must also modify its internal billing processes and procedures accordingly, which can require significant time and expense.

There are continuing efforts to reform governmental health care programs that could result in major changes in the health care delivery and reimbursement systems on a national and state level. The Foundation could be affected adversely by the continuing efforts of governmental and private third-party payors to contain health care costs. The Foundation cannot assure that reimbursement payments under governmental and private third-party payor programs, including Medicare supplemental insurance policies, will remain at levels comparable to present levels or will be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to these programs.

5. Accounts Receivable

Accounts receivable were due from the following sources as of June 30:

	<u>2024</u>	<u>2023</u>
Third-party payors, net	\$ 326,556	\$ 329,066
Residents	78,174	88,938
Others	23,748	8,211
Accounts receivable, net	<u>\$ 428,478</u>	<u>\$ 426,215</u>

6. Contributions Receivable

Contributions receivable consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Without donor restrictions	\$ 1,358,215	\$ 370,279
Donor-restricted for endowment	150,000	-
Donor-restricted for building construction	<u>72,613</u>	<u>191,325</u>
	1,580,828	561,604
Less: allowance for uncollectible accounts	<u>(82,466)</u>	<u>(44,928)</u>
Contributions receivable, net	<u>\$ 1,498,362</u>	<u>\$ 516,676</u>
Amounts due in:		
Less than one year	\$ 762,647	\$ 333,720
One to five years	804,177	221,884
More than five years	<u>14,004</u>	<u>6,000</u>
Total	<u>\$ 1,580,828</u>	<u>\$ 561,604</u>

7. Investments

The following is a description of the valuation methodologies used for investments measured at fair value, all of which have been valued using a market approach:

Common stocks, exchange traded funds, mutual funds, money market funds, and U.S. government securities - Valued at the closing price reported by an active market on which the individual securities are traded.

Bonds and mortgage-backed securities (“MBSs”) are designated as Level 2 instruments since valuations are obtained from readily-available pricing sources for comparable instruments. Such instruments are valued based on recently executed prices. When position-specific external price data is not observable, the valuation is based on prices of comparable securities.

Mineral rights - Carried at fair value based on estimated future cash flows which are based on historical revenues generated in the past year. These investments are designated as Level 3 instruments since inputs are not observable.

Private equities - Valued at the most recent net asset value (“NAV”) per unit per the capital account information available from the general partner.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the valuation methodologies used during the years ended June 30, 2024 and 2023.

There were no Level 3 purchases or transfers in or out of the Foundation's Level 3 instruments during the years ended June 30, 2024 and 2023.

Investments reported at fair value were as follows as of June 30, 2024:

General Investment Account:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 2,988,300	\$ -	\$ -	\$ 2,988,300
Mutual funds	1,200,049	-	-	1,200,049
Exchange traded funds	634,499	-	-	634,499
Corporate bonds	-	227,467	-	227,467
Cash equivalents	<u>75,473</u>	<u>-</u>	<u>-</u>	<u>75,473</u>
Total general investments	<u>\$ 4,898,321</u>	<u>\$ 227,467</u>	<u>\$ -</u>	<u>\$ 5,125,788</u>

Marbridge Foundation Assistance Trust (MFAT):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 1,405,565	\$ -	\$ -	\$ 1,405,565
Corporate bonds	-	658,207	-	658,207
Exchange traded funds	446,858	-	-	446,858
Cash equivalents	414,264	-	-	414,264
Treasury bonds and notes	91,576	-	-	91,576
Mortgage-backed securities	<u>-</u>	<u>12,479</u>	<u>-</u>	<u>12,479</u>
Total MFAT investments	<u>\$ 2,358,263</u>	<u>\$ 670,686</u>	<u>\$ -</u>	<u>\$ 3,028,949</u>

Other Investments:

Mineral rights	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,616</u>	\$ 463,616
Investments measured at NAV (private equity)				<u>14,064</u>
Total other investments				<u>\$ 477,680</u>

Investments reported at fair value were as follows as of June 30, 2023:

General Investment Account:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 2,932,668	\$ -	\$ -	\$ 2,932,668
Mutual funds	940,790	-	-	940,790
Exchange traded funds	638,162	-	-	638,162
Cash equivalents	<u>19,095</u>	<u>-</u>	<u>-</u>	<u>19,095</u>
Total general investments	<u>\$ 4,530,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,530,715</u>

Marbridge Foundation Assistance Trust (MFAT):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 1,664,628	\$ -	\$ -	\$ 1,664,628
Corporate bonds	-	482,857	-	482,857
Exchange traded funds	457,641	-	-	457,641
Cash equivalents	85,448	-	-	85,448
Treasury bonds and notes	139,367	-	-	139,367
Mortgage-backed securities	-	14,285	-	14,285
Total MFAT investments	<u>\$ 2,347,084</u>	<u>\$ 497,142</u>	<u>\$ -</u>	<u>\$ 2,844,226</u>

Other Investments:

Mineral rights	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,083</u>	\$ 192,083
Investments measured at NAV (private equity)				<u>17,101</u>
Total other investments				<u>\$ 209,184</u>

The investment in private equity, classified as an “other investment” in the accompanying consolidated statements of financial position, is measured at fair value using the NAV practical expedient and has therefore been excluded from the fair value hierarchy leveling table.

The private equity investment strategy may include, among other things, buyouts, venture capital, growth capital, investments in securities of distressed companies, and investments in companies operating within particular industries. Unfunded commitments on private equity were not significant as of June 30, 2024 and 2023.

8. Property and Equipment

Property and equipment consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 31,597,455	\$ 31,441,105
Equipment	2,653,623	2,623,710
Vehicles	839,757	888,704
Furniture and fixtures	715,384	668,286
Other	<u>22,464</u>	<u>22,464</u>
	35,828,683	35,644,269
Accumulated depreciation	(16,654,696)	(15,400,710)
Land	924,634	924,634
Construction in-process	<u>125,243</u>	<u>119,424</u>
Total property and equipment, net	<u>\$ 20,223,864</u>	<u>\$ 21,287,617</u>

As of June 30, 2024, construction in-process consists of additions to the Foundation’s three care communities, including a pavilion, softball field, doggie daycare, and new Villa building. The equestrian center was placed in service during the year ended June 30, 2023.

9. Long-term Debt

Long-term debt consisted of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Commercial loan payable; available borrowings up to \$950,000; requires monthly payments of principal and interest at 3.99% through March 2025; after March 2025, annual interest will become variable based on the bank's prime rate through maturity in July 2030; secured by a new cottage for the Village	\$ 748,196	\$ 831,692
Less: current maturities	<u>(87,243)</u>	<u>(84,064)</u>
Long-term debt, net of current portion	<u>\$ 660,953</u>	<u>\$ 747,628</u>

Required principal payments on debt obligations as of June 30, 2024 were as follows:

2025	\$ 87,243
2026	90,061
2027	93,721
2028	97,530
2029	101,493
Thereafter	<u>278,148</u>
Total	<u>\$ 748,196</u>

The Foundation has a line of credit available with a bank. The line of credit allows for available borrowings up to \$300,000; requires monthly payments of interest at the lesser of the bank's prime rate or 3.25% (8.50% and 8.25% as of June 30, 2024 and 2023, respectively); matures on May 25, 2025; and is secured by contributions receivable and property. The line of credit did not have an outstanding balance as of June 30, 2024 or 2023.

10. Temporarily Donor-Restricted Net Assets

Temporarily donor-restricted net assets were restricted for the following purposes as of June 30:

	<u>2024</u>	<u>2023</u>
Activities and other	\$ 1,540,558	\$ 2,761,396
Inherent time restrictions	1,496,131	316,934
Unappropriated earnings on donor-restricted endowment	961,782	852,059
Building improvements	719,072	813,190
Financial assistance to residents	520,064	623,324
Programs	<u>185,745</u>	<u>487,618</u>
Total	<u>\$ 5,423,352</u>	<u>\$ 5,854,521</u>

11. Endowment

The Foundation interprets the Texas Uniform Prudent Management of Institutional Funds Act (“TUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Donor-restricted net assets are classified at the original value of gifts donated to the permanent endowment (the “MFAT”), plus the original value of subsequent gifts to the permanent endowment. The earnings portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those funds are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

The MFAT was established to allow for granting of financial assistance to qualified individual residents in need. Determinations of the recipients and amounts of the MFAT’s assistance awards are made on the basis of reviews of individual circumstances and decisions for financial need made by the Executive Committee of the Board. The MFAT’s assets are managed by a third-party trustee.

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

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

According to the investment policy, the primary objective is to maintain a balanced approach of investments, utilizing both equity and fixed income securities. The performance of the MFAT is compared to a benchmark composed of 55% S&P 500 Stock Index and 45% Barclays Intermediate Government/Credit Bond Index. The portfolio’s holdings in common stocks should be diversified on an industry and issue basis, with no one security exceeding 10% of the portfolio’s aggregate market value. Additionally, the policy states that the fixed income category of investments should stress quality, taxable fixed income instruments. A Moody’s rating of “BBB”, or better, or a comparable rating is considered acceptable. With the exception of U.S. Government and/or Federal Agency securities, no security issuer commitment should exceed 10% of the total portfolio on a market value basis.

The Foundation has adopted a spending policy for the amount of the total return on endowment funds which can be expended annually as follows: The Foundation shall fund distributions from net investment income, net realized and unrealized capital gains, and proceeds from the sale of investments. The Foundation can receive annual distributions of 0% to 5% of the trailing five-year average of the investment fund’s total market value calculated using the trailing 20 calendar quarters ending December 31st of the current fiscal year. The spending rate calculation shall not include the market value of gifts received within the previous 12 months of the final date of the calculation period.

The MFAT has the following asset allocation ranges:

	<u>Min</u>	<u>Max</u>	<u>Target</u>
Equity securities:			
Domestic equity	45%	100%	55%
International equity	0%	15%	0%
Total equity securities	45%	100%	55%
Fixed income securities	0%	55%	45%
Cash equivalents	0%	25%	0%

Changes in the MFAT endowment net assets with donor restrictions were as follows during the years ended June 30:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 2,844,226	\$ 2,703,700
Contributions	75,000	-
Realized and unrealized gains, net of fees	109,723	140,526
Dividends and interest	100,000	80,000
Appropriations for expenditure	<u>(100,000)</u>	<u>(80,000)</u>
Endowment net assets, end of year	<u>\$ 3,028,949</u>	<u>\$ 2,844,226</u>

Descriptions of endowment net assets classified with donor restrictions were as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Permanently donor-restricted net assets-		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by TUPMIFA	<u>\$ 2,067,167</u>	<u>\$ 1,992,167</u>
Temporarily donor-restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under TUPMIFA	<u>\$ 961,782</u>	<u>\$ 852,059</u>

12. Employee Retirement Plan

The Marbridge Foundation 401(k) Plan (the “Plan”) is a defined contribution retirement plan available to substantially all full-time employees who have completed at least two months of service. Eligible employees may contribute a percentage of their compensation within limits established by the Internal Revenue Code. The Foundation may make employer matching contributions in an amount equal to 100% of the first 4% of employees’ contributed compensation. The Foundation made contributions to the Plan totaling \$249,223 and \$233,487 during the years ended June 30, 2024 and 2023, respectively.

13. Related Party Transactions

Contributions from Board members totaled \$23,950 and \$33,475 during the years ended June 30, 2024 and 2023, respectively. Contributions receivable from Board members totaled \$142,417 and \$27,680 as of June 30, 2024 and 2023, respectively.

14. Contingencies

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

15. Subsequent Events

The Foundation has evaluated subsequent events through November 19, 2024 (the date the consolidated financial statements were available to be issued), and no events have occurred from the consolidated statement of financial position date through that date that would impact the consolidated financial statements.