AbleLight Inc. and Affiliates

Consolidated Financial Statements and
Supplementary Information

August 31, 2023 and 2022

Independent Auditors' Report

To the Board of Directors of
AbleLight Inc. and Affiliates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AbleLight Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities, cash flows, and functional expenses 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 Organization as of August 31, 2023 and 2022, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, on September 1, 2022, the Organization adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

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 the Organization'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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government 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 Organization'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 Organization'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 Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 38 - 41 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, 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 GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 21, 2023

AbleLight Inc. and Affiliates

Consolidated Statements of Financial Position
August 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 10,692,675	$ 24,436,540
Accounts receivable:		
Client programs	8,487,768	7,296,846
Interest and other	856,735	766,077
Contributions and legacies	566,388	6,478,222
Supply inventories	38,319	129,572
Prepaid expenses and other current assets	1,414,275	1,265,348
Assets held for sale	1,640,636	1,213,450
Total current assets	23,696,796	41,586,055
Assets Whose Use is Limited or Restricted		
Funds held on behalf of clients	1,491,946	1,652,900
Escrow deposits	1,498,973	2,082,378
Other donor restricted assets	-	129
Total assets whose use is limited or restricted	2,990,919	3,735,407
Other Assets		
Investments	94,947,462	97,808,639
Assets relating to split-interest agreements and trusts	12,109,829	12,776,320
Notes receivable and other assets	112,838	84,922
Operating lease right-of-use assets, net	5,450,308	-
Finance lease right-of-use assets, net	755,191	-
Intangible assets	1,490,747	-
Total other assets	114,866,375	110,669,881
Property and Equipment, Net	38,067,184	41,569,315
Total assets	$ 179,621,274	$ 197,560,658
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 4,835,648	$ 3,569,841
Salaries, wages, related withholdings and fringe benefits	5,879,721	5,353,468
Line of credit	2,060,000	17,690,872
Current portion of mortgage notes payable	2,538,855	2,636,266
Current portion of other notes payable	-	2,092,169
Current portion of operating lease liabilities	1,781,557	-
Current portion of finance lease liabilities	157,244	-
Other current liabilities	734,446	897,243
Total current liabilities	17,987,471	32,239,859
Long-Term Liabilities		
Due to beneficiaries and others under split-interest agreements and trusts	6,596,704	6,925,904
Mortgage notes payable	14,650,614	14,923,573
Other notes payable	-	7,907,831
Operating lease liabilities	3,888,593	-
Finance lease liabilities	559,983	-
Funds held on behalf of clients	835,096	1,069,089
Other long-term liabilities	1,438,131	1,540,946
Total long-term liabilities	27,969,121	32,367,343
Total liabilities	45,956,592	64,607,202
Net Assets		
Without donor restrictions:		
Controlling interests	118,016,069	119,676,201
Non-controlling interests	269,063	79,227
Total without donor restrictions	118,285,132	119,755,428
With donor restrictions	15,379,550	13,198,028
Total net assets	133,664,682	132,953,456
Total liabilities and net assets	$ 179,621,274	$ 197,560,658

See notes to consolidated financial statements

AbleLight Inc. and Affiliates

Consolidated Statement of Activities
Year Ended August 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Contributions and legacies	$ 6,408,363	$ -	$ 6,408,363
Contributions of nonfinancial assets	6,385,136	-	6,385,136
Net assets released from restrictions, operations	425,469	(425,469)	-
Total public support	13,218,968	(425,469)	12,793,499
Revenue			
Program service revenue	81,006,851	-	81,006,851
Investment income, net of fees	7,271,530	-	7,271,530
Retail operations income	6,494,706	-	6,494,706
Rental income	1,513,769	-	1,513,769
Gain (loss) on sale of property and equipment and other settlements	(417,892)	1,687,519	1,269,627
Change in value of split-interest annuities	(75,175)	-	(75,175)
Other	649,876	-	649,876
Total revenue	96,443,665	1,687,519	98,131,184
Total public support and revenue	109,662,633	1,262,050	110,924,683
Expenses			
Program expenses	99,860,014	-	99,860,014
Management and general expenses	15,827,480	-	15,827,480
Fundraising expenses	3,365,726	-	3,365,726
Total expenses	119,053,220	-	119,053,220
Change in net assets before nonoperating activities	(9,390,587)	1,262,050	(8,128,537)
Nonoperating Activities			
Net assets released from restrictions, property and equipment	13,930	(13,930)	-
Restricted contributions	-	48,717	48,717
Capital contributions, net	169,057	-	169,057
Restricted investment income, net of fees	-	884,685	884,685
Debt forgiveness	7,737,304	-	7,737,304
Total nonoperating activities	7,920,291	919,472	8,839,763
Change in net assets	(1,470,296)	2,181,522	711,226
Net Assets, Beginning	119,755,428	13,198,028	132,953,456
Net Assets, Ending	$ 118,285,132	$ 15,379,550	$ 133,664,682

See notes to consolidated financial statements

AbleLight Inc. and Affiliates

Consolidated Statement of Activities
Year Ended August 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Contributions and legacies	$ 17,494,459	$ -	$ 17,494,459
Contributions of nonfinancial assets	6,532,219	-	6,532,219
Net assets released from restrictions, operations	926,785	(926,785)	-
Total public support	24,953,463	(926,785)	24,026,678
Revenue			
Program service revenue	68,961,749	-	68,961,749
Investment loss, net of fees	(11,614,522)	-	(11,614,522)
Retail operations income	6,788,186	-	6,788,186
Rental income	1,425,880	-	1,425,880
Gain on sale of property and equipment and other settlements	7,126,971	-	7,126,971
Change in value of split-interest annuities	(920,662)	-	(920,662)
Other	443,941	-	443,941
Total revenue	72,211,543	-	72,211,543
Total public support and revenue	97,165,006	(926,785)	96,238,221
Expenses			
Program expenses	87,033,845	-	87,033,845
Management and general expenses	17,850,706	-	17,850,706
Fundraising expenses	3,003,619	-	3,003,619
Total expenses	107,888,170	-	107,888,170
Change in net assets before nonoperating activities	(10,723,164)	(926,785)	(11,649,949)
Nonoperating Activities			
Net assets released from restrictions, property and equipment	158,597	(158,597)	-
Restricted contributions	-	1,764,462	1,764,462
Capital contributions, net	55,635	-	55,635
Restricted investment income, net of fees	-	4,521	4,521
Termination of pension plan	8,520,556	-	8,520,556
Total nonoperating activities	8,734,788	1,610,386	10,345,174
Change in net assets	(1,988,376)	683,601	(1,304,775)
Net Assets, Beginning	121,743,804	12,514,427	134,258,231
Net Assets, Ending	$ 119,755,428	$ 13,198,028	$ 132,953,456

See notes to consolidated financial statements

AbleLight Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 711,226	$ (1,304,775)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net unrealized loss (gain) on investments	(1,761,649)	14,272,490
Amortization of intangible assets	620,312	-
Depreciation and amortization of property and equipment	2,521,796	2,663,615
Gain on sale of property and equipment	(1,269,627)	(6,737,648)
Lease costs	387,025	-
Net realized loss on investments	4,345,894	8,006
Net change in split-interest agreements	(194,997)	517,855
Contributions restricted for endowment	(2,113)	(1,764,462)
Capital contributions, net	(169,057)	(55,635)
Restricted investment income, net	(884,685)	(4,521)
Change in beneficial interest in assets held by others	532,288	628,077
Termination of pension plan	-	(8,520,556)
Debt forgiveness	(7,737,304)	-
Changes in assets and liabilities:		
Client programs receivable	(1,190,922)	(812,119)
Interest and other receivable	(90,658)	(54,030)
Contributions and legacies receivable	5,911,834	(5,814,222)
Supply inventories	91,253	241,282
Prepaid expenses and other current assets	(148,798)	292,936
Notes receivable and other assets	(27,916)	(50,236)
Funds held on behalf of clients	(233,993)	(1,184,754)
Accounts payable	1,201,549	1,385,586
Salaries, wages, related withholdings and fringe benefits	526,253	(126,248)
Pension plan asset	-	13,732,015
Other current liabilities	(16,460)	21,424
Other long-term liabilities	388,765	(352,149)
Net cash flows from operating activities	3,510,016	6,981,931
Cash Flows From Investing Activities		
Purchases of property and equipment	(2,715,236)	(2,995,607)
Proceeds from sale of property and equipment	4,110,690	13,245,324
Purchase of intangible assets	(2,111,059)	-
Purchase of investments	(11,935,716)	(23,753,242)
Proceeds from sale of investments	12,212,648	2,593,183
Net cash flows from investing activities	(438,673)	(10,910,342)
Cash Flows From Financing Activities		
Net payments on line of credit	(15,630,872)	(8,100,000)
Principal payments on mortgage notes payable	(370,370)	(385,284)
Payments on other notes payable	(2,409,033)	-
Restricted investment income, net	884,685	4,521
Contributions restricted for endowment	2,113	1,764,462
Capital contributions, net	169,057	55,635
Payments on financing leases	(205,147)	-
Principal payments on capital leases	-	(155,586)
Net cash flows from financing activities	(17,559,567)	(6,816,252)
Net change in cash and cash equivalents and restricted cash	(14,488,224)	(10,744,663)
Cash and Cash Equivalents and Restricted Cash, Beginning	28,171,818	38,916,481
Cash and Cash Equivalents and Restricted Cash, Ending	$ 13,683,594	$ 28,171,818

See notes to consolidated financial statements

	2023	2022
Supplemental Cash Flow Disclosures		
Cash paid for interest	$ 1,429,759	$ 1,069,005
Noncash Investing and Financing Activities		
Purchases of property and equipment in accounts payable	$ 71,042	$ 135,300
Operating lease right-of-use assets obtained in exchange for operating lease liabilities, net at September 1, 2022	$ 4,563,225	$ -
Property and equipment purchased through capital lease transferred to finance lease right-of-use assets and capital lease liabilities transferred to finance lease liabilities on September 1, 2022	$ 491,580	$ -
Operating lease right-of-use assets financed with operating lease liability	$ 1,015,927	$ -
Finance lease right-of-use assets financed with finance lease liability	$ 438,077	$ -
Operating lease right-of-use asset and lease liability adjustments, net	$ 1,677,533	$ -
Finance lease right-of-use asset and lease liability adjustments, net	$ 7,283	$ -
Forgiveness of other current liabilities	$ 146,337	$ -
Purchases of property and equipment financed with mortgage notes payable	$ -	$ 2,280,000
Reconciliation of Cash and Cash Equivalents and Restricted Cash to the Statements of Financial Position		
Cash and cash equivalents	$ 10,692,675	$ 24,436,540
Funds held on behalf of clients	1,491,946	1,652,900
Escrow deposits	1,498,973	2,082,378
Total cash and cash equivalents and restricted cash	$ 13,683,594	$ 28,171,818

AbleLight Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended August 31, 2023

	Program	Management and General	Fundraising	Total
Salaries	$ 48,555,866	$ 7,840,467	$ 1,678,313	$ 58,074,646
Payroll taxes and benefits	10,096,159	1,662,897	340,963	12,100,019
In-kind expenses	6,385,136	-	-	6,385,136
Supplies	2,895,707	15,097	30,324	2,941,128
Repairs	1,181,817	-	-	1,181,817
Client professional and other services	14,828,584	2,178	184	14,830,946
Staff development	428,309	610,915	34,763	1,073,987
Legal, audit and other professional services	140,638	1,003,008	1,028,154	2,171,800
Other general outside services	2,545,097	467,628	74,517	3,087,242
Travel, meals, lodging and gasoline	792,358	240,606	66,311	1,099,275
Rent	2,565,751	370,851	98	2,936,700
Telephone and internet services	923,413	72,164	9,129	1,004,706
Electricity, natural gas, water and sewer	1,353,338	25,421	-	1,378,759
Property and liability insurance	1,896,750	436,583	41,096	2,374,429
Depreciation and amortization	2,910,918	362,105	36,268	3,309,291
Interest	676,832	550,109	-	1,226,941
Medicaid assessment fees	836,159	-	-	836,159
All other	847,182	2,167,451	25,606	3,040,239
Total expenses	$ 99,860,014	$ 15,827,480	$ 3,365,726	$ 119,053,220

See notes to consolidated financial statements

AbleLight Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended August 31, 2022

	Program	Management and General	Fundraising	Total
Salaries	$ 42,503,657	$ 9,014,444	$ 1,592,897	$ 53,110,998
Payroll taxes and benefits	9,246,561	1,276,299	317,302	10,840,162
In-kind expenses	6,532,219	-	-	6,532,219
Supplies	2,645,523	256,378	81,996	2,983,897
Repairs	1,281,068	236,836	-	1,517,904
Client professional and other services	9,463,196	98,810	2,499	9,564,505
Staff development	331,705	918,931	5,641	1,256,277
Legal, audit and other professional services	635,685	2,542,877	703,951	3,882,513
Other general outside services	2,884,768	1,050,319	145,652	4,080,739
Travel, meals, lodging and gasoline	623,850	305,084	61,395	990,329
Rent	2,103,700	311,127	197	2,415,024
Telephone and internet services	881,283	152,796	8,245	1,042,324
Electricity, natural gas, water and sewer	1,132,173	147,086	2	1,279,261
Property and liability insurance	1,917,381	434,895	44,731	2,397,007
Depreciation and amortization	2,343,434	292,711	27,470	2,663,615
Interest	723,429	490,985	-	1,214,414
Medicaid assessment fees	1,030,175	-	-	1,030,175
All other	754,038	321,128	11,641	1,086,807
Total expenses	$ 87,033,845	$ 17,850,706	$ 3,003,619	$ 107,888,170

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Nature of Activities

The consolidated financial statements reflect the accounts of AbleLight Inc., Faith Village, Inc., Faith Village IV, Inc., Good Shepherd Residence, Inc., AbleLight Residence Fremont, Inc., Creating Possibilities, Inc., Good Shepherd of Washington, Good Shepherd of Washington II, Good Shepherd of Colorado I, Good Shepherd Corporation of Oregon and The Oregon Good Shepherd Lutheran Home, Inc. (collectively referred to as AbleLight), AbleLight Foundation Inc. (the Foundation), and AbleLight Village, LLC, Bethesda Cornerstone Village - Victoria, LLC, Cornerstone Village - Highland, LLC, Cornerstone Village - Wauwatosa, LLC, Cornerstone Village Managing Member - Wauwatosa, LLC, Cornerstone Village WI-I, LLC and Cornerstone Village NP MN, Inc. (collectively referred to as AbleLight Village) (all entities collectively referred to as the Organization) with intercompany accounts eliminated. The nine U.S. Department of Housing and Urban Development (HUD) projects operate under the rules and regulations of HUD. The Organization operates residential facilities for the benefit of developmentally disabled persons.

Basis of Presentation

The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents and Restricted Cash

The Organization defines cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of six months or less. Restricted cash includes funds held on behalf of clients and escrow deposits. The Organization does not have the ability to use these funds for operations due to contractual requirements.

Client Programs Receivable

Accounts receivable are uncollateralized funding source obligations which generally are payable within 30 days from the invoice or billing date. Contracts from revenues that are considered exchange transactions are recorded at an amount that management expects to receive from the net transaction price. Balances are recorded net of adjustments or discounts to determine the net transaction price. Billings for services under third-party payor programs are recorded net of estimated adjustments, if any. Historically, the Organization has collected substantially all of the consideration to which it is entitled under its contracts with customers. Subsequent adjustments, if any, are recognized as revenue when received. The adequacy of the Organization’s net realizable receivable is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis of receivable portfolios by payor source and aging of receivables, along with a review of specific accounts. Adjustments are made as necessary.

Contributions and Legacies Receivable

Contributions and legacies receivable are recorded when the Organization receives documentation of the gift, no other party of interest is contesting the gift, the cash and investments are quantifiable and real property and nonmarketable investments have been valued by independent appraisal. Contributions and legacies receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of August 31, 2023 and 2022.

Contributions and legacies receivable of $566,388 and $6,478,222 as of August 31, 2023 and 2022, respectively, are expected to be collected in less than one year.

Supply Inventories

Inventory, which mainly consists of thrift store items and personal protective equipment and supplies, is stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

Funds Held on Behalf of Clients

Certain residents have deposited funds in trust accounts maintained for their benefit by the Organization in separate accounts from the main operating account. The funds are used to pay personal expenses of the residents. If a resident leaves the Organization, the balance remaining in the fund is returned to the resident.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the consolidated statements of activities net of fees as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

The Organization may employ derivatives and other strategies to (1) hedge against market risks, (2) arbitrage mispricing of related securities and (3) replicate long or short positions more cost-effectively. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest and currency swaps, call and put options, debt and equity futures contracts, equity swaps and other vehicles that may be appropriate in certain circumstances. Since the Organization does not strive for higher returns through market timing or by making leveraged market bets, derivatives are not used for speculation.

The Organization's external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the Board of Directors.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. Acquisitions of property and equipment in excess of $2,500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service unless otherwise instructed by donor.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

The Organization has recorded a liability of $212,169 for estimated asbestos clean-up costs as of August 31, 2023 and 2022, and it is included in other long-term liabilities in the consolidated statements of financial position.

Assets Held for Sale

All properties held for sale are recorded at historical cost net of accumulated depreciation at the time the assets were classified as held for sale or net realizable value, whichever is lower. During the years ending August 31, 2023 and 2022, the Organization closed certain locations and was marketing properties for sale; at August 31, 2023 and 2022 these assets had net book values totaling $1,640,636 and $1,213,450, respectively. At August 31, 2023 and 2022, assets held for sale remaining on the market had a fair value of approximately $3.6 million and $2.6 million, respectively.

Intangible Assets

During the year ending August 31, 2023, the Organization purchased a portfolio of program service contracts from a third-party that are presented as intangible assets on the consolidated statements of financial position. The costs are amortized over the estimated useful lives of the assets. Accumulated amortization as of August 31, 2023 was $620,312.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No impairment losses were incurred during the years ending August 31, 2023 and 2022.

Assets Relating to Split-Interest Agreements and Trusts

The Organization is the trustee of various split-interest agreements. The trusts and the assets held are recorded at fair value and are reported in the consolidated statements of financial position. In addition, the Organization is a specified beneficiary of assets held by others and has recorded a beneficial interest in these assets.

Assets received under split-interest agreements and trusts are recorded at their fair value. The Organization records a liability when a split-interest agreement (Unitrust, Annuity Trust and Pooled Income Fund) is established at the present value of the estimated future payments to the donor and other beneficiaries. Discount rates ranging from 4.5% to 6.0% were used to project the Due to beneficiaries and others under split interest agreements and trusts liability as of August 31, 2023 and 2022. Revenue is recorded for the difference between the fair value of the assets received and the liability.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Noncontrolling Interests - The consolidated financial statements include a noncontrolling interest in a real estate partnership, Cornerstone Village - Wauwatosa, LLC. The Organization has controlling interest through its subsidiaries, AbleLight Village, LLC and Cornerstone Village Managing Member - Wauwatosa, LLC.

In fiscal year 2022, AbleLight Village, LLC acquired a 100% share of Class A units in Cornerstone Village - Wauwatosa, LLC (CV-Tosa), a mixed-use rental community in Wauwatosa, Wisconsin through a capital contribution of $645,000. Class A units represent 80% of the total interest in CV-Tosa and provide for preferred returns of cash flows. Class B units are wholly owned by a minority partner and equate to a 20% interest in CV-Tosa. CV-Tosa is managed by Cornerstone Village - Managing Member-Wauwatosa, LLC, which is owned 51% by AbleLight Village, LLC and 49% by a minority partner. Therefore, AbleLight Village, LLC exercises control of the management decisions of CV-Tosa.

Below is a summary of the portion of the change in net assets, reflected in the consolidated statements of activities, which related to the noncontrolling interest activity.

	Cornerstone Village - Wauwatosa, LLC		Other Controlling Interests	Total
	Controlling Interests	**Noncontrolling Interests**	**Net Assets Without Donor Restrictions**	**Net Assets Without Donor Restrictions**
Net asset balance, August 31, 2021	$ -	-	$ 121,743,804	$ 121,743,804
Change in net assets without donor restrictions	94,369	23,592	(2,767,398)	(2,649,437)
Transfer of equity, net	605,426	-	-	605,426
Capital contributions, net	-	55,635	-	55,635
Net asset balance, August 31, 2022	699,795	79,227	118,976,406	119,755,428
Change in net assets without donor restrictions	83,117	20,779	(1,702,313)	(1,598,417)
Capital contributions and distributions, net	(40,936)	169,057	-	128,121
Net asset balance, August 31, 2023	$ 741,976	$ 269,063	$ 117,274,093	$ 118,285,132

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained in perpetuity.

Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has not designated any amounts as of August 31, 2023 and 2022.

Tax-Exempt Status

AbleLight Inc., Faith Village, Inc., Faith Village IV, Inc., Good Shepherd Residence, Inc., AbleLight Residence Fremont, Inc., Creating Possibilities, Inc., Good Shepherd of Washington, Good Shepherd of Washington II, Good Shepherd of Colorado I, Good Shepherd Corporation of Oregon, The Oregon Good Shepherd Lutheran Home, Inc., AbleLight Foundation Inc. and Cornerstone Village NP MN, Inc. have received notification that each entity qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, each entity is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

AbleLight Village, LLC is a single member limited liability company, solely owned by AbleLight Inc. Bethesda Cornerstone Village - Victoria, LLC, Cornerstone Village - Highland, LLC and Cornerstone Village WI-I, LLC are single member limited liability companies, solely owned by AbleLight Village, LLC. These entities are not tax paying entities; instead, all revenues and expenses are reported on AbleLight Inc.'s Form 990. Cornerstone Village - Wauwatosa, LLC and Cornerstone Village Managing Member - Wauwatosa, LLC both file independent Forms 1065.

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the tax return should be recorded in the consolidated financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes and accounting during interim periods. The Organization does not believe that it has any uncertain tax positions at August 31, 2023 and 2022.

Program Service Revenue

Program service revenue consists primarily of revenues from residential habilitation and nonresidential habilitation services. Residential habilitation and nonresidential habilitation fee revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. Contracts are signed with clients and are primarily paid by private sources or a third party payor. The Organization reviews contracts using a portfolio approach for contracts with individual clients for residential habilitation services due to similarities in contracts. In addition, the Organization reviews contracts using a portfolio approach for contracts with individual clients for nonresidential habilitation services due to similarities in contracts. Performance obligations are determined based on the nature of the services provided. Residential habilitation and nonresidential habilitation fee revenues are recognized as performance obligations are satisfied.

Under the Organization’s residential habilitation agreements, which are generally for a contractual term of one year, the Organization provides daily residential habilitation services to clients for a stated daily or monthly fee. Such services include an integrated array of individually tailored daily-living supports and training in an environment where close, continuous supervision can be provided. The Organization has determined that the services included under the Organization’s group home, host home and intermediate care facility agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time as the underlying services are provided and revenue is recognized accordingly. The Organization recognizes revenue under Accounting Standards Codification (ASC) 606, *Revenue Recognition from Contracts with Customers (ASC 606)*, for its group home, host home and intermediate care facility agreements for which it has estimated that the nonlease components of such residency agreements are the predominant component of the contract.

Under the Organization’s nonresidential habilitation agreements, which are also generally for a contractual term of one year, the Organization provides habilitation services to clients for a stated per-unit fee - typically fractions of an hour. Such services include community-integrated day programs, supported employment, in-home supports and behavioral supports. These services are considered separate performance obligations that are satisfied as the underlying services are provided and revenue is typically recognized over a period of time.

The Organization receives payment for services under various third-party payor programs, primarily Medicaid, and to a lesser extent from a client's private sources. Although rates are generally known and considered fixed prior to services being performed, notification of rate adjustments can be received from third-party payor programs with retroactive effect. These adjustments can result in increases in payment rates due to general inflation effects or event-specific conditions, such as the COVID-19 pandemic or may be decreases in billed amounts as a result of rate adjustments. The Organization determines the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends. Changes to these estimates for retroactive adjustments are recognized in the period of the change or when the adjustment becomes known or when final settlements are determined.

There are no expressed or implied warranties. There is no revenue recognized for services performed in prior periods. There are no contract assets or liabilities with these revenue sources.

Contract Balances

Program service revenue for residential and nonresidential habilitation services is generally billed monthly in arrears under the provider agreements with the various third-party payors. Although the terms and conditions within the Organization's revenue-generating contracts vary by contract type and payor source, payment is generally received within 90 days or less from the date invoices are submitted to the payor.

Amounts of revenue that are collected from third-party payors in advance are recognized as other current liabilities until the performance obligations are satisfied. As of August 31, 2023, 2022, and 2021, the Organization had deferred revenues from contracts with customers of approximately $660,000, $0 and $244,000, respectively, which is included in other current liabilities in the consolidated statements of financial position. Substantially all of this deferred revenue is recognized in the subsequent month when the related services are provided. The Organization applied the practical expedient in ASC 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less. As of August 31, 2023, 2022 and 2021, the Organization had receivables from contracts with customers of approximately $8,460,000, $7,250,000 and $6,450,000, respectively.

Retail Operations

The Organization operates retail sales operations in various locations. Revenue is recognized when control of the promised goods or services is transferred to the customer. The transaction price for goods sold is recognized at the point of the sale transaction and includes variable consideration for discounts and estimated returns of goods for refund or exchange. Control is obtained when a customer has the ability to direct the use of and substantially all of the remaining benefits from that good. The Organization has elected to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Organization from the customer. There are no expressed or implied warranties. There is no revenue recognized for sales in prior periods. There are no contract assets or liabilities with this revenue source.

Contributions

Unconditional contributions, including legacies receivable, are recognized in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, whether received or made are recognized only when the conditions on which they depend are met and the promises become unconditional. The gifts are reported as support with donor restrictions if 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. In the absence of donor specification or law that income and gains on donated funds are restricted, such income and gains are reported as support without donor restrictions. The Organization has conditional contributions at August 31, 2023 and 2022 of approximately $35,000 and $582,000, respectively.

Contributed Nonfinancial Assets

The Organization recognizes contributed nonfinancial assets within support, which consist mainly of used household goods, furniture and clothing. It is the Organization's policy to sell these donated items at the retail operations locations at fair value, which is determined upon the sale of the used items. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

Operations

The Organization's operating results include all operating revenues and expenses that are an integral part of its programs and supporting activities. Contributions and releases from donor restrictions to support its operating activities are also included. The measure of operations excludes net assets released from restrictions for property and equipment, restricted contributions that are not considered part of operations, restricted investment income, net of fees, capital contributions, net, debt forgiveness and termination of pension plan.

Expense Allocation

The cost of providing program and supporting activities has been summarized on a functional basis within the consolidated statements of functional expenses. Expenses which are directly attributable to a specific program or supporting activity of the Organization are reported as expenses of that activity.

Expenses which are attributable to more than one program or supporting activity are allocated on a reasonable basis to the appropriate category. Expenses related to the office of the Chief Executive Officer and Marketing and Communications are allocated based on estimated time and effort spent in direct support or supervision of each activity. Expenses for information technology are allocated based on full time equivalent employees. Certain insurance costs are allocated based on relative value of assets or total salaries covered, as applicable.

Distributions

The Organization's regulatory agreements with HUD stipulate, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors.

Estimates

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

Adopted Accounting Pronouncements

Effective September 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Organization's fiscal year 2022 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets, net and lease liabilities of $4,563,225, and finance lease right-of-use assets, net and lease liabilities of $491,580.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected the package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for its real property asset class;
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Organization has elected the policy to not include low-value leases on the consolidated statements of financial position;
- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term; and
- The Organization elected to account for its vehicle leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 15 Leases.

New Accounting Pronouncements

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2024). The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated financial statements.

2. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date of August 31 for general expenditures are as follows:

	2023	2022
Total assets	$ 179,621,274	$ 197,560,658
Less:		
Property and equipment, net	(38,067,184)	(41,569,315)
Right-of-use assets, net	(6,205,499)	-
Intangible assets, net	(1,490,747)	-
Prepaid expenses and other current assets	(1,414,275)	(1,265,348)
Supply inventories	(38,319)	(129,572)
Notes receivable and other assets	(112,838)	(84,922)
Assets held for sale	(1,640,636)	(1,213,450)
Total financial assets available in one year	130,651,776	153,298,051
Less:		
Assets held relating to split-interest agreements and trusts	(8,886,092)	(9,020,295)
Funds held on behalf of clients	(1,491,946)	(1,652,900)
Escrow deposits	(1,498,973)	(2,082,378)
Assets with donor restrictions	(15,379,550)	(13,198,028)
Assets relating to charitable gift annuities	(5,952,192)	(6,643,884)
Assets available for general expenditures	$ 97,443,023	$ 120,700,566

The Organization's operations are largely funded by payments from Medicaid and other federal and state agencies, and additional capital is provided by investment returns and the controlled liquidation of Foundation assets as required. The Foundation exists for the benefit of AbleLight Inc. and the Foundation's assets are to be solely used to fulfill the Organization's mission. The Board authorizes distributions from the Foundation up to a certain limit at the beginning of each fiscal year and adjusts funding accordingly if management identifies the need for additional cash flow during the year. The Organization has a balanced investment strategy for managing the Foundation's assets, which generally consists of a mix of 66% stocks, 30% fixed income and 4% cash. The Foundation's Board receives quarterly advice from the Organization's portfolio manager, Merrill Lynch, and changes to investment strategy require board approval.

At August 31, 2023, the Organization has a $35.0 million revolving line of credit with Bank of America, with an outstanding balance of approximately $2.1 million. The line of credit bears interest at the daily Bloomberg Short-Term Bank Yield (BSBY) Index Rate plus 95 basis points. The line of credit is secured by Foundation assets, and is subject to call if pledged assets fall below approximately $2.6 million.

3. Fair Value Measurements

The Organization follows current authoritative accounting guidance, which provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles. These standards apply to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined by current authoritative guidance, 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. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

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

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy.

	August 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets:				
Investments:				
Mutual funds	$ 53,415,150	$ 53,415,150	$ -	$ -
Common and preferred stock	9,168,587	9,168,587	-	-
Church extension funds	9,794	-	9,794	-
Fixed income securities	24,956,193	24,956,193	-	-
Hedge funds	219,584	-	-	219,584
Mutual funds, charitable gift annuities	5,223,401	5,223,401	-	-
Fixed income securities, charitable gift annuities	111,932	111,932	-	-
Mutual funds, 457 plan investments	1,225,962	1,225,962	-	-
Total investments at fair value	94,330,603	$ 94,101,225	$ 9,794	$ 219,584
Money market funds, charitable gift annuities	616,859			
Total investments	$ 94,947,462			
Assets relating to split-interest agreements and trusts:				
Fixed income mutual funds	$ 3,800,111	$ 3,800,111	$ -	$ -
Equity mutual funds	4,985,553	4,985,553	-	-
Beneficial interest in assets held by others	3,223,737	-	-	3,223,737
Total at fair value	12,009,401	$ 8,785,664	$ -	$ 3,223,737
Money market funds	100,428			
Total	$ 12,109,829			

	August 31, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments:				
Mutual funds	$ 54,064,589	$ 54,064,589	$ -	$ -
Common and preferred stock	8,486,811	8,486,811	-	-
Church extension funds	7,616	-	7,616	-
Fixed income securities	27,251,004	27,251,004	-	-
Hedge funds	375,690	-	-	375,690
Mutual funds, charitable gift annuities	5,755,353	5,755,353	-	-
Fixed income securities, charitable gift annuities	33,381	33,381	-	-
Mutual funds, 457 plan investments	979,045	979,045	-	-
Total investments at fair value	96,953,489	$ 96,570,183	$ 7,616	$ 375,690
Money market funds, charitable gift annuities	855,150			
Total investments	$ 97,808,639			
Assets relating to split-interest agreements and trusts:				
Fixed income mutual funds	$ 556,813	$ 556,813	$ -	$ -
Equity mutual funds	8,144,198	8,144,198	-	-
Beneficial interest in assets held by others	3,756,025	-	-	3,756,025
Total at fair value	12,457,036	$ 8,701,011	$ -	$ 3,756,025
Money market funds	319,284			
Total	$ 12,776,320			

The valuation of money market funds is determined on the cost basis. As a result, they are excluded from the fair value hierarchy level disclosures.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Mutual Funds, Common and Preferred Stock and Fixed Income Securities - These investments are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available, including hedge funds that have a ticker symbol.

Church Extension Funds - These investments are measured at fair value using multiple sources of information that are corroborated by market data and are considered Level 2 items.

Hedge Funds - Investments in hedge funds, fund of funds and other alternative investments have no readily determinable fair value and are classified as Level 3 as the valuation is based on significant unobservable inputs that are not corroborated by market data. The valuation was determined by the Organization's investment managers.

Beneficial Interest in Assets Held by Others - The trusts, that the Organization is named as a specified beneficiary in which they are not the trustee of the assets, are considered Level 3 items as the valuation is based on significant unobservable inputs that are not corroborated by market data.

Total purchases of Level 3 assets measured at fair value on a recurring basis were $0 and $113,916 during the years ending August 31, 2023 and 2022, respectively. Total sales of Level 3 assets measured at fair value on a recurring basis were $0 and $20,914 during the years ending August 31, 2023 and 2022, respectively.

Unrealized net losses included in change in net assets are reported in the consolidated statements of activities as investment income for the hedge funds and restricted contributions for the beneficial interest in assets held by others.

Level 3 hedge funds consist of two funds at August 31, 2023 and 2022. The funds are valued based on unobservable inputs and are deemed alternative investments. To withdraw funds from these investments, the Organization is required to submit a written request and is limited to one request per quarter. The investment company can deny the request to withdraw funds. The Organization has no unfunded commitments relating to these investments. The Organization has taken steps to liquidate these Level 3 hedge funds and plans to complete the liquidation process within the next year.

The Level 3 hedge funds seek to invest in companies in various stages of development and are allocated among alternative investment managers. The funds pursue a variety of investment strategies. The primary objective of the hedge funds is to provide capital appreciation with less volatility than that of the equity market.

4. Escrow Deposits

Escrow deposits include $0 and $13,083 as of August 31, 2023 and 2022, respectively, in escrow deposits with lenders and municipalities for construction projects for AbleLight Village, LLC.

During 2022 and 2021, the Organization divested of facilities and equipment in multiple states. As part of three separate asset purchase agreements, the Organization funded three escrow accounts totaling $0 and $622,142 at August 31, 2023 and 2022, respectively, as a nonexclusive source of recovery to satisfy the due performance and payment by the Organization of indemnification obligations. The funds were released back to the Organization during 2023.

Monthly escrow deposits are made as required by HUD for the reserve for replacements and are maintained in interest bearing accounts separate from the operating accounts of the HUD projects. Disbursements are restricted to replacement of structural elements or equipment and may be made only upon approval by HUD. Upon satisfaction of the mortgage note payable or mortgage note relating to the capital advance, the balance in this escrow reverts to the benefit of the project. The balances in the reserve for replacement escrow accounts were $1,110,774 and $1,107,378 as of August 31, 2023 and 2022, respectively.

HUD requires the HUD projects to remit all cash remaining, if any, after the establishment of all required escrows and reserves and the payment of all expenses and allowable disbursements to a residual receipts fund on an annual basis. Deposits are made within 90 days after year-end and are maintained in interest bearing accounts separate from the operating accounts of the HUD projects. Withdrawals may be made with permission from HUD. Upon satisfaction of the mortgage note payable or mortgage note relating to capital advance, the balance in this fund reverts to the benefit of HUD. The balances in the residual receipts escrow accounts were $388,199 and $333,172 as of August 31, 2023 and 2022, respectively.

HUD escrow deposits for insurance reserves were $0 and $6,603 as of August 31, 2023 and 2022, respectively.

5. Investments

The Organization invests in various securities which, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and activities.

The asset allocation size and style mix is as follows as of August 31:

	2023	2022
Large cap growth	25%	24%
Large cap value	25%	24%
Small/mid cap growth	2%	1%
Small/mid cap value	4%	4%
International equity	12%	11%
Intermediate term bonds	8%	9%
Short-term bonds	20%	20%
Cash	4%	7%

Cash reflected within the investment portfolio mix above includes money market funds which are reflected as cash and cash equivalents in the consolidated statements of financial position.

6. Property and Equipment

The major categories of property and equipment at August 31 are summarized as follows:

	Depreciable Lives	2023	2022
Land and land improvements	5-40 yrs.	$ 14,238,890	$ 14,785,555
Buildings, improvements and capitalized maintenance	5-40 yrs.	51,031,821	53,454,899
Fixed and moveable equipment	3-20 yrs.	7,954,808	8,501,012
Construction in progress	N/A	1,609,263	2,221,225
Total property and equipment		74,834,782	78,962,691
Less accumulated depreciation		(36,767,598)	(37,393,376)
Property and equipment, net		$ 38,067,184	$ 41,569,315

The amounts held in construction in progress primarily relate to costs for software, remodeled homes for operations and developed real estate projects in Wisconsin.

The gain on sale of property and equipment of $1,269,627 and $6,737,648 for the years ending August 31, 2023 and 2022 primarily relates to a sale of facilities, equipment and internally developed software.

7. Retirement Plans

403(b) Plan

The Organization has a contributory 403(b) defined contribution plan that covers substantially all full-time employees. Participating employees are eligible to receive an employer matching contribution, which is established annually by the Board of Directors. The contribution for the years ended August 31, 2023 and 2022 was $1,260,121 and $515,175, respectively.

Defined Benefit Plan

The Organization had a noncontributory retirement plan covering substantially all of the Organization's employees who had completed one year of service (as defined) and were over 18 years of age. The Organization's policy is to contribute annually the amount required. The measurement date on the defined benefit retirement plan is August 31.

Effective December 31, 2012 the Organization froze the defined benefit plan, which prevented additional accumulation of benefits for current employees and prevented new employees from joining the plan.

In October 2019, the Organization confirmed the designation of church plan status for its frozen defined benefit pension plan. The pension plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA).

The Board of Directors of the Organization executed a resolution to terminate the defined benefit plan effective October 31, 2021. Upon termination of the defined benefit plan, the Organization paid all liabilities and expenses of the defined benefit plan.

The defined benefit plan obligations were settled via a lump sum payment of $16,202,838 and through the purchase of a group annuity policy. CUNA Mutual and the Organization agreed that CUNA Mutual will provide a nonparticipating single premium group annuity contract in connecting with the settlement of liabilities associated with certain benefits arising under the defined benefit plan and the active and terminated employees who have elected to receive annuities under the defined benefit plan, for a premium amount of $18,147,499.

There was no impact to or remaining balances on the consolidated financial statements as of and for the year ended August 31, 2023.

Change in benefit obligation:	
Accumulated benefit obligation at beginning of year	$ 45,221,846
Service cost	340,000
Interest cost	474,910
Actuarial gain	(10,624,475)
Benefits paid and administrative costs	(35,412,281)
Accumulated benefit obligation at end of year	$ -
Change in plan assets:	
Fair value of plan assets at beginning of year	$ 50,433,305
Actual return on plan assets	(1,140,242)
Benefits paid and administrative costs	(35,412,281)
Assets returned to employer	(13,880,782)
Fair value of plan assets at end of year	$ -
Funded status of the plan	$ -

Components of the net periodic benefit cost consist of the following for the years ended August 31:

Service cost	$ 340,000
Interest cost	474,910
Expected return on plan assets	(789,255)
Recognized actuarial loss	1,543
Settlement gain*	(3,528,202)
Total net periodic benefit cost	$ (3,501,004)

Service cost in 2022 was $340,000. The other components of the net periodic benefit cost were $(312,802) in 2022. The other components of the net periodic pension cost are included in the termination of pension plan or adjustment to unfunded pension plan on the consolidated statements of activities.

At August 31, 2022 no amounts had not yet been recognized in net periodic pension cost.

* In October of 2021, the Organization executed a lump sum payout and annuity purchase of the remaining balance of the defined benefit plan assets. The transaction resulted in settlement gains totaling $3,528,202, which is included in termination of pension plan on the consolidated statement of activities, and the reduction of defined benefit plan obligation and assets to $0.

The actuarial assumptions used to develop the net periodic benefit cost for the years ended August 31 were as follows:

	2022
Weighted average discount rate	2.67%
Increase in future compensation levels	N/A
Expected long-term rate of return on assets	3.30%

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

The defined benefit plan had no assets at August 31, 2023 and 2022.

8. Assets Relating to Split-Interest Agreements and Trusts

The Organization has three types of split-interest agreements.

The annuity funds include the accounts of individuals who have made deposits under a gift annuity agreement which provides for payments at a stipulated rate during their lifetime. Upon termination, the individual's account balance becomes the property of the Organization.

Unitrusts also act as vehicles for giving to the Organization. Amounts received are invested and the agreements provide for specified payments to beneficiaries for a term chosen by the donor. When the term has ended, remaining assets are distributed in accordance with the unitrust agreement, most of which identify the Organization as the remainder beneficiary.

The Good Shepherd Fund and Lutheran Church Missouri Synod - Foundation are the trustees for several funds where the Organization is the beneficiary. The assets are held by these trustees, with the Organization having a beneficial interest in the assets and the income.

9. Line of Credit

The Organization has a $35,000,000 line of credit with Bank of America with a variable interest rate of BSBY plus 0.95% (at August 31, 2023, the interest rate was 5.38%). The line of credit is secured by a guarantee of the Foundation and collateral, which consists of a portion of the Foundation's investments. The line of credit is subject to certain covenants. The Organization has represented that it is in compliance with such covenants or has received a waiver for any violations.

The amount borrowed on the line of credit was $2,060,000 and $17,690,872 at August 31, 2023 and 2022, respectively. Interest expense on the line of credit was $497,729 and $390,605 for the years ended August 31, 2023 and 2022, respectively.

10. Mortgage Notes Payable

Mortgage notes payable consist of the following at August 31:

	2023	2022
Commercial note payable to the Lutheran Church Extension Fund-Missouri Synod (LCEF), secured by real property in Victoria, MN, payable in variable, monthly installments ranging from $71,327 to $97,511 including interest at the LCEF Cost of Funds interest rate plus 2.50% (5.125% for 2023), with a final balloon payment of all remaining principal and interest due September 2025. The note payable is secured by a mortgage on the property and includes a $2.0 million limited guarantee provided by the Foundation.	$ 14,218,634	$ 14,485,201
Mortgage note held by Cornerstone Village – Wauwatosa, LLC payable to Town Bank, secured by real property in Wauwatosa, WI, payable in monthly interest-only installments at 3.00% with a final balloon payment of all remaining principal and interest initially due May 2023. The note provides for two 6-month extensions, which the property elected during fiscal year 2023, making the updated due date May 2024. The note payable is secured by a mortgage on the property and by the rights to rental and other contracts on the property.	2,280,000	2,280,000
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $3,633 including interest at 8.38%, due November 2031.	259,086	280,024
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $3,881 including interest at 8.38%, due May 2031.	264,872	288,194
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $1,140 including interest at 9.00% due February 2029.	59,184	67,145

	2023	2022
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $4,334 including interest at 9.25%, due June 30, 2023.	$ -	$ 41,558
Mortgage note payable to HUD with monthly payments of $1,602 including interest at 8.13% due February 28, 2031, secured by a mortgage on the project's land, buildings and equipment.	107,693	117,717
Total	17,189,469	17,559,839
Less current portion	(2,538,855)	(2,636,266)
Long-term portion	$ 14,650,614	$ 14,923,573

Interest expense on mortgage notes payable was $655,893 and $710,236 for the years ended August 31, 2023 and 2022, respectively.

The Organization is subject to certain restrictions and covenants relating to their mortgage notes payable. The Organization represents that it is in compliance with or has received a waiver for all covenants as of August 31, 2023 and 2022.

Principal requirements on mortgage notes payable for years ending after August 31, 2023 are as follows:

Years ending August 31:	
2024	$ 2,538,855
2025	252,855
2026	13,928,279
2027	87,056
2028	94,673
Thereafter	287,751
Total	$ 17,189,469

11. Other Notes Payable

On March 29, 2021, the Organization received loan proceeds in the amount of $10,000,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Economic Aid Act and the American Rescue Plan Act of 2021, and is administered through the Small Business Administration (SBA). PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (between eight and twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities among other expenses.

The Organization received legal release from $7,737,304 of PPP funds, including $146,337 of accrued interest, and is recorded as debt forgiveness within the consolidated statement of activities for the year ended August 31, 2023. The unforgiven PPP funds were repaid in full during fiscal year 2023 and the outstanding balance of the loan as of August 31, 2023 was $0.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

12. Self-Insurance

The Organization has a self-insurance program for health coverage of employees. The Organization self insures benefits under its health plan up to a stop loss of $250,000 per individual, and up to a maximum liability in the aggregate that fluctuates based on the number of participants. Benefit claims are accrued as incurred. The Organization has recorded a liability for unpaid claims of $578,932 and $456,287 as of August 31, 2023 and 2022, respectively.

The liability for the self-insurance program is subject to various estimates such as the number of claims submitted during the year which the Organization has not yet been made aware and the costs of such claims. Due to the level of uncertainty associated with the liability, it is reasonably possible that claims made could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

13. Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31 are composed of:

	2023	2022
Restricted due to time or purpose:		
Purpose restricted	$ 4,315,270	$ 1,706,599
Irrevocable trust held by a third party	253,482	253,482
Held by LCEF	1,402,033	2,050,592
Restricted due to requirements to hold in perpetuity:		
Restricted for endowment	7,840,543	7,735,404
Held by Good Shepherd Fund	1,568,222	1,451,951
Total	$ 15,379,550	$ 13,198,028

14. Endowment

The Organization follows current authoritative guidance, which provides guidance on classifying net assets associated with endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the guidance is a requirement to classify the donor-restricted endowment fund as net assets with donor restrictions until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The Organization's endowment fund (Endowment Fund) consists of approximately 30 individual funds established for a variety of purposes. The Organization excludes from the Endowment Fund assets held on its behalf by outside organizations. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Organization has interpreted UPMIFA enacted in the State of Wisconsin as requiring the creation of an endowment of permanent duration with the original value of a donor's gift when a donor's gift instrument evidences such intent by use of terminology consistent with UPMIFA, unless other language in the gift instrument limits the duration or purpose of the fund. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund is included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, unless the donor's gift instrument otherwise specifically limits the authority to appropriate for expenditure or accumulate, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

Endowment net asset composition by type of fund consists of the following at August 31:

	2023				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain	Total	Total Endowment
Donor-restricted endowment funds	$ -	$ 7,840,543	$ 632,460	$ 8,473,003	$ 8,473,003

	2022				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain	Total	Total Endowment
Donor-restricted endowment funds	$ -	$ 7,735,404	$ 157,774	$ 7,893,178	$ 7,893,178

Changes in endowment net assets for the year ended August 31:

	2023				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain	Total	Total Endowment
Endowment net assets, beginning of year	$ -	$ 7,735,404	$ 157,774	$ 7,893,178	$ 7,893,178
Investment income, net of fees	-	121,885	762,800	884,685	884,685
Contributions	-	2,113	-	2,113	2,113
Amounts appropriated for expenditure	-	(18,859)	(288,114)	(306,973)	(306,973)
Endowment net assets, end of year	$ -	$ 7,840,543	$ 632,460	$ 8,473,003	$ 8,473,003

	2022				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain	Total	Total Endowment
Endowment net assets, beginning of year	$ -	$ 5,777,030	$ 149,509	$ 5,926,539	$ 5,926,539
Investment income, net of fees	-	2,445	8,265	10,710	10,710
Contributions	-	1,955,929	-	1,955,929	1,955,929
Endowment net assets, end of year	$ -	$ 7,735,404	$ 157,774	$ 7,893,178	$ 7,893,178

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature as of August 31, 2023 and 2022. These deficiencies would result from unfavorable market fluctuations that occurred shortly after the investment of new endowment contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in the endowment.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization appropriates 3% of the rolling 24 month average market value of the endowment investment balance. In years of no or negative investment income, accumulated earnings on the endowments are still appropriated at 3% of the rolling 24 month average market value of the endowment investment balance, up to the total accumulated earnings on the fund. Accumulated unappropriated earnings are presented in net assets with donor restrictions until appropriated. For ease of tracking, earnings are transferred to AbleLight when appropriated.

15. Leases

The Organization has real property operating leases for its corporate headquarters, administrative offices, thrift stores and residential facilities that it operates with original terms that vary from one to seven years. Certain of these leases have available renewal options, extending the terms of the underlying leases from one to five years per renewal option term. Other leases existing at adoption may have available month-to-month renewal options. Additionally, certain leases have early termination options. The real property leases generally require the payment of fixed monthly base rent payments which may escalate over the term of the lease. The Organization is also responsible for paying variable operating expenses including property taxes, insurance and other operating costs.

The Organization currently leases land under an operating lease with an original term of one hundred years. This lease has one available renewal option, extending the term of the underlying lease by ninety-nine years. The Organization is also responsible for paying variable operating expenses including property taxes, insurance and other operating costs.

The Organization has a fleet of vehicles which are leased under a master lease agreement. The vehicles are used in the Organization's operations and are classified as finance leases. These leases have original terms ranging from three to five years. The vehicle leases require monthly payments for variable operating expenses including property taxes, insurance and maintenance and repair costs.

The vehicle leases also include a residual value guarantee whereby the Organization must ensure a minimum value of the asset upon expiration of the lease and is obligated to reimburse the lessor for any shortfall of the asset's value as compared to the residual value guarantee. The Organization has included the residual value guarantee amounts in future lease payments.

Leases, Prior to September 1, 2022

In fiscal year 2022, the Organization had operating leases for various properties, land, office space, vehicles and equipment for the operation of its activities. There were also numerous leases that were on a month-to-month basis. Rent expense on these operating leases was $2,415,024 for the year ended August 31, 2022.

In fiscal year 2022, the Organization had capital leases agreements for the use of vehicles. The capitalized cost of the lease property at August 31, 2022 was $837,431. Amortization expense on capital leases was included with depreciation expense. Accumulated amortization was $345,851 as of August 31, 2022.

For fiscal year 2022, capital lease obligations were included in other current liabilities and other long-term liabilities on the consolidated statements of financial position. Interest expense related to capital leases was $17,129 for the year ended August 31, 2022.

Leases, September 1, 2022 and After

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewals and early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term. Additionally, upon adoption of the new standard, the Organization made judgments regarding lease terms for certain of its leases that were in month-to-month status or that contained auto-renewal clauses. The Organization estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Determined appropriate amounts relating to the portfolio approach for auto leases;
- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments; and
- Allocated consideration in the contract between lease and nonlease components for its vehicle asset class.

The Organization does not have material leasing transactions with related parties.

Below is a summary of expenses incurred pertaining to leases during the year ended August 31, 2023:

Finance lease expense:		
Amortization of right-of-use assets	$	167,183
Interest on lease liabilities		24,647
Total finance lease expense	$	191,830
Operating lease expense:		
Operating lease expense	$	1,986,376
Short-term lease expense		179,416
Variable lease expense		710,271

Total operating lease expense	$ 2,876,063

The following table presents supplemental information related to leases:

Weighted average remaining lease term (in years):	
Operating leases	5.81
Finance leases	3.00
Weighted average discount rate:	
Operating leases	3.80 %
Finance leases	5.14 %

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after August 31, 2023:

	Operating Leases	**Finance Leases**
Years Ending August 31:		
2024	$ 1,964,025	$ 262,014
2025	1,619,377	215,214
2026	1,025,335	118,065
2027	529,000	79,199
2028	362,777	125,268
Thereafter	726,100	-
Total future undiscounted lease payments	6,226,614	799,760
Less present value discount	(556,464)	(82,533)
Present value of lease liabilities	5,670,150	717,227
Less current portion	(1,781,557)	(157,244)
Long-term lease liabilities	$ 3,888,593	$ 559,983

The following table includes supplemental cash flow and noncash information related to the leases for the year ended August 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 1,986,376
Financing cash flows from finance leases	205,147
Right-of-use assets obtained in exchange for lease liabilities at September 1, 2022:	
Operating leases	4,563,225
Finance leases	491,580
Right-of-use assets obtained in exchange for lease liabilities obtained in fiscal year 2023:	
Operating leases	1,015,927
Finance leases	438,077
Right-of-use assets adjustment due to lease remeasurements:	
Operating leases	1,677,533
Right-of-use assets adjustment due to early terminations:	
Finance leases	(7,283)

The Organization has entered into a lease agreement for an office which, at August 31, 2023, was not in the control of the Organization. Therefore, the lease has not yet commenced as of the year ended August 31, 2023. The initial term of the lease is for seven years, with an estimated delivery date to the Organization of October 1, 2023. The lease also includes two renewal option periods of five years each. The estimated base rent amount for the initial term of the lease is approximately $882,349. The Organization will classify and measure the lease according to Topic 842 at the date of lease commencement.

16. Fiduciary Responsibilities

The Foundation acts as trustee for the Bethesda Lutheran Home Pooled Income Funds and certain Unitrust Funds and Annuity Trusts (the Fund). As trustee, the Foundation distributes income earned on investments to donor-designated beneficiaries in accordance with trust agreements. Upon the death of the last beneficiary or expiration of the trust, the remaining interest in a donor's contribution is severed from the Fund and becomes available for maintenance and benefit of AbleLight or the Foundation unless another beneficiary is specified. In addition, the Foundation acts as trustee for supplementary trusts, the beneficiaries of which are clients. All assets included in these funds and trusts are included in assets relating to split-interest agreements and trusts in the consolidated statements of financial position in the amount of $8,886,092 and $9,020,295 as of August 31, 2023 and 2022, respectively. The amount due to beneficiaries as of August 31, 2023 and 2022 was $3,045,430 and $3,230,674, respectively.

Annuity funds include the accounts of individuals who have made deposits under a gift annuity agreement which provides for payments at a stipulated rate during their lifetime. Upon termination, the individual's account balance becomes the property of the Organization. Assets held related to annuity funds are held in investments and were $5,952,192 and $6,643,884 as of August 31, 2023 and 2022, respectively. The amount due to beneficiaries relating to gift annuities was $3,551,274 and $3,695,230 as of August 31, 2023 and 2022, respectively, and is included in due to beneficiaries and others under split interest agreements and trusts on the consolidated statements of financial position.

Discretionary trusts where the Foundation is the trustee are held and administered in accordance with the wishes of the donors. Upon the death of the donor, the trust principal and income become available for supplemental care of specified AbleLight clients (trust beneficiary). The trust assets are not recognized by the Foundation until the death of the trust beneficiary, or termination of the trust, and then the trust assets are reflected in the Foundation's net assets without donor restrictions.

17. Capital Advances

The Organization received capital advances of $1,201,300 from HUD to finance the purchase of low income housing units. The advances given to the Organization were in the form of mortgage notes which bear no interest and require no repayment provided that the housing to which they relate remain available for low-income developmentally disabled persons in accordance with the appropriate regulations until dates ranging from November 2034 to February 2035. If the Organization does not comply with the terms of the agreements, the entire advance amounts plus interest at 6.625% per year would be required to be paid back to HUD. The capital advances are recorded as net assets without donor restrictions on the accompanying consolidated statements of financial position.

18. Commitments and Contingencies

Financial Awards From Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Litigation

As of August 31, 2023, the Organization, after consultation with legal counsel, has recorded a liability for approximately $1.65 million in connection with a settlement expected to be paid during fiscal year 2024. Additionally, the Organization is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these other matters will be resolved without a material adverse effect on the Organization's consolidated financial position or activities.

19. Revenues

Disaggregation of Revenue

The Organization disaggregates its revenue from contracts with customers by residential and nonresidential payor sources, as the Organization believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors. Program service revenue by payor source is as follows for the year ending August 31:

	2023	2022
Payor source:		
Residential:		
Medicaid	$ 72,200,513	$ 59,813,335
Private	3,524,684	3,306,957
Other	95,375	111,351
Total residential	75,820,572	63,231,643
Nonresidential:		
Medicaid	2,900,030	2,719,362
Private	348,876	323,392
Other	229,685	937,326
Total nonresidential	3,478,591	3,980,080
Total revenues from contracts with customers	79,299,163	67,211,723
Revenue from leases	1,692,938	1,606,776
Other revenue	14,750	143,250
Total program service revenues	$ 81,006,851	$ 68,961,749

Substantially, all of the program service revenues from contracts with customers is recognized over time as the related performance obligations are satisfied for the years ended August 31, 2023 and 2022. Additionally, substantially all amounts billed are traditionally fully collected.

20. Concentrations

The Organization maintains cash balances in several institutions which exceed the federally insured limit of $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. Substantially all of the client programs receivable at August 31, 2023 and 2022 was from governmental third-party payors.

The Organization receives Medicaid funding from programs in various states. Medicaid reimbursement methodology varies from state to state. Approximately 93% and 91% of program service revenue was generated from services to Medicaid beneficiaries in 2023 and 2022, respectively. The Organization's client programs accounts receivable primarily consists of amounts due from Medicaid at August 31, 2023 and 2022.

21. Subsequent Events

The Organization has evaluated subsequent events through December 21, 2023, which is the date that the consolidated financial statements were approved and available to be issued.

AbleLight Inc. and Affiliates

Consolidating Statement of Financial Position
August 31, 2023

	AbleLight	Foundation	AbleLight Village	Eliminations	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 6,696,435	$ 3,755,780	$ 240,460	$ -	$ 10,692,675
Accounts receivable:					
Client programs	8,485,361	-	2,407	-	8,487,768
Interest and other	336,006	513,529	7,200	-	856,735
Contributions and legacies	566,388	-	-	-	566,388
Intercompany	10,670,974	-	744,458	(11,415,432)	-
Supply inventories	38,319	-	-	-	38,319
Prepaid expenses and other current assets	1,409,817	-	4,458	-	1,414,275
Assets held for sale	1,640,636	-	-	-	1,640,636
Total current assets	29,843,936	4,269,309	998,983	(11,415,432)	23,696,796
Assets Whose Use is Limited or Restricted					
Beneficial interest in subsidiaries	96,387,513	-	-	(96,387,513)	-
Funds held on behalf of clients	1,338,387	-	153,559	-	1,491,946
Escrow deposits	1,498,973	-	-	-	1,498,973
Total assets whose use is limited or restricted	99,224,873	-	153,559	(96,387,513)	2,990,919
Other Assets					
Investments	3,351,620	91,595,842	-	-	94,947,462
Assets relating to split-interest agreements and trusts	3,223,737	8,886,092	-	-	12,109,829
Notes receivable and other assets	112,838	-	-	-	112,838
Operating lease right-of-use assets, net	5,450,308	-	-	-	5,450,308
Finance lease right-of-use assets, net	755,191	-	-	-	755,191
Intangible assets	1,490,747	-	-	-	1,490,747
Total other assets	14,384,441	100,481,934	-	-	114,866,375
Property and Equipment, Net	19,099,979	-	19,197,826	(230,621)	38,067,184
Total assets	$ 162,553,229	$ 104,751,243	$ 20,350,368	$ (108,033,566)	$ 179,621,274

AbleLight Inc. and Affiliates

Consolidating Statement of Financial Position
August 31, 2023

	AbleLight	Foundation	AbleLight Village	Eliminations	Consolidated
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	$ 4,805,648	$ 30,000	$ -	$ -	$ 4,835,648
Intercompany accounts payable	4,591,772	102,530	6,721,130	(11,415,432)	-
Salaries, wages, related withholdings and fringe benefits	5,879,721	-	-	-	5,879,721
Line of credit	2,060,000	-	-	-	2,060,000
Current portion of mortgage notes payable	67,691	-	2,471,164	-	2,538,855
Current portion of operating lease liabilities	1,781,557	-	-	-	1,781,557
Current portion of finance lease liabilities	157,244	-	-	-	157,244
Other current liabilities	716,542	-	17,904	-	734,446
Total current liabilities	20,060,175	132,530	9,210,198	(11,415,432)	17,987,471
Long-Term Liabilities					
Due to beneficiaries and others under split-interest agreements and trusts	1,353,111	5,243,593	-	-	6,596,704
Mortgage notes payable	623,144	-	14,027,470	-	14,650,614
Operating lease liabilities	3,888,593	-	-	-	3,888,593
Finance lease liabilities	559,983	-	-	-	559,983
Funds held on behalf of clients	734,789	-	100,307	-	835,096
Other long-term liabilities	1,438,131	-	-	-	1,438,131
Total long-term liabilities	8,597,751	5,243,593	14,127,777	-	27,969,121
Total liabilities	28,657,926	5,376,123	23,337,975	(11,415,432)	45,956,592
Net Assets					
Without donor restrictions:					
Controlling interests	118,515,753	90,902,117	(3,273,870)	(88,127,931)	118,016,069
Non-controlling interests	-	-	269,063	-	269,063
Total without donor restrictions	118,515,753	90,902,117	(3,004,807)	(88,127,931)	118,285,132
With donor restrictions	15,379,550	8,473,003	17,200	(8,490,203)	15,379,550
Total net assets (deficit)	133,895,303	99,375,120	(2,987,607)	(96,618,134)	133,664,682
Total liabilities and net assets	$ 162,553,229	$ 104,751,243	$ 20,350,368	$ (108,033,566)	$ 179,621,274

AbleLight Inc. and Affiliates

Consolidating Statement of Activities
Year Ended August 31, 2023

	Without Donor Restrictions				
	AbleLight	Foundation	AbleLight Village	Eliminations	Consolidated
Public Support					
Contributions and legacies	$ 6,024,382	$ 383,481	$ 500	$ -	$ 6,408,363
Contributions of nonfinancial assets	6,385,136	-	-	-	6,385,136
Net assets released from restrictions, operations	419,969	-	5,500	-	425,469
Total public support	12,829,487	383,481	6,000	-	13,218,968
Revenue					
Program service revenue	81,006,851	-	-	-	81,006,851
Investment income, net of fees	206,886	7,064,615	29	-	7,271,530
Retail operations income	6,494,706	-	-	-	6,494,706
Rental income	106,986	-	1,406,783	-	1,513,769
Gain (loss) on sale of property and equipment and other settlements	(970,001)	-	552,109	-	(417,892)
Change in value of split-interest annuities	(33,405)	(41,770)	-	-	(75,175)
Change in beneficial interest in subsidiaries	(7,129,523)	-	-	7,129,523	-
Other	492,370	-	157,506	-	649,876
Total revenue	80,174,870	7,022,845	2,116,427	7,129,523	96,443,665
Total public support and revenue	93,004,357	7,406,326	2,122,427	7,129,523	109,662,633
Expenses					
Program expenses	97,904,847	-	1,963,710	(8,543)	99,860,014
Management and general expenses	15,334,894	-	492,586	-	15,827,480
Fundraising expenses	3,314,689	51,037	-	-	3,365,726
Total expenses	116,554,430	51,037	2,456,296	(8,543)	119,053,220
Change in net assets before nonoperating activities	(23,550,073)	7,355,289	(333,869)	7,138,066	(9,390,587)
Nonoperating Activities					
Net assets released from restrictions, property and equipment	13,930	-	-	-	13,930
Capital contributions, net	-	-	169,057	-	169,057
Debt forgiveness	7,737,304	-	-	-	7,737,304
Total nonoperating activities	7,751,234	-	169,057	-	7,920,291
Change in net assets before equity transfers	(15,798,839)	7,355,289	(164,812)	7,138,066	(1,470,296)
Equity transfers	14,320,000	(14,320,000)	-	-	-
Change in net assets	(1,478,839)	(6,964,711)	(164,812)	7,138,066	(1,470,296)
Net Assets (Deficit), Beginning	119,994,592	97,866,828	(2,839,995)	(95,265,997)	119,755,428
Net Assets (Deficit), Ending	$ 118,515,753	$ 90,902,117	$ (3,004,807)	$ (88,127,931)	$ 118,285,132

AbleLight Inc. and Affiliates

Consolidating Statement of Activities
Year Ended August 31, 2023

	With Donor Restrictions				
	AbleLight	**Foundation**	**AbleLight Village**	**Eliminations**	**Consolidated**
Public Support					
Net assets released from restrictions, operations	$ (419,969)	$ -	$ (5,500)	$ -	$ (425,469)
Revenue					
Gain on sale of property and equipment and other settlements	1,687,519	-	-	-	1,687,519
Change in beneficial interest in subsidiaries	732,099	-	-	(732,099)	-
Total public support and revenue	1,999,649	-	(5,500)	(732,099)	1,262,050
Nonoperating Activities					
Net assets released from restrictions, property and equipment	(13,930)	-	-	-	(13,930)
Restricted contributions	46,603	2,114	-	-	48,717
Restricted investment income, net of fees	-	884,685	-	-	884,685
Total nonoperating activities	32,673	886,799	-	-	919,472
Change in net assets before equity transfers	2,032,322	886,799	(5,500)	(732,099)	2,181,522
Equity transfers	149,200	(149,200)	-	-	-
Change in net assets	2,181,522	737,599	(5,500)	(732,099)	2,181,522
Net Assets, Beginning	13,198,028	7,735,404	22,700	(7,758,104)	13,198,028
Net Assets, Ending	$ 15,379,550	$ 8,473,003	$ 17,200	$ (8,490,203)	$ 15,379,550